Half-year Report as of 30 June 2007

Biotest
From Nature for Life

Key figures

GROUP		H1 2007	H1 2006	Change %
Revenue	€ million	158.4	137.2	15.5
thereof: Germany	€ million	51.6	44.0	17.3
Rest of world	€ million	106.8	93.2	14.6
thereof: Pharmaceuticals	€ million	118.4	98.4	20.3
Diagnostics	€ million	40.0	38.8	3.1
EBITDA	€ million	25.7	21.3	20.7
EBIT	€ million	18.2	14.3	27.3
EBIT in % of revenue	%	*11.5*	*10.4*	
Profit before tax	€ million	14.3	10.7	33.6
Profit after tax	€ million	9.3	6.1	52.5
Earnings per share	€	0.80	0.51	56.9
Financing:				
– Cash flow*	€ million	12.3	11.9	3.4
– Depreciation and amortisation	€ million	7.5	7.0	7.1
		30.6.2007	**31.12.2006**	
Equity	€ million	184.6	179.3	3.0
Equity ratio	%	*46.7*	*49.5*	
Number of employees (full-time equivalents)		1,204	1,149	4.8

* from operating activities

- Profitable growth: sales up by 15.5%, increase in EBIT of 27.3%
- Considerable rise in forecast for the full year
- Research and development: important milestones achieved
- Measures introduced to increase earnings in the Diagnostic segment

Content

Interim management report as of 30 June 2007

At a glance

Financial year 2007 has been very successful to date for the Biotest Group. In the first six months, sales were up 15.5% year-on-year. Operating profit (EBIT) was 27.3% higher than in the first half of 2006.

Growth resulted primarily from strong business in plasma proteins as well as microbiological diagnostic products. In contrast, immunological diagnostics failed to meet expectations as sales declined. Here Biotest instigated a comprehensive programme in the second quarter to increase efficiency and earnings.

An important milestone was reached in preparations to develop the US market in the form of the import permit for culture media of heipha Dr. Müller GmbH. The research and development projects in the Biotherapeutic segment progressed according to schedule.

Following the positive business development in the first six months, the Board of Management is now expecting sales growth of between 12% and 15% for the full financial year and a similar rise in EBIT.

Corporate strategy and implementation

In the first half of 2007, Biotest has further expanded its position as a global specialist for innovative immunology and haematology, building seamlessly on the strategy outlined in the 2006 Annual Report.

In the Pharmaceutical segment, the focus was on strengthening the company's position in the European core markets, preparing for entry into the attractive US market and developing additional market potential by extending the indication spectrum. Advances were made in all three aspects in the first six months of 2007.

Entry into the US market should open up additional growth opportunities for the strategic area of microbiological diagnostics. A key prerequisite has already been met with the import permit for the culture media of our affiliate company heipha Dr. Müller GmbH.

In immunological diagnostics, we have drawn up a comprehensive programme to increase earnings with the support of corporate consultants Roland Berger and implementation of the measures has started. The programme includes a considerable streamlining of the product portfolio, concentrating on products which comply with the company's strategic focus and which are produced in large quantities. In addition, more flexible team structures and the reorganisation of processes should increase production efficiency.

As a prerequisite for a strategic partnership, Biotest will establish a limited liability company into which the majority of the immunological diagnostics activities are set to be transferred.

Market environment

The economic framework conditions have not materially changed since the position outlined in the 2006 Annual Report. There has been a sustained increase in worldwide demand for immunoglobulins. The prohibition on discounts in the pharmacy and wholesale business came into force in Germany on 1 April 2007. As a result, purchases were brought forward to the first quarter, but contrary to initial expectations, sales did not fall in the second quarter and maintained the level of the first three months.

Global demand was stable for plasma-based coagulation factors, while demand for human albumin rose further.

The plasma processing industry has responded to the favourable market environment by opening up additional plasmapheresis stations. Compared to the average for 2006, we estimate that capacity has been increased throughout the industry by around 20%. Nevertheless, there is still a high level of excess demand in the market.

Industrial microbiology products were also in demand in the first half of 2007, especially by the pharmaceutical industry. The market for immunological diagnostics in Europe continued to be dominated by fierce competition and intense pressure on margins. In the USA, the market environment was attractive and continued to develop positively.

