



Quarterly report
as of March 31, 2004





The Biotest group continued the strategic reorientation and restructuring program in the first quarter of 2004 with the support of external consultants. The collateral trustee agreement securing short-term financing concluded last year with the group of involved banks, which initially covered the provision of short-term loans of approx. € 100 million with a limited term to March 31, 2004, was extended in March in line with expectations to the end of 2004.

Changes to the group

Biotest formed a new subsidiary in Greece in March 2004 – Biotest Hellas MEPE (GmbH). We plan to transfer the previous distributor's business to this company in the near future and to extend the business of both divisions.

We also made further progress in optimizing our portfolio of investments. Our at-equity interest in SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin was sold in February 2004.

Sales growth with steady positive trend

The turnaround of sales which started in the fall of last year, continued into the first three months of this fiscal year. Sales are up on forecast at € 58.1 million.

The difference to the first quarter of 2003 is due exclusively to the Pharmaceutical division (€ –1.2 million), which is still being confronted with significant price pressure on international markets and the uncertainties of the German healthcare sector.

The individual divisions grew as follows:

Division	Q1/2004 € million	Q1/2003 € million	Change in %
Pharmaceutical	38.8	40.0	– 3.0
Diagnostic	19.3	19.2	0.5
Group	58.1	59.2	– 1.9

Despite the continued difficult environment in the health-care sector and the ongoing price pressure on the international plasma derivatives market, sales of the immunoglobulins grew positively both in Germany and abroad. This applies in particular to the immune globuline specialties Hepatect®, Pentaglobin® and Intraglobin®, for which sales are independent of economic factors and which are used to treat serious life-threatening infections, sepsis and after transplants. This positive growth compensated to a great extent for lower sales in South America for basic products, such as human albumin as well as for the coagulation factor Haemoctin®.

We also optimized the new production equipment in the Pharmaceutical division in the first quarter. After production of the consistency batches in the new plasma fractioning line had been completed, further measures to optimize production were defined and have already been fully implemented. At present, the clean room is being re-qualified.

Additional changes to the enlargement of the production line to produce clotting factors mean that the deadline for the technical acceptance inspection has had to be postponed. This will now take place in Q2. As a result, we are forecasting a slight postponement in the start of the additional production line to January 2005.

Although our Diagnostic division recorded downturn in sales at the start of the year due to the restrictive invoicing possibilities in the laboratories, the stabilization experienced last year has continued and sales were at the same level as the previous year at € 19.3 million.

Sales increases in Germany and in Asia compensated for the slight sales downturn in South America. Growth in some of the various product lines is tangential: sales growth in hygiene control and transplant diagnostics contrasted with downturns in transfusion diagnostics – above all in Germany and France due to decreasing sales of reagents.

We are forecasting improved sales opportunities in this segment next year after the application for approval of the fully-automated TANGO blood grouping system was finalized at the end of last year and submitted to the FDA in January 2004. US marketing is expected to start in the second half of 2005.

Operating result increased slightly up to € 5.2 million

The operating result increased slightly up to € 5.2 million (Q1, 2003: € +0.1 million) despite sales being € 1.1 million lower. This is primarily due to the pleasing growth at almost all of our associates. The successful rationalization program and cost-cutting at Biotest AG and Biotest Pharma GmbH were overshadowed by the costs incurred during restructuring.

Financial position

We were able to further reduce total assets in the first quarter of 2004 from € 350 million on December 31, 2003 to a current total of € 336.4 million.

Noncurrent assets remained almost unchanged at € 149.4 million (€ –0.1 million) despite the retroactive exit of SIFIN Institut für Immunpräparate und Nährmedien GmbH Berlin as of January 1, 2004, which led to a reduction in financial assets to € 0.6 million.

The reduction in total assets is due to the reduction in current assets, and above all to a further reduction in inventories to € 8.3 million and the € 7 million reduction in cash and cash equivalents for discharge of debts.

Financial debt fell by € 10.9 million compared to the end of 2003 (–6.7 %). In total, liabilities fell by € 19.2 million.

The net cash from operating activities increased substantially by € 5.5 million to € 6.7 million. The continuation of our far-reaching program means that our cash flow from investing activities continues to show a further, albeit a significantly reduced, cash outflow.

The net cash used in financing activities reflects the downturn in financial debt.

The increase in other provisions by approx. € 4 million is due to factors including provisions for staffing changes already concluded, which will lead to further savings in future.

Managing Board

Dr. Manfred Hübener, the member of the managing board responsible for finance and central services, left our company on January 31, 2004. His successor since February 1, 2004 is Dr. Michael Ramroth, who was previously a member of MG Technologies AG's managing board.

Human Resources

On March 31, 2004 the number of employees in the Biotest group totaled 1,045 full-time employees, an increase of 8 employees on the end of 2003. This increase was due to reinforcements in the sales departments at various associates. Measures to reduce the number of employees were launched in the first quarter.

