
Annual Report

2010
Biotest AG

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2000 at a Glance

Group	2000 DM million	1999 DM million	Change %
Sales	464.4	412.6	12.6
of which: Germany	149.0	154.1	- 3.3
Rest of world	315.4	258.5	22.0
of which: Pharmaceutical division	314.5	273.0	15.2
Diagnostic division	124.4	120.8	3.0
Medical Devices division	25.5	18.8	35.6
Profit before tax	22.8	8.6	165.1
Profit before tax as % of sales	4.9 %	2.1 %	
Net profit	13.7	3.3	315.2
Net profit as % of sales	3.0 %	0.8 %	
EBIT	31.4	14.4	118.1
EBITDA	51.4	38.2	34.6
Structure of expense, by nature:			
- Cost of materials	196.3	159.0	23.5
- Personnel Costs	128.1	116.5	10.0
- Research and development	34.2	34.0	0.6
- Research and development as % sales	7.4 %	8.2 %	
Capital expenditure:			
- Property, plant and equipment and intangible assets	30.6	28.6	7.0
of which leasing	—	9.6	—
- Financial assets	0.4	0.4	0.0
Financing:			
- Cash flow	36.8	28.3	30.0
- Depreciation and amortisation	20.0	23.8	- 16.0
Shareholders' equity	241.1	230.8	4.5
Shareholders' equity as % of balance sheet total	42.8 %	46.3 %	
Balance sheet total	562.7	498.1	13.0
Number of employees as at December 31	1,148	1,140	0.7
DVFA/SG earnings (Group) in DM per share	1.54	0.40	285.0



Dr. Manfred Hübener (l)
Member of the Board of Management, CFO

Dr. Dieter Merz (m)
Chairman of the Board of Management

Dr. Roland Reiner (r)
Member of the Board of Management and
Managing Director of Biotest Pharma GmbH



Dr. Rainer Pabst (l)
Managing Director responsible for production/
technology at Biotest Pharma GmbH

Dr. Walter Brulez (r)
Managing Director responsible for marketing/
distribution at Biotest Pharma GmbH



Dr. Rolf Vornhagen (l)
Managing Director
Technical Division Diagnostics

Dirk Steindorf (r)
Managing Director
Commercial Division Diagnostics



Bernd Lindner (l)
Managing Director
at Envitec-Wismar GmbH

Dr. Peter Geigle (r)
Managing Director
at Biotest Medizintechnik GmbH

The Fascination of Blood:
Regulation, Immune Defence,
Supply within the Body

Blood and Plasma:
Centre
of our Activities

Investments into the Future

Structural changes in the new millennium

Dear Shareholders,

The year 2000 was a particularly successful year for Biotest with more than 12% growth in sales and the highest net profit ever in the group's history. It also was a year of important landmark decisions for the sustained future growth and business orientation of the company. This will be achieved through improved internal structures, investing activities to increase our competitiveness, further internationalisation and stronger growth and profitability. As a preface to this Annual Report I would like to give you a summary of these achievements for the whole group.

Management

In the past year, fundamental changes were made in the management structure which will enable us to succeed in the new millennium. Firstly, we appointed a new Chief Financial Officer with extensive knowledge in the international business field and in investor relations. Biotest Pharma GmbH's management team was further expanded by employing a Managing Director responsible for production and technology who can call on many years of experience, gained internationally. Also at the beginning of 2001, an experienced Marketing Manager, with a background in that industry, was taken on by the Diagnostic division. Together with a senior employee who already has proven his management qualities, they are now responsible for the Diagnostic division. These appointments relieve the Chairman of the Board of Management who until now also was the Head of the Diagnostic division. In future he can thus concentrate on managing the Group, investor relations and management development.

With these changes in the Board of Management, the management of Biotest Pharma GmbH and the management of the Diagnostic division, we have built-up a management team with the competence and capacity to meet and successfully implement the future challenges ahead. The management of our foreign affiliated companies was also strengthened by the appointment of high calibre Directors in France and in Austria.

The strengthening of our personnel department enabled us to implement a carefully developed programme for a new management concept. This concept is based upon objective-oriented management, methodical development of the organisation and its human resources as well as an incentive programme, which is based on the return on Group sales, for employees who hold an exempt-status. Due to the strong commitment of all participants and the high level of acceptance among those involved, we have already implemented significant elements of this programme and introduced a dynamic development process for a new management culture at Biotest.

Capital expenditure

Capital expenditure for the future of Biotest reached a historical high last year. It focused on:

- *New technologies and products derived from our own research activities*

These include:

- careful processes for highly effective, safe and profitable blood plasma products in the Pharmaceutical division
- biotechnology in the form of monoclonal antibodies and genetic engineering in connection with the automation of innovative test systems in the Diagnostic division
- new methods for the analysis of blood components and the separation of blood in the Medical Devices division

- *Manufacturing processes*

The high level of capital expenditure in this area, to the tune of DM 120 million over the coming years, made good progress in the last year. Capital expenditure at Heipha, at Envitec and some parts at the Dreieich site will be put into operation as early as the first half of 2001. These investments primarily focus on modern and high-performance manufacturing appliances which will provide higher production capacities in accordance with the market's needs as well as the increased safety requirements in production processes.



Dr. Dieter Merz (59)

Doctorate in chemistry,
has been working for Biotest since 1969,
Gained experience in research and development,
technology, product management, divisional
management and is now Chairman of the Board
of Management at Biotest AG

New Structures
for Profitable Growth

● *Internationalisation*

In the Pharmaceutical division, our investments concentrate on additional, in part pan-European product registrations as a prerequisite for the expansion of our international activities. In the Diagnostic division, the increasing demand for automated systems requires the expansion of our infrastructure, particularly for the product and maintenance service in Germany and abroad. In the Medical Devices division, the main activity is to build an international distribution network to successfully market new and innovative products.

Taking into consideration the long lead times for development, testing and registration of our products, it is not only the financial aspect which requires us to be patient until these products are successfully launched onto the market.

Future strategy

As a medium-sized company, Biotest must strictly concentrate on its strengths and competitive advantages and fully exhaust these on an international level. This means focussing on the core business of therapeutic plasma products, specialised cell and infectious disease diagnostics, hygiene monitoring as well as the innovative medical device systems for blood analysis and separation.

On an international level, Biotest occupies a strong position in market niches. This applies in particular for the wide spread programme of hyperimmunoglobulins combating viral infections, genetically engineered herpesvirus tests, the RCS air sampler as the gold standard in hygiene monitoring, and the new technology of blood separation with the MedCell system.

Our aim is to keep our status as the technology leader in these fields and to further benefit from it on an international basis.

Investor relations

As a well established company, operating successfully for many years, Biotest can demonstrate a clean and proven business track record. The company may therefore be categorised as part of the "old economy", but is also successfully active to a large extent in biotechnology areas which are dominated by companies belonging to the "new economy". Our products in the areas of monoclonal antibodies, DNA/genetic engineering as well as high-tech systems in diagnostics and medical technology pertain to this field. As a result we intend to meet the particular challenge of informing our shareholders and the financial markets about our company's demanding medical and scientific activities which at times require some explanation, in a simple and understandable way. This will help us achieve the justified positive impetus for Biotest's share price development.

In the name of the Board of Management and all Directors, I would like to express our sincere gratitude to our employees for their strong commitment, to our partners for their constructive co-operation and to our shareholders for their loyalty to the group.

We look forward to the future with confidence and we will do our very best to act in the legitimate interests of all stakeholders.

On behalf of the Board of Management
Yours faithfully



Dieter Merz

Management Report
Biotest Group

Overview

Sales grew by more than 12% to DM 464 million

In the financial year 2000, the Biotest Group managed to record positive growth rates or improvements in the most important ratios.

Biotest Group was able to increase sales from DM 412.6 million in the previous year to DM 464.4 million. This was wholly due to organic growth.

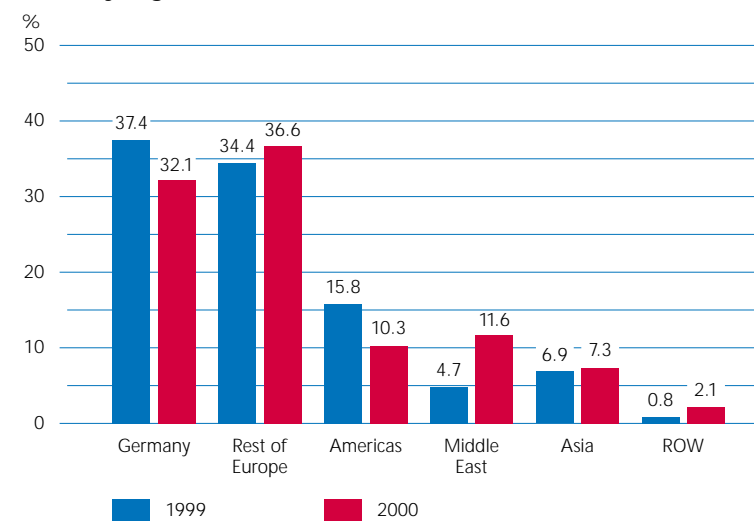
While all three Group divisions contributed differently to this development, growth was again exclusively generated abroad. Just like many other participants, Biotest suffered from the well-known difficulties in Germany, namely the cost-cutting measures in the health care sector. However, Biotest limited the adverse consequences.

Foreign sales rose by 22% to DM 315.4 million (1999: DM 258.5 million) particularly in the Pharmaceutical division. Domestic sales once more decreased by 3.3% to DM 149.0 million. This development was attributable to the above-mentioned reasons as well as the delayed market launch of some products and the sale and closure of Astrapin Pharma GmbH & Co. KG.

The Pharmaceutical division improved its global export distribution and diversified sales across an expanded geographic base. Encouraging growth was recorded in Europe, particularly in Italy, in the Middle East, Asia and rest of world. The increase in the dollar exchange rate also contributed to this rise. In the Americas, Biotest was able to maintain sales – which were based on tender offers – on a high level, albeit below the previous year's figures.

New products in the Pharmaceutical division, i.e. in the innovative immunoglobulin CP product range, contributed to growth as well as blood coagulation preparations which gained further importance.

Sales by region in %



Cost-cutting measures in the public health sector were felt more strongly in the Diagnostic division. New products were launched in the area of virus and cell diagnosis. Thorough and intensive testing of the blood group determination system TANGO was carried out. This took more time than had initially been anticipated.

In the Medical Devices division, too, we generated growth with new pulse oximetry products.

Broken down by geographical segments, sales reflect a broad and positive development. In addition to a strong rise in Europe, several other geographical regions also recorded significant improvements. South America, which had until this reporting period been the growth driver, has temporarily become less active.

The share of foreign sales further increased to a current level of 67.9%. The internationalisation of the Biotest Group continues.

Net profit of DM 13.7 million

Net profit increased to DM 13.7 million after DM 3.3 million in the previous year. Positive effects contributing to this development were sales growth as well as the improvement in the structure of manufacturing costs and exchange rate effects. In contrast, a certain decline in margins in the diagnostics business and the sale and closure of Astrapin Pharma GmbH & Co. KG had an adverse effect on the net profit. The corporation tax credit used by Biotest Pharma GmbH had a positive effect on the net profit.

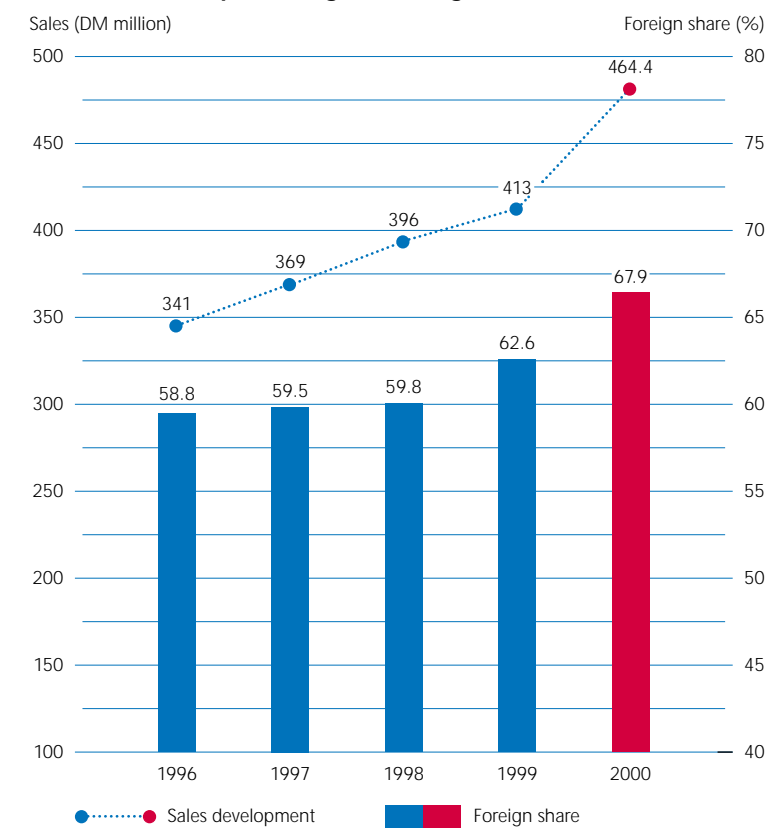
Dividend

The Supervisory Board and the Board of Management propose to increase dividends from the previous year's level and distribute an amount of 2.24 million (DM 4,38 million) from the distributable profit.

