



Quarterly report
as of March 31, 2003



The Biotest group is currently undergoing a period of restructuring and strategic reorientation. This process is being supported by experienced, external consultants and goes along with an ongoing high level of investment in new technologies – in particular in our Pharmaceutical division's plasma production. These investments have long lead times and start-up costs.

Sales growth reserved at € 63.7 million

The reserved sales growth which started in the fall of last year continued during the first quarter of financial year 2003. At € 63.7 million, consolidated revenue was almost 6% down on the same quarter of the previous year (€ 67.6 million).

Sales in the individual divisions grew as follows:

Business Division	01-03/2003 € million	01-03/2002 € million	Change %
Pharmaceutical	40.1	45.2	- 11.3
Diagnostic	19.4	18.9	+ 2.6
Holding/not allocated	1.1	0.5	+ 120.0
Discontinued operation	3.1	3.2	- 3.1
Group	63.7	67.8	- 6.0

This revenue also includes proportionate revenue of € 4.2 million (previous year: € 3.8 million) from the discontinued division and Diaclone. Some remaining revenues, which were disclosed under Medical Devices last year, are now allocated to the Diagnostic division. The figures from the previous year have been adjusted accordingly.

The **Pharmaceutical division** is characterized by the reserved sales growth in the Near East and Asia and the fact that production capacity for immunoglobulins continued to be limited in 2003.

The current sales downturns for basic products such as human albumin, which in several cases are only due to delays, are offset by slight increases for immunoglobulins. In some cases, the timing of some sales has been moved into coming quarters. We were able to record initial sales with our new product Factor IX, a clotting factor for hemophilia treatment.

The **Diagnostic division** recorded rather more pleasing sales growth. The TANGO automation system has been installed at several laboratories in both France and Germany. Whereas foreign sales were mostly direct, in Germany this device was sold using so-called " reagent leasing" .

The division to be discontinued comprises companies from the former Medical Devices division. The assets of the insolvent Biotest Medizintechnik GmbH were sold at the end of January 2003. Negotiations for the sale of the French subsidiary Diaclone SAS had reached a highly advanced stage by the end of the quarter.

Operating profit totals € 5.4 million – up from € 4.5 million last year

The restructuring program, which led to substantial one-off charges in the 2002 financial statements, already showed initial positive effects in the first quarter of 2003 by means of cost savings.

The savings in personnel expenses will only show their full effect in the coming months as notice periods must still be upheld.

Low revenue has caused gross profit to fall from € 31.1 million in the previous year to € 29.1 million during the current quarter, however when compared to revenue it has remained constant at almost 46%. The impact on gross profit stemming from rationalization program's savings will only be seen during the remainder of the year.

A further significant improvement in production costs will result when a new production process is operational at Biotest Pharma GmbH during the second half of 2004.

The € 0.9 million improvement in the operating profit is due to the initial effects of the cost savings put in place in almost all areas.

However, this improvement is faced by increased expenses in the financial result. Net profit totaled € 0.6 million (€ 0.8 million before minority interests) in the first quarter. The proportionate earnings per share totaled € 0.06 (previous year: € 0.11).

Financial position

As of March 31, 2003, the group's total assets had risen by € 5.6 million (+1.5 %) from € 372.0 million to € 377.6 million. The group's fixed assets increased by a net amount of € 2.1 million due to the continuation of the major investments at Biotest Pharma GmbH, and now total € 149.1 million compared to € 147.0 million at the end of the year. Investments in intangible assets and property, plant and equipment totaled € 5.0 million. The installation of the new fractionation line has been almost fully completed. Amortization of intangible assets and depreciation of property, plant and equipment totaled € 2.9 million.

In total, inventories were kept at the same level as the end of the previous year. We were able to maintain the level of inventories in the Pharmaceutical division, which had increased significantly last year.

Trade receivables were up € 8.8 million on the end of 2002. The increase is mostly due to two companies – namely Biotest Pharma GmbH (€ + 4.2 million) and Biotest Italia Srl (€ + 1.9 million). This increase is temporary and is due to the balance sheet date and the conditions of larger tender transactions.

In contrary of this increase, other assets were reduced by € 7.4 million from € 19.1 million to € 11.7 million. The amounts prepaid by Biotest Pharma GmbH for leasing equipment and the receivables open at the end of the year from the sale of plasma have now been settled.

The action plan resolved as part of the restructuring program and which impacts the company's accounts has already had an initial effect on the items of the financial statements which can be influenced over the short term.

The cash flow from operating activities totaled € 1.1 million. The cash inflow from financing activities totaling € 6.3 million was € 1.3 million up on the expenses for investing activities. As a result cash and cash equivalents increased by € 2.4 million.

