



Biotest Aktiengesellschaft, Dreieich

Report on the Financial Year 2000

Information to Shareholders

Dear Shareholders,

With this letter, we are pleased to inform you about our performance in the financial year 2000 and the outlook for 2001. In spite of tough market conditions, especially in Germany, we succeeded in generating sales growth of more than 12 % in the past year. With net profit for the year at DM 13.7 million, 2000 was the most successful year in the history of the company. The measures, introduced over the last two years to improve earnings in the medium-term, have contributed to this.

Sales

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

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

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

The foreign share of consolidated sales has now increased to more than 67.9 % (previous year: 62.6 %).

Net profit

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

DVFA earnings are DM 1.54 per share (previous year: DM 0.40).

Dividend

The Supervisory Board and the Board of Management propose to increase dividends from the previous year's level and distribute an amount of €2.24 million (DM 4.38 million) from the distributable profit.

This amount corresponds to a dividend of €0.31 per preference share (previous year: €0.26) and €0.25 per ordinary share (previous year: €0.20).

Consolidated balance sheet

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

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

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

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

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

Capital expenditure and depreciation

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

Heipha Dr. Müller GmbH, Heidelberg, will relocate to the new site in April 2001. Envitec-Wismar GmbH, Wismar will move into the new premises in the early summer of 2001.

Depreciation and amortisation for tangible and intangible assets amounted to DM 23.8 million compared with DM 21.0 million in 1999.

Activities in research and development

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

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

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

In the Medical Devices division, the two Group companies Biotest Medizintechnik GmbH and Envitec-Wismar GmbH successfully continued to develop the projects of a new technology for automated plasmapheresis and evidence-producing, mobile systems to measure and control various substances on humans.

Staff

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

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

The average number of staff were as follows:

	2000	1999	Change in %
Sales and Distribution	368	362	1.7
Administration	135	131	3.1
Production	513	508	1.0
Research and Development	147	144	2.1
Staff	1,163	1,145	1.6

In addition, we employ 25 trainees (previous year: 24).

Outlook

In the first months of the new year, Biotest Group continued the favourable sales development. In the first quarter 2001, sales increased by 4.7 % to DM 122.4 million, compared to the same period in 2000.

Overall, the new and expanded capacities and manufacturing facilities will generate additional sales in the course of the current year. Thus, we expect a continuation of the positive development. For the overall year 2001 we therefore forecast a clearly positive sales trend which should, however, remain below the increase of the last year.

The Group result in the current financial year is on the one hand characterised by positive factors, and on the other hand by price increases for raw materials. Improvements of the production process and the increase in manufacturing capacity in the Pharmaceutical division, sales with new systems in the Diagnostic division and the expansion of capacities in all areas will influence the Group's result in a positive way. Adverse exchange rate effects regarding the procurement of plasma materials in the USA will be reduced by means of changing procurement sources toward European suppliers to which Biotest has stronger access.

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

Annual General Meeting

The Annual General Meeting will take place on July 12, 2001 at 10.30 a.m. in the Congress Center Messe Frankfurt, Ludwig-Erhard-Anlage 1, Frankfurt am Main.

Frankfurt am Main, April 2001

Biotest Aktiengesellschaft

The Board of Management

Biotest AG, Dreieich

Consolidated Income Statement for the Period from January 1 to December 31, 2000 in DM thousands

	2000	%	1999	%
Sales	464,398	95.1	412,626	100.5
Changes in product inventories	23,199	4.8	- 2,739	- 0.7
Own costs capitalised	572	0.1	675	0.2
Total output	488,169	100.0	410,562	100.0
Other operating income	16,713	3.4	11,294	2.8
Cost of materials:				
Cost of raw materials, supplies and merchandise	- 178,826		- 146,266	
Cost of services purchased	- 17,470		- 12,686	
	- 196,296	- 40.2	- 158,952	- 38.7
Personnel costs:				
Wages and salaries	- 102,825		- 94,529	
Social security, retirement pension and benefits	- 25,252		- 22,021	
	- 128,077	- 26.2	- 116,550	- 28.4
Amortisation on intangible assets and depreciation on property, plant and equipment	- 20,013	- 4.1	- 23,750	- 5.8
Other operating expense	- 129,070	- 26.4	- 108,221	- 26.4
Operating profit	31,426	6.4	14,383	3.5
Financial income	1,386	0.3	1,471	0.4
Financial expense	- 10,026	- 2.1	- 7,298	- 1.8
Financial result	- 8,640	- 1.8	- 5,827	- 1.4
Result from ordinary operations	22,786	4.7	8,556	2.1
Income taxes	- 8,326	- 1.7	- 4,661	- 1.1
Other taxes	- 773	- 0.2	- 620	- 0.2
Net profit	13,687	2.8	3,275	0.8

Biotest AG, Dreieich

Consolidated Balance Sheet as at December 31, 2000 in DM thousands

Assets	Dec. 31, 2000	Dec. 31, 1999
- Intangible Assets	11.0	12.6
- Property, plant and equipment	162.5	155.0
- Financial assets	2.8	2.8
Total fixed assets	176.3	170.4
- Inventories	218.8	171.9
- Accounts receivable, trade	118.7	94.1
- Other receivables and assets	23.0	29.0
- Cash and cash equivalents	25.9	32.7
Total current assets	386.4	327.7
Total Assets	562.7	498.1

Shareholders' equity and liabilities

Shareholders' equity	241.1	230.8
Provisions and accruals	86.4	72.1
Liabilities due to banks	168.6	124.7
Accounts payable, trade	32.1	32.3
Other liabilities and deferred income	34.5	38.2
Total shareholders' equity and liabilities	562.7	498.1

Biotest AG, Dreieich

Consolidated Cash flow statement for the Period from January 1 to December 31, 2000 in DM thousands

	2000	1999
Net profit before minority interests	13.7	3.3
Amortisation and depreciation	20.0	23.8
Increase in provisions for pensions	3.1	1.2
Cash flow	36.8	28.3
Increase in other provisions	11.1	- 5.2
Increase in inventories, trade receivables and other assets	- 60.4	- 27.4
Decrease in trade liabilities and other liabilities including special items	- 4.0	1.3
Outflow of funds from continuing operations	- 16.5	- 3.0
Receipts from the disposal of fixed assets	0.6	2.3
Amounts paid out for investments in fixed assets	- 31.0	- 19.5
Outflow of funds from investing activities	- 30.4	- 17.2
Dividend payments for 1999	- 3.6	- 3.6
Cash-changes in minority interests	- 0.3	- 0.6
Receipts from borrowings from banks and loans	43.8	4.4
Inflow of funds from financial activities	39.9	0.2
Cash-changes in financial resources	- 7.0	- 20.0
Changes in the value of financial resources due to exchange rate movements and other reasons	0.2	0.4
Financial resources at beginning of the period	32.7	52.3
Financial resources at end of period	25.9	32.7

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

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