We estimate that the sales potential of the monoclonal antibodies in development in the Biotherapeutic segment remains the same as that outlined in the 2006 Annual Report.

Business development

In the first half of 2007, the Biotest Group achieved sales of €158.4 million, outstripping the previous year's figure by 15.5%. In the second quarter, Biotest generated sales of €82.7 million, 18.7% more than in the second quarter of 2006 and up 9.2% on the first quarter of the current year. The second quarter of 2007 was consequently the sixth quarter in a row to see sales rise.

Growth resulted primarily from robust development in the European markets. In Germany, sales were up year-on-year by 17.3%. In the other European markets, Biotest increased sales by 20.7%.

In the Asia distribution region, sales were down 5.5% on the first half of the previous year, however the comparative figure for 2006 was affected by a major one-off delivery of plasma proteins to Iraq.

Pharmaceutical segment

Business activities with plasma proteins within the Pharmaceutical segment again made by far the biggest contribution to growth in the Group. Here Biotest increased its sales year-on-year by €20.0 million, or 20.3%, to €118.4 million. Growth was reported across all product groups and was both volume and price driven. As in the first quarter, the main growth drivers were coagulation factors (+47.1%), which include the factor VIII preparation Haemoctin®, as well as the polyvalent immunoglobulin Intratect® and its predecessor product Intraglobin® (+18.2%).

Strong growth in Intratect® sales reflects the sustained success of the preparation in Germany and the UK. Following the successful stabilisation in the second quarter of the insurance cover for accounts receivable from Russian customers, coagulation factor sales there were considerably higher than initially expected. There was a further rise in sales in Germany as a result of the increase in the number of inhibitor patients receiving treatment. They require particularly high doses of coagulation factors.

Sales from toll manufacturing rose considerably compared to the first half of 2006.

Diagnostic segment

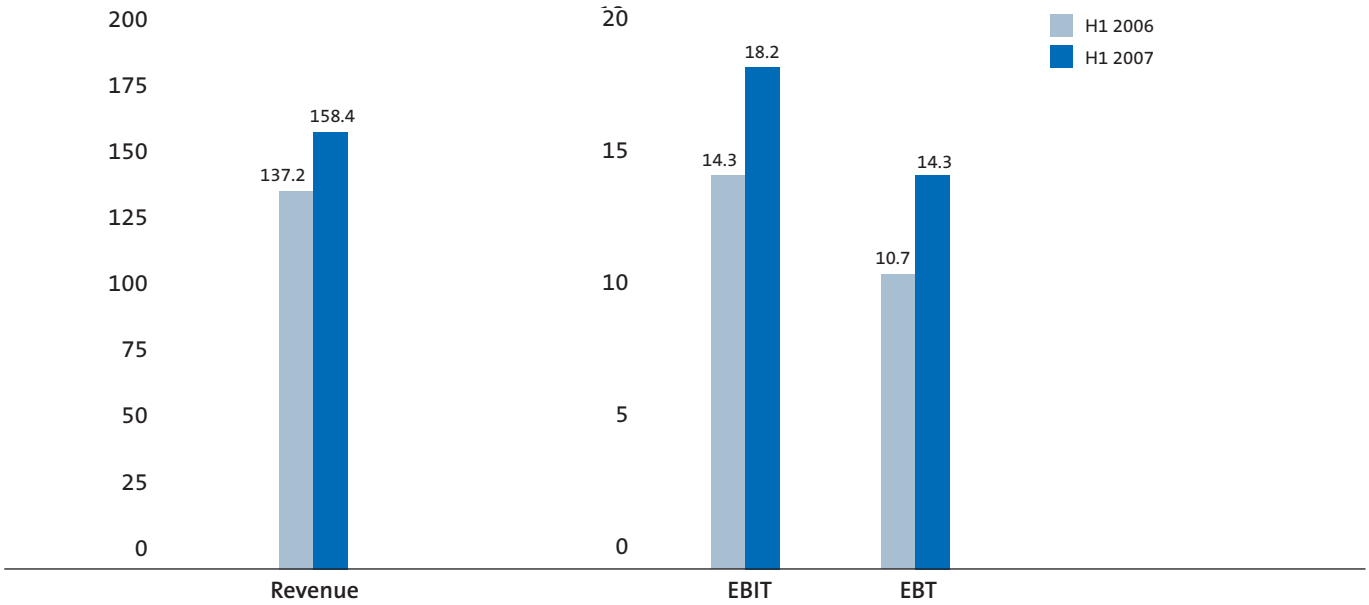
Business performance continues to vary in the Diagnostic segment with a sustained upward trend in microbiological diagnostics and declining sales in immunological diagnostics. Overall, sales for the first six months of 2007 totalled €40.0 million, up 3.1% on the same period in the previous year (€38.8 million).

