



Biotest Aktiengesellschaft, Dreieich

Report on the Financial Year 2001

Letter to Shareholders

Dear shareholders,

In this letter we would like to inform you of the development in the financial year 2001 and the outlook for 2002.

For the Biotest Group, the financial year 2001 was characterised by continued favourable sales growth and the effects of the substantial changes in the production process, initiated earlier. These changes, together with the capital expenditure to increase capacities will have an effect for many years to come, whilst presently incurring pre-operating costs.

Sales growth by more than 5% to DM 490.3 million

The Biotest Group increased sales from DM 464.4 million in the previous year to DM 490.3 million. Such growth was achieved with a change in the scope of consolidated companies, which no longer embraced Astrapin but included the newly founded companies Plasma Service Europe GmbH and Biotest K.K., Japan. After adjustments for these changes, the increase amounted to almost 7%.

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

Together with the coagulation factor Haemoctin SDH, the hyperimmunoglobulin Hepatect CP was the main driver of sales in the Pharmaceutical division in Germany and abroad.

The Diagnostic division achieved sales growth of 7.4% which was distinctly above the previous reporting periods. The products of the business field for blood group diagnostics and for virus diagnostics as well as the completion of the cell diagnostics product line contributed to this success.

The Medical Devices division recorded favourable sales growth in sensor systems. Delayed market entry of other product lines prevented an even stronger sales growth in 2001.

Foreign sales as a percentage of Group sales further increased to approximately 69 %. The affiliated sales and distribution companies and our sales agents contributed to this.

DM 11.6 million net profit for the Group

Considering the economic environment, the net profit of DM 11.6 million has to be rated as a success. It remains however, below the level of the previous year, which, among other things, is a result of high preparatory costs incurred through the expansion of capacities and start-up costs at the new locations of Group companies. Furthermore, the price increases for raw materials, which were reported earlier, had an effect on profitability in the period under

review due to their long throughput times. Price increases on the sales side were in contrast, only possible to a limited extent.

DVFA earnings amounted to DM 1.54 per share (2000: DM 1.54).

Continuity in dividend payments

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. Biotest thus maintains its dividend policy.

Total consolidated assets up by 13%

Total consolidated assets rose by DM 64.8 million to currently DM 627.5 million. The additions apply to all assets.

Fixed assets once more recorded a distinct increase. Capital expenditure on property, plant and equipment was invested to expand production capacity. Fixed assets amounted to DM 190.2 million after DM 176.3 million in 2000.

Inventories also rose in the past financial year. The total value was DM 251.3 million after DM 218.8 million in the previous year. About 76 % of this increase was recorded at Biotest Pharma GmbH. All types of intermediary products were affected as these are being produced in several variations due to conversion reasons.

Trade receivables grew in line with sales of DM 8.5 million, which was primarily due to sales expansion in countries with longer payment terms, such as Italy.

Group capital expenditure reached DM 39.8 million.

The various capital expenditure activities in the Group were continued in 2001. Approximately one third of capital expenditure was invested in construction of plants which had already been started in the previous years. Another third was spent on other capital expenditure items and the last third in prepayments for technical equipment. In future, finance leases will be shown on the face of the balance sheet, due to the conversion to International Accounting Standards (IAS). This is scheduled to take place in 2002. Until the end of the financial year 2001, an aggregate amount of DM 50.7 million was financed by way of leasing contracts.

Depreciation and amortisation amounted to DM 21.6 million compared with DM 20.0 million in 2000. The cash flow of DM 38.1 million covered 96 % of capital expenditure.

Research and development

In the period under review, DM 35.2 million or 7.2% of sales (previous year: DM 34.2 million or 7.4% of sales) was spent on research and development.

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 file will be submitted in the second half of 2002.

The Diagnostic division continued to focus on the optimisation of the automated blood group device TANGO and managed to distinctly improve the stability of this device. The level required for a broad market launch has now been reached. Furthermore, a fully automated device (QuickStep) for infectious disease diagnosis was introduced onto the market.

In the Medical Devices division, development work on a new system for an automated plasmapheresis device 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 forward in the development of an evidence-producing system to measure alcohol and a new procedure to measure oxygen and gas. The market launch of the products is scheduled for the year 2003. In 2001, the FDA registration in the US was granted for our most important product line, namely the range of pulse oximetry sensors.

Employees

The average number of employees within the Group totalled 1,219 persons. This reflects a slightly higher increase during the past year by comparison to the previous years. Almost all Group companies created new jobs.

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

Biotest Pharma GmbH also needed more staff for its new production facility. Plasma Service Europe GmbH created 34 jobs at its operating sites in Magdeburg and Berlin. In 2002, further jobs will be created in Rostock.

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

Outlook for 2002

The positive development continued in the first three months of the current financial year with sales increasing by 8.7% against the corresponding previous year's period. The above-mentioned capacity limitations in the Pharmaceutical division, the uncertain timing of large tender transactions and the long throughput times will result in distinctly fluctuating sales in individual months.

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

The consolidated result of 2002 will continue to be characterised by preparatory costs for new capacities and by higher raw materials prices. The start-up costs for the creation of Biotest operated plasmapheresis stations will also extend into the year 2002. At the same time, the stabilised system TANGO will contribute positively to sales and profit.

