



2001

Annual Report
Biotest AG



2001 at a Glance

Group	2001 DM million	2000 DM million	Change %
Sales	490.3	464.4	5.6
of which: Germany	150.6	149.0	1.1
Rest of world	339.7	315.4	7.7
of which: Pharmaceutical division	326.8	314.5	3.9
Diagnostic division	133.6	124.4	7.4
Medical Devices division	29.9	25.5	17.3
Profit before tax	20.4	22.8	– 10.5
Profit before tax as % of sales	4.2 %	4.9 %	
Net profit	11.6	13.7	– 15.3
Net profit as % of sales	2.4 %	3.0 %	
EBIT	33.5	31.4	6.7
EBITDA	55.1	51.4	7.2
Structure of expense, by nature:			
– Cost of materials	203.1	196.3	3.5
– Personnel Costs	136.4	128.1	6.5
– Research and development	35.2	34.2	2.9
– Research and development as % sales	7.2 %	7.4 %	
Capital expenditure:			
– Property, plant and equipment and intangible assets	39.6	30.6	29.4
– Financial assets	0.3	0.4	– 25.0
Financing:			
– Cash flow	38.1	36.8	3.5
– Depreciation and amortisation	21.6	20.0	8.0
Shareholders' equity	248.7	241.1	3.2
Shareholders' equity as % of balance sheet total	39.6 %	42.8 %	
Balance sheet total	627.5	562.7	11.5
Number of employees as at December 31	1,285	1,148	11.9
DVFA/SG earnings (Group) in DM per share	1.54	1.54	0.0

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Dr. Dieter Merz (60)

*Doctorate in chemistry,
Chairman of the Board of
Management of Biotest AG
since 1996*



*International Success
with **Innovative Employees***

Dear Shareholders,

In the year 2001 – which marks the 55th anniversary after Biotest's incorporation – Biotest Group was once more able to record a favourable business development. Adjusted for changes in the scope of consolidated companies, we were able to increase sales from the previous year's level by almost 7%. This rise reflects an overall beneficial development, in particular against the backdrop of the cost-cutting effects in the German health care system and especially laboratory reimbursement. All divisions contributed to this positive trend.

Despite considerable charges due to capital expenditures to expand capacities, develop new products and implement the company's internationalisation strategy, Biotest managed to keep the result almost on the previous year's level. With the establishment of Plasma Service Europe GmbH we made an investment in the future which is particularly worth mentioning. The continuous efforts to set up this proprietary organisation which comprises plasmapheresis centres providing and securing the precious raw material plasma from human blood produced start-up costs. It is important to point out that the positive effect on the result will not be felt before 2004 due to long start-up times which are typical to our business.

I would like to take the opportunity to emphasise those factors which will continue to determine our future success to a great extent.

Let me start off with our **innovation** capabilities which allow us to compete successfully and provide our customers with services tailored to meet their needs. A milestone in the product line in this context was the first pan-European registration in accordance with the mutual recognition agreements (MRAs) for Hepatect® CP at the end of 2001. This product is a representative of the new generation of hyperimmunoglobulins combating viral infections – in this case hepatitis B. These preparations are manufactured using a new procedure which does not only ensure maximum purity and security but will also contribute considerably to the result through yield enhancement. In addition to Haemoctin® SDH, Hepatect® CP became one of the most important mainstays of turnover throughout the Group.

The record of our innovations is to be extended by the automation projects in our Diagnostic division – in particular TANGO, a fully automated device for blood group diagnosis which was launched last year. For the benefit of our customers, Biotest's innovations cover products and technologies as well as services and processes.

Another success factor for the future development of Biotest's activities is the expansion of our foreign business and the accompanying **internationalisation**. We were able to increase the export share to almost 70% of total sales in 2001, making it the real driving force of growth in contrast to the sluggish domestic business. The mainstays of our foreign business are our own distribution companies who managed to increase sales exponentially over the past year.

In the year 2001 our long-standing liaison office in Tokyo was realigned to form an independent distribution company. This measure helped to prepare us to tap the Japanese market with an increased intensity and directness. Registrations in the European Community for our plasma products, too, contribute to create better preconditions to market our high-performance products in this region. One of the markets which is increasingly gaining in importance for the future is North America. Now that our Diagnostic division has already been successful in the US for many years – the region is the largest foreign market of this division – the Medical Devices division is following suit by intensifying marketing actions for its products.

The Pharmaceutical division will also follow this example over the medium term. Major landmark decisions on technical issues in this context are already underway with the large-scale technical investment programme currently carried out in Dreieich, Germany.

And last but not least, we have recourse to capable employees and executives which are another prerequisite and guarantor for the successful implementation of our strategies and investments. In 2001, major investments were made in systematic personnel development in particular and we initiated projects of basic importance, such as an extensive training programme and a skilfully structured concept for **personnel development** and succession planning. Incentive programmes for employees and executives are based on increasing returns on sales and proactive delegation of competence and responsibility on all management levels. This programme is complemented by a new management structure as well as a stock option scheme for the executive management. One of the objectives of Biotest's up-to-date service structure is to increase our corporate performance and the enterprise value.

We have great plans for the future and invest much money in these plans. The new manufacturing facilities of Heipha GmbH in Eppelheim near Heidelberg and Envitec-Wismar GmbH were taken into operation last year and have since contributed to the continued growth.

For the new sterile final fill facility of Biotest Pharma GmbH in Dreieich we achieved validation as scheduled and the authorities granted permission to take the facility into operation.

In future, it will be absolutely crucial that Biotest Group concentrates the limited resources into the core divisions as centres of competence in order to seize the opportunities for growth and return. This also means that the non-core-activities will have to be reviewed over and over again in order to strengthen profitable core divisions that are likely to grow.

A positive market development can be observed for the area of plasma products, where we are expecting a strong expansion of the world market in the foreseeable future whereas automation concepts should offer good growth opportunities in the Diagnostic division. Moreover, we will also build on our innovative products to meet the challenges in the Medical Devices growth market.

At this point, I would like to take the opportunity to thank all employees of Biotest Group for their dedication and, above all, for their courage to implement changes in particular over the past year.

My thanks also go to our shareholders for their loyalty. And finally, we would like to thank our customers for the trust they put in us.

On behalf of the Board of Management
Yours faithfully



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

Management Report



Overview

For Biotest, the 2001 financial year was characterised by continued favourable sales growth, the effects of the substantial process changes already initiated earlier and investments to provide additional capacities which, while incurring immediate upfront costs, will continue to have effect in the distant future.

Sales growth of more than 5% to DM 490.3 million. Biotest Group raised sales to DM 490.3 million after DM 464.4 million in the previous reporting period. Such growth was generated with a changed scope of consolidated companies, which no longer embraced Astrapin but included the newly founded companies Plasma Service Europe GmbH and Biotest K.K., Japan. Adjusted for these changes, the increase amounted to almost 7%.

Despite limited growth possibilities due to production bottlenecks all three divisions were able to contribute to the Group's corporate growth. As in the previous year, growth was primarily generated abroad. Sales in foreign countries rose by 7.7% to DM 339.7 million, after DM 315.4 million in the previous year. With an increase in sales of almost DM 20 million, our own distribution companies made the largest contribution to this development.

Together with the coagulation factor Haemoclin® SDH, the hyperimmunoglobulin Hepatect® CP was the mainstay of sales in the Pharmaceutical division in Germany and abroad. A regional breakdown of sales reflects a further increase in Europe.

The Diagnostic division achieved sales growth of 7.4% which was distinctly above the previous reporting periods. This favourable development was due to blood group diagnostics as well as the growing success of virus diagnostics and the completion of the cell diagnostics product line. The Medical Devices division recorded favourable sales growth with sensor systems. Delayed market entry in other product lines prevented an even stronger sales growth in 2001.

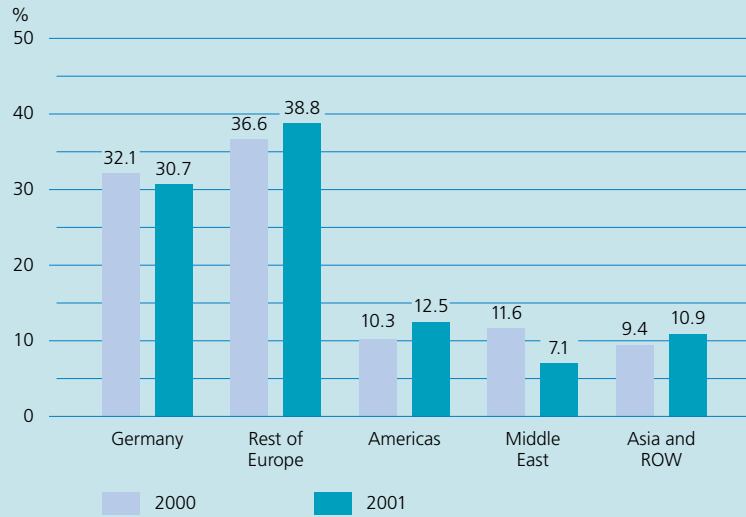
The breakdown of sales by regions reflects an expansion of our business in Europe. The change in the other markets depends to a great extent on public tenders (so-called tender business).

Foreign sales as a percentage of Group sales further increased to a current level of approximately 69%. The proprietary distribution companies as well as our third-party distributors contributed to this development.

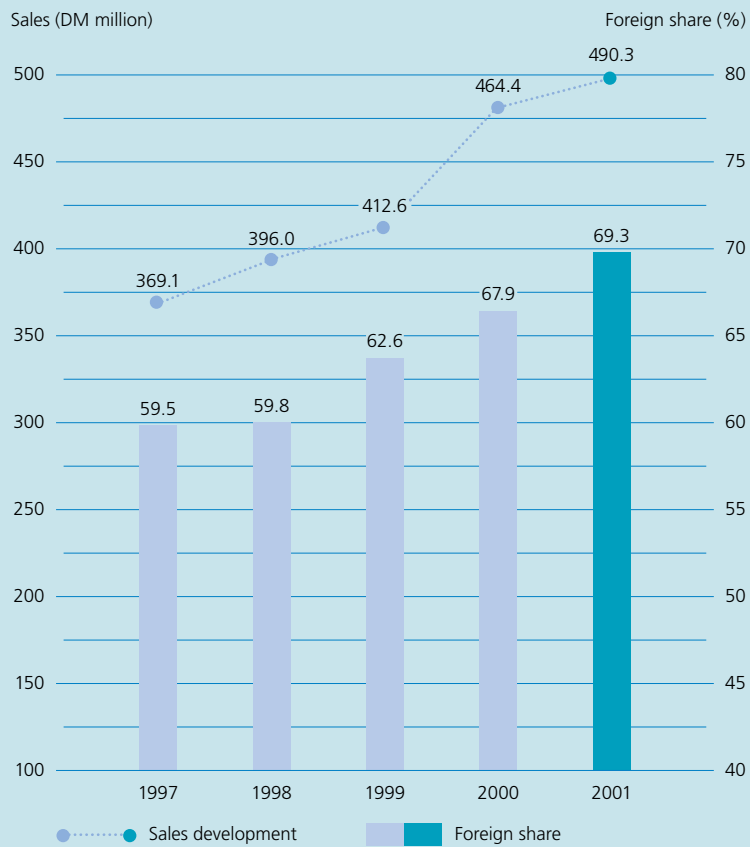
Group net profit of DM 11.6 million. Net profit was recorded at DM 11.6 million in the period under review which may be viewed as a success against the backdrop of the overall economic environment. Due to higher set-up costs for the expansion and relocation of capacities, this figure remained below the previous year's level. As was already reported, the Pharmaceutical division furthermore recorded distinct price increases in raw materials. Higher prices on the sales side were, in contrast, only possible to a limited extent.

