

- Growth: sales rise by 19.1% to €137.2 million
- An even more marked increase in operating profit than in sales
- Continuing success from coagulation agents and immunoglobulins
- Contract with ImmunoGen a key milestone in the development of biotherapeutics

Key Figures

GROUP		H1 2006	H1 2005 %	Change in %
Revenue	€ million	137.2	115.2	19.1
thereof: Germany	€ million	44.0	42.1	4.5
Rest of world	€ million	93.2	73.1	27.5
thereof: Pharmaceuticals	€ million	98.4	76.8	28.1
Diagnostics	€ million	38.8	38.4	1.0
EBITDA	€ million	21.3	18.5	15.1
EBIT	€ million	14.3	11.3	26.5
EBIT in % of revenue	%	10.4	9.8	
Profit before tax	€ million	10.7	6.1	75.4
Profit after tax	€ million	6.1	5.0	22.0
Earnings per share	€	0.51	0.56	-8.9
Financing:				
- Cash flow*	€ million	11.9	4.9	142.9
- Depreciation and amortisation	€ million	7.0	7.2	-2.8
		30.6.2006	31.12.2005	
Equity	€ million	171.7	169.0	1.6
Equity ratio	%	47.8	48.5	-1.5
Number of employees (full-time equivalents)		1,105	1,074	2.9

* from operating activities

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Report of the Management Board

Basic trends

The Biotest Group continues its upward trend. During the first half-year, sales increased by 19.1% over the comparable period in 2005. The main success factor was the dynamic business growth in other European countries in the Pharmaceutical segment. Approvals in new markets enabled us to substantially increase sales of the immunoglobulin Intratect®. The coagulation agent, Haemoclin® and the IgM-enriched immunoglobulin, Pentaglobin®, were also among the growth drivers.

Biotherapeutics developed as scheduled. The conclusion of a licence agreement with our partner, ImmunoGen, has given us exclusive rights to the technology from ImmunoGen for developing immunotoxins based on monoclonal BT-062 antibodies, thereby achieving a milestone in the development of BT-062 for the indication multiple myeloma.

The discussions agreed in May with the Dutch company, Sanquin, on increased collaboration on development and production of plasma proteins began promptly according to schedule.

Market conditions

Overall, the economic situation has slightly improved for Biotest during the first half-year. The trend from the first quarter was repeated in the second half of the reporting period.

The plasma protein market remains favourable. According to Citigroup analysts, in the first half-year the supply of immunoglobulins was tight despite expanding the capacity for plasmapheresis. With albumin too, demand outstripped supply. Whilst Citigroup analysts anticipate further moderate price rises for immunoglobulins in the USA, they are expecting albumin to become markedly more expensive in the foreseeable future.

In Germany, the law on improving economy in the supply of medicinal products (Arzneimittelversorgungs-Wirtschaftlichkeitsgesetz, AVWG) was passed in April. Among other things, it provides for a price freeze on all medications prescribed in the Statutory Insurance

Scheme System, valid retrospectively from 15 November 2005 onwards. The price rise introduced on Intratect® in January 2006 was therefore invalidated.

Biotest is not affected by the increase in the mandatory discount of 6% to 10% on generic medicines also passed, as the medicines we produce cannot be substituted by generics.

The Diagnostic segment operated under market conditions which remained difficult, characterised mainly by sustained pressure to reduce costs in the health sector. We observed continuing concentration among laboratories with customers increasingly forming purchasing co-operatives.

Business situation

In the first half-year of 2006, the Biotest Group achieved sales of €137.2 million, 19.1% more than the same period of the previous year. In the second quarter, sales were 3.3% above those in the first three months of the year, at €69.7 million. This growth is all the more remarkable in view of the fact that in the first quarter we achieved particularly high sales due to a special delivery in Iraq amounting to €5 million.

In the first half-year, the Pharmaceutical segment made sales of €98.4 million, an increase of 28.1% over the previous year (€76.8 million). The growth is the result of a marked expansion in sales within Europe – rising by 17.2% to €76.4 million – and the special delivery to Iraq.

Sales also include earnings from toll fractionating where Biotest processes plasma supplied by clients. In accordance with International Accounting Standards (IAS 11), these sales are already shown as realised profit in the income statement although we have not yet delivered any processed plasma.