This amount corresponds to a dividend of 0.31 per preference share and 0.25 per ordinary share.

For shareholders subject to German income or corporation tax, the dividend increases for the last time by the tax credit of 0.13 per preference share or 0.11 per ordinary share.

Sales trend and percentage of foreign share





Dr. Manfred Hübener (45)
 Graduate in business administration (Dipl.-Kaufmann) and MBA,
 CFO at Biotest AG since June 2000,
 formerly employed by Bayer AG as CFO of Bayer Group UK
 since 1993,
 prior to that, Head of Investor Relations and speaker in the
 financial secretary's office of the Group's headquarters

Higher Enterprise Value

Thanks to an Improved Profitability
 and Investor Relations

Business Development and Income Level

Sales by division were as follows:

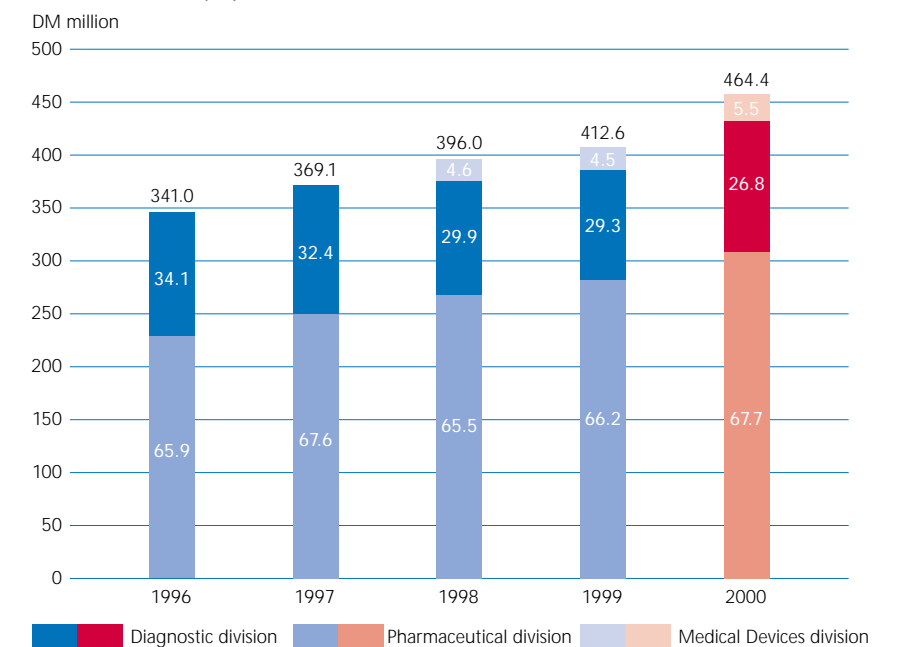
Division	2000 DM million	1999 DM million	Change %
Pharmaceutical	314.5	273.0	+ 15.2
Diagnostic	124.4	120.8	+ 3.0
Medical Devices	25.5	18.8	+ 35.6
Total	464.4	412.6	+ 12.6

The Pharmaceutical division once more increased sales significantly by 15.2% or DM 41.5 million. We were able to record an extensive market expansion in Italy, achieved by our local subsidiary. Furthermore, we were directly successful in various markets, such as in the Middle East and the recovering Asian market. The latter development was primarily attributable to tenders won in that region.

In the Diagnostic division, we stabilised sales in the most important markets and managed to increase them by 3.0% from the previous year's level. Although it was not possible to achieve a high volume of sales with the main development project TANGO, at the same time, the other products successfully defended their market position. This is a good starting position for the year 2001.

The favourable development of the dollar exchange rate also contributed to the sales increase at our US subsidiary.

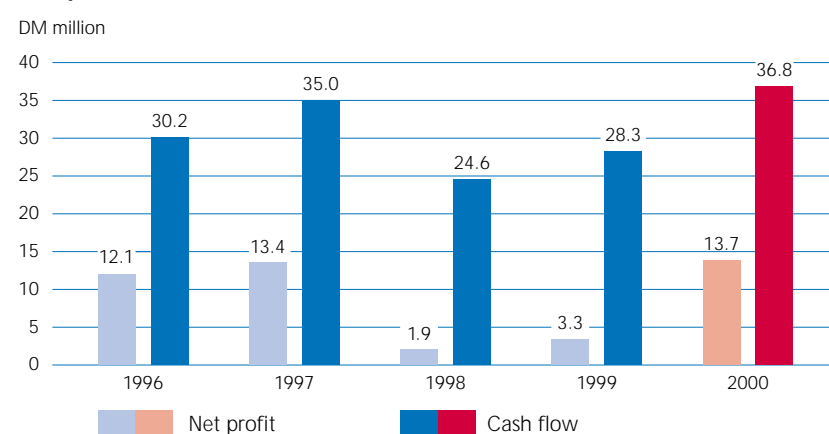
Sales by divisions in DM million (%)



In accordance with previous statements, the Medical Devices division concluded and launched several product developments in the market. It was thus able to generate distinctly higher sales than in the first half of the year. Market penetration was lower than anticipated which was due to the increased activity of some competitors.

The Group's profit developed very positively. This was due to considerable sales growth, measures to reduce production costs, a cost-effective human resources policy and a favourable development in exchange rates for Biotest in the year 2000. The sale and closure of the subsidiary Astrapin Pharma GmbH & Co. KG had a negative effect on the profit.

Net profit/Cash flow



Income and expenditure was as follows:

	2000		1999	
	DM million	%	DM million	%
Sales	464.4		412.6	
Total output	488.2	100.0	410.6	100.0
Cost of materials and services purchased	- 196.3	- 40.2	- 159.0	- 38.7
Gross profit	291.9	59.8	251.6	61.3
Other operating income	16.7	3.4	11.3	2.8
Personnel costs	- 128.1	- 26.2	- 116.5	- 28.4
Depreciation and amortisation	- 20.0	- 4.1	- 23.8	- 5.8
Other operating expense	- 129.1	- 26.4	- 108.2	- 26.4
Operating profit	31.4	6.4	14.4	3.5
Financial result	- 8.6	- 1.8	- 5.8	- 1.4
Result from ordinary activities	22.8	4.7	8.6	2.1
Net profit	13.7	2.8	3.3	0.8
EBITDA	51.4	10.5	38.2	9.3

The Group's total output for the financial year 2000 increased by 18.9% or DM 77.6 million to DM 488.2 million which was due to the favourable sales development and to an increase in product inventories as a prerequisite for further growth at Biotest Pharma GmbH.

The materials ratio slightly rose from 38.7% to 40.2% as a consequence of higher inventories as well as a higher share of exports and reduced margins in the diagnostics business. Adjusted for changes in inventories, the materials ratio would have amounted to approximately 39.5%.

Gross profit increased by 16% from DM 251.6 million in the previous year to DM 291.9 million which was primarily achieved in the Pharmaceutical division.

Other operating income amounted to DM 16.7 million in the reporting period, after DM 11.3 million in the previous year. The increase is attributable to exchange rate gains to the tune of DM 3 million and to income from the sale of assets in the context of the closure of Astrapin Pharma GmbH & Co. KG, to the tune of DM 1.2 million.

While personnel costs rose distinctly from the previous year, they further decreased on a percentage basis and are recorded at 26.2% – the lowest level for years. The increase in the number of employees, higher transfers to provisions for pensions and for the pre-retirement programme to the tune of DM 3 million played a role in the increase in absolute terms.

Other operating expense was up by DM 20.9 million to DM 129.1 million. It now accounts for 26.4% of total output but includes DM 2.2 million, a one-off charge related to the closure of Astrapin Pharma GmbH & Co. KG.

As a consequence of the higher utilisation of credit lines and the higher interest rate level, the financial result deteriorated from DM -5.8 million to DM -8.7 million.

The tax ratio further declined to approximately 38% in the reporting period. This was in part due to the usage of the corporation tax credit of Biotest Pharma GmbH



Karl Heinrich F. Wenzel (58)
 Graduate in business administration (Dipl.-Kaufmann),
 1968–1970 Adam Opel AG, Rüsselsheim,
 since 1971 at Biotest with various functions in controlling,
 most recently established Group controlling,
 Head of Group co-ordination

Increasing Level of Fixed Assets
 and high Equity Capital Ratio
 combined with high Liquidity

Statement of Assets and Financial Position

The Group's balance sheet total rose by DM 64.6 million to DM 562.7 million in the year 2000. This increase primarily affects current assets, and to a less extent, fixed assets.

The intensive capital expenditure activities of the Group, is only to a limited extent, reflected in the balance sheet. Two large-scale investment projects of Biotest Pharma GmbH, namely the new fractionation and sterile final fill, are funded through leasing contracts and are not recorded. Furthermore some subsidiaries are setting-up new operating and production sites.

Fixed assets increased by DM 5.9 million to DM 176.3 million. Investments of DM 31.0 million were offset by depreciation of DM 20.0 million and disposals with a book value of DM 1.2 million.

Inventories rose by 27.3% or DM 46.9 million to DM 218.8 million. The vast majority of this amount was attributable to changes in inventories at Biotest Pharma GmbH. This was due to the increased sales volume, a higher variety in the product line and simultaneous production processes according to old and new registrations. After the introduction of the new fractionation process (FH), a reduction of inventories is scheduled.

Accounts receivable also rose as a result of general expansion of sales in the pharmaceuticals business and due to a strong rise of sales in markets with longer payment terms.

In detail, the Group's financial position was as follows:

Assets	2000		1999	
	DM million	%	DM million	%
Fixed assets	176.3	31.3	170.4	34.2
– Inventories	218.8	38.9	171.9	34.5
– Receivables and prepaid expenses	141.7	25.2	123.1	24.7
– Securities and liquid funds	25.9	4.6	32.7	6.6
Current assets	386.4	68.7	327.7	65.8
Balance sheet total	562.7	100.0	498.1	100.0
Shareholders' equity and liabilities				
Shareholders' equity	241.1	42.8	230.8	46.3
Special items with partial reserve character	0.1	—	0.1	—
– Provisions for pensions	52.0	9.2	49.0	9.8
– Other provisions	32.4	5.8	23.2	4.7
Total provisions	86.4	15.4	72.2	14.5
– Liabilities due to banks	168.6	30.0	124.7	25.0
– Other liabilities	66.5	11.8	70.4	14.1
Total liabilities	235.1	41.8	195.1	39.2
Balance sheet total	562.7	100.0	498.1	100.0

After dividend payments the shareholders' equity rose by DM 10.3 million. The equity ratio was thus recorded at 42.8% after 46.3% in the previous year. Shareholders' equity covers fixed assets by more than 100%.



Dr. Rainer Pabst (47)
 Doctorate in biochemistry,
 12 years experience in the biological production at Behringwerke AG
 later Aventis Behring, Marburg,
 3 years Vice President Technical Operations at Bayer Corporation, USA,
 since January 2001, Managing Director Production/Technology
 at Biotest Pharma GmbH

Safety
 without Compromise –
 High-Tech in Sterile Production

Capital Expenditure/Depreciation and Amortisation/Cash Flow

**Capital expenditure
 of the Group:
 DM 31.0 Million**

In 2000, DM 31.0 million was invested in fixed assets. DM 21.4 million of this is attributable to payments in advance, mostly spent on the two construction projects of the companies Heipha Dr. Müller GmbH, Heidelberg, and Envitec-Wismar GmbH, Wismar, including various down payments for production sites.