Biotest continues its constant dividend policy. The Board of Management and the Supervisory Board propose to distribute DM 4.38 million (€ 2.24 million) of the distributable profit of Biotest AG. This corresponds to a dividend of € 0.31 per preference share and € 0.25 per ordinary share.

Sales by region in %



Sales trend and percentage of foreign share



Business Development and Income Level

Sales by division were as follows:

Division	2001 DM million	2000 DM million	Change %
Pharmaceutical	326.8	314.5	+ 3.9
Diagnostic	133.6	124.4	+ 7.4
Medical Devices	29.9	25.5	+ 17.3
Total	490.3	464.4	+ 5.6

The Pharmaceutical division once more increased sales by 3.9% to DM 326.8 million after DM 314.5 million in the previous year. The effect of the change in the scope of consolidated companies was seen in this segment. While Astrapin GmbH & Co.KG contributed DM 6.8 million to sales in the previous year, it was not consolidated in the period under review for the first time. The adjusted rate of increase in sales amounts to 6.2%.

In the Diagnostic division, a distinct improvement in the sales development was recorded against previous years. With an increase of 7.4% or DM 9.2 million, the division was not fully able to achieve the sales target set for new products and systems. The high dollar exchange rate, however, had a positive effect.

In the Medical Devices division, the increase in sales of sensor systems was realised as scheduled. Delays in the market launch prevented further growth in other product lines, in particular in plasmapheresis products.

The chart on the opposite page displays the development of the percentage share of sales in the individual business divisions.

The earnings position in the Group has somewhat weakened, as substantial set-up costs for capital expenditures and other costs, e.g. validation costs overshadowed the positive sales trend.

In the past year such negative factors included a distinct price increase in the raw material plasma, set-up costs for the establishment of a proprietary plasma supply chain in the course of establishing the subsidiary Plasma Service Europe GmbH, and substantial set-up costs in pharmaceuticals production for the expansion of capacities. Such capacities will not contribute to a stronger growth in Group sales and the result before 2004.

The Diagnostic division also incurred expenses for the establishment of a service structure to support sales of laboratory automation systems, which are attributable to Biotest AG as well as the distribution companies.

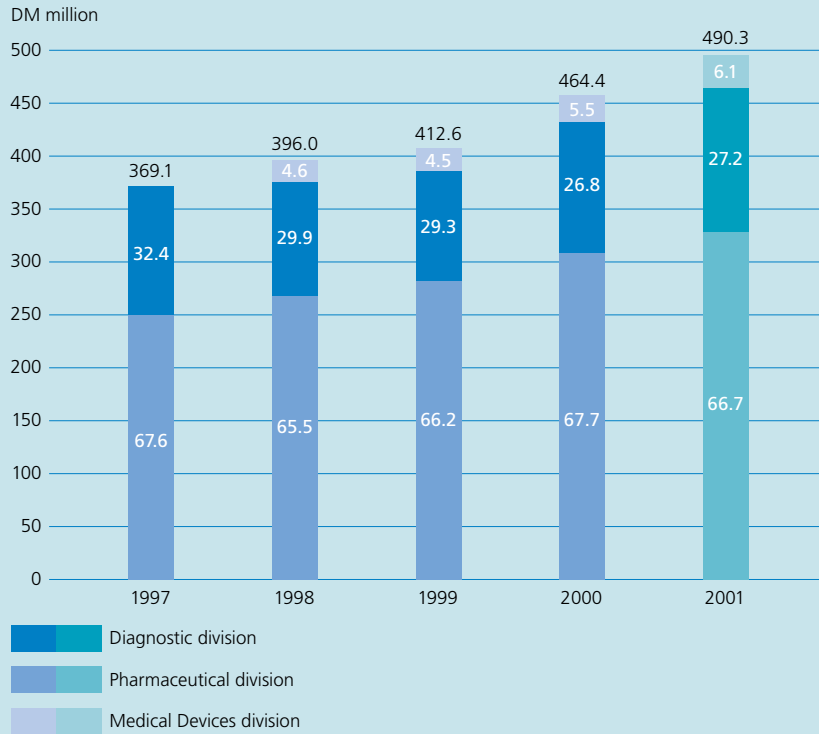
Biotest Medizintechnik GmbH, too, incurred increased costs due to the delays in the context of the plasmapheresis device and the low degree of capacity utilisation.

One-off costs for relocation and the set-up of new manufacturing facilities at the subsidiary Heipha Dr. Müller GmbH in Heidelberg/Eppelheim and Envitec-Wismar GmbH in Wismar must also be taken into account when acknowledging the earnings situation in 2001.

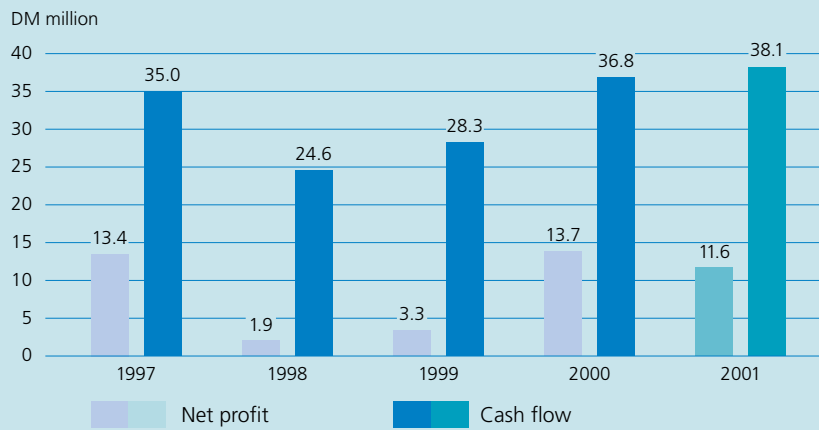
Income and expenditure developed as follows:

	2001 DM million	2001 %	2000 DM million	2000 %
Sales	490.3		464.4	
Total output	512.5	100.0	488.2	100.0
Cost of materials and services purchased	- 203.1	- 39.6	- 196.3	- 40.2
Gross profit	309.4	60.4	291.9	59.8
Other operating income	16.9	3.3	16.7	3.4
Personnel costs	- 136.4	- 26.6	- 128.1	- 26.2
Depreciation and amortisation	- 21.6	- 4.2	- 20.0	- 4.1
Other operating expense	- 134.8	- 26.3	- 129.1	- 26.4
EBIT (operating profit)	33.5	6.5	31.4	6.4
Financial result	- 13.1	- 2.6	- 8.6	- 1.8
Result from ordinary activities	20.4	4.0	22.8	4.7
Net profit	11.6	2.3	13.7	2.8
EBITDA	55.1	10.8	51.4	10.5

Group sales by division in DM million (%)



Net profit/Cash flow



Dr. Manfred Hübener (46)

Graduate in
business administration
(Dipl.-Kaufmann) and MBA,
CFO at Biotest AG
since June 2000



*A Performance-driven Corporate Culture,
Portfolio Management, Corporate Governance
and Well-targeted Investor Relations
are of **Key Importance to the Share Price***

Total output only increased by 5 % or DM 24.3 million. A more distinct increase, in particular a further expansion of sales, was prevented by the limited extent of capacities. The increase recorded is primarily due to a higher level of work in process material at Biotest Pharma GmbH as a consequence of the parallel production using both old and new procedures. New buildings helped to remove bottlenecks over the year at some subsidiaries. At the two principal companies Biotest AG and Biotest Pharma GmbH, however, the required investments have not yet been finalised.

We were able to slightly improve the cost of materials ratio from the previous year to 39.6 %. This was due to improvements in the Pharmaceutical division; notably the production of new CP products which allow us to achieve higher yields from the raw material plasma. Negative effects as from the above-mentioned start-up costs in the Diagnostic division for setting up the systems business with the fully automated blood group device TANGO were also observed for the development of a plasmapheresis device in the Medical Devices division.

Gross profit also improved and was recorded at DM 309.4 million – 60,4 % of total output.

Other operating income of DM 16.9 million remained on the previous year's level.

In absolute terms, the rise in personnel costs remained below the previous year's level despite the fact that the number of employees increased distinctly due to the business expansion at individual subsidiaries and one-off effects in 2001. Envitec-Wismar GmbH and Heipha Dr. Müller GmbH employed more personnel to remove bottlenecks and handle extra work resulting from the companies' relocation and the corresponding restructuring tasks. Biotest Pharma GmbH, too, hired additional employees to fill vacancies resulting from the simultaneous operation of old and new production facilities. The incorporation and establishment of Plasma Service Europe GmbH also contributed to an increase in personnel.

Other operating expense rose by 4.4 % from DM 129.1 million in the previous financial year to DM 134.8 million. This increase resulted from higher personnel costs which were in turn due to a higher share of exports.

A distinct expansion was recorded in the negative financial result as a consequence of high investments in fixed and current assets. DM 15.3 million were spent on interest and similar expenses in the period under review. In the previous year, this item was recorded at DM 10.0 million. The additional expenditure is a consequence of investments at Biotest Pharma GmbH, Grundstücksverwaltungsgesellschaft mbH, Heipha Dr. Müller GmbH, and Envitec-Wismar GmbH.

The tax ratio was recorded at 40.8 % of the pre-tax result. Foreign subsidiaries, located in the US, Italy and other European countries, with a national income tax ratio of approximately 40 % contributed largely to Group income.



Dr. Michaela Rethwilm (49)

Specialist for transfusion medicine,

Managing Director

at Plasma Service Europe GmbH,

a subsidiary of Biotest, since 2001

*Excellent Quality of Raw Materials
is a Prerequisite of **High-quality**
Plasma Preparations*

Statement of Assets and Financial Position

The Group's balance sheet total rose by DM 64.8 million to DM 627.5 million affecting all asset items in the balance sheet.

Fixed assets once more recorded a distinct increase due to investments in property, plant and equipment which served to expand production capacity. The item amounted to DM 190.2 million after DM 176.3 million in the previous year. While Biotest Pharma GmbH is still investing into the renovation of production facilities, several Group divisions already completed their capital expenditure programmes.

Inventories also increased in the past financial year. After DM 218.8 million in the previous year, this item was recorded at DM 251.3 million in the reporting period. About 76 % of this increase was seen at Biotest Pharma GmbH. All types of intermediate products were affected as these are being produced in several variants due to parallel production using old and new procedures. The current production involves two simultaneous processes with separate approvals, and the exchange of intermediate products between the two processes is not possible. The inventory of finished goods remains low and amounts approximately to the value of one month's sales. With the introduction of the new fractionation process (FH), a distinct reduction of work-in-progress inventories is scheduled.