Once the permit to export culture media to the USA was issued by the competent authorities, our US subsidiary, Biotest Diagnostics Corporation, commenced marketing activities in June.

The situation relating to sales of products for immunological diagnostics remains unsatisfactory. Sales here were down 4.7% year-on-year due in particular to the sharp fall in revenue from products for transplantation diagnostics. To date, Biotest has also hardly been able to achieve the anticipated increase in sales in transfusion diagnostics beyond the previous year's level.

Revenue, EBIT and profit before tax (EBT)

€ million



Earnings position

In the first half of the year, the Biotest Group generated operating profit (EBIT) of €18.2 million, up 27.3% on the previous year (€14.3 million). Profit before tax (EBT) totalled €14.3 million, after €10.7 million in the first six months of 2006 (+33.6%). Profit after tax (EAT) amounted to €9.3 million, corresponding to growth of 52.5% compared to the previous year's figure of €6.1 million. Earnings per share stood at €0.80 compared to €0.51 in the first half of 2006.

The increase in cost of sales was disproportionally low compared to sales growth. The distribution expense rose in line with sales, while the increase in administrative expenses was only marginal.

The research and development expense went up accordingly as projects advanced. The majority of this increase results from higher expenses in the Biotherapeutic segment, where with BT-061, the first monoclonal antibody is undergoing clinical testing.

In the Pharmaceutical segment, expenses stem from the development of new indications as well as the expanded approval of products according to the mutual recognition procedure in the European Union (MR procedure).

At €–2.2 million, the balance of other operating income and expenses was around the same level of the previous year (€–2.5 million).

At €–3.9 million, the financial result was lower than in the previous year (€–3.6 million). Higher expenses stemming from the rise in interest rates and intense use of factoring were countered by savings resulting from the improved terms and conditions for the syndicated loan agreement concluded in the previous year.

The annualised return on capital employed (RoCE) amounted to 10.5% in the first half of the year compared to 9.0% in the first six months of 2006. The return on sales, defined as the ratio of EBIT to sales, stood at 11.5% (previous year: 10.4%). In the Pharmaceutical segment, the return on sales was 23.9% while the corresponding figure in the Diagnostic segment was 1.8%.

Capital expenditure, depreciation and amortisation

Significant capital expenditure in the first half of the year comprised the expansion of production capacity in the Pharmaceutical segment, the GMP upgrade (GMP = Good Manufacturing Practice) of the production facility as well as capitalised expenses following the introduction of standard SAP software. Another addition to the balance sheet related to the ongoing construction of a new production plant for the Diagnostic segment. During the reporting period, depreciation and amortisation of €7.5 million was incurred, of which €6.9 million referred to tangible assets.

Financial position and statement of assets

Despite a rise in working capital, cash flow from operating activities climbed 3.4%. Cash flow from investing activities amounted to €13.8 million (previous year: €5.1 million). Investments were considerably higher than in the previous year and could not be funded in full from the cash flow from operating activities. The difference was essentially met by reducing cash and cash equivalents. Cash flow from financing activities stood at €–0.6 million (previous year: €–6.3 million).

As of the middle of the year, cash and cash equivalents totalled €6.7 million, down by almost a quarter on year-end 2006 (€8.9 million).

As of 30 June 2007, the balance sheet of the Biotest Group had increased by 9.2% to €395.5 million compared to 31 December 2006. On the assets side, there was a rise in tangible assets as well as a growth-driven increase in inventories and trade receivables.