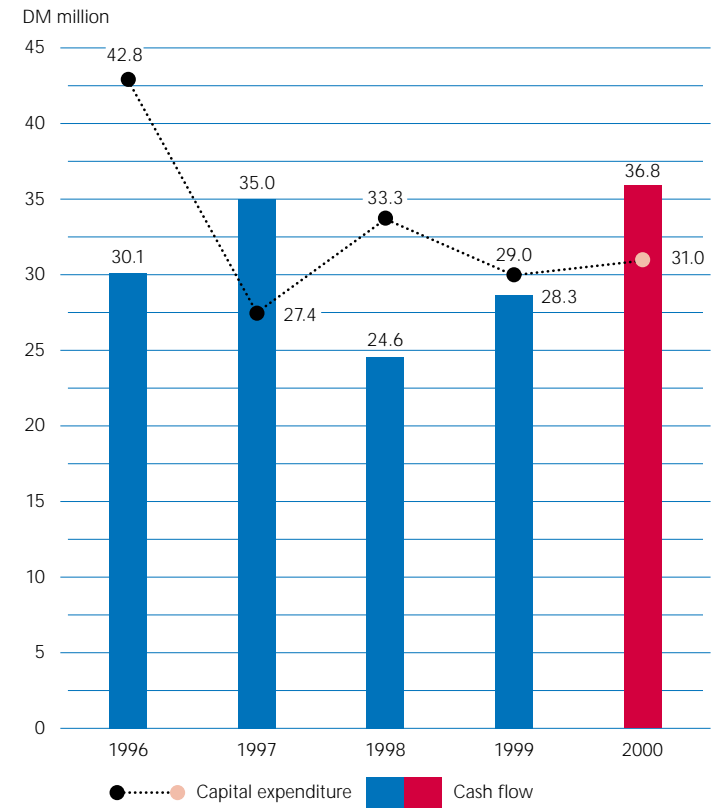
Heipha Dr. Müller GmbH, Heidelberg, will relocate to the new site in April 2001.

Envitec-Wismar GmbH, Wismar will move into the new premises in the early summer of 2001.

Depreciation and amortisation for tangible and intangible assets amounted to DM 20.0 million compared with DM 23.8 million in 1999.

Cash flow of DM 36.8 million covers capital expenditure by more than 100%.

Capital expenditure/Cash flow (in DM million)



A leasing company contracted by Biotest Pharma GmbH, invested an aggregate amount of DM 56.5 million in the projects "sterile final fill" and "fractionating facility". In the reporting period, the leasing company invested DM 17.1 million. Biotest Pharma GmbH will lease the facilities from this company after the completion of these projects.

According to schedule, validation of the new final fill will start in summer 2001 and operations will begin in autumn 2001. Fractionation will commence as scheduled, at the end of 2002.



Dr. Martin Reinecke (37)
 Doctorate in chemistry,
 1994 research at MIT (Chemical Engineering),
 1996 patent consulting and utilisation
 for universities in Lower Saxony,
 started with Biotest 1997 as licence manager and
 Head of the patent department,
 now Head of Strategic Alliances

Dr. Rolf Vornhagen (48)
 Doctorate in biology,
 1982 Diagnostics Research, Biotest AG,
 1998 Reader at the university
 Frankfurt/Main (medical virology)
 1999 Head of Product Management,
 since 2001 Managing Director
 Technical Division Diagnostics

New Products and Processes
 for International Registrations
 and **Growth**

Research and Development

In the reporting period, DM 34.2 million or 7.4 % of sales were spent on research and development (1999: DM 34.0 million or 8.2 % of sales).

Research and development in the Pharmaceutical division focussed on the continuation of projects which had been started earlier. The development of a second preparation, expanding the product range for the treatment of disorders of hemostasis made good progress. This project is expected to be concluded in the year 2001.

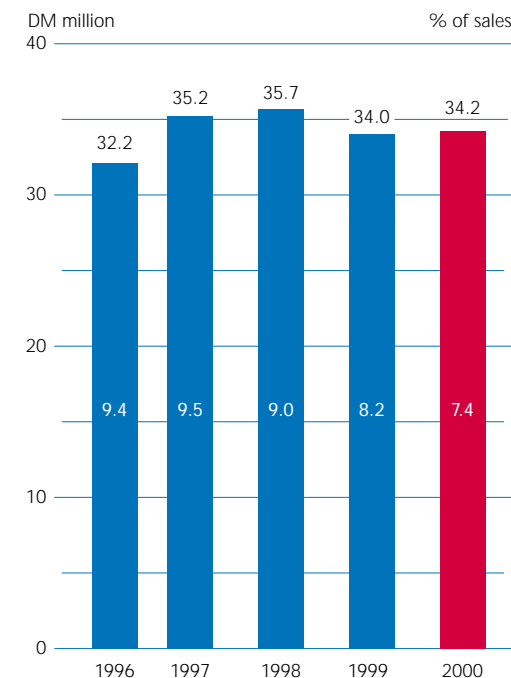
The pre-clinical and compatibility development stages of the new immunoglobulin with high IgM contents (also called IgM concentration) were also successfully finalised. Continuation of phase II studies will follow.

Projects to optimise the processes of existing products showed the expected results with regard to the yield improvement for 2000.

Based on the registration of CP immunoglobulin preparations, approved for Germany in the previous year, work to get further registrations for this product group in Europe is in full swing.

Research and development activities in the Diagnostic division concentrated on the completion and validation of the fully automated blood group device TANGO with the corresponding reagents. In addition, work was carried out on a continued improvement of the test system range with further test parameters and appropriate automated devices.

Research and development expense



In the area of hygiene monitoring new systems to determine microbial agents and count particles, adapted to the new requirements of our industrial customers, are being developed. Their market launch is scheduled for the year 2001.

At Diacelone, further test kits to determine cells and new products in the area of interleukin diagnosis were finalised.

In the Medical Devices division, the two Group companies Biotest Medizintechnik GmbH and Envitec-Wismar GmbH successfully continued their development projects.

At Biotest Medizintechnik GmbH, we completed the technical work to develop a new technology for automated plasmapheresis. Construction of the production line will start in spring 2001.

At Envitec-Wismar GmbH, which is active in the area of sensor systems, important development phases were reached in the production of new, evidence-producing, mobile systems to measure and control various substances on humans. This will be further developed in the year 2001 and its market launch is scheduled for 2002.

Staff

Development of staff

On December 31, 2000, the number of employees within the Group totalled 1,148. This represents an increase of 8 persons in the Group from year-end 1999.

New jobs were created in various manufacturing companies, most particularly in Germany. Staff numbers in the sales and distribution companies increased by 7.

Following the sale of Astrapin Pharma GmbH & Co. KG it was not possible to keep the manufacturing site running. The purchasing company already had sufficient state-of-the-art manufacturing facilities. The employees were offered redeployment by the purchasing company and by Biotest.

The final employment contracts with Astrapin Pharma GmbH & Co. KG were terminated on December 31, 2000.

The average number of staff employed in the Group was as follows:

Group	2000		1999	
	Employees	%	Employees	%
Sales and Distribution	368	31.7	362	31.6
Administration	135	11.6	131	11.4
Production	513	44.1	508	44.4
Research and development	147	12.6	144	12.6
Total	1,163	100.0	1,145	100.0

Personnel costs

Personnel costs in the Group rose by 9.8% to DM 128.1 million compared to a fall in the previous year. The rise was a result of new jobs created, increased costs for pension provisions and one-off costs.

The closure of Astrapin Pharma GmbH & Co. KG was finalised shortly before the end of the year 2000, leaving the majority of employees with salaries for the complete year.

In the year 2000, a new collective pay agreement was reached on the operation of a pre-retirement programme in the form of the block model. This resulted in extraordinarily high costs for the work-free block periods.

	2000 DM million	1999 DM million	Change %
Wages and salaries	102.8	94.5	8.8
Social security, pension costs	25.3	22.0	15.0
	128.1	116.5	10.0

Training and education

In the year 2000, an average of 25 vocational trainees were employed at Biotest Group. On December 31, 2000, the figure was 23.

Biotest offers vocational training for chemists, biology laboratory workers, information technology clerks, industrial clerks and specialist clerks for office communication. We were able to offer employment contracts to all trainees after successfully passing their examinations.

Employee appreciation

The Board of Management and the Directors of all Biotest companies would like to express their special gratitude to the staff for their achievements during the last year which was not always easy and sometimes involved a substantial increase in the overall workload.



Dirk Steindorf (38)

Graduate in business administration (Dipl.-Kaufmann), 15 years of experience in marketing and distribution in Germany and abroad with leading diagnostics companies such as Abbott and Roche, since 2001 Managing Director Commercial Division Diagnostics

Dr. Roland Reiner (59)

Doctorate in organic pharmaceutical chemistry, 1969 Batelle-Institut e.V., Frankfurt/Main, Central Department Manager chemistry and biology; since 1981 Head of the division bioengineering at Röhm GmbH, then Director of Research and Development; since 1991 Managing Director of Biotest Pharma GmbH, since 1996 member of the Board of Management at Biotest AG

Dr. Walter Brulez (51)

Doctorate in biology, 19 years of experience in marketing and distribution, thereof 8 years as sales manager in Germany at Behring/Centon, since 2000 Managing Director Marketing/Distribution at Biotest Pharma GmbH

Expertise in Blood:
Diagnostic, Pharmaceutical
and Medical Devices Divisions

Segment Reporting

Pharmaceutical division

Sales in the Pharmaceutical division are primarily generated through products of Biotest Pharma GmbH. While we were not able to utilise the full sales potential in the market due to limited capacities, we nevertheless managed to realise distinct sales growth. High sales with the new, innovative immunoglobulin preparations in the CP product line and the coagulation preparation Haemoclin® SDH contributed to this success.

In total, the Pharmaceutical division managed to increase sales by 15.2% from DM 273.0 million in 1999 to DM 314.5 million in the reporting period.

Sales in Germany and Rest of world were as follows:

	2000 DM million	1999 DM million	Change %
Germany	97.7	100.4	- 2.7
Rest of world	216.8	172.6	+ 25.6
Total	314.5	273.0	+ 15.2

The decline in Germany is equally attributable to the deterioration at Biotest Pharma during the first six months of the year and to the decrease at Astrapin.

Sales growth abroad was generated by the subsidiary in Italy as well as in different European markets and the Middle East. In Asia, too, we were able to report distinct growth rates.

Due to the introduction of a new filling quantity product registrations for CP products resulted in almost 100% sales growth with pharmaceutical products at the Italian subsidiary and account for 30% of the increase.

Growth recorded with the coagulation preparation Haemoclin® SDH, which meanwhile is Biotest Pharma GmbH's top-selling product, was particularly encouraging.

Operating profit

The operating profit in the Pharmaceutical division amounted to DM 31.0 million (DM 8.3 million in 1999). This corresponds to 9.9% of sales (1999: 3.0%).

Biotest Pharma GmbH improved its operating profit by DM 13.5 million to DM 20.4 million. The rise in sales and profit at the sales and distribution companies of Biotest, particularly in Italy, also contributed to this improvement.

The financial year 2000 is to be the last year in which the losses and the closure of Astrapin Pharma GmbH & Co. KG are to have an adverse effect on the division's operating profit.

Capital expenditure

Investments in intangible assets and property, plant and equipment for the division amounted to DM 9.3 million of which DM 8.7 million were invested by the Dreieich site.

An additional amount of DM 17.1 million was invested by a leasing company. After conclusion of the investment projects, Biotest Pharma GmbH will lease the facilities from this company.

Assets (property, plant and equipment, intangible assets, inventories and accounts receivable) of the Pharmaceutical division amounted to DM 375.2 million.

Depreciation and amortisation within the division amounted to DM 13.2 million (1999: DM 17.1 million).

Research and development

Within the Pharmaceutical division, research and development activities are carried out by Biotest Pharma GmbH and focus on the continuation of projects determined in the context of plasma products as core activities.

The projects to optimise processes for existing products achieved the results expected, in particular with regard to yield enhancements.

With the last registration issued in spring 2000, all registrations for the group of so-called CP-preparations were obtained and the first products of the new generation of immunoglobulins were launched with extreme success. Activities for further European registrations for CP preparations are in full swing.

Clinical trials for a high-purity Factor IX coagulation preparation which were started in 1999 are making very good progress and we anticipate to conclude these trials in 2001.

For a second important project, an IgM concentrate, we successfully completed compatibility and pre-clinical tests. The testing will continue with phase II trials, according to schedule.

Employees

The average number of staff in this division increased to 576 employees in the period under review. Ten more than in the previous year. At Biotest Pharma GmbH, additional employees were hired in the areas of production and distribution. The employees of Astrapin Pharma GmbH & Co. KG, which had been closed in autumn, have been included on a pro rata basis.

Diagnostic division

The Diagnostic division is active in the fields of transfusion and cell diagnosis, transplantation diagnosis, infectious disease diagnosis and hygiene monitoring.