Given the heavy temporary burdens in the Pharmaceutical division and to a lesser extent in the Medical Devices division, we envisage the result to remain on the level of the previous year.

2002 General Meeting of Shareholders

Our General Meeting of Shareholders will take place on July 11, 2002 at 10.30 a.m. at the Congress Center Messe Frankfurt, Frankfurt/Main, Ludwig-Erhard-Anlage 1, Frankfurt am Main.

Frankfurt/Main, April 2002

Biotest Aktiengesellschaft

The Board of Management

Biotest AG, Dreieich

**Consolidated Income Statement for the Period from January 1 to December 31, 2001 in
DM million**

	<u>Jan 01 – Dec 31, 2001</u>	<u>%</u>	<u>Jan 01 – Dec 31, 2000</u>	<u>%</u>
Sales	490.3	95.7	464.4	95.1
Changes in product inventories	20.8	4.1	23.2	4.8
Own costs capitalised	<u>1.4</u>	0.2	<u>0.6</u>	0.1
Total output	512.5	100.0	488.2	100.0
Other operating income	16.9	3.3	16.7	3.4
<i>Cost of materials:</i>				
Raw materials, supplies and merchandise	- 183.8		- 178.8	
Cost of services purchased	<u>- 19.3</u>		<u>- 17.5</u>	
	- 203.1	- 39.6	- 196.3	- 40.2
<i>Personnel costs:</i>				
Wages and salaries	- 108.1		- 102.8	
Social security contributions	<u>- 28.4</u>		<u>- 25.3</u>	
	- 136.4	-26.6	- 128.1	-26.2
Amortisation and Depreciation	- 21.6	- 4.2	- 20.0	- 4.1
Other operating expense	- 134.8	-26.3	- 129.1	-26.4
Operating profit	33.5	6.5	31.4	6.4
Financial income	2.2	0.4	1.4	0.3
Finance costs	- 15.3	- 3.0	- 10.0	- 2.1
Financial result	- 13.1	-2.6	- 8.6	-1.8
Result from ordinary operations	20.4	4.0	22.8	4.7
Income taxes	- 8.0	-1.6	- 8.3	-1.7
Other taxes	- 0.8	- 0.1	- 0.8	- 0.2
Net profit	11.6	2.3	13.7	2.8

Biotest AG, Dreieich**Consolidated Balance Sheet as at December 31, 2001 in DM million**

	<u>Dec 31, 2001</u>	<u>Dec 31, 2000</u>
Assets		
- Intangible assets	10.1	11.0
- Property, plant and equipment	177.3	162.5
- Financial assets	<u>2.8</u>	<u>2.8</u>
Total fixed assets	190.2	176.3
- Inventories	251.3	218.8
- Trade receivables	127.2	118.7
- Other assets	36.0	23.0
- Liquid funds	<u>22.8</u>	<u>25.9</u>
Total current assets	437.3	386.4
Total assets	627.5	562.7
<u>Shareholders' equity and liabilities</u>		
Shareholders' equity	248.7	241.1
Provisions and accruals	92.6	86.4
Liabilities due to banks	204.3	168.6
Trade payables	42.7	32.1
Other liabilities	<u>39.2</u>	<u>34.5</u>
Total shareholders' equity and liabilities	627.5	562.7

Biotest AG, Dreieich

Consolidated Cash flow statement for the period from January 01 to Dec 31, 2001 in DM million

	<u>2001</u>	<u>2000</u>
Net profit	11.6	13.7
Amortisation and depreciation	21.5	20.0
Increase in provisions for pensions	<u>5.0</u>	<u>3.1</u>
Cash flow	38.1	36.8
Changes in other provisions	1.1	11.1
Changes in inventories, trade receivables, and other assets	- 65.5	- 60.4
Changes in trade liabilities and other liabilities including special items	<u>14.9</u>	<u>- 4.0</u>
Outflow of funds from continuing operations	- 11.4	- 16.5
Proceeds from the disposal of fixed assets	4.3	0.6
Purchase of Fixed assets	<u>- 39.7</u>	<u>- 31.0</u>
Outflow of funds from investing activities	- 35.4	- 30.4
Dividend payments for 2000	- 4.4	- 3.6
Cash-changes in minority interests	-0.2	- 0.3
Proceeds from the sale of receivables	12.3	-
Changes in borrowings from banks and loans	<u>35.8</u>	<u>43.8</u>
Inflow of funds from financing activities	43.5	39.9
Cash-changes in financial resources	- 3.3	- 7.0
Other changes in financial resources	0.2	0.2
Financial resources at beginning of period	<u>25.9</u>	<u>32.7</u>
Financial resources at end of period	22.8	25.9

Personnel development within the Group

	<u>2001</u>	<u>2000</u>	<u>Change</u>
Sales and distribution	390	368	6.0%
Administration	145	135	7.4 %
Production	544	513	6.0 %
Research and development	140	147	- 4.8 %
Total	1.219	1.163	4.8 %

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

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

Biotest AG,

Landsteinerstr. 5, D-63303 Dreieich
Postbox 10 20 40, 63266 Dreieich, Germany
Phone. +49 (6103) 801-444
Fax +49 (6103) 801-880
Internet: www.biotest.de
E-Mail: investor_relations@biotest.de