Business growth was particularly lively in the UK, Greece, Italy and Austria. In the UK, figures reflected the sales of Intratect®, which began in April. In Greece, Biotest managed to achieve a marked increase in sales especially of Pentaglobin®. A key contribution came from sales of Haemoclin® in Russia which continued to show positive growth.

In Germany, Biotest sold 4.6% more in the first half-year than in the same period of 2005, with growth here in the second quarter much stronger than in the first quarter.

In May, Biotest agreed to take on discussions with its long-standing partner, Sanquin, on closer collaboration on development and production of plasma proteins. Initial meetings set out potential synergy effects. Further steps to achieving these are currently being drawn up.

Diagnostics

At €38.8 million, the Diagnostic segment sold 1.0% more than in the first six months of 2005 (€38.4 million). Growth stemmed almost entirely from products for hygiene monitoring. The majority of it was attributable to products from an affiliated company, Heipha Dr Müller GmbH, which increased its contribution to consolidated sales by 15.0% to €8.9 million. Due to the high quality of its products, Heipha was able to implement a price rise on the market. The products for hygiene monitoring produced by Biotest AG (Hycon) also sold better. Worth a special mention here is the approx. 12% increase in Euro-nominated sales of our subsidiary in the USA.

Business in reagents and systems for transfusion and transplantation diagnostics was still characterised by difficult market conditions. In both areas of production, sales in the first half-year were below the 2005 level. The same applied to business in the fully automated system for diagnosing blood groups, TANGO® optimo, which failed to meet our expectations.

Including products for hygiene monitoring, diagnostics products achieved 4.5% more sales in Germany in the first half-year than in the same period of 2005 and 14.4% more in America. By contrast, the 2005 figures in other countries in Europe and on other sales regions could not be matched.

In May Biotest began in collaboration with a consultancy company to draw up a growth strategy for the Diagnostic segment. The core of this strategy is the licensing of new technologies, co-operation on research, development and sales as well as evaluation of acquisitions. An appropriate concept is to be available within the next few weeks and the plan is to begin implementation immediately.

Earnings position

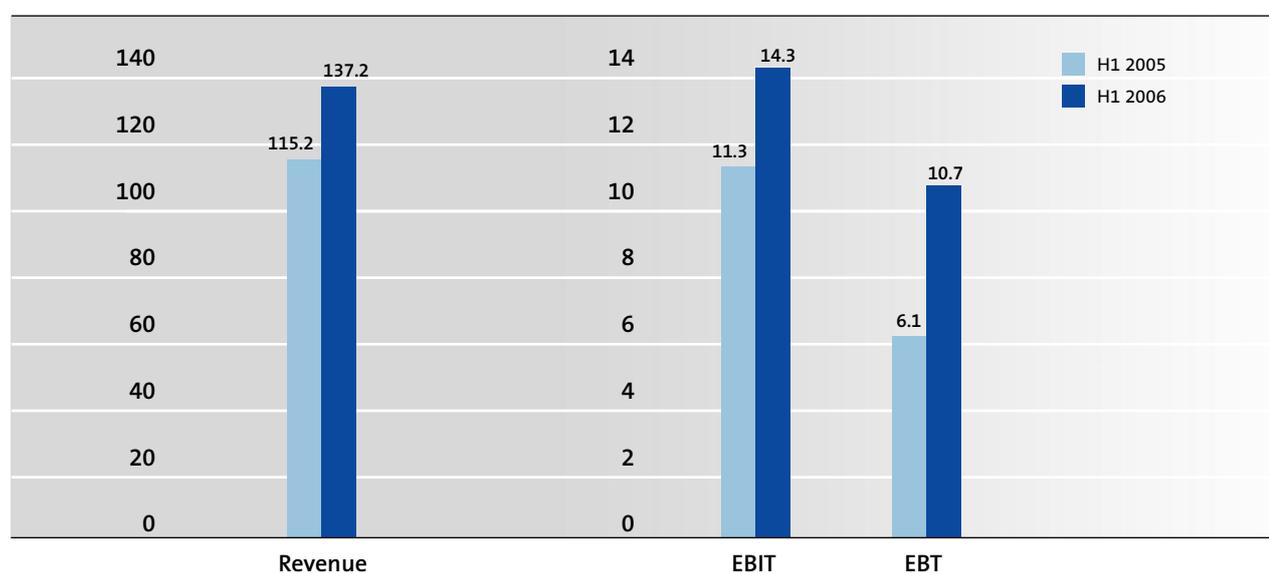
The Biotest Group markedly improved its operational earning power in the first half-year. Despite substantially increased expenditure on research and development, at €14.3 million the EBIT for the first half-year was 26.5% higher than the same period of 2005 (€11.3 million). Earnings before tax (EBT) soared by 75.4% to €10.7 million (2005: €6.1 million). This reflects the financial structure of the Biotest Group, which was substantially improved during the last financial year and further optimised during the first half-of the current year. The financial result improved from €−5.2 million to €−3.6 million (+30.8%).