Inventories only increased modestly at the other Group companies. Inventories include a lot size of the fully automated blood group device TANGO which was held in store to support an efficient sales process in the first half of 2002.

Trade receivables, rose in line with sales by DM 8.5 million, primarily due to the expansion of sales in markets with longer payment terms, such as Italy. At Biotest Pharma GmbH, accounts receivable declined by DM 7.5 million due to an active management of accounts receivable and a factoring level of DM 12.3 million. Other accounts receivable include DM 15.5 million due from a leasing company. This item was caused for accounting reasons as Biotest Pharma GmbH carries out the handling of the project.

Securities and liquid funds declined slightly against the previous year to DM 22.8 million.

After dividend payments in 2001, shareholders' equity increased by DM 7.6 million to currently DM 248.7 million. The equity ratio was thus recorded at 39.6 % of the balance sheet total. More than 100 % of fixed assets were covered by shareholders' equity.

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

Assets	2001 DM million	2001 %	2000 DM million	2000 %
Fixed assets	190.2	30.3	176.3	31.3
– Inventories	251.3	40.0	218.8	38.9
– Receivables and prepaid expenses	163.2	26.0	141.7	25.2
– Securities and liquid funds	22.8	3.7	25.9	4.6
Current assets	437.3	69.7	386.4	68.7
Balance sheet total	627.5	100.0	562.7	100.0
Shareholders' equity and liabilities				
Shareholders' equity	248.7	39.6	241.1	42.9
Special items with partial reserve character	0.0	—	0.1	—
– Provisions for pensions	57.0	9.1	52.0	9.2
– Other provisions	35.6	5.7	34.4	6.1
Total provisions	92.6	14.8	86.4	15.3
– Liabilities due to banks	204.3	32.6	168.6	30.0
– Other liabilities and deferred income	81.9	13.0	66.5	11.8
Total liabilities	286.2	45.6	235.1	41.8
Balance sheet total	627.5	100.0	562.7	100.0



Dr. Rolf Müller (58)

*Doctorate in chemistry,
incorporated*

Heipha Dr. Müller GmbH in 1973

*Capital Expenditures in State-of-the-Art,
GMP-Compliant Production Equipment
and New Manufacturing Facilities
are the Basis for **Additional Growth***

Capital Expenditure/Depreciation and Amortisation/Cash Flow

Capital expenditure of the Group: DM 39.8 million. The Group continued its proactive capital expenditure programme in 2001. Approximately one third of capital expenditure was invested in construction measures which had already been started in the previous years, another third in other capacity investments and the last third in prepayments for production plants. In future, lease-financed investments will also be recorded in the balance sheet due to the conversion to International Accounting Standards (IAS) which is scheduled to take place in 2002. Until the end of the 2001 financial year, an aggregate volume of DM 50.7 million was financed by way of leasing contracts.

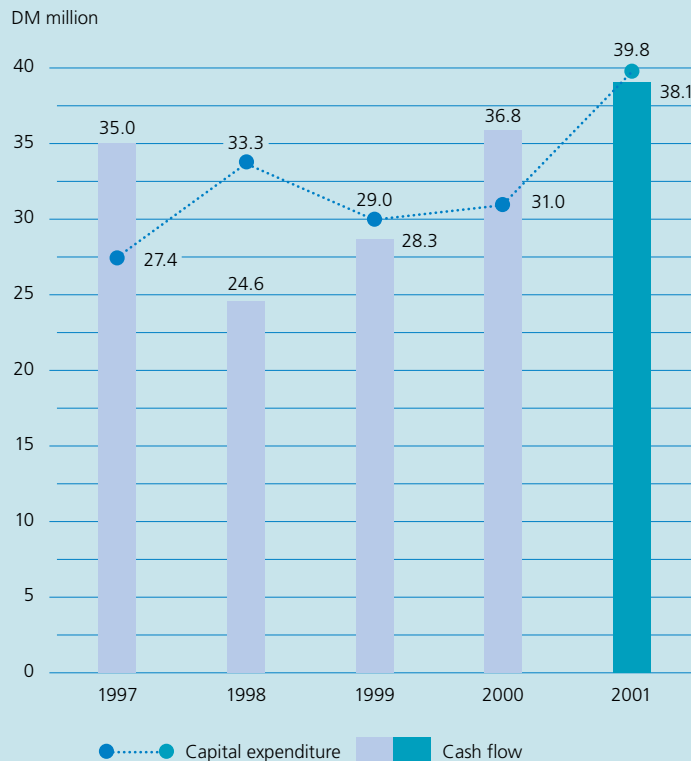
Heipha Dr. Müller GmbH relocated to its new building in Eppelheim as scheduled. Following a few months to optimise the production process, distinctly higher monthly sales were recorded from autumn 2001 onwards.

Envitec-Wismar GmbH, Wismar moved into its new premises in the summer of 2001 as scheduled. This company, too, recorded distinct growth impetus from the expansion of capacities.

The new "sterile final fill" of Biotest Pharma GmbH, the first of the two leasing packages, entered validation on time in summer 2001 and was admitted for production by the authorities in the first days of January 2002. The establishment of a new fractionating facility also continues according to plan. Technical completion is scheduled for the summer of 2002. The ensuing validation will take more time than the validation of the final fill facility and the authorisation for production process is expected in the course of the year 2003.

Depreciation and amortisation amounted to DM 21.6 million compared with DM 20.0 million in the previous year. The cash flow of DM 38.1 million covered 96 % of investments.

Capital expenditure/Cash flow (in DM million)



Dr. Silke Milbradt (36)

*Doctorate in biology,
Head of the
diagnostics product line
for transfusion medicine
since 1993*



Automation and Expansion of the Systems Business

within the Transfusion Medicine Diagnostics

*Using the Fully Automated Blood Group Device TANGO
are Critical **Elements of the Strategic Realignment***

Research and Development

In the reporting period, DM 35.2 million or 7.2 % of sales were spent on research and development (2000: DM 34.2 million or 7.4 % of sales).

In the Pharmaceutical division, research and development concentrated on the continuation of projects under way and on product registrations in additional countries.

Development work for a new generation of immunoglobulins (FH/CP) was completed in 2001. The registration dossier will be submitted in the second half of 2002.

We managed to almost complete the development of a new, high-purity Factor IX preparation to compliment our range of coagulation products; the registration file is also scheduled to be submitted in the second half of 2002.

Several registrations were issued for CP immunoglobulin preparations in Europe at the end of 2001.

In the 2001 financial year, the Diagnostic division continued to focus on the optimisation of the automated blood group device TANGO. We were able to distinctly increase the stability of these devices in routine application. The level required for a broad market launch has now been reached.

The division also worked at full stretch to complete the two molecular biology product lines for tissue typing. A complete product line will be available by mid-2002.

With QuickStep, another fully automated device for laboratory work was launched in the product line of enzyme immunoassays.

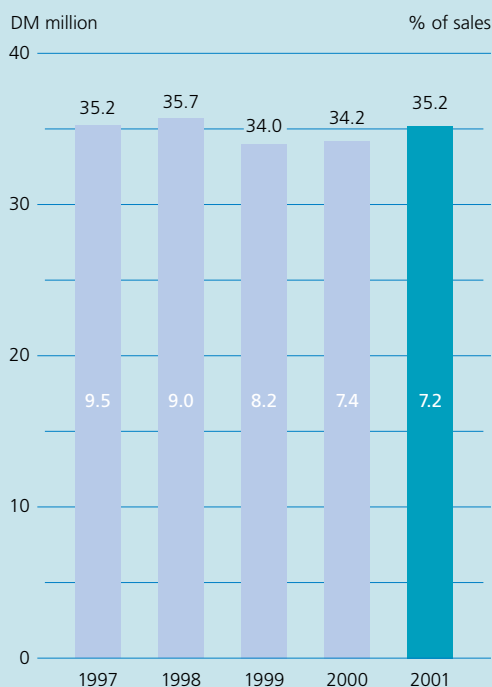
In the field of hygiene monitoring, we successfully developed a new particle counter for different particle sizes for which marketing will start at the beginning of 2002. This device has a higher market potential than its predecessor.

Diaclone SAS continued its efforts to register a first therapeutic product in accordance with the new EU Orphan Drug legislation. We envisage to submit the dossier at the beginning of next year.

In the Medical Devices division, development work on a new system for automated plasmapheresis (MedCell) was concluded. The first tests in medical institutions were carried out at the end of last year. We expect CE certification in the first half of 2002.

Envitec-Wismar GmbH, which is active in the area of sensor systems, accomplished further steps in the development of an evidence-proof system to measure the breath alcohol concentration and a new procedure to measure oxygen and gas. Market launch of the products is scheduled for the year 2003. In 2001, the FDA registration in the US was granted for the most important product line, pulse oximetry sensors.

Research and development expense



Juliane von Versen (43)

Graduate in education
(Dipl.-Pädagogin),
Head of personnel
development since 2000



Staff Development Programmes
Qualify Managers and Employees to Fulfil
Increasing Requirements and thus Contribute
*to a **Modern Performance-driven Corporate Culture***

Staff

Development of staff. The average number of employees within the Group totalled 1,219. This reflects a slightly more distinct increase during the period under review as against the previous years. Almost all Group companies created new jobs.

At Biotest AG and the majority of its distribution companies, additional employees were employed due to envisaged higher sales with the fully automated blood group device TANGO and accompanying service functions.

Biotest Pharma GmbH also needed more staff for its new production sites. Plasma Service Europe GmbH created 34 jobs in the operating facilities in Magdeburg and Berlin and additional jobs will follow in Rostock in 2002.

Additional employees were also required for the launch of new products of Biotest Medizintechnik GmbH and for higher capacities at Envitec-Wismar GmbH.

Personnel costs. In the Group, personnel costs increased significantly in 2001 compared to previous years. This was primarily due to newly established jobs.

A total of DM 136.4 million was expensed on staff after DM 128.1 million in the previous reporting period, corresponding to an increase of 6.5%. Pension costs rose from DM 6.5 million in the previous year to DM 8.5 million in the period under review.

Training and education. In the year 2001, an average of 25 vocational trainees were employed at Biotest Group.

Biotest offers vocational training for chemists, biology laboratory workers, information technology clerks, industrial clerks and specialist clerks for office communication.

Employee appreciation. The Board of Management and the Directors of all Biotest Group companies would like to express their special appreciation to the staff for the achievements during the past year which was not always easy and sometimes involved significant extra work for the employees due to Biotest's strategic realignment, several complex product launches and a large-scale investment programme.

