

- Continuing growth trend: sales rise by 21% to € 67.5 million
- Overproportional increase in EBIT and profit before tax
- Strong growth in immunoglobulins and coagulation agents
- Biotherapeutics: continuation of clinical development as planned

Key Figures

GROUP		Q1 2006	Q1 2005	Change in %
Revenue	€ million	67.5	55.8	20.9
thereof: Germany	€ million	21.2	20.4	4.0
Rest of world	€ million	46.3	35.4	30.6
thereof: Pharmaceuticals	€ million	47.4	36.7	29.2
Diagnosics	€ million	20.1	19.1	5.0
EBITDA	€ million	10.3	8.9	16.6
EBIT	€ million	6.9	5.3	30.7
EBIT in % of revenue	%	10.3	9.5	
Profit before tax	€ million	5.0	2.8	79.9
Profit after tax	€ million	3.0	1.6	87.5
Earnings per share	€	0.25	0.17	47.1
Financing:				
– Cash flow*	€ million	4.6	– 4.2	–
– Depreciation and amortisation	€ million	3.4	3.6	– 4.5
		31.3.2006	31.12.2005	
Equity	€ million	171.9	169.0	1.7
Equity ratio	%	48.2	48.5	
Number of employees (full-time equivalents)		1,089	1,074	1.4

* from operating activities

Management Report

Basic Trends

The Biotest Group began 2006 with significant growth in sales and earnings. Business was particularly strong in other European countries, where the main growth drivers were the immunoglobulins, Intratect® and Pentaglobin®, as well as the factor VIII product, Haemoctin®. A non-recurring effect related to the large-scale supply of human albumin and other plasma products to Iraq. Despite increased expenditure on research and development, operating income (EBIT) and profit before tax rose sharply. The latter was affected by the marked improvement in the financial result due to substantially reduced financial liabilities. Biotest continued the development of monoclonal antibodies (biotherapeutics) as scheduled, while preparations for ongoing clinical trials are largely complete.

Market Conditions

There was a slight improvement in the overall economic framework conditions for Biotest in the first quarter of 2006. While the Diagnostic segment was still characterised by ongoing cost pressures in the healthcare sector and correspondingly tight budgets in hospitals and GP practices, the plasma proteins market continued to recover. According to Citigroup analysts, the supply of immunoglobulins in the first quarter was just sufficient to meet growing demand. Compared to the fourth quarter of 2005, the price had risen on average by a further 9%. According to Citigroup, the successful information campaign by the World Federation of Haemophilia in developing and emerging markets is having an increasing impact on the demand for plasmatic factor VIII and there was even a modest recovery in the price of albumin. Although it is estimated that more than 30 new plasma collection stations will open in 2006, there will not be any significant changes in the favourable overall situation for the time being.

Business Situation

In the first quarter of 2006, the Biotest Group achieved sales of € 67.5 million, which represents an increase of 20.9% on the same quarter of the previous year (€ 55.8 million). The sharp rise is partly due to the large-scale special delivery in Iraq. Even without this one-off transaction, however, sales growth would still have totalled 12.2%.

Not least because of the one-off transaction, sales outside Germany rose by 30.8%. There was also considerable growth in other European countries, particularly in Greece, as well as in North America. In Germany, Biotest posted a sales increase of 4.0%.

In the first quarter of 2006, the Pharmaceutical segment increased both sales and unit sales by 29.2% to € 47.4 million, contributing over 70.2% to total sales of the Biotest Group. Besides the non-recurring effect in human albumin, rising sales of immunoglobulins, Pentaglobin® and Intratect® as well as our factor VIII product, Haemoctin®, were decisive, with the latter recording sales growth in Russia, in particular. Sales of Intratect® were up primarily in Germany but Biotest also made its first sales in Hungary and Ireland.

In the Diagnostic segment, sales were up 5.0% year-on-year to total € 20.1 million (previous year: € 19.1 million). More than half the growth was attributable to the American market. The most successful growth was in hygiene monitoring which generated double-digit growth. In transplantation diagnostics, sales were slightly higher than 2005 while sales in transfusion diagnostics were down slightly. Sales of both TANGO® fully automated blood group devices and test reagents remained lower than expected.

Earnings Position

In the first quarter of 2006, Biotest further improved its operational earning power and also significantly reduced its financial expenses. Operating profit (EBIT) totalled € 6.9 million, 30.7% more than the same period of the previous year (€ 5.0 million). Profit before tax soared by 79.9% to € 5.1 million (previous year: € 2.8 million). The optimisation of the financing structure in 2005 played a considerable role here. As a result of the lower number of financial liabilities, the financial result improved by € 0.6 million. Retained earnings attributable to equity holders of the parent company rose by € 1.4 million to € 2.7 million and earnings per share to € 0.25 (previous year: € 0.17). At 8.6%, the return on capital employed (RoCE) at Biotest was higher than the overall figure for the previous year (previous year: 8.0%). By contrast, the EBIT margin of 10.3% remained slightly below the overall figure for 2005, partly because Biotest invested significantly in research and development in relation to its sales figures.