At 43.0%, the tax ratio of the Biotest Group in the first half-year is substantially higher than that of the same period in 2005 (18.0%) which was influenced by a one-off tax rebate. A further reason for the increase is that trade tax loss carryforwards for Biotest AG have since been offset.

Retained earnings attributable to equity holders of the parent company were €5.5 million for the half-year, 22.2% more than in 2005, resulting in earnings per share of €0.51. On a comparable basis,

Revenue, EBIT and Profit before Tax

€ million



adjusted by the dilution effect from the capital increase, earnings per share were €0.56 as in the same period of 2005.

The annualised return on capital employed (RoCE) was 9.0% for the first half-year, therefore well above the figure for the whole of 2005 (8.0%) and also exceeds the figure from the first quarter (8.6%). At 10.4%, the return on sales, defined as the ratio of EBIT to sales, was above that of the first half of 2005 (9.8%) despite significantly higher expenditure on research and development.

Costs

Cost of sales rose only moderately in relation to revenue. Manufacturing costs of €66.0 million were 5.4% higher than in the first half of 2005 and their share of total sales fell from 54.3% to 48.1%. Reasons for the positive trend are the higher yields achieved through new manufacturing procedures and the high capacity utilisation in pharmaceutical production. In Diagnostics, the ratio of manufacturing costs to sales was slightly down.

The 18.9% rise in marketing and distribution costs to €30.2 million was essentially the result of higher sales volumes in the Pharmaceutical segment and expenditure on sales-related provisions. We have significantly increased research and development expense, by 63.8% to €13.1 million, due largely to investment in developing three monoclonal antibodies in the Biotherapeutics segment. The rise in administrative costs was mainly due to higher personnel and consultancy expenses.

Financial and assets position

The main reason for the further improvement in the financial and assets position of the Biotest Group is strong business in the Pharmaceutical segment. Cash flow from operating activities of €11.9 million was markedly higher than in the first half of 2005 (€4.9 million). The sharp rise in sales contrasted with just a moderate increase in working capital.

Cash outflow from investment activity of €5.1 million in the first half-year was slightly lower than the comparable period of 2005 (€5.5 million). Cash outflow from funding activity totalled €6.3 million, most of which was attributable to the second quarter in which we further reduced our liabilities to banks and distributed the dividend to our shareholders.

Cash and cash equivalents of €8.0 million as of 30 June were therefore lower than three months before (€9.5 million). However, this was a moderate increase compared to €7.6 million as of 31 December 2005.

Structure of the group balance sheet

Total assets of €359.4 million as of 30 June exceeded the figure for the end of financial year 2005 (€348.6 million). On the asset side, growth resulted primarily from an 8.3% expansion in inventories and a 5% rise in trade accounts receivable. The rises were mainly attributable to the Pharmaceutical segment and are due to the marked improvement in the level of orders and higher sales volumes.

Accelerated payments from the Middle East are the prime reason why the rise in the volume of trade accounts receivable is significantly below sales growth. In the first quarter of 2006, Biotest obtained additional security on trade accounts receivable in Russia. Inventories rose with higher stocks of intermediate products as production levels were adapted to meet rising demand.

Under liabilities, equity increased moderately by the net income for the year less the distributed dividend. The equity ratio of 47.8% as of 30 June is slightly below the figure for 31 December 2005 (48.5%).

Under liabilities there were falls in financial and leasing liabilities, increased trade payables resulting from growth (+29.1%) and higher other liabilities (+24.4%) resulting from high commissions payable and deferred liabilities for holiday entitlement.