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

Group	2001	2001	2000	2000
	Employees	%	Employees	%
Sales and distribution	390	32.0	368	31.7
Administration	145	11.9	135	11.6
Production	544	44.6	513	44.1
Research and development	140	11.5	147	12.6
Total	1,219	100.0	1,163	100.0

Segment Reporting

Pharmaceutical division

The Pharmaceutical division's product portfolio now exclusively comprises products of Biotest Pharma GmbH as Astrapin GmbH & Co. KG was closed at the end of 2000. The company generates sales directly as well as through its proprietary distribution companies.

At Biotest Pharma GmbH, the fact that capacities are limited burdened the division as the above-mentioned large-scale investments to provide additional capacities will only contribute to distinct sales growth in subsequent years.

Sales growth was achieved primarily with the coagulation preparation Haemoclin[®] SDH, which has meanwhile become the most important product, and the innovative immunoglobulins produced in accordance with the CP procedure.

The Pharmaceutical division increased sales by 3.9% to DM 326.8 million from DM 314.5 million in the previous year. Adjusted for changes in the scope of consolidated companies, sales growth amounted to 6.1%.

Sales in Germany and the rest of the world developed as follows:

	2001 DM million	2000 DM million	Change %
Germany	96.8	97.7	- 0.9
Rest of world	230.0	216.8	+ 6.1
Total	326.8	314.5	+ 3.9

The stabilisation of domestic sales was supported by distinct increases in export sales, which, last but not least was attributable to our European distribution companies. Sales growth in Italy, especially with the product Hepatect[®] CP, was particularly successful.

Operating profit. The operating profit in the Pharmaceutical division amounted to DM 34.8 million (DM 31.0 million in 2000). This corresponds to 10.6% of sales (2000: 9.9%).

The rise in sales and profit at the foreign sales and distribution companies of Biotest, particularly in Italy, contributed to this improvement. The operating profit of Biotest Pharma GmbH stabilised on the previous year's level and amounted to DM 20.5 million. Start-up costs of Plasma Service Europe GmbH had a negative effect on profits.

Capital expenditure. Investments in the Pharmaceutical division are basically in line with the investments at Biotest Pharma GmbH. The two lease-financed projects "new fractionation" and "sterile final fill" were continued as scheduled. The final fill facility was approved by the authorities in January 2002.

A total of DM 16.5 million were used for additional measures to increase capacity, including re-modelling and expansion of all stages of production in line with state-of-the-art process technology.

In the reporting period, DM 24.0 million were expensed on the above-mentioned lease-financed projects. Lease-financing will reach its full scope in 2002. Until now, an aggregate of DM 50.7 million were spent on such facilities. Until completion of the facilities, Biotest Pharma GmbH will incur prefinancing costs.

A distinct increase from DM 375.2 million to DM 413.7 million was recorded in tied-up capital attributable to the Pharmaceutical division. This increase can be put down to the increase of current assets at Biotest Pharma GmbH and Biotest Italia S.r.l. due to their business expansion as well as the above-mentioned investments.

Depreciation and amortisation declined slightly from DM 13.2 million to DM 12.9 million.

Silke Schmandt (42)

*Industrial clerk,
International Marketing
and Sales at
Biotest Pharma GmbH
since 1998*



*Expansion of the International Business
is an Important **Factor of Success**
for the Future Business Development*

Research and development. The development work for the latest generation of our immunoglobulin preparations in accordance with the FH/CP procedure was completed on schedule, so that we expect to be able to submit registration documents in 2002. Moreover, Biotest was able to conclude the development of another preparation in the coagulation group, a new high-purity Factor IX. Submission of the registration documents is also planned for 2002. Another ongoing task of pharmaceutical research is the optimisation of the respective applied production processes with the aim to generate higher yields and hence a reduction in production costs.

Employees. The average number of employees in the Pharmaceutical division decreased from 575 in 2000 to 572 in the period under review. While the closure of Astrapin GmbH & Co.KG in the previous year was accompanied by a decline in employees, Biotest Pharma GmbH and Plasma Service Europe GmbH increased their staff level in production.

Diagnostic division

The Diagnostic division comprises products of Biotest AG and of the subsidiaries or affiliated companies Heipha Dr. Müller GmbH, Viro-Immun Labor-Diagnostika GmbH and the French company Diaclone SAS, all of which distributed in part directly and in part via foreign subsidiaries, respectively.

Sales of DM 133.6 million. Sales in the division increased by 7.4 % to DM 133.6 million in 2001, compared to DM 124.4 million in the previous year. The division was thus able to record a successful development, despite additionally required optimisation measures on our key project, the blood grouping device TANGO, which were completed in the period under review. The broad market launch of TANGO was postponed to 2002.

The investment projects for a "new ISO-compliant production location for Heipha Dr. Müller GmbH" and new production facilities and capacities for hygiene programme products were completed according to plan.

	2001 DM million	2000 DM million	Change %
Germany	46.7	44.8	+ 4.2
Rest of world	86.9	79.6	+ 9.2
Total	133.6	124.4	+ 7.4

In Germany, cost pressure continued in clinic laboratories as well as for laboratory physicians in the past financial year. Developments in Germany thus lagged behind those in other countries. This is the reason why we attribute high importance to the expansion of our industrial microbiological control and hygiene programme in order to react to such cost and price pressure also increasingly felt abroad.

While own sales and distribution companies became increasingly important as distribution channels for Biotest AG, sales growth was recorded at all companies of the division.



Birgit Ladewig (47)

Medical Technician (MTA)

Head of immunohematology

production since 1996

*Validated Processes and
State-of-the-Art Production Facilities Provide a
Constant High Level of Product Quality*

Operating profit. Operating profit (earnings before interest and taxes) improved from DM 0.8 million to DM 1.1 million.

The development of Biotest AG's profits was slowed down by optimisation measures for the TANGO device which were required in 2001. Moreover, preparatory costs for the expansion of the systems business were incurred abroad.

Capital expenditure. A total of DM 9.7 million was invested in the division. Key projects comprise the completion of the new production facility of Heipha Dr. Müller GmbH and various production projects at Biotest AG. Tied-up capital attributable to the division amounts to DM 127.5 million. Amortisation and depreciation amounted to DM 7.3 million of which DM 4.1 million were attributable to Biotest AG.

Research and development. Research and development in the Diagnostic division continued to focus on the optimisation of the functionalities of the TANGO. The stated objective to finalise the development in 2001 was achieved with the change-over to a new operating system and the optimisation of existing functions and introduction of new functions. On top of this, the fully automated device for handling enzyme immunoassays (virus tests) called QuickStep was launched. Diaclone SAS successfully completed important steps for the registration of additional products on the basis of monoclonal antibodies which may also be used in therapeutic applications.

The development projects for completing the molecular biological transplantation product range and a new particle counter in the area of hygiene monitoring were successfully completed according to schedule, too.

Employees. In the Diagnostic division, the number of employees increased from 482 to 505 in 2001.

The expansion of a service structure required for the systems business, and in particular for the blood grouping device TANGO, created additional jobs at Biotest AG and the sales and distribution companies.

New jobs were created at Heipha Dr. Müller GmbH in product management, quality control and quality assurance after moving into the new premises allowing state of the art validation of the production process and products. Some process steps will be subject to rationalisation during the course of 2002 and thus will cushion the increase in staff.

Medical Devices division

For this division, 2001 was a year of excellent developments on the one hand but high preparatory costs on the other.

After space requirements were met for a stronger expansion, sales and profits of Envitec-Wismar GmbH developed positively, in line with our expectations. Biotest Medizintechnik GmbH, however, had to accept delays in the market launch of hemoglobin measurement products and products for the separation and storage of blood or blood plasma.

Sales of DM 29.9 million. Despite the above-mentioned difficulties, sales in our third division increased to DM 29.9 million. Growth abroad was almost twice as high as in Germany.

	2001 DM million	2000 DM million	Change %
Germany	7.2	6.5	+ 10.8
Rest of world	22.7	19.0	+ 19.5
Total	29.9	25.5	+ 17.3

Operating profit. Due to the above-mentioned quality and market entry problems, operating profit declined from the previous year's level and was recorded at DM –1.3 million, compared to DM 1.0 million in 2000.

The division already initiated measures to sustainably improve the income structure. However, Biotest Medizintechnik GmbH will not achieve a turnaround in 2002.

Capital expenditure. In the 2001 financial year, capital expenditure in the Medical Devices division amounted to DM 5.7 million. Investments were primarily attributable to the continuation of construction projects Envitec-Wismar GmbH commenced in 2000 and to the establishment of production facilities at Biotest Medizintechnik GmbH.

Employees. In the past year, a total of 131 employees were employed in the Medical Devices division – i.e. 36 more than in the previous year. The distinct increase reflects the scheduled expansion as a consequence of the new operational and production facilities. As far as staff and space are concerned, the prerequisites for a distinct increase in sales in the year 2002 were established.

Risks in Future Developments and Risk Management

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. Guidelines were established which ensure a uniform treatment and communication of risks as well as their supervision by means of various instruments.

Internal reporting assures that decision-making bodies receive comprehensive information in a timely manner. The controlling department regularly analyses deviations from the plan and suggests 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.

In the context of our development projects, we make use of a well-established project management system.

Product and environmental risks are controlled by strict quality management. This includes certification of our activities in accordance with international standards, constant improvement of processes and facilities as well as the 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 constantly reviewed and adjusted when necessary.

Individual factors influencing risks are:

The situation in the Pharmaceutical division remains characterised by the continued scarcity of the raw material plasma. Purchase prices, however, stabilised and Biotest started setting up its own supply organisation. Our plasma supply is secured by means of long-term supply contracts as well.

The division incurred extremely high preparatory costs for product registrations for the cost-effective FH/CP procedure. The most important investments have been accomplished in this context and we envisage to start production with the new process at the end of 2003.

With our investment programme, which will provide larger capacities in accordance with state-of-the-art technologies, we expect to achieve the necessary registrations which allow us to fulfil the latest specifications stipulated by the authorities.

As a consequence of the resulting increase in capacities, the improvement in yields and the reduction of processing times, the division should also be able to significantly reduce inventories of work-in-progress. The positive effects on manufacturing costs will, however, only be reflected from 2004 onwards.

While we aim to increase our direct marketing activities, the continued uncertainty of timing and the regional breakdown of sales in the context of tender transactions cannot be avoided.

The foreign exchange risk inherent in US dollar-denominated invoicing is offset by means of rate hedging transactions and other financial derivatives.

A more fierce competitive situation will characterise the currently favourable sales opportunities in the Italian market when competitors re-enter the market in 2002. Due to the high level of acceptance among patients of long-time treatments and purchase contracts of several years we hope to be able to roughly keep our current market share.

The Diagnostic division, like all other competitors, too, faces a market characterised by cost-cutting measures in the highly industrialised countries, and in particular in Germany, resulting in a further decline of margins. We will react to this market environment with the sale of systems for standard laboratory activities which are cost-effective for the user, comply with all new guidelines and higher standardisation requirements. The most important products in this context are the fully automated blood grouping device TANGO and the system QuickStep.

On top of this, we are reacting with a stronger export-oriented strategy and the completion of our product range of industrial applications at more favourable pricing levels.