Outlook

The market for plasma derivatives will continue to be characterized by price pressure, although this will start to ebb. Overcapacities are currently being reduced during a period of consolidation.

In the Diagnostic division, the conditions on the market have improved for Biotest thanks to the requirements by the authorities regarding CE certification and the associated customer migration to state-of-the-art, automated systems. Sales of the serological reagents needed for these systems are increasing constantly.

Our restructuring and cost-cutting programs will bear their full fruit for the first time in 2004. The final conclusion of our capital expenditure to improve our competitive abilities will only have a slight impact in 2004, as the approval of our new products is expected at the end of 2004 for Germany and in 2005 for Europe.

In order to stabilize the capacity utilization rate of the new lines we aim to reach fractioning agreements. The first plasma fractionation is forecast for this fiscal year.

Further financing costs for investment and consulting services will be incurred in 2004, however these will be less than in the previous year.

In total, Biotest is forecasting consolidated sales for 2004 to be slightly up on the previous year, and that it will once again record positive earnings after taxes.

Quarterly financial statements of the Biotest group as of March 31, 2004

All figures in € million

Biotest consolidated balance sheet

	March 31 2004	Dec. 31 2003
Assets		
Intangible Assets	3.5	3.5
Property, plant and equipment	145.3	145.0
Financial assets	0.6	1.0
Noncurrent assets	149.4	149.5
Inventories	109.9	117.2
Trade receivables	61.3	59.0
Other assets	7.3	8.9
Cash and cash equivalents	5.1	12.1
Current Assets	183.6	197.2
Deferred tax assets	3.4	3.3
Total assets	336.4	350.0
Liabilities		
Issued capital	20.5	20.5
Share premium	79.0	79.0
Retained earnings	2.6	8.1
Consolidated net income (previous year: net loss)	0.2	- 5.7
Equity	102.3	101.9
Minority interests	1.7	1.4
Provisions for pensions and similar obligations	34.8	34.6
Provisions for taxes	1.6	0.8
Other provisions	22.5	18.7
Provisions	58.9	54.1
Financial liabilities	152.1	163.0
Trade payables	6.5	14.8
Other liabilities	12.9	12.9
Liabilities	171.5	190.7
Deferred taxes	2.0	1.9
Total equity and shareholders' liabilities	336.4	350.0

Biotest consolidated income statement

	Q1/2004	Q1/2003
Revenue	58.1	59.2
Cost of sales	- 29.8	- 31.4
Gross profit	28.3	27.8
Sales and marketing costs	- 12.4	- 13.7
Administrative costs	- 4.6	- 4.2
Research and development costs	- 3.7	- 4.4
Other operating expenses	- 2.4	- 0.4
Operating result	5.2	5.1
Financial result	- 3.6	- 3.6
Pre-tax earnings	1.6	1.5
Taxes	- 1.1	- 0.8
Earnings (after taxes)	0.5	0.7
Minority interests	- 0.3	- 0.1
Consolidated net income	0.2	0.6
Earnings per share (in euros)	0.03	0.08

Biotest consolidated statement of changes in shareholders' equity

	2004	2003
Biotest AG shareholders' equity (Jan. 1)	101,9	108,5
Consolidated profits Q1	0,2	0,6
Currency impact during period	0,2	- 0,3
Biotest AG shareholders' equity (March 31)	102,3	108,8

Biotest cash flow statement

	Q1/2004	Q1/2003*
Cash flow from operating activities	6.7	1.2
Cash flow from investing activities	- 3.1	- 5.1
Cash flow from financing activities	- 10.7	6.3
Net change in cash and cash equivalents	- 7.1	2.4
Changes in cash and cash equivalents due to currency translation	0.1	- 0.1
Cash and cash equivalents as of January 1	12.1	8.1
Cash and cash equivalents as of March 31	5.1	10.4

* in 2003 incl. Diaclone and Envitec Group

Notes

- The above report of the Biotest group for the first quarter of 2004 is in line with International Accounting Standard No. 34.
- The same accounting and valuation methods were applied as for the preparation of the IAS consolidated financial statements for fiscal year 2003.
- This report is unaudited.
- Segment reporting

4.1 Revenue

Division	Q1/2004	Q1/2003
Pharmaceutical	38.8	40.0
Diagnostic	19.3	19.2
Group	58.1	59.2

4.2 Operating result

Division	Q1/2004	Q1/2003
Pharmaceutical	5.4	3.6
Diagnostic	1.7	1.2
Holding	- 1.9	0.3*
Group	5.2	5.1

* during the first quarter of 2003 the holding company oncharged costs of € 1.9 million to Pharmaceutical and Diagnostic division. These costs were not oncharged in 2004.

5. Employees (full-time)

	March 31, 2004	Dec. 31, 2003
Sales	320	310
Administration	131	129
Production	494	494
Research and development	100	104
Group	1,045	1,037

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