On the liabilities side, equity climbed €5.3 million, or 3.0%, to €184.6 million, producing an equity ratio of 46.7% (31.12.2006: 49.5%). In addition, current other liabilities and current trade payables were significantly higher than as of 31 December 2006, which is also due to expanded business volume.

Research and development

Biotest continued to progress its research and development projects in the second quarter, achieving important milestones in the Biotherapeutic segment in particular. The anticipated good tolerability of monoclonal antibody BT-061, developed primarily for rheumatoid arthritis and psoriasis, was demonstrated in a Phase I clinical trial. For BT-062, work has commenced on the GMP-compliant production of materials for the clinical development.

With regard to plasma proteins, Biotest continued its preparations for the Phase III clinical trial of the immunoglobulin Cytotect® in the indication prevention and treatment of congenital cytomegalovirus infection (see also Events after the end of the second quarter). During the trial around 20,000 pregnant women will be examined and treated with Cytotect® in the event of an acute infection.

In addition, other procedures for European approval are underway and preparations to introduce nanometer filtration in the production of Intratect® and Hepatect® FH are almost complete.

Together with the US regulatory authority (FDA) it has been clarified which additional trials are to be performed in order to gain approval for immunoglobulins in the United States.

Production

In the Pharmaceutical segment, the new plasmapheresis station in Cologne has commenced operations. Biotest has also made preparations for the opening of further donor centres in Germany.

Biotest has instigated comprehensive measures in the production of immunological diagnostics to improve efficiency. The main elements here are the reorganisation of various production workflows and the establishment of more flexible team structures, which allow the teams to be used in different production lines as required.

Personnel

Biotest created additional jobs in the first half of 2007. As of 30 June 2007, the Group employed 1,204 staff (full-time equivalent), 55 more than at the 2006 year-end (1,149). New members of staff were recruited, for example, in the plasmapheresis station in Cologne, in plasma protein production, as well as in the sales organisation, especially in the USA.

Risk and opportunities report

On 28 May 2007, the Bundestag (Lower House) passed the Unternehmensteuerreformgesetz 2008 (Act on Corporation Tax Reform) which was approved on 6 July 2007 by the Bundesrat (Upper House). Biotest assumes that the Act will come into force in the present form with effect from 1 January 2008. The expected cut in the corporation and trade tax rates will lead to a reduction in deferred tax assets and consequently, higher tax expense. In addition, the Act stipulates that interest expenses may only be deducted from taxable income up to a specific amount.

The planned new regulations on the restricted use of losses following a change in ownership represent another financial risk emanating from the reform. If in future, more than 25% of the shares in a company are transferred to a purchaser within a period of five years, the existing loss carryforwards are lost in part or, if more than 50% of the shares are transferred, these are lost in full. Through Biotest Pharma GmbH, Biotest has loss carryforwards which would be affected in the event of a change in ownership. The Schleussner family currently holds over 50% of the shares in Biotest. The Board of Management is not currently aware of any intentions to sell on the part of the major shareholder.

The risk remains that in the event of excess demand in the plasma market, Biotest will not be able to acquire sufficient raw material for production or costs for this will rise faster than expected. Biotest is endeavouring to reduce this risk by expanding its own plasmapheresis capacity.

The situation regarding the risk of a tax on spirits in conjunction with the use of denatured alcohol in plasma production as described in the 2006 Annual Report has not changed. There have been no other material changes in the risks and opportunities for the Biotest Group compared with the presentation in the 2006 Annual Report and Quarterly Report as of 31 March 2007.

Outlook

Following the extremely positive business development in the Pharmaceutical segment and in microbiological diagnostics, Biotest assumes that sales will rise considerably faster in the current year than originally planned. For the financial year as a whole, we expect sales growth of between 12% and 15% compared to the previous target of 5% to 7%.

Despite the further increase in research and development expenses, the costs of preparing for market entry in the USA and the restructuring costs in the Diagnostic segment, we anticipate that the rise in profit before tax and interest will be equal to that in sales.

We expect to extend our position in the USA, especially in the microbiology sector, in the second half of the year. However, this will probably not translate into a marked rise in sales until 2008.