The expected improvement in sales from 2002 onwards gives rise to expectations of a distinct improvement in the medium-term profit situation. This requires, however, that TANGO will achieve a successful market penetration within the next two years. For this product line, we have scheduled a clear rise in sales and accordingly established corresponding capacities and contractual relations in the future.

In the Medical Devices division, the delays in the market launch of products for hemoglobin measurement and plasmapheresis will continue to burden Group profits in 2002.

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



Dr. Stefan Weller (39)

Doctorate in

clinical pharmacology,

Head of regulatory affairs

since 2001

*Rapid Approval and Registration
of our Preparations **Opens up Additional
Market Potential on a World-wide Scale***

Outlook

Group sales. Biotest was able to achieve modest sales growth in the first months of 2002. With regard to the above-mentioned capacity limitations in the Pharmaceutical division, the uncertain timing of large tender transactions and long processing times will result in distinctly fluctuating sales in individual months will occur.

We envisage sales growth in the Pharmaceutical division in the single-digit area for the first half of 2002 with a tendency towards higher growth in the second half.

The cost structure will improve further with the development and approval of an additional product within the context of fractions resulting from coupled production.

In the Diagnostic division, high sales potentials will open up with intensified marketing activities for the blood group determination system. The new particle counter will also develop new market potential in the industry on an international scale.

In the Medical Devices division, market entry is scheduled for the hemoglobulin measurement system in the US. Products of Envitec-Wismar GmbH are supposed to generate higher sales abroad. The Group's own plasma procuring companies shall predominantly use the system MedCell.

We envisage an increase in sales growth above the previous year's level for the Group in the overall financial year 2002.

Net profit. Net profit of 2002 will continue to be characterised by start-up costs for additional capacities and by higher raw materials prices. The start-up costs for the creation of a proprietary plasmapheresis organisation will also extend to the year 2002, whilst TANGO, which has been stabilised meanwhile, will continue to contribute positively to sales and the result.

In view of the high temporary burden in the Pharmaceutical division and – partially – the Medical Devices division, we envisage the result to remain on the previous year's level despite the targeted sales growth.

Jürgen

Wohlfahrt-Laymann (40)

Graduate in
business administration
(Dipl.-Betriebswirt),

Managing Director at
Plasma Services Europe GmbH
since January 2002



*Developing Sources for Raw Materials
and Ensuring Price Stability Serve
to **Increase Efficiency***

Further Information on the Financial Year



Statement of Biotest AG's Equity Investments

(as at December 31, 2001)

Company's name and headquarters	Shareholders' equity DM million	Equity interest %	Sales DM million	Net Profit DM million	Employees Dec 31, 2001
Biotest Pharma GmbH, Dreieich	73.0	100	299.7	3.6	494
Biotest Grundstücksverwaltungs GmbH, Dreieich	1.2	98	2.6	0.3	—
Plasma Service Europe GmbH, Dreieich	0.5	100	0.7	0.0	34
Heipha Dr. Müller GmbH, Eppelheim	2.8	51	17.8	– 0.2	116
Viro-Immun Labor-Diagnostika GmbH, Oberursel	0.2	51.2	3.2	– 0.04	22
Biotest Medizintechnik GmbH, Alzenau	– 2.0	78	4.9	– 3.1	28
Envitec-Wismar GmbH Umweltschutz und Medizintechnik, Wismar	1.8	51	16.3	0.8	105
Envitec-Denmark APS, Copenhagen/Denmark	0.3	51	4.5	0.2	—
Biotest Seralc° N.V., Kortenberg/Belgium	3.2	100	33.7	0.1	15
Biotest S.a.r.l., Buc/France	0.8	100	8.3	0.1	18
Biotest (UK) Ltd., Solihull/UK	1.6	100	6.1	– 0.2	13
Biotest Italia S.r.l., Trezzano/Italy	19.3	100	58.0	5.6	37
Biotest K. K., Tokyo, Japan	0.2	100	1.4	– 0.2	3
Biotest Pharmazeutika Ges.m.b.H., Vienna/Austria	7.4	100	25.0	1.6	32
Plasmadienst Tirol GmbH, Innsbruck/Austria	1.2	100	6.2	0.7	15
Biotest (Schweiz) AG, Othmarsingen/Switzerland	2.7	100	7.0	0.8	10
Biotest Hungaria Kft., Budapest/Hungary	2.1	100	13.9	0.8	19
Biotest Diagnostics Corporation, Denville/USA	8.8	100	24.0	1.6	36
Diaclone SAS, Besançon/France	4.9	100	4.4	– 0.04	24
SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin, Berlin ¹	1.7	26	7.0	0.4	44

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



Rajiv Kumar (53)

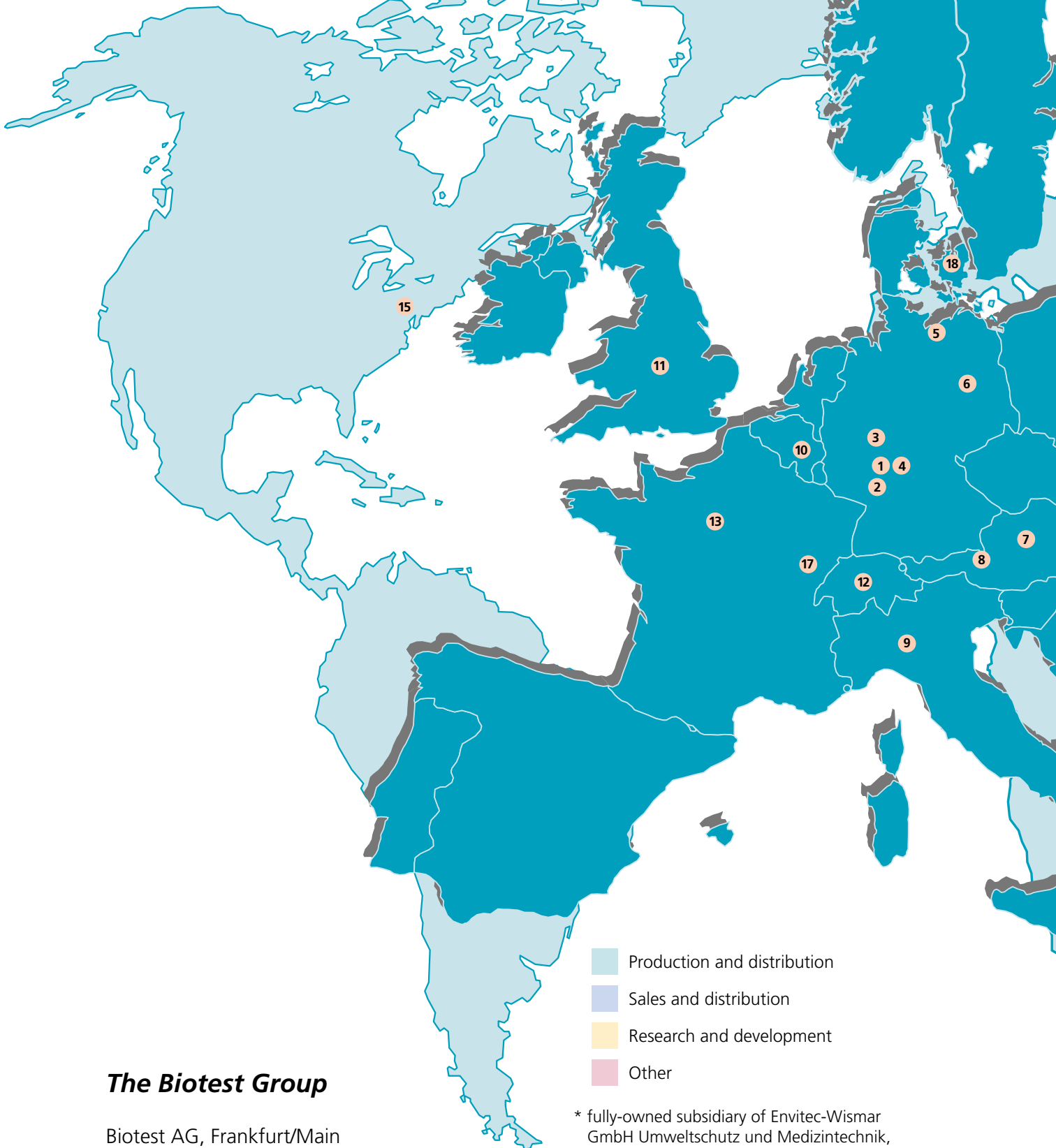
Bachelor of Arts,

Marketing, sales and distribution

in the Diagnostic division

since 1972

*Further Expansion of Own Subsidiaries
for Sales and Distribution
in Important Foreign Markets
Will Reinforce our Market Position*



The Biotest Group

Biotest AG, Frankfurt/Main

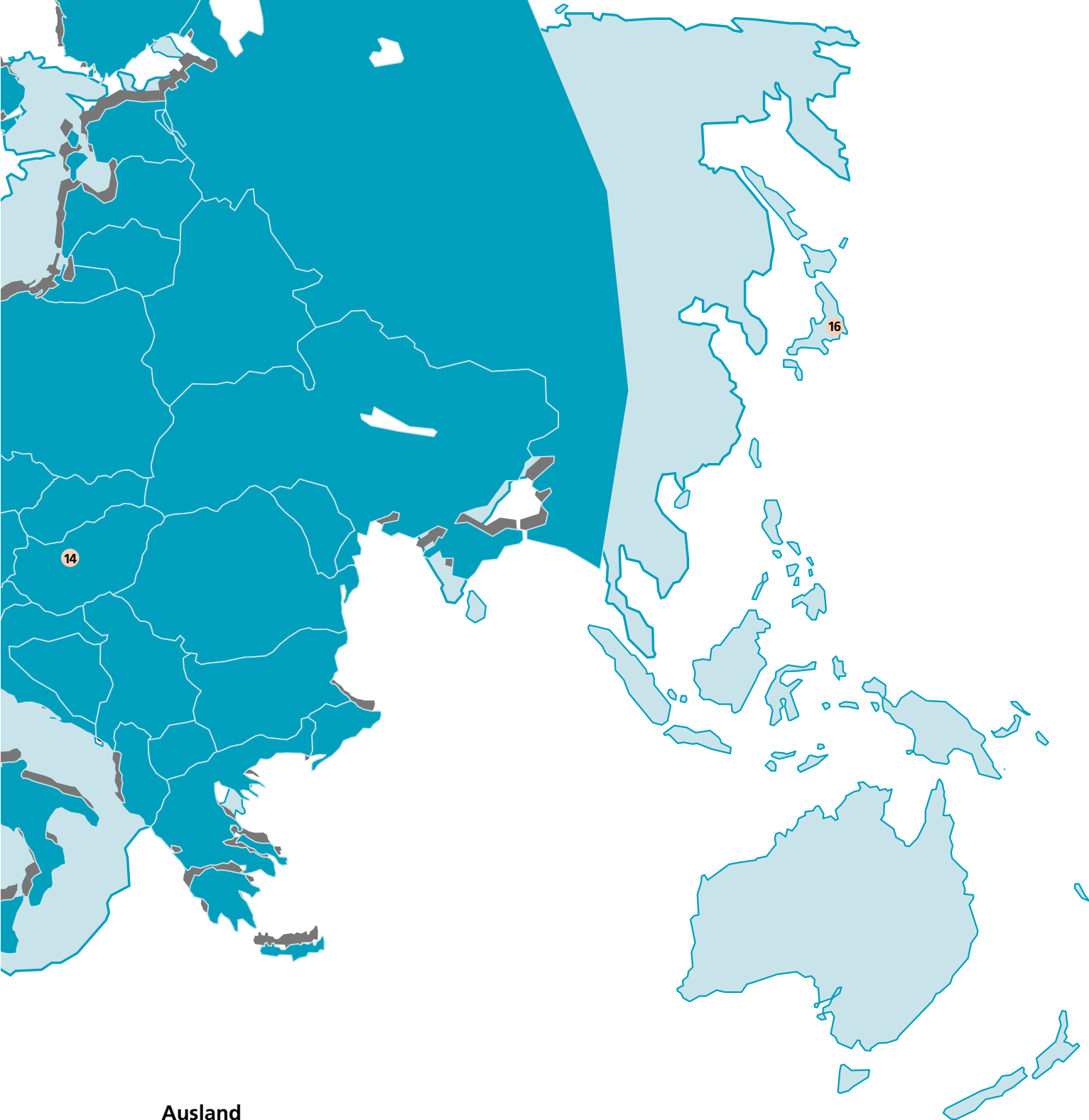
- Production and distribution
- Sales and distribution
- Research and development
- Other