Employees

As of March 31, 2003, the group had a total of 1,256 full-time employees – 7 full-time employees less than at the end of the previous year. This affected our Dreieich location and some of our sales companies. As of March 31, 2003, Biotest AG and Biotest Pharma GmbH had concluded a significant number of agreements to terminate employment contracts for corporate reasons, while taking into account legal notice periods. Other group companies in Germany and abroad also reduced the number of their employees. All of these measures will result in falling employee numbers during the course of the year.

Outlook

The restructuring program we have put in place will have a positive impact on Biotest's earnings – as we can already see. However, during the current year we will also have to face high pre-financing expense for the major investments in equipment at Biotest Pharma GmbH and upgoing financing costs as well as a temporary increase in consulting costs.

We believe that total annual sales in 2003 in our continued divisions Pharmaceutical and Diagnostic will remain constant year-on-year. In spite of the far-reaching changes and restructuring, as well as the market situation – which is currently particularly difficult for our Pharmaceutical division – as things stand today we expect to record a balanced result in 2003.

Key events after the balance sheet date

The sale of Diaclone SAS, based in Besançon/France was concluded in April 2003.

Biotest Group Quarterly Financial Statements as of March 31, 2003 (summary)

All figures in € million

Biotest Group Balance Sheet

	March 31, 2003	Dec. 31, 2002
Assets		
Intangible assets	4.6	4.8
Property, plant and equipment	143.5	141.2
Financial assets	1.0	1.0
Total fixed assets	149.1	147.0
Inventories	129.6	129.9
Trade receivables	72.4	63.6
Other assets	11.7	19.1
Cash and cash equivalents	10.4	8.1
Total current assets	224.1	220.7
Deferred tax assets	4.4	4.3
Total assets	377.6	372.0
Liabilities and shareholders' equity		
Biotest AG shareholders' equity	108.8	108.5
Minority interests	2.5	2.3
Accruals and provisions	62.8	60.6
Financial debt	173.8	167.4
Trade payables	17.7	22.0
Other liabilities	12.0	11.2
Total equity and shareholders' liabilities	377.6	372.0

Biotest Group Income Statement

	01-03/2003	01-03/2002
Sales	63.7	67.8
Costs of goods sold	- 34.6	- 36.7
Gross profit	29.1	31.1
Distribution costs	- 14.0	- 16.0
Research and development expenses	- 4.5	- 4.3
Administrative expenses	- 4.6	- 5.2
Other operating expenses	- 0.6	- 1.1
Operating profit	5.4	4.5
Financial cost	- 3.7	- 2.3
Profit before tax	1.7	2.2
Income taxes	- 0.9	- 1.1
Profit after tax	0.8	1.1
Minority interest	- 0.2	- 0.1
Net profit for the period	0.6	1.0
Net earnings per share in €	0.06	0.10
Additional dividend entitlement per non-voting preference share in €	0.03	0.03
Earnings per preference share in €	0.09	0.13

Biotest Group Statement of Changes in Equity

	2003	2002
Biotest AG shareholders' equity (Jan. 1)	108.5	131.5
Net profit Q1	+ 0.6	+ 1.0
Currency effects for the period	- 0.3	-
Biotest AG shareholders' equity (March 31)	108.8	132.5

Biotest Group Cash Flow Statement

	01-03/2003	01-03/2002
Net cash flow from operating activities	+ 1.2	+ 0.8
Net cash flow from investing activities	- 5.1	- 7.2
Net cash flow from financing activities	+ 6.3	+ 7.7
Net change in cash and cash equivalents	+ 2.4	+ 1.3
Changes in cash and cash equivalents due to currency translation	- 0.1	+ 0.1
Cash and cash equivalents as of January 1	8.1	10.1
Cash and cash equivalents as of March 31	10.4	11.5

Notes

1. The above report of the Biotest group for the first quarter of 2003 conforms to the International Financial Reporting Standards (IFRS).
2. The same accounting and valuation methods were applied as for the preparation of the IAS consolidated financial statements for financial year 2002.
3. This report is unaudited.
4. Segment reporting

4.1 Revenue

Business Division	01-03/2003	01-03/2002
Pharmaceutical	40.1	45.2
Diagnostic	19.4	18.9
Holding/not allocated	1.1	0.5
Discontinued operation	3.1	3.2
Group	63.7	67.8

4.2 Profit from operating activities

Business Division	01-03/2003	01-03/2002
Pharmaceutical	+ 3.6	+ 4.5
Diagnostic	+ 1.2	+ 0.1
Holding/not allocated	+ 0.4	- 0.1
Discontinued operation	+ 0.2	-
Group	+ 5.4	+ 4.5

5. Employees

	March 31, 2003	Dec. 31, 2002
Distribution	370	373
Administration	143	140
Production	627	635
Research and development	116	115
Group	1,256	1,263

Biotest AG

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