For our R&D projects in the Pharmaceutical segment, we will have submitted documentation for approval in Europe of four products by the end of the year. The Phase III trial for the use of Cytotect® in the prevention and treatment of cytomegalovirus infections during pregnancy will have started by the end of the year.

In the Biotherapeutic segment, we anticipate that we will have further results on the efficacy of monoclonal antibody BT-061 in the indications psoriasis and rheumatoid arthritis by the start of the coming year. For BT-062 we intend to conclude the preparations for applying to the FDA for the approval as an investigational new drug (IND) required for clinical development by the end of the year. Clinical testing of BT-062 is set to commence in the first half of 2008.

The measures adopted to increase efficiency in the Diagnostic segment are set to be implemented in full by the end of the year. Restructuring in the Diagnostic segment at Biotest AG has led to the loss of around 40 jobs and negotiations are underway with employee representatives. Biotest will offer the majority of the employees affected new jobs in one of the subsidiaries or in the growing Pharmaceutical segment at Biotest AG.

Events after the end of the second quarter

In July, Biotest and Abbott signed a cooperation agreement for the Phase III clinical trial for the approval of Cytotect® in the indication of congenital cytomegalovirus infection. Abbott will provide the systems and tests required for CMV diagnostics.

Income statement

of the Biotest Group

€ million	Q2 2007	Q2 2006	H1 2007	H1 2006
Revenue	82.7	69.7	158.4	137.2
Cost of sales	– 38.2	– 32.4	– 74.2	– 66.0
Gross profit	**44.5**	**37.3**	**84.2**	**71.2**
Other operating income	0.9	0.7	1.5	1.7
Distribution expense	– 18.7	– 15.1	– 35.0	– 30.2
Administrative expense	– 6.1	– 5.8	– 11.8	– 11.1
Research and development expense	– 8.9	– 7.5	– 17.0	– 13.1
Other operating expenses	– 1.5	– 2.2	– 3.7	– 4.2
Operating profit	**10.2**	**7.4**	**18.2**	**14.3**
Financial result	– 2.0	– 1.7	– 3.9	– 3.6
Profit before tax	**8.2**	**5.7**	**14.3**	**10.7**
Income tax	– 3.1	– 2.6	– 5.0	– 4.6
Profit after tax	**5.1**	**3.1**	**9.3**	**6.1**
thereof:				
Retained earnings attributable to equity holders of the parent company	**4.8**	**2.8**	**8.5**	**5.5**
Minority interest	0.3	0.3	0.8	0.6
Earnings per share in €	**0.45**	**0.26**	**0.80**	**0.51**

Balance sheet

of the Biotest Group

€ million	30 June 2007	31 December 2006
ASSETS		
Intangible assets	7.0	5.5
Property, plant and equipment	128.5	122.1
Financial lease assets	23.2	24.6
Investments in affiliates	0.1	0.1
Investments in associates	0.9	1.0
Other investments	0.3	0.3
Other assets	0.3	0.1
Deferred tax assets	9.1	9.2
Non-current assets	**169.4**	**162.9**
Inventories	113.0	104.8
Trade receivables	95.4	73.9
Current income tax assets	1.3	1.2
Cash and cash equivalents	6.7	8.9
Other assets	9.7	10.4
Current assets	**226.1**	**199.2**
TOTAL ASSETS	**395.5**	**362.1**
EQUITY AND LIABILITIES		
Subscribed capital	27.3	27.3
Share premium	122.9	122.9
Reserves	23.6	10.4
Retained earnings attributable to equity holders of the parent company	8.5	16.0
Shareholders' equity	**182.3**	**176.6**
Minority interest	2.3	2.7
Total equity	**184.6**	**179.3**
Provisions for pensions and similar obligations	43.9	43.1
Other provisions	3.4	3.5
Financial liabilities	63.4	64.7
Deferred tax liabilities	3.8	2.7
Non-current liabilities	**114.5**	**114.0**
Other provisions	9.8	10.9
Current income tax liabilities	6.2	4.7
Financial liabilities	21.4	16.7
Trade payables	37.2	23.5
Other liabilities	21.8	13.0
Current liabilities	**96.4**	**68.8**
Liabilities	**210.9**	**182.8**
TOTAL EQUITY AND LIABILITIES	**395.5**	**362.1**