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

(December 31, 2001)

Inland

100 %	Biotest Pharma GmbH Dreieich	1	51 %	Viro-Immun Labor-Diagnostika GmbH Obersursel	3
100 %	Plasma Service Europe GmbH Dreieich	1	78 %	Biotest Medizintechnik GmbH Alzenau	4
98 %	Biotest Grundstücksverwaltungs GmbH, Dreieich	1	51 %	Envitec-Wismar GmbH, Umweltschutz und Medizintechnik, Wismar	5
51 %	Heipha Dr. Müller GmbH Eppelheim	2	26 %	SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin, Berlin	6



Ausland

100 %	Biotest Pharmazeutika Ges.m.b.H. Vienna/Austria	7
100 %	Plasmadienst Tirol GmbH Innsbruck/Austria	8
100 %	Biotest Italia S.r.l. Trezzano/Italy	9
100 %	Biotest Seralc° N.V. Kortenberg/Belgium	10
100 %	Biotest (UK) Ltd. Solihull/UK	11
100 %	Biotest (Schweiz) AG Othmarsingen/Switzerland	12

100 %	Biotest S.a.r.l. Buc/France	13
100 %	Biotest Hungaria Kft. Budapest/Hungary	14
100 %	Biotest Diagnostics Corporation Denville/USA	15
100 %	Biotest K.K. Tokyo/Japan	16
100 %	Diaclone SAS Besançon/France	17
51 %	Envitec-Denmark APS* Copenhagen/Denmark	18

Biotest Shares

Stock markets characterised by high volatility. The decline of prices in the stock markets, which started in the previous year, continued in 2001. While the SMAX suffered less from the deteriorating economic downturn and the terrorist attacks in the US than more export-oriented stocks, a distinct slowdown was recorded in our segment too. Biotest shares did not escape these developments. The average daily turnover dramatically decreased from the previous year's level to 4,962 ordinary shares respectively 10,112 preference shares. Even though Biotest's ordinary shares outperformed the SMAX (-23.5 %) and SDAX (-23.3 %) indices by far with a performance of -10.2 % (ordinary shares) and -12.6 % (preference shares), respectively, such development is not satisfactory for a pharmaceutical and biotechnology share. The price earnings ratio (DVFA) was recorded at only 17 (ordinary shares) or 15 (preference shares) as at the balance sheet date.

Expansion of investor relations. For Biotest as a medium-sized company the membership in a segment or an index plays an important role regarding our financial markets communication. Membership in the SMAX segment and listing in the SDAX index obliges us to adhere to particularly stringent standards regarding transparency and liquidity. Quarterly and annual reports as well as spring and autumn press and analyst conferences are complemented by regular press releases and provide a continuous flow of information. Our updated website moreover provides all parties interested in Biotest with the opportunity to get in-depth information and download our publications or have them sent via email or as hardcopy.

Key figures Biotest shares	2001	2000	1999
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	€ 2,240,000	€ 1,840,000
per share			
Dividend on ordinary shares (incl. tax credit)	€ 0.25	€ 0.25 (0.36)	€ 0.20 (0.29)
Dividend on preference shares (incl. tax credit)	€ 0.31	€ 0.31 (0.44)	€ 0.26 (0.37)
DVFA/SG earnings	DM 1.54	DM 1.54	DM 0.40
Cash flow	DM 4.77	DM 4.60	DM 3.54
Ordinary shares* Closing price at year-end	13.40	15.10	14.00
High	18.32	31.50	18.22
Low	9.20	13.17	11.32
Preference shares Closing price at year-end	12.10	14.20	9.05
High	15.89	22.15	15.75
Low	8.40	8.81	8.45

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

Our innovative products of the Pharmaceutical, Diagnostic and Medical Devices divisions and the respective growth markets as well as our strategic realignment by means of an extensive capital expenditure programme to increase efficiency and profit offer a clear price appreciation potential for our shares. We will open up this potential with the expansion of our investor relations efforts for the benefit of our shareholders.

Start of a virtual stock option programme.

Major elements of a company management dedicated towards the capital markets are to be seen in constant endeavours

- to achieve higher profitability levels
- to avoid capital being tied-up inefficiently
- to continuously review and adjust the business portfolio.

In order to take into consideration such capital market orientation in all important decisions of the company, the Board of Management and the Supervisory Board launched an incentive programme for the first and second management levels which is linked to the development of the share price.

The criterion for a bonus payment is the increase in prices of Biotest ordinary shares over the period from January 1, 2002 until the end of 2004, adjusted for the increase in the CDAX Pharma and Healthcare.

This programme forms a fundamental element of the comprehensive efficiency increase, growth and internationalisation programme which provides the guideline for the strategic realignment of all areas of our company since 2001 under the motto *“shape the future – create values”*. We are confident that this programme will result in substantial share price increases.

2002 General Meeting of Shareholders.

Our General Meeting of Shareholders will take place on July 11, 2002 at 10.30 a.m. in the Congress Center Messe Frankfurt, Frankfurt/Main.

5-Year-Review

Consolidated balance sheet comparison		2001	
Assets	DM million	%	
A. Fixed assets			
I) Intangible assets	10.1	1.6	
II) Property, plant and equipment	177.3	28.3	
III) Financial assets	2.8	0.4	
	190.2	30.3	
B. Current assets			
I) Inventories	251.3	40.0	
II) Accounts receivable and other assets	157.9	25.2	
III) Securities classified as current assets	3.0	0.5	
IV) Cheques, cash on hand, bank balances	19.8	3.2	
	432.0	68.9	
C. Prepaid expenses and deferred taxes	5.3	0.8	
	627.5	100.0	
Shareholders' equity and liabilities		2001	
	DM million	%	
A. Shareholders' equity			
I) Subscribed capital	40.1	6.4	
II) Capital reserve	154.4	24.6	
III) Revenue reserve	46.2	7.4	
IV) Distributable profit	5.9	0.9	
V) Minority interests	2.1	0.3	
	248.7	39.6	
B. Special items with partial reserve character	0.0	0.0	
C. Provisions and accruals	92.6	14.8	
D. Liabilities	286.1	45.6	
E. Deferred income	0.1	0.0	
	627.5	100.0	
Consolidated income statement		2001	
	DM million	%	
1. Sales	490.3	95.7	
2. Changes in inventories	20.8	4.0	
3. Own costs capitalised	1.4	0.3	
Total output	512.5	100.0	
4. Other operating income	16.9	3.3	
5. Cost of materials	203.1	39.6	
6. Personnel costs	136.4	26.6	
7. Depreciation and amortisation	21.6	4.2	
8. Other operating expense	134.8	26.3	
Operating profit	33.5	6.6	
9. Financial result	- 13.1	- 2.6	
10. Result from ordinary activities	20.4	4.0	
11. Taxes	8.8	1.7	
12. Net profit	11.6	2.3	

2000		1999		1998		1997	
DM million	%	DM million	%	DM million	%	DM million	%
11.0	1.9	12.6	2.5	14.3	2.9	12.6	2.5
162.5	28.9	155.0	31.1	160.0	32.4	153.4	31.0
2.8	0.5	2.8	0.6	2.3	0.5	1.7	0.3
176.3	31.3	170.4	34.2	176.6	35.8	167.7	33.9
218.8	38.9	171.9	34.5	162.8	33.0	187.5	37.9
137.2	24.4	118.2	23.7	97.7	19.8	99.1	20.0
3.0	0.5	12.8	2.6	15.4	3.1	17.6	3.6
22.9	4.1	19.9	4.0	36.9	7.5	18.3	3.7
381.9	67.9	322.8	64.8	312.8	63.4	322.5	65.2
4.5	0.8	4.9	1.0	3.9	0.8	4.7	0.9
562.7	100.0	498.1	100.0	493.3	100.0	494.9	100.0

2000		1999		1998		1997	
DM million	%	DM million	%	DM million	%	DM million	%
40.1	7.1	40.1	8.1	40.0	8.1	40.0	8.1
154.4	27.4	154.4	31.0	154.5	31.3	154.5	31.2
39.2	7.0	29.7	6.0	29.0	5.9	31.3	6.3
4.8	0.9	3.9	0.8	4.1	0.8	8.3	1.7
2.6	0.5	2.7	0.5	3.0	0.6	1.4	0.3
241.1	42.9	230.8	46.3	230.6	46.7	235.5	47.6
0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
86.4	15.4	72.1	14.5	75.7	15.4	73.0	14.8
234.9	41.7	194.9	39.1	186.9	37.9	186.0	37.6
0.2	0.0	0.2	0.0	0.0	0.0	0.3	0.1
562.7	100.0	498.1	100.0	493.3	100.0	494.9	100.0

2000		1999		1998		1997	
DM million	%	DM million	%	DM million	%	DM million	%
464.4	95.1	412.6	100.5	396.0	102.2	369.1	88.1
23.2	4.8	-2.7	-0.7	-9.9	-2.6	49.0	11.7
0.6	0.1	0.7	0.2	1.5	0.4	0.9	0.2
488.2	100.0	410.6	100.0	387.6	100.0	419.0	100.0
16.7	3.4	11.3	2.8	13.3	3.4	11.6	2.8
196.3	40.2	159.0	38.7	137.9	35.6	167.6	40.0
128.1	26.2	116.5	28.4	117.6	30.3	110.7	26.4
20.0	4.1	23.8	5.8	21.0	5.4	19.0	4.5
129.1	26.4	108.2	26.4	106.0	27.3	96.8	23.1
31.4	6.5	14.4	3.5	18.4	4.7	36.5	8.7
-8.6	-1.8	-5.8	-1.4	-6.3	-1.6	-7.2	-1.7
22.8	4.7	8.6	2.1	12.1	3.1	29.3	7.0
9.1	1.9	5.3	1.3	10.2	2.6	15.9	3.8
13.7	2.8	3.3	0.8	1.9	0.5	13.4	3.2