In addition to the central site at Dreieich, some other Group companies in Germany and abroad manufacture products for this division. These are sold directly and also via all Biotest companies.

The subsidiary Diaclone SAS in France is the centre for cell identification products and lymphokine diagnosis. Products for counting particles in clean-room monitoring are manufactured in the US, due to the proximity of the site to our most important sales market.

Within the scope of functional assignments within in the Group, bacteriological test products are manufactured at our subsidiary Heipha Dr. Müller GmbH in Germany and sold via all Biotest distribution channels.

Biotest responded to the sustained cost cutting pressure in the health care sector with several measures which enabled the company to fulfil new requirements demanding more flexible, automated and thus more cost-effective products. Several investments in automation systems at new production facilities and in the improvement of existing production sites have already commenced or are to be implemented.

Some large-scale investments were not concluded at year-end. These were the automated blood group device TANGO, the new manufacturing site near Heidelberg and the upgrade of production facilities in France, in accordance with GMP. These are however the determinants for stronger growth in the following years.

Sales of DM 124.4 million

Sales increased by 3% in the year 2000 to DM 124.4 million, compared to DM 120.8 million in the previous year.

	2000 DM million	1999 DM million	Change %
Germany	44.8	46.8	- 4.3
Rest of world	79.6	74.0	+ 7.6
Total	124.4	120.8	+ 3.0

In addition to the continued limitation of fee reimbursements for laboratory doctors, further pricing pressure was also felt abroad, particularly in the context of transfusion diagnostics. In the latter part of autumn 2000, the first signs of a stabilisation of the market were noticed in the form of sales volumes. These were however on a low level.

Operating profit

The operating profit amounted to DM 0.8 million compared to DM 6.0 million in 1999. This corresponds to 0.6% of sales.

Reductions in profits due to the limitation of fee reimbursements as well as a decline in average revenues of several subsidiaries and in export in general as well as start-up costs for various projects were responsible for this setback in earnings. As a large number of projects not concluded in 2000 will be finalised in 2001 we expect a stabilisation of the situation and a turnaround.

Capital expenditure

Overall, the level of investments for capacity expansion and rationalisation measures in the Diagnostic division was distinctly higher than it had been on average in the previous years. Capital expenditure in the division amounted to DM 15 million after DM 7.1 million compared to 1999. The majority of this, approximately DM 10 million, is attributable to the construction of a new manufacturing site of Heipha Dr. Müller GmbH. DM 3.5 million were invested in the Dreieich site.

Divisional assets amounted to DM 114.3 million, depreciation and amortisation to DM 5.9 million of which DM 3.3 million was spent to the Dreieich site.

Research and development

In the past year, research and development activities in the area of transfusion medicine continued to concentrate on the automated blood group device TANGO. After completion of the device itself, the main activities included the testing and validation of the device, in accordance with the corresponding standards as well as the optimisation of the complex interaction of technology, software and blood group reagents. Furthermore the division started external clinical trials in several key markets.

We successfully concluded the development of additional DNA tests in the area of tissue typing for organ transplantation. At the beginning of 2001, Biotest will be in a position to offer transplantation physicians a test line which fulfils a vast range of requirements in the area of tissue typing combined with a high-performance automation.

In infectious disease diagnostics, the product line was further completed with the scheduled launch of additional genetically engineered immunoassays for diagnosis of the Lyme disease as well as for the Epstein-Barr virus (EBV) and the cytomegalovirus. These tests are based on components protected by patents which grant Biotest distinctive advantages compared to its competitors. As flexible automation solutions are increasingly becoming the prerequisite for a successful sale of tests, we concentrated on providing an adjusted device which is able to handle immunoassays automatically. This device will be available for customers in spring 2001.

In the area of hygiene monitoring, we continued to develop an air sampler for the isolator technology used in the pharmaceutical industry and a powerful particle counter. Both systems will be launched in the next year. In addition, development was concluded on a new generation of tests to monitor inadmissible surface contamination.

In the forthcoming year, we have to continue to invest substantial resources, to improve and maintain the TANGO software and register the device and its reagents in additional sales markets. In the context of DNA tests for tissue typing, new formats which may take the form of biochips will be the focus of future research activity. The area of food control will become the centre of interest in infectious disease diagnosis and hygiene monitoring. A trend that has already evolved over the previous years.

Employees

In the Diagnostic division, the number of employees was held on a steady basis of 462 compared to 463 in the previous year. At Biotest AG and Heipha Dr. Müller GmbH the number of employees increased by a few. Viro-Immun Labor-Diagnostika GmbH cut down its number of staff.

Medical Devices division

The year 2000 has been a year of change and reorganisation for the new division Medical Devices.

Its products are a good complement for the Diagnostic division's products. They comprise products for the separation, filtration and storage of blood and blood components, medical diagnosis of oxygen concentration in blood and for measuring the share of individual blood components. Moreover, they enable us to conduct medical bio-sensoric measurements of respiratory gases and similar masses on humans.

Sales of DM 25.5 million

Despite adverse competitor activities we were able to increase sales in the Medical Devices division by 35.6% from DM 18.8 million to DM 25.5 million in the reporting period.

	2000 DM million	1999 DM million	Change %
Germany	6.5	6.9	- 5.8
Rest of world	19.0	11.9	+ 59.7
Total	25.5	18.8	+ 35.6

Operating profit

Operating profit amounted to DM 1.0 million (DM 0.1 million in 1999). Major contributors to this success were the extremely positive developments in sensory products as well as the achievements of certain sales and distribution companies.

New and increased manufacturing capacities established through investments and construction measures will be in operation in 2001 and further boost business activity.

Capital expenditure

In the financial year 2000, capital expenditure in the Medical Devices division amounted to DM 6.3 million. It was solely used for capacity expansion measures. At Envitec-Wismar GmbH a construction project, with a total value of DM 8 million, was initiated in order to expand production and administration capacities. This will be completed in 2001. In 2000, DM 4 million were spent on this project. Capital expenditure at Biotest Medizintechnik GmbH is attributable to advance payments for new manufacturing machines for hemoglobin measuring cuvettes, assembly facilities for the plasmapheresis device and production of the respective consumable unit (MedCell project). Now that we have relocated to new business premises, the start-up of production units will commence in spring 2001.

Divisional assets amounted to DM 21.4 million compared to DM 11.6 million in the previous year. Depreciation and amortisation amounted to DM 0.9 million in the period under review.

Research and development

Research and development expenses for the division amounted to DM 1.5 million in the previous year. Activities focussed on the completion of the MedCell project with the new system for taking, separating and processing blood components on the one hand, and the development of new mobile systems for bio-sensoric measurements of individual, medically important components in respiratory gases and body fluids on the other.

Employees

In the past year, companies in Germany and some foreign sales and distribution companies belonging to the Medical Devices division employed a total of 95 persons (1999: 88 persons).

The number of employees will significantly rise when the new production sites and production lines are put into operation.



Dr. Heinrich Prinz (50)
 Doctorate in genetics/chemistry,
 5 years Head of Laboratory at Boehringer Mannheim,
 since 1991 active in quality assurance at Biotest,
 now Head of Quality Assurance at Biotest and Chairman
 of the Quality Control Committee of VDPH (Association
 of the Diagnostic Industry).

Identify and Manage Risks

Risks in Future Development and Risk Management

The German Law on Control and Transparency in Business (KonTraG), requires the implementation of a monitoring system in order to be able to detect developments which could jeopardise the continued existence of Biotest AG at an early stage.

Entrepreneurial activity is by definition associated with the taking of risks. The primary aim of risk management systems therefore is not to avoid all risks but to identify and actively control them.

Biotest has a variety of instruments for recognising and controlling risks. These are constantly being improved and advanced. The organisation has been set-up to ensure the equal treatment and communication of risks and there are guidelines which apply across the Group.

According to the type of risk we apply different tools to monitor them.

A reporting system assures that decision-making bodies receive timely and comprehensive information. The controlling departments and the Group controlling unit regularly analyse deviations from the plan and suggest adequate measures to meet the targets.

The monitoring system furthermore includes limit systems, approval procedures, special hedge transactions, e.g. in the context of interest rate or foreign exchange risk, guidelines and manuals.

We make use of a well established project management system in order to ensure the smooth and efficient handling of our development projects.

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

Possible liability risks and damages are covered by insurance contracts in order to eliminate, or, at least limit, the resulting financial consequences for the company. The scope of insurance coverage is continuously reviewed and adjusted as and when necessary.

Individual influencing factors are:

The Pharmaceutical division envisages resource scarcity and higher raw material prices. This is however offset by a global increase in the sales price of products.

With the set-up of a proprietary procurement organisation for plasma raw materials, Biotest is responding to this issue as well as to the increased demand resulting from investments in the new fractionation. Furthermore, the new procedures which by now have been established and those to be established will reduce the material ratio. These activities and expenditure however, are a prerequisite for steady and profitable growth.

The existing product interdependence in coupled production will be reduced by the future introduction of the FH process. The effect will be that, in addition to the improvement of gross margins resulting from an increase in yields, intermediate product inventories will be distinctly reduced and enhance profitability as a result.

In line with the increasing concentration of purchase and procurement processes on the part of customers, tender offers are increasingly gaining importance in Europe and the emerging countries. As a logical consequence the rise in sales and profit, particularly in the Pharmaceutical division, will be dependent upon, whether Biotest is able to win major public tenders – as it used to do in the past.

The situation in the Diagnostic division will stabilise given the expansion in capacities and the introduction of new products as well as the limitation of fee refunds, which should become less restrictive. The expected stabilisation of the net profit is further linked to the successful market introduction of the fully automated blood group device, TANGO. This project is our highest priority and following the completion of its technological development, is now at the stage where its software is optimised using various clinical probands.

As sales generated outside the European Union are mostly invoiced in US dollars, Group profit is by nature affected by exchange rate fluctuations. We hedge these risks through the use of corresponding futures contracts.

The review of the current risk situation did not highlight any risks which might jeopardise the continued existence of the company.

Outlook

Group sales in the first months of the year 2001

In the first months of the new year, Biotest Group continued its growth in sales. For the first quarter, we anticipate sales of approximately DM 120 million.

In total, new, expanded capacities and manufacturing facilities will generate additional sales in the course of the current year. We therefore expect a continuation of the positive development.

The Pharmaceutical division envisages further growth but not on the level of the previous year.

With its systems for blood group determination which have meanwhile been completed, the Diagnostic division has developed new sales potential.

In the Medical Devices division, new products as well as the expansion of business activities will result in a further increase in growth rates.

Overall in the year 2001, we thus forecast a clear and positive sales trend which should, however, remain below the increase of the last year.

Net profit

The Group result in the current financial year is on the one hand characterised by positive factors, and on the other hand by rising market prices as well as price increases for raw materials already procured in the last year. The Group's result will be influenced in a positive way through the improvements in the production process and the increase in manufacturing capacity in the Pharmaceutical division, sales with new systems in the Diagnostic division and the expansion of capacities in all divisions. Exchange rate effects on the procurement of materials will be reduced by switching to European suppliers to where Biotest has a stronger hold.

Following the extraordinarily strong improvement of the net profit in the past year, Biotest anticipates a further but more moderate improvement of the result in 2001.