Costs

As a result of higher marketing prices and improved production yield in our modernised pharmaceutical production facility, cost of sales rose only moderately in relation to revenue to € 33.6 million (previous year: € 31.1 million). The cost of sales ratio improved from 55.7% to 49.8%. The 32.5% rise in marketing and distribution costs compared to 2005 is mainly attributable to sales-related provisions. Research and development expense rose significantly from € 3.6

million in the first quarter of 2005 to stand at € 5.6 million, due to increased investment in the expansion of the Biotherapeutic segment. Administrative expense, which mainly comprises personnel and consultancy expenses, was up by € 0.7 million.

Financial Position and Statement of Assets

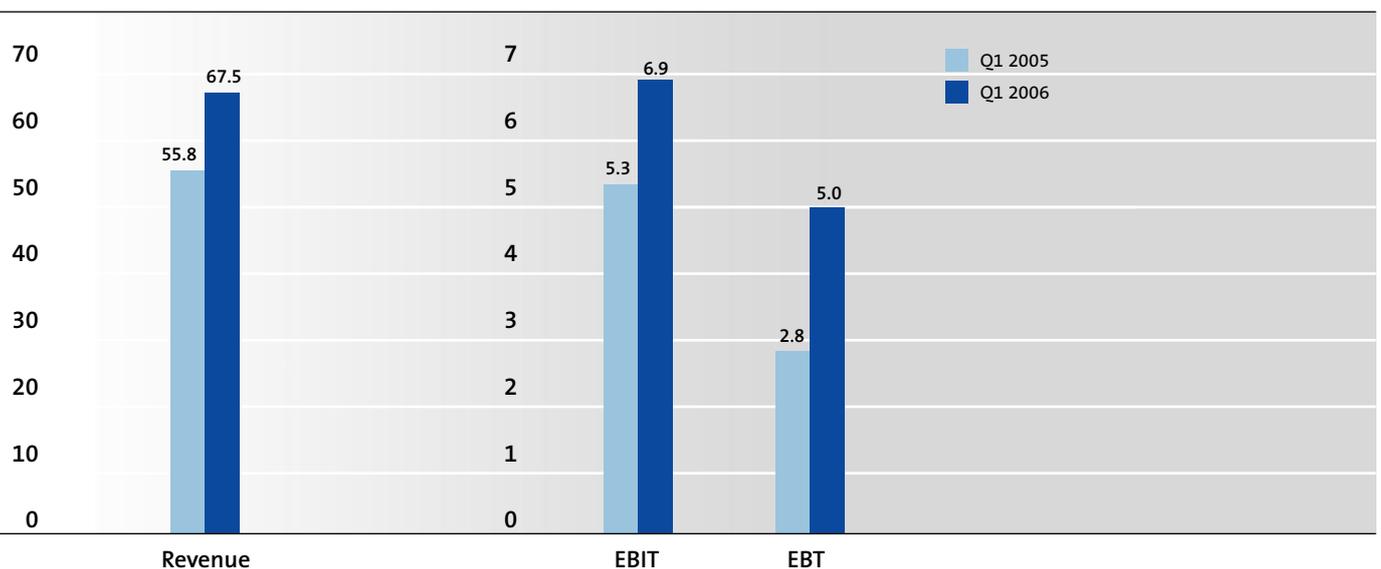
The financial position and statement of assets of Biotest continued to improve during the first quarter of 2006. Cash flow from operating activities increased to € 4.6 million (previous year: € -4.2 million) thanks to positive business development. Cash outflow from investment activity totalling € 2.2 million (previous year: € 2.6 million) was covered in full by internal funding. Cash outflow from funding activity of € 0.4 million was significantly lower than in the comparable period of 2005 (€ 9.4 million), which was characterised by the repayment of short-term bank loans. Cash and cash equivalents amounted to € 9.5 million as at 31 March 2006 compared to € 7.6 million as at 31 December 2005.

Structure of the Group balance sheet

Total assets were up slightly by 2.2% to stand at € 356.4 million. On the asset side, inventories rose, in particular, because production levels were increased to meet rising demand. By contrast, the book value for non-current assets fell slightly. Here, capital expenditure in property, plant and equipment of € 2.2 million was offset by depreciation of € 3.1 million. The growth in trade accounts receivable was

Revenue, EBIT and Profit before Tax

Euro million



highly satisfactory, rising by just € 1.7 million despite a considerable increase in new business. The positive trend is mainly attributable to accelerated payments from the Middle East. In the first quarter of 2006, Biotest obtained additional security on trade accounts receivable in Russia.