Statement of changes in equity

€ million	2007	2006
Equity as of 1 January	**179.3**	**164.8**
Dividend to Biotest shareholders	– 2.8	– 1.6
Profit after tax	9.3	6.1
Currency impact during period	0.0	– 0.6
Gains/losses recognised immediately in equity	0.0	– 0.2
Dividend to minority interest	– 1.2	– 1.0
Equity as of 30 June	**184.6**	**167.5**

Cash flow statement

€ million	2007	2006
Cash flow		
Net cash from operating activities	12.3	11.9
Net cash used in investing activities	– 13.8	– 5.1
Net cash used in financing activities	– 0.6	– 6.3
Cash changes in cash and cash equivalents	**– 2.1**	**0.5**
Exchange rate-related changes	– 0.1	– 0.1
Cash and cash equivalents as of 1 January	8.9	7.6
Cash and cash equivalents as of 30 June	**6.7**	**8.0**

Schedule of assets – net presentation

€ million	Book value as of 1 January 2007	Capital expenditure	Net disposals	Depreciation	Foreign exchange differences	Book value as of 30 June 2007
Intangible assets	5.5	2.1	0.0	– 0.6	0.0	7.0
Tangible assets	146.7	12.2	– 0.3	– 6.9	0.0	151.7
Total	**152.2**	**14.3**	**– 0.3**	**– 7.5**	**0.0**	**158.7**

Segment reporting

by business segment

€ million	H1 2007	H1 2006	Change %
Revenue			
Pharmaceuticals	118.4	98.4	20.3
Diagnostics	40.0	38.8	3.1
Biotest Group	**158.4**	**137.2**	**15.5**
EBIT			
Pharmaceuticals	28.3	21.0	34.8
Diagnostics	0.7	0.9	– 22.2
Corporate	– 2.8	– 2.6	– 7.7
Biotherapeutics	– 8.0	– 5.0	– 60.0
Biotest Group	**18.2**	**14.3**	**27.3**

Segment reporting

by region

€ million	H1 2007	H1 2006	Change %
Revenue			
Germany	51.6	44.0	17.3
Rest of Europe	77.4	64.1	20.7
America	6.7	6.1	9.8
Asia	20.6	21.8	– 5.5
Rest of world	2.1	1.2	75.0
Biotest Group	**158.4**	**137.2**	**15.5**

Quarter-to-quarter comparison

€ million	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Revenue					
Pharmaceuticals	62.6	55.8	54.8	51.9	51.0
Diagnostics	20.1	19.9	19.2	18.8	18.7
Biotest Group	**82.7**	**75.7**	**74.0**	**70.7**	**69.7**
EBIT					
Pharmaceuticals	15.2	13.1	14.0	12.6	12.2
Diagnostics	0.6	0.1	– 1.5	0.0	– 0.1
Corporate	– 1.3	– 1.5	– 0.9	– 2.2	– 1.4
Biotherapeutics	– 4.3	– 3.7	– 2.1	– 2.8	– 3.3
Biotest Group	**10.2**	**8.0**	**9.5**	**7.6**	**7.4**
Profit before tax	**8.2**	**6.1**	**6.0**	**4.9**	**5.7**

Other information

Accounting principles

The half-year Report as of 30 June 2007 has been prepared in accordance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB). There have been no changes with regard to the accounting and valuation methods used compared with those used in the consolidated financial statements for 2006. The interim management report and interim financial statements are neither audited nor are they subject to review by an auditor.

Assurance by the legal representatives (responsibility statement pursuant to Section 37y WpHG in conjunction with Section 37w para. 2 No. 3 WpHG)

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Financial calendar

13 November 2007	Autumn conference for analysts and journalists
13 November 2007	III. Quarterly Report 2007

Biotest

Biotest AG, Landsteinerstr. 5, D-63303 Dreieich, Germany, P.O. Box 10 20 40, D-63266 Dreieich, Germany
Tel. +49 (0) 6103 801-520, Fax +49 (0) 6103 801-7840
e-mail: investor_relations@biotest.de, www.biotest.com