Further Information
on the Financial Year

Leerseite

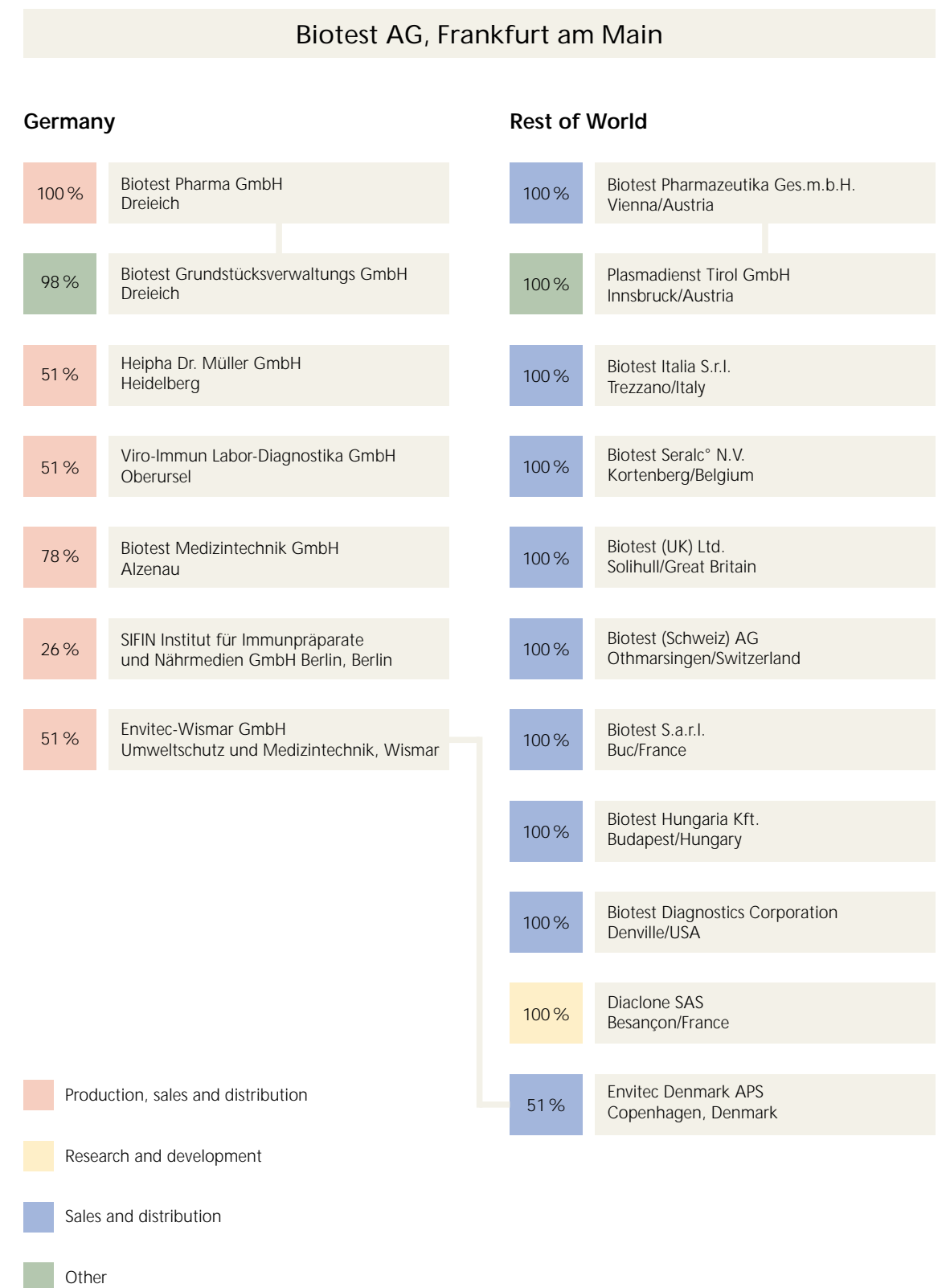
Biotest AG's Equity Investments

(as at December 31, 2000)

Company's name and headquarters	Shareholders' equity DM million	Equity interest %	Sales DM million	Net profit DM million	Employees Dec 31, 2000
Biotest Pharma GmbH, Dreieich	69.4	100	287.0	5.9	485
Biotest Grundstücksverwaltungs GmbH, Dreieich	0.9	98	2.5	- 0.1	—
Heipha Dr. Müller GmbH, Heidelberg	3.2	51	15.7	0.3	80
Viro-Immun Labor-Diagnostika GmbH, Oberursel	0.2	51.2	3.0	- 0.2	24
Biotest Medizintechnik GmbH, Alzenau	1.1	78	5.6	- 0.8	18
Envitec-Wismar GmbH Umweltschutz und Medizintechnik, Wismar	1.3	51	11.9	0.7	75
Envitec Denmark APS, Copenhagen, Denmark	0.06	51	2.7	- 0.00	—
Biotest Pharmazeutika Ges.m.b.H., Vienna/Austria	9.8	100	26.4	1.5	32
Plasmadienst Tirol GmbH, Innsbruck/Austria	1.1	100	3.4	0.2	13
Biotest Italia S.r.l., Trezzano/Italy	13.6	100	46.0	3.2	37
Biotest Seralc° N.V., Kortenberg/Belgium	3.1	100	38.5	0.3	13
Biotest (UK) Ltd., Solihull/Great Britain	0.5	100	6.1	0.3	9
Biotest (Schweiz) AG, Othmarsingen/Switzerland	2.1	100	6.2	0.9	8
Biotest S.a.r.l., Buc/France	0.7	100	6.8	0.02	16
Biotest Hungaria Kft., Budapest/Hungary	1.2	100	8.5	0.1	14
Biotest Diagnostics Corporation, Denville/USA	7.9	100	24.0	1.7	35
Diaclone SAS, Besançon/France	5.0	100	3.6	0.04	21
SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin; Berlin ¹	1.3	26	5.9	- 0.01	43

¹ associated company – at equity pursuant to § 311 et.seq. German Commercial Code (HGB)

The Biotest Group



(December 31, 2000)

Biotest Shares

Membership in SMAX

The membership in the SMAX quality segment of the German Stock Exchange requires that we publish extensive data on the business development and report on our activities. Unfortunately, the quality segment SMAX still not managed to obtain as much attention among investors, especially foreign investors, as was hoped in the second year of its existence.

Valuation of Biotest shares

Both ordinary shares as well as preference shares were subject to high volatility in 2000. Overall, the development of our share price was not satisfactory for a pharmaceutical and biotechnology stock with such a promising product range as Biotest's. The price-earnings ratio (DVFA) was recorded at only 19 (ordinary shares) or 18 (preference shares) as at the balance sheet date.

The average daily trading volume measured in shares amounted to 8,838 ordinary shares and 24,634 preference shares per day. Thus, average daily turnover more than doubled when compared to the previous year.

Key figures Biotest shares	2000	1999	1998
Number of ordinary shares* 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	DM 3,600,000

per share

Dividend on ordinary shares (incl. tax credit)	€ 0.25 (0.36)	€ 0.20 (0.29)	DM 0.40 (0.57)
Dividend on preference shares (incl. tax credit)	€ 0.31 (0.44)	€ 0.26 (0.37)	DM 0.50 (0.71)
DVFA/SG earnings	DM 1.54	DM 0.40	DM 0.50
Cash flow	DM 4.60	DM 3.54	DM 3.08

Cash quotation in euro

Ordinary shares*			
Closing price at year-end	15.10	14.00	16.87
High	31.50	18.22	36.23
Low	13.17	11.32	15.34
Preference shares			
Closing price at year-end	14.20	9.05	17.90
High	22.15	15.75	33.47
Low	8.81	8.45	14.70

* 60% of ordinary shares are held by the Schleussner family.

2001 General Meeting of Shareholders

Our General Meeting of Shareholders will take place on July 12, 2001 at 10.30 a.m. in the Congress Center Messe Frankfurt, Frankfurt/Main.

Investor relations website

Our Annual Report, the quarterly reports and further information are also available to our shareholders and the financial community on the Internet under www.biotest.com. Our website furthermore contains a variety of up-to-date news on the company, the individual Group companies and product information.

Investor conferences

In the year 2000, Biotest held two conferences for journalists and financial analysts. The autumn conference in particular was a great success and resulted in distinct price increases. Unfortunately, these were not sustainable against the backdrop of a generally unstable market environment in 2000.

Remarkable upside price potential

We will continue to intensify our investor relations efforts. A substantial price potential is inherent in Biotest shares due to Biotest's attractive product range, our growing sales markets in particular for plasma products and medical devices, our strategic capital expenditure programme and the improved earnings situation.

5-Year-Review

Consolidated balance sheet comparison

Assets	2000		1999		1998		1997		1996	
	DM million	%	DM million	%	DM million	%	DM million	%	DM million	%
A. Fixed assets										
I) Intangible assets	11.0	1.9	12.6		14.3		12.6		10.0	
II) Property, plant and equipment	162.5	28.9	155.0		160.0		153.4		141.9	
III) Financial assets	2.8	0.5	2.8		2.3		1.7		7.7	
	176.3	31.3	170.4	34.2	176.6	35.8	167.7	33.9	159.6	40.3
B. Current assets										
I) Inventories	218.8	38.9	171.9	34.5	162.8	33.0	187.5	37.9	146.4	36.9
II) Accounts receivable and other assets	137.2	24.4	118.2	23.7	97.7	19.8	99.1	20.0	76.2	19.2
III) Securities classified as current assets	3.0	0.5	12.8	2.6	15.4	3.1	17.6	3.5		
IV) Cheques, cash on hand, bank balances	22.9	4.1	19.9	4.0	36.9	7.5	18.3	3.7	9.3	2.4
	381.9	67.9	322.8	64.8	312.8	63.4	322.5	65.1	231.9	58.5
C. Prepaid expenses and deferred taxes	4.5	0.8	4.9	1.0	3.9	0.8	4.7	1.0	4.8	1.2
	562.7	100.0	498.1	100.0	493.3	100.0	494.9	100.0	396.3	100.0

Shareholders' equity and liabilities	2000		1999		1998		1997		1996	
	DM million	%	DM million	%	DM million	%	DM million	%	DM million	%
A. Shareholders' equity										
I) Subscribed capital	40.1	7.1	40.1		40.0		40.0		32.0	
II) Capital reserve	154.4	27.4	154.4		154.5		154.5		75.3	
III) Revenue reserve	39.2	7.0	29.7		29.0		31.3		23.4	
IV) Distributable profit	4.8	0.9	3.9		4.1		8.3		6.8	
V) Minority interests	2.6	0.5	2.7		3.0		1.4		1.2	
	241.1	42.9	230.8	46.3	230.6	46.7	235.5	47.6	138.7	35.0
B. Special items with partial reserve character	0.1	0.0	0.1	-	0.1	-	0.1	0.1	0.2	0.1
C. Provisions and accruals	86.4	15.4	72.1	14.5	75.7	15.4	73.0	14.7	72.7	18.3
D. Liabilities	234.9	41.7	194.9	39.1	186.9	37.9	186.0	37.5	184.4	46.5
E. Deferred income	0.2	0.0	0.2	0.0	0.0	0.0	0.3	0.1	0.3	0.1
	562.7	100.0	498.1	100.0	493.3	100.0	494.9	100.0	396.3	100.0

Consolidated income statement

	2000		1999		1998		1997		1996	
	Mio. DM	%	Mio. DM	%	Mio. DM	%	Mio. DM	%	Mio. DM	%
1. Sales	464.4	95.1	412.6	100.5	396.0	102.2	369.1	88.1	341.0	96.7
2. Changes in product inventories	23.2	4.8	- 2.7	- 0.7	- 9.9	- 2.6	49.0	11.7	11.0	3.1
3. Own costs capitalised	0.6	0.1	0.7	0.2	1.5	0.4	0.9	0.2	0.6	0.2
Total output	488.2	100.0	410.6	100.0	387.6	100.0	419.0	100.0	352.6	100.0
4. Other operating income	16.7	3.4	11.3	2.8	13.3	3.4	11.6	2.8	8.2	2.3
5. Cost of materials	196.3	40.2	159.0	38.7	137.9	35.6	167.6	40.0	115.4	32.7
6. Personnel costs	128.1	26.2	116.5	28.4	117.6	30.3	110.7	26.4	103.2	29.3
7. Depreciation and amortisation	20.0	4.1	23.8	5.8	21.0	5.4	19.0	4.5	16.5	4.7
8. Other operating expense	129.1	26.4	108.2	26.4	106.0	27.3	96.8	23.1	89.7	25.4
Operating profit	31.4	6.4	14.4	3.5	18.4	4.7	36.5	8.7	36.0	10.2
9. Financial result	- 8.6	- 1.8	- 5.8	- 1.4	- 6.3	- 1.6	- 7.2	- 1.7	- 7.7	- 2.2
10. Result from ordinary activities	22.8	4.7	8.6	2.1	12.1	3.1	29.3	7.0	28.3	8.0
11. Taxes	9.1	1.9	5.3	1.3	10.2	2.6	15.9	3.8	16.2	4.6
12. Net profit	13.7	2.8	3.3	0.8	1.9	0.5	13.4	3.2	12.1	3.4