Dr. Beate Breuer (40)

*Doctorate in biology,
Deputy head of quality
assurance since 1994*



*Virus Safety Based on
Validated Production Processes
is Necessary for **Further International Growth***

Consolidated Financial Statements



Biotest AG, Consolidated Balance Sheet as at December 31, 2001

Assets	Notes	Dec. 31, 2001 DM	Dec. 31, 2001 DM	Dec. 31, 00 in KDM
A. Fixed assets	6			
I. Intangible Assets	6			
1. Patents, licenses, trademarks and similar rights		5,890,491		6,305
2. Goodwill	7	3,965,880		4,558
3. Payments in advance		221,248		142
			10,077,619	11,005
II. Property, plant and equipment	6			
1. Land and equivalent rights and buildings including buildings on land owned by third parties		123,439,093		101,951
2. Plant and machinery		16,238,375		13,318
3. Other plant, factory and office equipment		29,657,031		25,245
4. Payments in advance and tangible assets in course of construction		7,970,341		21,963
			177,304,840	162,477
III. Financial assets	6 8			
1. Shares in associated companies		740,755		676
2. Investment securities		307,543		308
3. Other loans receivable		1,790,762		1,804
			2,839,060	2,788
			190,221,519	176,270
B. Current assets				
I. Inventories				
1. Raw materials and supplies		75,999,997		67,772
2. Work in process		124,070,822		107,321
3. Finished goods and merchandise		49,975,583		40,688
4. Payments in advance		1,255,747		2,992
			251,302,149	218,773
II. Accounts receivable and other assets				
1. Accounts receivable, trade		127,201,208		118,717
2. Receivables from affiliated companies		605,307		298
3. Other assets	9	30,069,121		18,206
			157,875,636	137,221
III. Securities classified as current assets			3,019,547	3,045
IV. Cheques, cash on hand, bank balances			19,804,935	22,904
			432,002,267	381,943
C. Prepaid expenses and deferred taxes	10		5,323,995	4,514
			627,547,781	562,727

Biotest AG, Consolidated Balance Sheet as at December 31, 2001

	Notes	Dec. 31, 2001 DM	Dec. 31, 2001 DM	Dec. 31, 00 in KDM
Shareholders' equity and liabilities				
A. Shareholders' equity	11			
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	12	46,260,762		39,242
IV. Distributable profit	27	5,886,070		4,815
V. Minority interests	13	2,068,885		2,565
			54,215,717	46,622
			248,710,292	241,117
B. Special items with partial reserve character	14		39,160	72
C. Provisions and accruals				
1. Provisions for pensions and similar obligations		57,038,979		52,032
2. Provisions for taxes		3,846,032		5,594
3. Other provisions and accruals	15	31,689,099		28,769
			92,574,110	86,395
D. Liabilities	16			
1. Liabilities due to banks		204,317,449		168,555
2. Payments received on account of orders		0		26
3. Accounts payable, trade		42,671,714		32,075
4. Bills payable		977,915		1,000
5. Liabilities due to associated companies		6,822		19
6. Other liabilities		38,128,840		33,208
– of which taxes:				
DM 6,647,346 (2000: DM 5,415,000)				
– of which social security:				
DM 2,958,644 (2000: DM 932,000)				
			286,102,740	234,883
E. Deferred income			121,479	260
			627,547,781	562,727

***Biotest AG, Consolidated Income Statement
for the Period from January 1 to December 31, 2001***

	Notes	2001 DM	2001 DM	2000 in KDM
1. Sales	18	490,276,160		464,398
2. Changes in product inventories		20,803,230		23,198
3. Own costs capitalised		1,372,261		573
Total output			512,451,651	488,169
4. Other operating income	19		16,895,708	16,713
5. Cost of materials:				
a) Cost of raw materials, supplies and merchandise		183,765,406		178,826
b) Cost of services purchased		19,300,723		17,470
			203,066,129	196,296
			326,281,230	308,586
6. Personnel costs:				
a) Wages and salaries		108,061,121		102,825
b) Social security, retirement pension and benefits – of which retirement pension: DM 8,515,896 (2000: DM 6,543,000)		28,360,516		25,252
			136,421,637	128,077
7. Amortisation on intangible assets and depreciation on property, plant and equipment			21,583,151	20,013
8. Other operating expense	20		134,753,031	129,070
Operating profit			33,523,411	31,426
9. Income from participations		64,034		– 6
10. Income from long-term loans		43,623		38
11. Other interest and similar income	21	2,027,873		1,348
12. Depreciation on financial investments and securities classified as current assets		698		3
13. Interest and similar expense	22	15,264,570		10,017
			– 13,129,738	– 8,640
14. Result from ordinary operations			20,393,673	22,786
15. Income taxes	23	7,991,920		8,326
16. Other taxes		799,641		773
			8,791,561	9,099
17. Net profit			11,602,112	13,687
18. Minority interests in the net profit			286,763	– 222
19. Previous year's profit			433,995	298
20. Transfer to the revenue reserve			– 6,436,800	– 8,948
21. Distributable profit	27		5,886,070	4,815

Notes to the Consolidated Financial Statements



Notes to the Consolidated Financial Statements of Biotest AG

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

1 Scope of consolidated companies and balance sheet date. The following companies have been included in the consolidated financial statements:

- Biotest AG, Frankfurt/Main
- Biotest Pharma GmbH, Dreieich
- Biotest Diagnostics Corporation, USA
- Biotest Pharmazeutika Ges.m.b.H., Austria
- Plasmadienst Tirol GmbH, Austria
- Biotest K.K., Japan
- 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, Eppelheim
- Plasma Service Europe GmbH, Dreieich
- 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

The balance sheet date for the Group accounts and all consolidated companies is December 31, 2001.

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).

The company Plasma Service Europe GmbH was established on April 1, 2001; the sales and distribution company Biotest K.K., Japan, was established on July 1, 2001.

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 valued in the Group accounts 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 participations 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 including those 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.

Production costs of technical equipment, which were built by Biotest, include direct costs and allocated overheads.

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.

In order to improve the true and fair view of the financial statements, the pharmaceutical division recorded, for the first time, semifinished goods, whose registration shall be filed in the financial year 2002. After consideration of a precautionary write down, inventory increased to the tune of KDM 2,507.

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. The general write down of trade receivables, which were not subject to a specific value adjustment, is reduced from 3 % to 1 % at balance sheet date. This reduction decreased the general write down by 1,881 KDM. Furthermore in anticipation of the

required treatment by IAS, the standardised procedure of evaluating specific write downs of trade receivables was abandoned in favour of a individually based evaluation procedure. This resulted in a positive effect of KDM 827.

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 pensions recorded for foreign companies are based on an assumed interest rate of 3 to 5 % and are computed actuarially.

Provisions for a pre-retirement program 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	
	31.12.2001 DM	31.12.2000 DM	2001 DM	2000 DM
1 US Dollar	2.2193	2.1012	2.1852	2.1224
1 Pound Sterling	3.2142	3.1369	3.1456	3.2102
1 Swiss franc	1.3189	1.2845	1.2953	1.2562
100 Hungarian Forint	0.7977	0.7397	0.7628	0.7522
100 Japanese Yen	1.6959	1.8291	1.7995	1.9694

5 Segment reporting.

Principles applied on segment reporting

Segmentation in the Biotest Group is primarily aligned along products; in this context, the company is divided into the business 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 2001	326.8	133.6	29.9	–	490.3
Sales 2000	314.5	124.4	25.5	–	464.4
Depreciation and amortisation 2001	12.9	7.3	1.4	–	21.6
Depreciation and amortisation 2000	13.2	5.9	0.9	–	20.0
Operating profit 2001	34.8	1.1	– 1.3	– 1.1	33.5
Operating profit 2000	31.0	0.8	1.0	– 1.4	31.4
Income from participations 2001	–	0.64	–	–	0.64
Income from participations 2000	0.03	– 0.04	–	–	– 0.01
Interest income 2001	1.5	0.5	0.1	–**	2.1
Interest income 2000	0.3	0.5	–	0.6**	1.4
Interest expense 2001	15.7	3.0	0.8	– 4.2**	15.3
Interest expense 2000	11.6	2.2	0.4	– 4.2**	10.0
Assets 2001	413.7	127.5	24.8	61.6	627.6
Assets 2000	375.2	114.3	21.4	51.8	562.7
Capital expenditure 2001	24.4	9.7	5.7	–	39.8
Capital expenditure 2000	9.3	15.0	6.3	–	30.6
Debt 2001	249.4	29.8	17.1	82.5	378.8
Debt 2000	207.4	31.4	14.9	67.9	321.6
Employees 2001	572	505	131	11	1,219
Employees 2000*	575	482	95	11	1,163

* In 2001, there was a change in the allocation of employees to the divisions. The figure of the previous year was amended accordingly.

** Interest income includes income of the holding to the tune of DM 7.0 million (2000: DM 7.0 million) and consolidation expense to the tune of DM –7.0 million (2000: DM –6.4 million). Interest expense contains holding expense of DM 2.8 million (2000: DM 2.3 million) and consolidation earnings of DM –7.0 million (2000: DM –6.5 million).

Balance Sheet Notes

6 Fixed assets in KDM

	Jan. 1, 2001	Acquisition cost and manufacturing cost				Dec. 31, 2001
		Foreign exchange difference	Additions 2001	Disposals 2001	Transfers	
I. Intangible assets						
1. Concessions, patents, licences, trade-marks and similar rights and values	17,237	34	1,411	311	129	18,500
2. Goodwill	7,226	30				7,256
3. Payments in advance	142		103		- 24	221
	24,605	64	1,514	311	105	25,977
II. Property, plant and equipment						
1. Land and equivalent rights and buildings including buildings on land owned by third parties	161,694	48	11,831	49	15,890	189,414
2. Plant and machinery	55,651	63	2,553	2,137	5,647	61,777
3. Other plants, factory and office equipment	87,251	126	12,603	3,141	850	97,689
4. Payments in advance and tangible assets in course of construction	21,963		11,050	2,550	- 22,492	7,971
	326,559	237	38,037	7,877	- 105	356,851
III. Financial assets						
1. Shares in associated companies	760		93			853
2. Investment securities	367					367
3. Other loans receivable	1,804		201	214		1,791
	2,931	0	294	214	0	3,011
Fixed assets	354,095	301	39,845	8,402	0	385,839

Jan. 1, 2001	Foreign exchange difference	Accumulated depreciation			Book values		
		Additions 2001	Disposals 2001	Transfers	Dec. 31, 2001	Dec. 31, 2001	Dec. 31, 00
10,932	21	1,898	311	69	12,609	5,891	6,305
2,668	13	609			3,290	3,966	4,558
						221	142
13,600	34	2,507	311	69	15,899	10,078	11,005
59,743	29	6,238	35		65,975	123,439	101,951
42,333	51	3,945	790		45,539	16,238	13,318
62,006	102	8,893	2,900	- 69	68,032	29,657	25,245
						7,971	21,963
164,082	182	19,076	3,725	- 69	179,546	177,305	162,477
84		28			112	741	676
59		1			60	307	308
						1,791	1,804
143	0	29	0	0	172	2,839	2,788
177,825	216	21,612	4,036	0	195,617	190,222	176,270

7 Goodwill. Goodwill comprises goodwill to the tune of DM 3,666,000 arising from business combinations and goodwill of DM 300,000 resulting from single entity financial statements.