Under liabilities, equity increased from € 169.0 million on the 2005 reporting date to € 171.9 million. The equity ratio was 48.2% (31 December 2005: 48.5%). Current liabilities rose by 10.0% to € 74.5 million due to higher provisions to cover items deferred during the year and increased trade payables resulting from growth.

Staff

As at 31 March 2006, the Biotest Group had a staff complement of 1,089 full-time staff, 15 more than as at the 2005 reporting date. We have appointed staff to cope with the current growth trend, particularly in the areas of production, sales and R&D.

Research and development

In the first quarter of 2006, Biotest promoted R&D projects in all segments as planned. A large proportion of the increase in research costs was attributable to the Biotherapeutic segment. Final pre-clinical trials with the monoclonal antibody, BT-061, were largely completed prior to resuming clinical development. In addition, the trial centres were selected and the trial protocol drawn up. As far as BT-062 is concerned, we have successfully completed development of the production system for BT-062 with our partner, AERES Biomedical Ltd, providing a fundamental prerequisite for clinical development and subsequent large-scale production of the human antibody. With plasma derivatives, the focus was on developing new indication areas for Biseko® (cardiac surgery), Intratect® (fibromyalgia) and Cytotect® (treatment for cytomegalia in pregnancy).

Significant events after the reporting date for the quarter

In May 2006, Biotest began discussions with the Dutch Sanquin Blood Supply Foundation, with the aim of pooling activities in the area of production and development of plasma proteins. If the outcome of the discussions is positive, Sanquin will merge its plasma production and processing into Biotest Pharma GmbH, a currently wholly-owned subsidiary of Biotest AG, and receive a participation

in this company in return. Following the transaction, the Biotest Group will hold a majority shareholding in Biotest Pharma GmbH and be included in the Group's scope of consolidation. Biotest and Sanquin will continue to operate independently in pharmaceutical sales. The other Biotest business segments – Biotherapeutic and Diagnostic – are not affected by the strategic alliance.

According to current plans, the combined company will be run by a joint management team from Biotest and Sanquin. By merging their plasma protein activities, Biotest and Sanquin anticipate substantial synergy effects through streamlining the entire product range, accelerating research and development projects, optimising production and procurement procedures and reducing the volume of investment. The overall company can expect to process more than a million litres of plasma, making it one of the largest global manufacturers of plasma protein.

In April 2006, Biotest made its first sales of Intratect® in the UK and Austria. This premium product only remains to be launched in five other EU countries, which are to be opened up by the end of 2006.

Outlook

We expect the rest of this year to see continuing favourable market conditions for plasma proteins with a slight increase in prices. By contrast, in the Diagnostic segment, the framework conditions are likely to ease only slowly.

Against this background, growth in Biotest will continue to stem from the Pharmaceutical segment. In the second quarter, we are already set to achieve considerable sales in the UK with Intratect®. The Group aims to expand into the key market of Italy, as well as into Switzerland and Greece during the second half of the year. We are also significantly expanding the export of Haemoctin® and immunoglobulins to Russia whilst safeguarding against risk. Good production utilisation should also be reflected in improved cost ratios. Additional expenditure on clinical development of monoclonal antibodies and expanding the Biotherapeutic segment is likely to have an opposite impact on the result. Overall, Biotest expects no change in 2006 with a growth rate of more than 10% and a rise in earnings.

Group Income Statement

of Biotest Group*

€ thousands	Q1 2006	Q1 2005
Revenue	67.5	55.8
Cost of sales	– 33.6	– 31.1
Gross profit	33.9	24.7
Other operating income	1.0	1.0
Distribution expense	– 15.1	– 11.4
Administrative expense	– 5.3	– 4.6
Research and Development expense	– 5.6	– 3.6
Other operating expenses	– 2.0	0.8
Operating profit	6.9	5.3
Financial result	– 1.9	– 2.5
Profit before tax	5.0	2.8
Income tax	– 2.0	– 1.2
Profit after tax	3.0	1.6
thereof:		
Equity holders of the parent company	2.7	1.4
Minority interest	0.3	0.2
Earnings per share in €	0.25	0.17