Consolidated Financial
Statements of Biotest AG

Biotest AG, Consolidated Balance Sheet as at December 31, 2000

	Notes	Dec. 31, 2000		Dec. 31, 99 in DM thousands
		DM	DM	
Assets				
A. Fixed assets	6			
I. Intangible assets	6			
1. Patents, licenses, trademarks and similar rights		6,304,509		4,087
2. Goodwill		4,557,984		5,140
3. Payments in advance		142,069		3,392
		11,004,562		12,619
II. Property, plant and equipment	6			
1. Land and equivalent rights and buildings including buildings on land owned by third parties		101,950,836		102,082
2. Plant and machinery		13,318,390		16,691
3. Other plants, factory and office equipment		25,244,950		25,274
4. Payments in advance and tangible assets in course of construction		21,963,012		10,958
		162,477,188		155,005
III. Financial assets	6			
1. Shares in affiliated companies		0		50
2. Shares in associated companies		676,721		714
3. Investment securities		308,382		311
4. Other loans receivable		1,803,566		1,690
		2,788,669		2,765
		176,270,419		170,389
B. Current assets				
I. Inventories				
1. Raw materials and supplies		67,772,282		50,438
2. Work in process		107,320,535		87,303
3. Finished goods and merchandise		40,687,388		32,314
4. Payments in advance		2,992,439		1,871
		218,772,644		171,926
II. Accounts receivable and other assets				
1. Accounts receivable, trade		118,717,003		94,099
2. Receivables from affiliated companies		297,606		85
3. Other assets	8	18,205,797		23,994
		137,220,406		118,178
III. Securities classified as current assets		3,045,260		12,869
IV. Cheques, cash on hand, bank balances		22,904,039		19,871
		381,942,349		322,844
C. Prepaid expenses and deferred taxes	9	4,514,273		4,913
		562,727,041		498,146

Biotest AG, Consolidated Balance Sheet as at December 31, 2000

	Notes	Dec. 31, 2000		Dec. 31, 99 in DM thousands
		DM	DM	
Shareholders' equity and liabilities				
A. Shareholders' equity	10			
I. Subscribed capital				
1. Ordinary shares		20,027,699		20,028
2. Preference shares		20,027,699		20,028
		40,055,398		40,056
II. Capital reserve				
1. Share premium		153,439,177		153,439
2. Other reserves		1,000,000		1,000
		154,439,177		154,439
		194,494,575		194,495
III. Revenue reserve	11	39,242,218		29,714
IV. Distributable profit		4,815,054		3,897
V. Minority interests	12	2,565,370		2,664
		46,622,642		36,275
		241,117,217		230,770
B. Special items with partial reserve character	13	71,927		93
C. Provisions and accruals				
1. Provisions for pensions and similar obligations		52,031,646		48,975
2. Provisions for taxes		5,593,975		3,302
3. Other provisions and accruals	14	28,768,762		19,897
		86,394,383		72,174
D. Liabilities	15			
1. Liabilities due to banks		168,555,145		124,710
2. Payments received on account of orders		25,639		39
3. Accounts payable, trade		32,075,400		32,278
4. Bills payable		1,000,000		0
5. Liabilities due to affiliated companies		0		67
6. Liabilities due to associated companies		18,974		11
7. Other liabilities		33,207,973		37,814
– of which taxes:				
DM 5,415,188 (1999: DM 5,480,000)				
– of which social security:				
DM 931,677 (1999: DM 2,477,000)				
		234,883,131		194,919
E. Deferred income		260,383		190
		562,727,041		498,146

Income Statement

Biotest AG, Consolidated Income Statement for the Period from January 1 to December 31, 2000

	Notes	2000	1999
		DM	in DM thousands
1. Sales	17	464,398,138	412,626
2. Changes in product inventories		23,198,443	- 2,739
3. Own costs capitalised		572,468	675
Total output		488,169,049	410,562
4. Other operating income	18	16,712,800	11,294
5. Cost of materials:	19		
a) Cost of raw materials, supplies and merchandise		178,825,839	146,266
b) Cost of services purchased		17,469,719	12,686
		196,295,558	158,952
		308,586,291	262,904
6. Personnel costs:			
a) Wages and salaries		102,825,234	94,529
b) Social security, retirement pension and benefits		25,252,172	22,021
– of which retirement pension:			
DM 6,542,940 (1999: DM 4,194,000)			
		128,077,406	116,550
7. Amortisation on intangible assets and depreciation on property, plant and equipment		20,012,904	23,750
8. Other operating expense	20	129,070,416	108,221
Operating profit		31,425,565	14,383
9. Income from participations		- 6,278	39
– of which from associated companies:			
DM - 37,495 (1999: DM 39,000)			
10. Income from long-term loans		38,443	45
11. Other interest and similar income		1,347,884	1,387
12. Depreciation on financial investments and securities classified as current assets		2,806	22
13. Interest and similar expense		10,016,798	7,276
		- 8,639,555	- 5,827
14. Result from ordinary operations		22,786,010	8,556
15. Income taxes	21	8,326,287	4,661
16. Other taxes		773,141	620
		9,099,428	5,281
17. Net profit		13,686,582	3,275
18. Minority interests in the net profit		- 221,497	- 196
19. Previous year's profit		297,864	475
20. Transfer to the revenue reserve (1999: drawing on the reserve)		- 8,947,895	343
21. Distributable profit		4,815,054	3,897

Notes to the Consolidated Financial Statements of Biotest AG

Notes to the Consolidated Financial Statements of Biotest AG

1 Scope of consolidated companies and balance sheet date

The consolidated financial statements were prepared in accordance with the German Commercial Code (HGB).

The following companies have been included in the consolidated financial statements:

- Biotest AG, Frankfurt
- Biotest Pharma GmbH, Dreieich
- Biotest Diagnostics Corporation, USA
- Biotest Pharmazeutika Ges.m.b.H., Austria
- Plasmadienst Tirol GmbH, Austria
- Biotest Italia S.r.l., Italy
- Biotest (UK) Ltd., Great Britain
- Biotest Seralc° N.V., Belgium
- Biotest (Schweiz) AG, Switzerland
- Biotest S.a.r.l., France
- Biotest Hungaria Kft., Hungary
- Heipha Dr. Müller GmbH, Heidelberg
- Astrapin Pharma GmbH & Co. KG, Pfaffen-Schwabenheim*
- Biotest Grundstücksverwaltungs GmbH, Dreieich
- Diaclone SAS, France
- Biotest Medizintechnik GmbH, Alzenau
- Envitec-Wismar GmbH Umweltschutz und Medizintechnik, Wismar
- Envitec Denmark APS, Denmark
- Viro-Immun Labor-Diagnostika GmbH, Oberursel
- SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin, Berlin

* Only the income statement is included until September 30, 2000.

The balance sheet date for the Group accounts and all consolidated companies is December 31, 2000.

All companies shown above have been fully consolidated with the exception of SIFIN GmbH, which has been consolidated at equity pursuant to Articles 311 et seq. of the German Commercial Code (HGB).

Astrapin Pharma GmbH & Co.KG, Pfaffen-Schwabenheim was sold on September 30, 2000 and has been excluded from the scope of consolidated companies. Comparability with the previous year is not impaired by this measure.

The limited liability company in a limited partnership (Komplementär-GmbH) Astrapin Pharma Verwaltungs-GmbH, Pfaffen-Schwabenheim which was not included in the scope of consolidated companies in the previous years and the inactive Seralc Investment Corp., Denville/USA were sold or liquidated, respectively, in the reporting period.

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. It contains all information prescribed by law.

2 Consolidation principles

Capital consolidation has been accomplished pursuant to the book value method. In this context, the purchasing costs of stakes acquired have been offset against the book value of the subsidiary's equity capital associated with these costs as at the date of purchase. Only the purchasing costs for the shareholding in Heipha Dr. Müller GmbH have been offset against the equity capital attributable to these costs as at the date of the first inclusion in the consolidated financial statements (December 31, 1991). The differences resulting from such offsetting have been allocated to the subsidiary's balance sheet items up to the amount of their fair values taking into consideration the accounting and valuation methods applied in the Group, and written off over the useful life of such assets in the consolidated statements. Remaining differences on the assets side have been capitalised as goodwill and are written down in accordance with their useful life over a period of 5 to 15 years.

The stake held in the associated company Sifin GmbH has been reported in the Group accounts with an amount corresponding to the pro rata equity capital of this company pursuant to Article 312, first paragraph, first sentence (book value method) of the German Commercial Code (HGB).

The Group receivables and liabilities as well as intercompany sales, income from investments and corresponding revenues and expenses have been consolidated to the extent that they were incurred by the companies included in the scope of consolidation. Any interim profits resulting from inventories based on intercompany deliveries have been eliminated.

Tax accruals and deferrals have been redetermined for the Group accounts. The resulting tax assets have been netted with the accrual items included from individual balance sheets.

3 Accounting and valuation methods

Fixed assets have been valued at acquisition cost, reduced by the scheduled straight-line or declining-balance method of depreciation over the expected useful life. Minor-value assets have been written off in full in the year of purchase. The simplification rule with respect to half-year/full-year depreciation has not been utilised.

Shares in affiliated companies and equity interests have been valued at acquisition cost. Where their value on the balance sheet date has been persistently lower than acquisition cost, such value has been used.

Inventories have been valued at cost, using the principle of lower-of-cost-or-market. Acquisition and manufacturing cost have been determined according to tax provisions, whereby no use has been made of tax-related capitalisation options. Impairment of value due to spoilage, reduced marketability or other limited applicability have led to write-downs or write-offs.

Trade receivables have been carried at their nominal value, less appropriate value adjustments. Receivables in foreign currencies have been valued on the basis of exchange rates prevailing on the balance sheet date, to the extent that they were below the rates prevailing on the date of their initial book entry.

Research grants from public funds without repayment obligation have been allocated on an accrual basis, i.e. reported in the year during which costs were incurred.

Provisions for pensions recorded with the German companies correspond to the going-concern value, based on an assumed rate of interest of 6 per cent, and are computed actuarially.

The 1998 financial year constituted the first time the calculation was based on Prof. Dr. Heubeck's new 1998 mortality tables. Starting with the 1998 financial year, the resulting need for adjustment with regard to previously used mortality charts will be equally spread over a period of four years.

Provisions for a pre-retirement programme cover all signed contracts and all possible obligations with consideration of the upper limits stated in collective pay agreements.

Provisions and accruals include all known and contingent liabilities. They have in each case been recorded at an amount which has been estimated on commercially sound terms. To the extent that the liabilities, forming the basis for provisions and accruals, bear interest, such provisions and accruals have been discounted correspondingly. Corporation tax provisions have been calculated on the basis of the respective proposed appropriation of earnings. Expected losses from currency forwards and swap transactions on the balance sheet date have been covered by provisions in the amount of negative market values.

Liabilities have generally been carried at the amounts repayable, pension liabilities for which no consideration is expected have been reported at their present value. Foreign currency liabilities have been valued on the basis of exchange rates prevailing on the balance sheet date, whenever these were higher than the rates prevailing on the date of their initial book entry.

With regard to reporting deferred taxes, the accounting option has been exercised to the end that any tax assets occurring with subsidiaries pursuant to Article 274, second paragraph of the German Commercial Code (HGB) have been capitalised.

4 Foreign currency translation

Foreign subsidiaries' accounts which have been prepared in foreign currency and included into the Group accounts are translated into Deutsche Mark using the historical rate for equity items, the rate prevailing on the balance sheet date for all other balance sheet items, and average annual rates for the income statement. The relevant middle rate between buying and selling rate has been used for foreign currency translation.

Any difference resulting from the translation of balance sheet items at different exchange rates have been allocated to revenue reserve. Differences resulting from different exchange rates in the balance sheet and the income statement are recognised with an effect on income.

Selected currencies	Middle rate at year end		Average rate for the year	
	31.12.2000 DM	31.12.1999 DM	2000 DM	1999 DM
1 US Dollar	2.1012	1.9488	2.1224	1.8359
1 pound sterling	3.1369	3.1546	3.2102	2.9704
1 Swiss franc	1.2845	1.2191	1.2562	1.2222

5 Segment reporting Principles applied on segment reporting

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

The Pharmaceutical division focuses on therapeutic treatment of patients with products derived from human blood plasma. The Diagnostic division primarily produces and distributes diagnostics for both the medical laboratory and for hygiene monitoring in the industry. The Medical Devices division concentrates on the production and distribution of medical devices. Segmentation of divisions corresponds to our management structure.

In the column "not allocated", income and expenses of a holding function within Biotest AG as well as consolidation positions are recorded under the income and expense items in order to ensure the reconciliation to the group income statement.

Assets and liabilities which could not be allocated to segments are also recorded in the column "not allocated". These items primarily contain financial assets, liquid funds, liabilities due to banks and deferred items.

Changes in property, plant and equipment and intangible assets are recorded under capital expenditure and depreciation and amortisation.

Sales have been allocated to the business segments in accordance with the division in which they originated.

The geographic segmentation of sales is recorded in note no. 17.

Assets and investments were not reported by regions as almost all assets and investments made, are located in Germany.