8 Tangible 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.

9 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 274,000 (2000: DM 307,000).

10 Prepaid expenses and deferred taxes. Prepaid expenses and deferred taxes developed as follows:

	2001 in KDM	2000 in KDM
Deferred taxes	2,791	2,297
Discounts	1,025	848
Miscellaneous	1,508	1,369
Total	5,324	4,514

Discounts with a remaining lifetime of more than one year amounted to DM 747,000 (2000: DM 879,000).

Deferred taxes combine items from the individual financial statements pursuant to article 274 German Commercial Code (HGB) of DM 838,000 and items from consolidation pursuant to article 306 German Commercial Code (HGB) of DM 1,953,000.

11 Subscribed capital and capital reserve. Share capital amounts to € 20,480,000 as at Dec. 31, 2001, 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.

12 Retained earnings. The revenue reserve developed as shown below:

	KDM
Balance carried forward as at January 1, 2001	39,242
Foreign exchange fluctuations and other changes	582
Addition to the revenue reserve	6,437
Balance as at December 31, 2001	46,261

13 Minority interests. Changes in minority interests are due to:

	KDM
Balance carried forward as at January 1, 2001	2,565
Increase of capital	48
Payment of dividends	- 257
Share in net profit	- 287
Balance as at December 31, 2001	2,069

14 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 0 was transferred to these items and DM 33,000 were liquidated.

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

16 Liabilities.

	Total Amount 2001 KDM	up to 1 year KDM	With a remaining lifetime of 1 to 5 years KDM	over 5 years KDM
1. Liabilities due to banks (2000)	204,317 (168,555)	140,367 (112,938)	37,561 (37,145)	26,389 (18,472)
2. Payments received on account (2000)	— (26)	— (26)		
3. Accounts payable, trade (2000)	42,672 (32,075)	41,692 (31,137)	111 (131)	869 (807)
4. Bills payable (2000)	978 (1,000)	978 (1,000)		
5. Liabilities due to associated companies (2000)	7 (19)	7 (19)		
6. Other liabilities (2000)	38,129 (33,208)	38,129 (33,208)		
2001 (2000)	286,103 (234,883)	221,173 (178,328)	37,672 (37,276)	27,258 (19,279)

Liabilities due to banks are secured by a charge over property in the amount of DM 80,621,000 (2000: DM 69,409,000).

Liabilities due to banks include DM 13,000,000 bills payable (2000: DM 15,000,000).

17 Other financial obligations and currency hedging.

Other financial obligations	2001 in KDM	2000 in KDM
Obligations resulting from rental and leasing contracts		
Next year's expenditure	12,848	5,117
Expenditure-2 nd to 5 th year	55,769	7,108
Expenditure after the 5 th year	40,331	1,688
	108,948	13,913
Authorised capital expenditure in fixed assets	3,162	5,684
Other	—	1,024
	111,882	20,621

A leasing company authorised 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 50.7 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 2,965,000 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 selling obligation of USD 1.0 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 4 and 6 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 1,111,000 for open positions with negative market values outstanding as at December 31, 2001.

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

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

	2001 DM million	2001 %	2000 DM million	2000 %
Germany	150.6	30.7	149.0	32.1
Europe	190.4	38.8	170.0	36.6
Americas	60.8	12.5	48.0	10.3
Middle East	35.0	7.1	54.0	11.6
Asia	37.3	7.6	33.6	7.3
Rest of the world	16.2	3.3	9.8	2.1
Total	490.3	100.0	464.4	100.0

19 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 4,600,000 (2000: DM 3,145,000) that relates to other accounting periods.

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 1,831,000 (2000: DM 1,936,000).

21 Other interest and similar income. Other interest and similar income include income from hedging of the interest rate to the tune of DM 564,000. Income from interest rate hedging in the previous year to the tune of DM 1,013,000 were reported as other operating income.

22 Interest and similar expenses. Interest and similar expenses comprise costs for hedging of the interest rate to the tune of DM 574,000. Expenses from interest rate hedging in the previous year to the tune of DM 1,113,000 were reported as other operating expenses.

23 Income taxes. Income taxes include tax expenses of DM 93,000 that are unrelated to the accounting period and income from the release of tax provisions and other tax refunds to the amount of DM 105,000.

They are broken down as shown below:

	2001 KDM	2000 KDM
German income taxes	2,141	3,192
Foreign income taxes	6,333	5,134
Deferred taxes	- 482	—
Total	7,992	8,326

Other information

24 Consolidated cash flow statement.

	2001 in KDM	2000 in KDM
Net profit before minority interests	11,602	13,687
Amortisation and depreciation	21,583	20,013
Income from associated companies	– 64	38
Write-downs on investment securities	1	3
Increase in provisions for pensions	5,007	3,057
Cash flow	38,129	36,798
Increase in other provisions	1,090	11,092
Losses from the disposal of fixed assets (net)	57	537
Increase in inventories, trade receivables and other assets	– 65,499	– 60,977
Change in trade liabilities and other liabilities including special items	14,850	– 3,989
Outflow of funds from continuing operations	– 11,373	– 16,539
Receipts from the disposal of fixed assets	4,308	635
Amounts paid out for investments in fixed assets	– 39,751	– 30,990
Outflow of funds from investing activities	– 35,443	– 30,355
Dividend payments for the previous year	– 4,381	– 3,599
Cash-changes in minority interests	– 209	– 299
Receipts from the sale of trade receivables	12,339	–
Receipts from borrowings from banks and loans	46,072	46,235
Amounts paid out for repayments of liabilities due to banks and loans	– 10,344	– 2,389
Inflow of funds from financing activities	43,477	39,948
Cash-changes in financial resources	– 3,339	– 6,946
Changes in the value of financial resources due to exchange rate movements and other reasons	215	155
Financial resources at beginning of period*	25,949	32,740
Financial resources at end of period*	22,825	25,949

* Financial resources include liquid funds as well as securities classified as current assets to the tune of DM 3,020,000 (2000: DM 3,045,000).

25 Employees. The average figure of staff employed in the Group developed as shown below:

Group	2001 Employees	2001 %	2000 Employees	2000 %
Sales and distribution	390	32.0	368	31.7
Administration	145	11.9	135	11.6
Production	544	44.6	513	44.1
Research and development	140	11.5	147	12.6
Total	1,219	100.0	1,163	100.0

We furthermore employed 25 young people in vocational training (2000: 25).

26 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 1,693,000.

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

Provisions to the amount of DM 4,312,000 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 2001 amounted to DM 31,000.

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, 2001):

Supervisory Board

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

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

Reinhard Eyring, Lawyer; Kronberg/Ts.
b.i.s. börsen-informationssysteme AG, Chairman
Destag Deutsche Steinindustrie AG, Chairman
Wasgau Produktions & Handels AG, Chairman
Hornbach Holding AG,
BGI zu Höne, Klußmann, Altpeter AG

Johannes Hartmann, Commercial clerk;
Weiterstadt

Klaus Lobello, Industrial Employee;
Dreieich-Sprendlingen

Renate Schleussner, Business women;
Frankfurt/Main (until July 12, 2001)

Dr. Cathrin Schleussner, Biologist; Neu-Isenburg
(since July 12, 2001)

Advisory Board

Prof. Dr. Helmut Determann; Weinheim

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

Prof. Dr. med. Stefan Meuer, Institut für
Immunologie, University Hospital of Heidelberg

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

Dr. Martin Schleussner,
Managing Director at Folex Coating GmbH;
Cologne

Michael Thies, Partner Roland Berger & Partner
GmbH; Munich

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

Board of Management

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

Dr. rer. pol. Manfred Hübener;
Bad Homburg v.d.H.

Dr. phil. nat. Roland Reiner; Darmstadt
(until December 31, 2001)

27 Profit appropriation. The Supervisory Board and the Board of Management propose to appropriate the net profit for the year of DM 5,886,070 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		1,505,011
		5,886,070

Frankfurt/Main, March 26, 2002
Biotest Aktiengesellschaft

The Board of Management



Dr. Dieter Merz
(Chairman)



Dr. Manfred Hübener

Auditors' Report



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, 2001. The Board of Management of the company is responsible for the preparation of the consolidated financial statements and the management report of the Group in accordance with the regulations of the German commercial law. 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 27, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Laubach
Auditor

Walter
Auditor

Report of the Supervisory Board



Dr. Cathrin Schleussner (39)

Doctorate in biology,

Member of the Supervisory

Board since 2001



*Continuity
in Forming and Controlling
Secures the Future*

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 2001. 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 the Board of Management and approved with the focal point being on 2002 and 2003.

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 four times with the Board of Management; the main issues on these meetings were merger & acquisition opportunities and details on the members of the Board of Management. The Balance Sheet Committee held one additional meeting, focussing on entrusting the auditor with the audit of the financial statements 2001.

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 financial year 2001 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, the management report and the consolidated 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 2001 financial year.

Frankfurt/Main, April 12, 2002

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
FDA	Food and Drug Administration; American controlling organization
FH procedure	New fractioning procedure with higher yields
Fractionation	Physical separation of substance mixes by means of distillation, centrifugation or chromatography
F VIII	Factor VIII for the treatment of hemophilia patients
F IX	Factor IX, similar to factor VIII for the treatment of coagulation disorders
GMP	Good Manufacturing Practise = Regulations on the safety and quality in manufacturing pharmaceutical preparations
Hemoglobin	Pigment of red blood cells
HIG	Hyperimmunoglobulins (Cytotect®, Hepatect®, Varitect®)
IgM/Immunoglobulins	Protein molecules which make up part of the body's immune system
Immunoassay	Proof of antigenic substances in test tubes by means of antigen-antibody-reaction
Immune system	The sum of all factors which are responsible for the body's defence against infection and invading foreign substances
Infectious disease diagnostics	The sum of all methods used to detect and diagnose infectious diseases
Monoclonal antibodies	Antibodies which can be traced back to one single originator cell and which bind specifically to one particular foreign substance (antigen). They are produced with the help of hybridoma cells.
MRA	Mutual recognition agreement, EU countries approve the decision made about a medicinal product by another EU country
Orphan Drug	Drug for treatment of a rare disease; simplified registration procedure
Plasma	The clear yellow liquid which remains after separating all cell material from the blood. It contains soluble protein substances and salt.
Plasmapheresis	Generation of blood plasma while re-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.

Biotest AG

Corporate Finance

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