* unaudited

Group Balance Sheet

of Biotest Group*

€ thousands	31.3.2006	31.12.2005
ASSETS		
Intangible assets	5.7	5.9
Property, plant and equipment	119.2	119.4
Financial lease assets	26.8	27.6
Investments in associates	0.7	0.7
Other investments	0.7	0.4
Other assets	0.2	0.3
Deferred tax assets	4.6	5.8
Non-current assets	157.9	160.1
Inventories	114.1	108.4
Trade receivables	67.8	66.1
Current income tax assets	0.5	1.0
Cash and cash equivalents	9.5	7.6
Other assets	6.6	5.4
Current assets	198.5	188.5
TOTAL ASSETS	356.4	348.6
EQUITY AND LIABILITIES		
Issued capital	27.3	27.3
Share premium	123.3	123.1
Reserves	15.9	6.0
Retained earnings attributable to equity holders of the parent company	2.7	10.2
Shareholders' equity	169.2	166.6
Minority interest	2.7	2.4
Total equity	171.9	169.0
Provisions for pensions and similar obligations	36.2	35.8
Other provisions	3.4	4.3
Financial liabilities	67.8	69.2
Other liabilities	0.3	0.3
Deferred tax liabilities	2.3	2.3
Non-current liabilities	110.0	111.9
Other provisions	11.1	8.1
Current income tax liabilities	2.6	2.8
Financial liabilities	20.0	19.3
Trade payables	27.1	25.1
Other liabilities	13.7	12.4
Current liabilities	74.5	67.7
Liabilities	184.5	179.6
TOTAL EQUITY AND LIABILITIES	356.4	348.6

* unaudited

Consolidated Statement of Changes in Shareholders' Equity

of Biotest AG

€ thousands	Q1 2006	Q1 2005
Biotest AG shareholders' equity as of 1.1.	166.6	106.0
Consolidated net income	2.7	1.4
Currency impact during period	-0.3	0.1
Gains/losses recognised immediately in equity	0.2	0.0
Biotest AG shareholders' equity as of 31.3.	169.2	107.5

Cash Flow Statement

of Biotest Group

€ thousands	Q1 2006	Q1 2005
Cash flow		
Net cash from operating activities	4.6	-4.2
Net cash used in investing activities	-2.2	-2.6
Net cash used in financing activities	-0.4	-9.4
Cash changes in cash and cash equivalents	2.0	-16.2
Exchange rate-related changes	-0.1	0.0
Cash and cash equivalents as of 1.1.	7.6	19.6
Cash and cash equivalents as of 31.3.	9.5	3.4

Segment Reporting

of Biotest Group

€ million	Q1 2006	Q1 2005
Revenue		
Pharmaceuticals	47.4	36.7
Diagnostics	20.1	19.1
Biotest Group	67.5	55.8
EBIT		
Pharmaceuticals	8.8	5.4
Diagnostics	1.0	1.4
Corporate	-1.2	-0.8
Biotherapeutics	-1.7	-0.7
Biotest Group	6.9	5.3

Quarter-to-Quarter Comparison

of Biotest Group

€ thousands	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Revenue	67.5	60.6	61.8	59.4	55.8
Pharmaceuticals	47.4	40.9	42.7	40.1	36.7
Diagnostics	20.1	19.7	19.1	19.3	19.1
EBIT	6.9	6.9	7.1	6.0	5.3
Profit before tax	5.0	5.0	3.9	3.3	2.8

Other Information

Accounting Policy

The quarterly report as at 31 March 2006 was drawn up according to the International Financial Reporting Standards of the International Accounting Standards Board (IASB). There have been no changes from the consolidated financial statements for 2005 with regard to the accounting and valuation methods applied. The quarterly report has not been audited.

Executive Board

At its meeting on 20 March 2006, the Supervisory Board of Biotest AG extended the contract of Dr. Michael Ramroth, which was originally due to terminate in February 2007, for a further five years. Dr. Ramroth responsible for the Finance and Central Services at Biotest (including Legal and Human Resources).

Risk Report

Biotest uses large quantities of denatured alcohol for fractionating plasma. A special licence from Customs is required for exemption from tax on spirits. A routine audit revealed that apparently no new application was made for this when production was transferred from Biotest Pharma GmbH to Biotest AG. We assume that an application submitted by us for exemption on the grounds of fairness will be approved as nothing has changed in our use and proof of the use of alcohol. Otherwise, the risk situation is unchanged from the consolidated financial statements for 2005.

Financial Calendar

11 May 2006	Annual General Meeting Congress Center Frankfurt, 10:30 a.m. Frankfurt/Main, Germany
11 May 2006	Publication of Q1 Report Quarterly Report for Q1 2006
14 August 2006	Publication of Q2 Report Quarterly Report for Q2 2006
14 November 2006	Analysts' conference Autumn conference for analysts and journalists
14 November 2006	Publication of Q3 Report Quarterly Report for Q3 2006



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This quarterly report contains forward-looking statements on overall economic development as well as on the business, earnings, financial and asset situation of Biotest AG and its subsidiaries. These statements are based on current plans, estimates, forecasts and expectations of the company and thus are subject to risks and elements of uncertainty that could result in deviation of actual developments from expected developments. The forward-looking statements are only valid at the time of publication of this quarterly report. Biotest does not intend to update the forward-looking statements and assumes no obligation to do so.