Segment information broken down by division, in DM million

	Pharmaceutical	Diagnostic	Medical Devices	not allocated	Total
Sales 2000	314.5	124.4	25.5	–	464.4
Sales 1999	273.0	120.8	18.8	–	412.6
Depreciation and amortisation 2000	13.2	5.9	0.9	–	20.0
Depreciation and amortisation 1999	17.1	6.0	0.7	–	23.8
Operating profit 2000	31.0	0.8	1.0	– 1.4	31.4
Operating profit 1999	8.3	6.0	0.1	–	14.4
Income from participations 2000	0.03	– 0.04	–	–	– 0.01
Income from participations 1999	–	0.04	–	–	0.04
Interest income 2000	0.3	0.5	–	0.6*	1.4
Interest income 1999	0.4	0.7	–	0.3*	1.4
Interest expense 2000	11.6	2.2	0.4	– 4.2*	10.0
Interest expense 1999	8.0	1.4	0.1	– 2.2*	7.3
Assets 2000	375.2	114.3	21.4	51.8	562.7
Assets 1999	319.0	103.1	11.6	64.4	498.1
Capital expenditure 2000	9.3	15.0	6.3	–	30.6
Capital expenditure 1999	10.4	7.1	2.0	–	19.5
Debt 2000	207.4	31.4	14.9	67.9	321.6
Debt 1999	205.6	18.2	6.2	37.4	267.4
Employees 2000	576	462	95	30	1,163
Employees 1999	566	463	88	28	1,145

* Interest income includes income of the holding to the tune of DM 7.0 million (1999: DM 3.7 million) and consolidation expense to the tune of DM –6.4 million (1999: DM –3.4 million). Interest expense contains holding expense of DM 2.3 million (1999: DM 0.9 million) and consolidation earnings of DM –6.5 million (1999: DM –3.1 million).

For the first time the number of employees does not include young persons in vocational training. The previous year's figure was adjusted.

Balance Sheet Notes

(Amounts in DM thousands if not stated otherwise)

6 Fixed assets development

	Acquisition cost and manufacturing cost						Accumulated depreciation						Book values		
	Jan. 1, 2000	Foreign exchange difference	Additions 2000	Disposals 2000	Transfers	Dec. 31, 2000	Jan. 1, 2000	Foreign exchange difference	Additions existing assets	Additions 2000	Disposals 2000	Transfers	Dec. 31, 2000	Dec. 31, 2000	Dec. 31, 99
I. Intangible assets															
1. Concessions, patents, licences, trademarks and similar rights and values	21,203	47	932	8,067	3,122	17,237	17,116	26	1,301	159	7,660	- 10	10,932	6,305	4,087
2. Goodwill	7,188	38				7,226	2,048	12	608				2,668	4,558	5,140
3. Payments in advance	3,392		142		- 3,392	142								142	3,392
	31,783	85	1,074	8,067	- 270	24,605	19,164	38	1,909	159	7,660	- 10	13,600	11,005	12,619
II. Property, plant and equipment															
1. Land and equivalent rights and buildings including buildings on land owned by third parties	156,988	14	689	916	4,919	161,694	54,906	23	5,609	13	911	103	59,743	101,951	102,082
2. Plant and machinery	56,870	52	945	737	- 1,479	55,651	40,179	43	3,740	117	693	- 1,053	42,333	13,318	16,691
3. Other plants, factory and office equipment	83,796	97	6,500	5,076	1,934	87,251	58,522	79	7,344	1,122	4,698	- 363	62,006	25,245	25,274
4. Payments in advance and tangible assets in course of construction	11,801		21,380		- 11,218	21,963	843					- 843	0	21,963	10,958
	309,455	163	29,514	6,729	- 5,844	326,559	154,450	145	16,693	1,252	6,302	- 2,156	164,082	162,477	155,005
III. Financial assets															
1. Shares in affiliated companies	50			50		0								0	50
2. Shares in associated companies	770			10		760	56		28				84	676	714
3. Investment securities	367					367	56		3				59	308	311
4. Other loans receivable	1,690		402	288		1,804								1,804	1,690
	2,877	0	402	348	0	2,931	112		31				143	2,788	2,765
Fixed assets	344,115	248	30,990	15,144	- 6,114	354,095	173,726	183	18,633	1,411	13,962	- 2,166	177,825	176,270	170,389

7 Property, plant and equipment and financial assets

The development of fixed assets has been described above.

Other loans receivable primarily consist of loans to employees and asset values of reinsurance policies.

8 Other assets (with a remaining lifetime of more than one year)

Other assets with a remaining lifetime of more than one year amounted to DM 307,000 (1999: DM 212,000).

9 Prepaid expenses and deferred taxes

Prepaid expenses and deferred taxes developed as follows:

	2000	1999
	(in DM thousands)	
Deferred taxes	2,297	2,319
Discounts	848	1,062
Miscellaneous	1,369	1,532
Total	4,514	4,913

Discounts with a remaining lifetime of more than one year amounted to DM 879,000 (1999: DM 798,000).

Deferred taxes combine items from the individual financial statements pursuant to article 274 German Commercial Code (HGB) of DM 864,000 and items from consolidation pursuant to article 306 German Commercial Code (HGB) of DM 1,433,000.

10 Subscribed capital and capital reserve

Share capital amounts to 20,480,000 as at Dec. 31, 2000, just as in the previous year. It is divided into 4 million notional no-par value ordinary shares and 4 million notional no-par value, non-voting preference shares. Certification of shares is precluded.

Like last year, the Schleussner family holds 60 per cent of the ordinary shares; 40 per cent of ordinary shares and 100 per cent of preference shares are broadly spread.

Just as in the previous year, the capital reserve amounts to DM 154,439,000.

11 Retained earnings

The revenue reserve developed as shown below:

Balance carried forward as at January 1, 2000	29,714
Foreign exchange fluctuations and other changes	580
Addition to the revenue reserve	8,948
Balance as at December 31, 2000	39,242

12 Minority interests

Changes in minority interests are due to:

Balance carried forward as at January 1, 2000	2,664
Distribution of dividends	- 299
Minority interests in last-time consolidated capital	- 22
Share in net profit	222
Balance as at December 31, 2000	2,565

13 Special items with partial reserve character

A deferred item created in the accounts of the Austrian subsidiaries exclusively as a result of local taxation rules (investment reserve pursuant to Article 9 of the Income Tax Act (EstG), investment allowance pursuant to Article 10 of the Income Tax Act) has been included in the Group accounts pursuant to Article 298, first paragraph, Article 273 and Article 274, third paragraph of the German Commercial Code (HGB), and reported as a special item with partial reserve character. During the period under review, an amount of DM 19,000 was transferred to these items and DM 40,000 were liquidated.

14 Other provisions

Other provisions essentially include provisions for outstanding holiday entitlements, profit-related-pay, pre-retirement programme, licence fees and outstanding invoices.

15 Liabilities

	Total Amount 2000	With a remaining lifetime of		
		up to 1 year	1 to 5 years	over 5 years
1. Liabilities due to banks (1999)	168,555 (124,710)	112,938 (61,546)	37,145 (41,644)	18,472 (21,520)
2. Payments received on account (1999)	26 (39)	26 (39)		
3. Accounts payable, trade (1999)	32,075 (32,278)	31,137 (31,312)	131 (128)	807 (838)
4. Bills payable (1999)	1,000 (—)	1,000 (—)		
5. Liabilities due to affiliated companies (1999)	— (67)	— (67)		
6. Liabilities due to associated companies (1999)	19 (11)	19 (11)		
7. Other liabilities (1999)	33,208 (37,814)	33,208 (37,643)	— (9)	— (162)
2000 (1999)	234,883 (194,919)	178,328 (130,618)	37,276 (41,781)	19,279 (22,520)

Liabilities due to banks are secured by a charge over property in the amount of DM 69,409,000 (1999: DM 63,654,000).

Liabilities due to banks include DM 15,000,000 bills payable (1999: DM 8,000,000).

16 Contingent liabilities, other financial obligations and currency hedging

	2000 (in DM thousands)	1999
Contingent liabilities		
Bills payable	—	—
	2000	1999
Other financial obligations (in DM thousands)		
Obligations resulting from rental and operating lease contracts		
Next year's expenditure	5,117	5,422
Expenditure-2 nd to 5 th year	7,108	7,175
Expenditure after the 5 th year	1,688	2,082
	13,913	14,679
Authorised investments in fixed assets	5,684	9,645
Other	1,024	3,509
	20,621	27,833

A leasing company contracted by Biotest Pharma GmbH is currently engaged in investments for the sterile final fill and plasma fractionation projects. The overall investment volume amounts to DM 56.5 million; as at the balance sheet date, DM 26.7 million were already invested. Costs incurred until the facilities are taken into operation are limited to commitment and interim financing costs. In the reporting period, DM 914,000 were recorded in the interest expense line item.

After conclusion of these projects, Biotest Pharma GmbH will lease the facilities from this company.

Interest rate and currency hedging. We apply a conservative hedging policy to avoid foreign exchange and interest rate risks in the Group.

On the balance sheet date, a purchase obligation of DM 9.9 million and selling obligations totalling CHF 2.5 million and USD 13.4 million existed for currency hedging purposes.

To hedge against rising market interest rates, Biotest entered into transactions limiting the upward movement of interest rates (CAP) and Interest Rate Swaps (IRS) with a total volume of DM 40 million. In this respect, the company sold an interest rate cap to the tune of DM 10 million (interest rate cap 6%, term until July 2008).

In order to limit the cost of existing loans denominated in DM, we entered into two cross-currency swaps DM/CHF totalling CHF 10 million each. The terms of these contracts are 5 and 7 years, respectively.

The premiums paid in connection with the conclusion of interest cap transactions are reported under other assets. They are liquidated over the term of the contracts and recognised as an expense in accordance with the lower of cost or market principle.

The premiums received in connection with the option of the interest cap sold, are shown as other liabilities and also liquidated over the term of the contracts and recognised as income.

The Group established provisions totalling DM 502,000 for open positions with negative market values outstanding as at December 31, 2000.

To minimise the credit risk, these interest rate and foreign exchange contracts were exclusively concluded with first-rate banks.

Explanatory Notes to the Income Statement

(Amounts in DM thousands if not stated otherwise)

17 Sales

Sales by regions in which customers are domiciled developed as shown below:

	2000		1999	
	DM million	in %	DM million	in %
Germany	149.0	32.1	154.1	37.4
Europe	170.0	36.6	142.0	34.4
Americas	48.0	10.3	65.2	15.8
Middle East	54.0	11.6	19.4	4.7
Asia	33.6	7.3	28.5	6.9
Rest of world	9.8	2.1	3.4	0.8
Total	464.4	100.0	412.6	100.0

18 Other operating income

Other operating income includes among other things exchange rate gains, gains from the release of provisions as well as from rebilling of expenses.

The item contains an amount of DM 3,145,000 (1999: DM 3,494,000) that relates to other accounting periods.

19 Cost of materials

For the first time, third-party commissioned plasma fractionation has been recorded under costs of services purchased rather than under the item of raw materials and supplies. The previous year's figure was adjusted.

20 Other operating expense

Other operating expense primarily includes general administrative and distribution costs, research costs, rents, repairs, licence fees, insurance premiums and foreign currency losses. Expenses unrelated to the accounting period included in this figure mainly relate to losses from the disposal of assets and amount to DM 1,936,000 (1999: DM 564,000).

21 Income taxes

Income taxes include tax expenses of DM 573,000 that are unrelated to the accounting period and income from the release of tax provisions and other tax refunds to the amount of DM 313,000.

They are broken down as shown below:

	2000	1999
German income taxes	3,192	1,416
Foreign income taxes	5,134	3,663
Deferred taxes	—	– 418
Total	8,326	4,661

Other information

22 Cash flow statement

	2000 in DM thousands	1999 in DM thousands
Net profit before minority interests	13,687	3,275
Amortisation and depreciation	20,013	23,750
Income from associated companies	38	– 39
Write-downs on investment securities	3	22
Increase in provisions for pensions	3,057	1,278
Cash flow	36,798	28,286
Increase in other provisions	11,092	– 5,162
Losses from the disposal of fixed assets (net)	537	498
Income from the sale of non-completed plant equipment	—	– 483
Increase in inventories, trade receivables and other assets	– 60,977	– 27,453
Decrease in trade liabilities and other liabilities including special items	– 3,989	1,294
Outflow of funds from continuing operations	– 16,539	– 3,020
Receipts from the disposal of fixed assets	635	2,279
Amounts paid out for investments in fixed assets	– 30,990	– 18,445
Amounts paid out for the acquisition of subsidiaries	—	– 1,007
Outflow of funds from investing activities	– 30,355	– 17,173
Dividend payments for 1999	– 3,599	– 3,600
Cash-changes in minority interests	– 299	– 599
Receipts from borrowings from banks and loans	46,235	24,765
Amounts paid out for repayments of liabilities due to banks and loans	– 2,389	– 20,369
Inflow of funds from financing activities	39,948	197
Cash-changes in financial resources	– 6,946	– 19,996
Changes in the value of financial resources due to exchange rate movements and other reasons	155	432
Financial resources at beginning of period*	32,740	52,304
Financial resources at end of period*	25,949	32,740

* Financial resources include liquid funds as well as securities classified as current assets to the tune of DM 3,045,000 (1999: DM 12,869,000).