Staff

As of 30 June 2006, the Biotest Group had a staff complement of 1,105 full-time staff, 31 more than as of the 2005 reporting date. The higher staffing levels are due to further expansion in research and development in the Biotherapeutic segment and in regulatory affairs, as well as additional posts in production and sales.

Research and development

In the first half of 2006, Biotest promoted R&D projects as planned. The substantially higher costs were primarily due to progress in developing monoclonal antibodies. Pre-clinical trials with BT-061 and production of material for final clinical trials were completed. Preparations for the clinical trials are progressing to schedule with further clinical development planned for the third quarter.

Production of the initial batches of the BT-062 antibody for pre-clinical trials was successfully completed. We reached an important milestone in June by completing humanisation of BT-063.

With plasma proteins, as in the first quarter, the focus was on developing new indication areas for Intratect® (fibromyalgia), Cytotect® (treatment for cytomegalia in pregnancy) and Biseko® (cardiac surgery).

Significant events after the reporting date

On 11 July, Biotest signed a collaboration and licensing agreement with the US company, ImmunoGen, Inc. which secures global marketing rights to the cancer therapy under development (DM-toxins) in connection with our monoclonal antibody, BT-062. This gives us exclusive use of ImmunoGen's Tumor-Activated Prodrug (TAP) technology for the target structure of BT-062.

The therapy concept is based on combating tumour cells using an immunoconjugate consisting of the monoclonal antibody from Biotest and a toxin from ImmunoGen. The antibody specifically binds to tumour cells which are then destroyed by the cell toxin. The agreement protects our process from any competitor who wants to market an identical product.

Close collaboration with ImmunoGen will ensure rapid future development of BT-062. The pre-clinical and clinical development of BT-062 will primarily take place in collaboration with the Dana Faber Cancer Institute in Boston, one of the leading cancer research institutes in the USA.

Outlook

For the rest of this year we expect largely unchanged market conditions for our company. We anticipate that the market for plasma proteins will continue to improve with a further upward trend in prices. By contrast, the Diagnostic segment will probably have to contend with continuing difficult market conditions.

Biotest expects to expand sales to the tune of 15% over the entire year. Growth will stem mainly from expanded business in the Pharmaceutical segment. Further marketing of Intratect® in Europe will make its full impact on sales over the coming months.

Improved production utilisation compared to the previous quarter, higher prices and an altered product mix is likely to be reflected in an enhanced cost of sales ratio. The earnings power of the Biotest Group in operational business will remain high. Despite steep increases in expenditure on research and development, Biotest expects an increase in operating performance (EBIT) over the previous year.

Group Income Statement

of Biotest Group*

€ million	Q2 2006	Q2 2005	H1 2006	H1 2005
Revenue	69.7	59.4	137.2	115.2
Cost of sales	– 32.4	– 31.5	– 66.0	– 62.6
Gross profit	37.3	27.9	71.2	52.6
Other operating income	0.7	2.9	1.7	3.9
Distribution expense	– 15.1	– 14.0	– 30.2	– 25.4
Administrative expense	– 5.8	– 4.5	– 11.1	– 9.1
Research and development expense	– 7.5	– 4.4	– 13.1	– 8.0
Other operating expenses	– 2.2	– 1.9	– 4.2	– 2.7
Operating profit	7.4	6.0	14.3	11.3
Financial result	– 1.7	– 2.7	– 3.6	– 5.2
Profit before tax	5.7	3.3	10.7	6.1
Income tax	– 2.6	0.1	– 4.6	– 1.1
Profit after tax	3.1	3.4	6.1	5.0
thereof:				
Equity holders of the parent company	2.8	3.1	5.5	4.5
Minority interest	– 0.3	– 0.3	– 0.6	– 0.5
Earnings per share in €	0.26	0.39	0.51	0.56