23 Employees

The average figure of staff employed developed as shown below:

Group	2000		1999	
	Employees	%	Employees	%
Sales and distribution	368	31.7	362	31.6
Administration	135	11.6	131	11.4
Production	513	44.1	508	44.4
Research and development	147	12.6	144	12.6
Total	1,163	100.0	1,145	100.0

These figures contain 36 employees of the formerly consolidated company Astrapin Pharma GmbH & Co.KG.

We furthermore employed 25 young people in vocational training (1999: 24).

24 Supervisory Board, Board of Management and Advisory Board

The emoluments for the members of the Supervisory Board amounted to DM 38,000, the total emoluments for the members of the Board of Management amounted to DM 1,964,000.

Emoluments paid to former members of the Board of Management amounted to DM 349,000.

Provisions to the amount of DM 4,434,000 have been made 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 executive bodies.

Emoluments paid to the Advisory Board for the financial year 2000 amounted to DM 34,000.

The members of the Supervisory Board and the Board of Management are listed below.

The Supervisory Board members in addition serve on statutory Supervisory Boards and comparable control boards of commercial enterprises (information as at Dec. 31, 2000)

Supervisory Board

Dr. phil. nat. Hans Schleussner,
Chairman; Frankfurt am Main
Celfa AG, Chairman of the Administrative Board

Dr. Jochen Hückmann, Deputy Chairman; Frankfurt am Main
Managing Partner of Merz + Co. GmbH & Co.

Reinhard Eyring, Lawyer; Kronberg/Ts.
b.i.s. börsen-informations-systeme AG, Chairman
Destag Deutsche Steinindustrie AG, Chairman
Markant-Südwest AG, Chairman
Hornbach Holding AG,
BGI zu Höne, Klußmann, Altpeter AG

Johannes Hartmann, Clerk; Weiterstadt

Klaus Lobello, Industrial Employee; Dreieich-Sprendlingen

Renate Schleussner, Merchant; Frankfurt am Main

Advisory Board

Prof. Dr. Helmut Determann; Weinheim (since June 5, 2000)

Konsul Helmut Holz, Dipl.-Kfm.; Frankfurt am Main

Prof. Dr. med. Stefan Meuer,
Institut für Immunologie, University Hospital of Heidelberg
(since June 5, 2000)

Dr. Martin Schleussner, Managing Director at Technoplast GmbH; Cologne
(since June 5, 2000)

Renate Schleussner, Merchant; Frankfurt/Main (until June 5, 2000)

Dr. phil. nat. Hans Schleussner,
Chairman of the Supervisory Board of Biotest AG; Frankfurt am Main

Michael Thiess, Partner Roland Berger & Partner GmbH; München
(since June 5, 2000)

Michael Freiherr Truchseß; Frankfurt am Main
Senior Vice President Deutsche Bank AG

Board of Management

Dr. phil. nat. Dieter Merz, Chairman; Frankfurt am Main

Dipl.-Kfm. Ralph Haubner; Brensbach (until November 30, 2000)

Dr. rer. pol. Manfred Hübener; Bad Homburg (since June 1, 2000)

Dr. phil. nat. Roland Reiner; Darmstadt

Profit appropriation

The Supervisory Board and the Board of Management propose to appropriate the net profit for the year of DM 4,815,054 as shown below:

	Euro	DM
Distribution of a dividend of EUR 0.25 per ordinary share payable on the dividend eligible share capital divided into 4 million ordinary shares	1,000,000	1,955,830
Distribution of a dividend of EUR 0.31 per preference share payable on the dividend eligible share capital divided into 4 million non-voting preference shares	1,240,000	2,425,229
	2,240,000	4,381,059
Carryover to the next business year		433,995
		4,815,054

Frankfurt/Main, March 23, 2001
Biotest Aktiengesellschaft

The Board of Management

Dr. Dieter Merz
(Chairman)

Dr. Manfred Hübener

Dr. Roland Reiner

Auditors' Report

We have audited the consolidated financial statements and the management report of Biotest Group, which were prepared by Biotest AG, for the financial year from January 1 until December 31, 2000. The Board of Managing Directors of the company is responsible for the preparation of the consolidated financial statements and the management report of the Group in accordance with the German commercial law provisions. It is our responsibility to express an opinion on the consolidated financial statements and the management report of the Group based on the audit we conducted.

We conducted the Group audit pursuant to § 317 German Commercial Code (HGB) in accordance with the generally accepted auditing standards issued by the German Institute of Chartered Accountants (IDW). Those standards require that the audit is planned and performed in a way which gives reasonable assurance that misstatements and offences which have a material effect on the view of the assets, liabilities, financial position and profit or loss of the company as presented in the consolidated financial statements with due regard to the principles of orderly accounting and in the management report of the Group are detected. Upon determining the auditing procedures knowledge on the Group's operations as well as the economic and legal environment and the anticipation of possible errors are taken into account. Within the context of the audit, the effectiveness of internal accounting control systems and the disclosed information in the consolidated financial statements and the management report of the Group have been predominantly determined on a spot check basis. The audit includes an assessment of the annual financial statements of consolidated companies, the definition of the scope of consolidated companies, the applied accounting and valuation methods and the substantial estimates made by the legal representatives as well as the evaluation of the overall presentation of the consolidated financial statements and the management report of the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any objections.

In our opinion, the consolidated financial statements present a true and fair view of the assets, liabilities, financial position and profit or loss of the Biotest Group with due regard to the principles of orderly accounting. On the whole, the management report of the Group gives a true representation of the Group's situation and a true view of the risks regarding the future development.

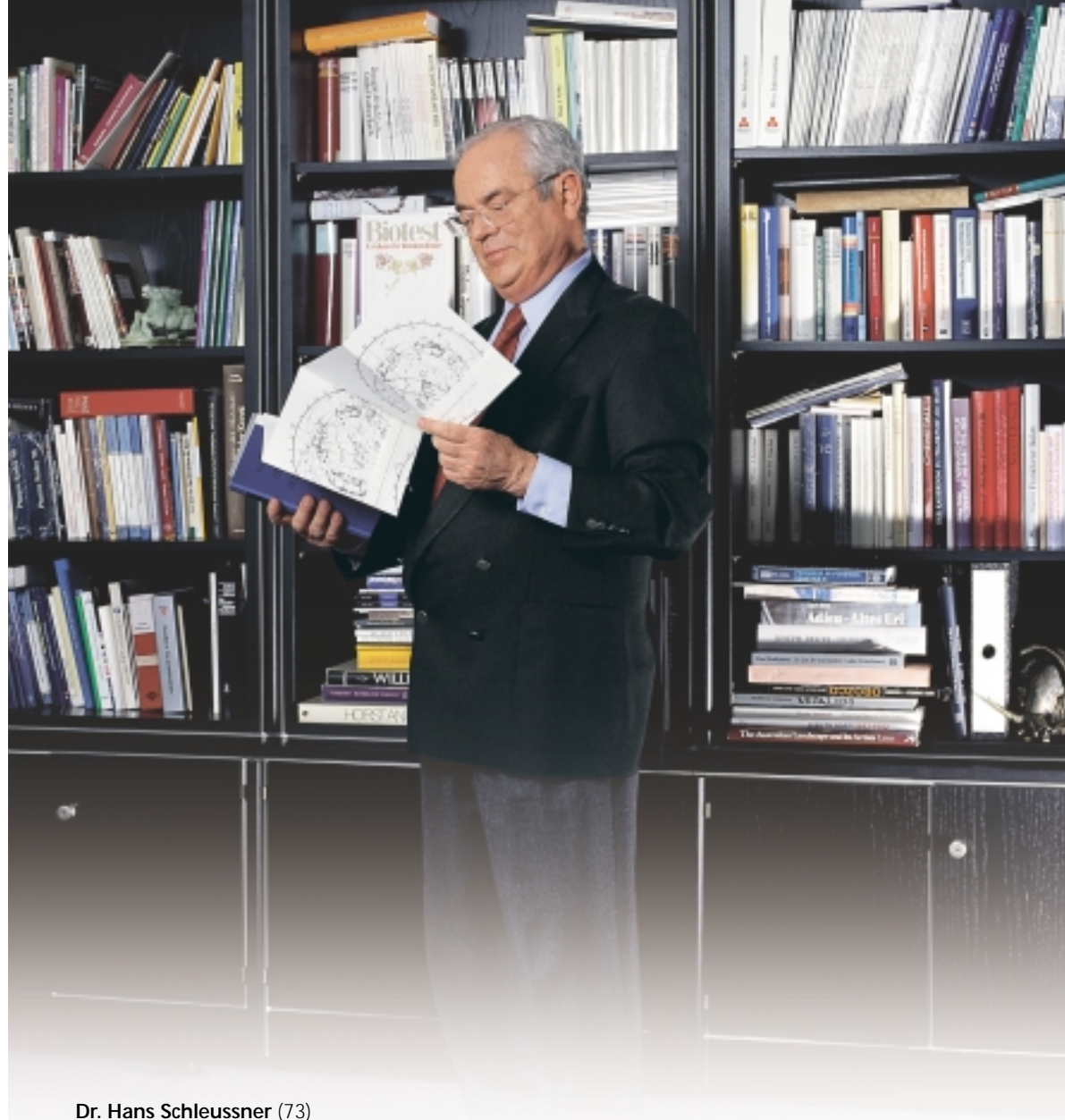
Frankfurt/Main, March 26, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Laubach
Auditor

Walter
Auditor

Report of the Supervisory Board



Dr. Hans Schleussner (73)
Doctorate in chemistry,
1946 foundation of Biotest-Serum-Institut GmbH.
1951 holder of general commercial power of attorney
(Prokurist) at ADOX Fotowerke Dr. C. Schleussner,
since 1964 Chairman of the Administrative Board of Celfa AG,
1987 Chairman of the Board of Management of Biotest AG,
since 1996 Chairman of the Supervisory Board of Biotest AG

Securing the Future
Securing the Future
by Means of Shaping
and Controlling

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 financial year 2000. 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, possible acquisitions, and on measures for the improvement of the company's profitability. The Chairman of the Supervisory Board and the Board of Management, in particular, regularly discussed business matters and took votes 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 of the three divisions and entered into attentive discussions with the Board of Management. All 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 is convinced of the functionality of the company's risk management.

The Supervisory Board has held extensive 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 increase in future profitability, Group planning was discussed in detail with and approved by the Board of Management with the focal point being on 2001 and 2002.

The Supervisory Board comprises two committees, the General Committee and the Balance Sheet Committee. In addition to the regular Supervisory Board Meetings, the General Committee met seven times with the Board of Management; the main issues on these meetings were acquisition opportunities, large-scale investments, organisational realignment of the divisions and details on the members of the Board of Management. The Balance Sheet Committee held two additional meetings, one focussing on the 1999 result and one on entrusting the auditor with the audit of the financial statements of the 2000 financial year.

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

Accountancy, financial statements and consolidated financial statements, as well as the management report and group management report for the 2000 financial year were examined by KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and have been approved with an unqualified opinion. 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 financial statements are thus approved.

The Board of Managements' proposal on the appropriation of the distributable profit has been approved.

The Supervisory Board would like to thank the Board of Management and all employees for their input and the work accomplished in the successful 2000 financial year.

Frankfurt/Main, April 6, 2001

The Supervisory Board



Dr. Hans Schleussner
(Chairman)

Glossary

Antigen/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
EBV	Epstein-Barr virus, belongs to the herpes group of viruses and is widespread. Causes infectious mononucleosis.
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
Hemostasis disorder	Coagulation disturbance
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
Interleukin	Signal substances of immune regulation secreted by white blood cells
Isolator	Container which can be closed hermetically and in which aseptic processes are conducted
Contaminated/contamination	(lat.: contaminare – to soil), Soiling, poisoning, polluting, collective term for the introduction of unwanted microorganisms
Lyme disease	Disease transmitted through the bites of ticks
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.
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-transferring 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.