* unaudited

Group Balance Sheet

of Biotest Group*

€ million	30.6.2006	31.12.2005
ASSETS		
Intangible assets	5.4	5.9
Property, plant and equipment	119.4	119.4
Financial lease assets	26.1	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	157.1	160.1
Inventories	117.4	108.4
Trade receivables	69.4	66.1
Current income tax assets	0.6	1.0
Cash and cash equivalents	8.0	7.6
Other assets	6.9	5.4
Current assets	202.3	188.5
TOTAL ASSETS	359.4	348.6
EQUITY AND LIABILITIES		
Issued capital	27.3	27.3
Share premium	122.9	123.1
Reserves	14.0	6.0
Retained earnings attributable to equity holders of the parent company	5.5	10.2
Shareholders' equity	169.7	166.6
Minority interest	2.0	2.4
Total equity	171.7	169.0
Provisions for pensions and similar obligations	36.5	35.8
Other provisions	3.2	4.3
Financial liabilities	65.7	69.2
Other liabilities	0.2	0.3
Deferred tax liabilities	2.3	2.3
Non-current liabilities	107.9	111.9
Other provisions	8.7	8.1
Current income tax liabilities	4.4	2.8
Financial liabilities	18.7	19.3
Trade payables	32.4	25.1
Other liabilities	15.6	12.4
Current liabilities	79.8	67.7
Liabilities	187.7	179.6
TOTAL EQUITY AND LIABILITIES	359.4	348.6

* unaudited

Consolidated Statement of Changes in Shareholders' Equity

1. Half year

€ million	H1 2006	H1 2005
Biotest AG shareholders' equity as of 1.1.	166.6	106.0
Dividend for the previous year	-1.6	-0.9
Consolidated net income	5.5	4.5
Difference from currency translations	-0.6	0.3
Gains/losses recognised immediately in equity	-0.2	0.0
Biotest AG shareholders' equity as of 30.6.	169.7	109.9

Cash Flow Statement

of Biotest Group

€ million	H1 2006	H1 2005
Cash flow		
Net cash from operating activities	11.9	4.9
Net cash used in investing activities	-5.1	-5.5
Net cash used in financing activities	-6.3	-15.4
Cash changes in cash and cash equivalents	0.5	-16.0
Exchange rate-related changes	-0.1	0.1
Cash and cash equivalents as of 1.1.	7.6	19.6
Cash and cash equivalents as of 30.6.	8.0	3.7

Segment Reporting

of Biotest Group

€ million	H1 2006	H1 2005
Revenue		
Pharmaceuticals	98.4	76.8
Diagnostics	38.8	38.4
Biotest Group	137.2	115.2
EBIT		
Pharmaceuticals	21.0	12.1
Diagnostics	0.9	2.2
Corporate	-2.6	-1.7
Biotherapeutics	-5.0	-1.3
Biotest Group	14.3	11.3

Quarter-to-Quarter Comparison

of Biotest Group

€ million	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Revenue	69.7	67.5	60.6	61.8	59.4
Pharmaceuticals	51.0	47.4	40.9	42.7	40.1
Diagnostics	18.7	20.1	19.7	19.1	19.3
EBIT	7.4	6.9	6.9	7.1	6.0
Profit before tax	5.7	5.0	5.0	3.9	3.3

Other information

Accounting policy

The half-yearly report as of 30 June 2006 was drawn up according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Boards (IASB). There have been no changes from the consolidated financial statements for 2005 with regard to the accounting and valuation methods applied. The half-yearly accounts have not been audited.

Annual General Meeting

The Annual General Meeting of the Biotest Group and meeting of the preference shareholders took place on 11 May 2006 in Frankfurt/Main. The proposal by the Management Board and Supervisory Board for a dividend of €0.12 per ordinary share and €0.18 per preference share (previous year: both €0.11) for financial year 2005 was passed.

The Annual General Meeting also passed with a large majority a resolution to create contingent capital of €0.98 million to cover options from the Biotest share option scheme. However, at the meeting of preferential shareholders this resolution failed to gain the required majority of 75% of votes cast.

A key pre-condition for implementing the intended Long-Term Incentive Plan has therefore not been met. The Management Board is currently drawing up a replacement scheme in which the incentives under performance-related pay are to be given in cash.

Risk report

The risk situation remains unchanged since the end of the first quarter of 2006. There has been no new decision on the application submitted by us for exemption from tax on spirits on the denatured alcohol used in fractionating plasma.

Financial Calendar

14 November 2006	Analysts' conference Autumn conference for analysts and journalists
14 November 2006	Publication of Q3 Report Quarterly Report for Q3 2006
3 May 2007	Annual General Meeting



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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.