

- Profitable growth: sales rise by 17.5%, EBIT up 19.0%
- Significant growth in Pharmaceuticals, Diagnostics at previous year's level
- BT-061: launch of clinical trials imminent
- Objectives for 2006: double-digit percentage growth in sales and EBIT

Key Figures

| GROUP | | Q 1–3 2006 | Q 1–3 2005 | Change in % |
|--|-----------|------------------|-------------------|-------------|
| Revenue | € million | 207.9 | 177.0 | 17.5 |
| thereof: Germany | € million | 67.0 | 64.8 | 3.4 |
| Rest of world | € million | 140.9 | 112.2 | 25.6 |
| thereof: Pharmaceuticals | € million | 150.3 | 119.5 | 25.8 |
| Diagnostics | € million | 57.6 | 57.5 | 0.2 |
| EBITDA | € million | 33.1 | 29.1 | 13.7 |
| EBIT | € million | 21.9 | 18.4 | 19.0 |
| EBIT in % of revenue | % | 10.5 | 10.4 | |
| Profit before tax | € million | 15.6 | 10.0 | 56.0 |
| Profit after tax | € million | 9.5 | 7.2 | 31.9 |
| Earnings per share | € | 0.80 | 0.79 | 0.9 |
| Financing: | | | | |
| – Cash flow* | € million | 16.3 | 9.0 | 81.1 |
| – Depreciation and amortisation | € million | 11.2 | 10.7 | 4.7 |
| | | 30.9.2006 | 31.12.2005 | |
| Equity | € million | 175.3 | 169.0 | 3.7 |
| Equity ratio | % | 48.3 | 48.5 | |
| Number of employees (full-time equivalents) | | 1,127 | 1,074 | 4.9 |

* from operating activities

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Report of the Management Board

Basic trends

Financial year 2006 is proving successful for Biotest AG. In the first nine months of the year, sales of €207.9 million were up 17.5% on the same period for the previous year (€177.0 million). Despite a significant increase in research and development expense, the rise in EBIT was higher than in sales: at €21.9 million (previous year: €18.4 million), EBIT increased by 19.0% year-on-year.

As in the first six months, plasma protein business was also the key growth driver in the third quarter. We achieved higher sales figures here, particularly in our core markets in Europe as well as further improving market penetration.

The research and development projects fundamental to the company's continued strategic development are progressing. Preparations for the clinical development of the monoclonal antibody, BT-061, were completed accordingly.

Market conditions

In the markets significant to Biotest, namely the plasma protein, transfusion and transplantation diagnostics markets, as well as the hygiene monitoring market, the trends observed at the beginning of the year continued into the third quarter.

In the plasma protein market, global demand for intravenous immunoglobulins (IVIg) greatly exceeded the available supply. Further price increases occurred in the markets outside Germany. Market conditions for plasma-based coagulation factors remained stable, as global prices also climbed. Albumin posted the strongest upward trend of recent months. In Germany, the price trend was slowed by the pressure of cutting costs under the Statutory Insurance Scheme System.

Analysts at the Morgan Stanley investment bank are expecting further price hikes in the global market for all protein groups in the next few months, although albumin is set to be most severely affected.

In the diagnostics market, it is anticipated that the pressure to reduce costs in the health sector and the consolidation of laboratories will result in sustained difficult market conditions.

Business situation

At €207.9 million, the Biotest Group achieved a rise in sales of 17.5% in the first three quarters of the current financial year compared to the same period in the previous year. At €70.7 million, sales in the third quarter were up 1.4% during the period from April to June 2006, while a year-on-year comparison (€61.8 million) shows an increase of 14.4%.

Particularly positive were the results for the plasma protein business, where sales grew 25.8% to stand at €150.3 million (previous year: €119.5 million). In the Diagnostic division, sales rose 0.2% to €57.6 million, thereby maintaining the level of the previous year (€57.5 million) and falling short of our expectations.

In the European markets outside Germany, the Group posted sales of €99.3 million, equating to an increase of 18.6% year-on-year (€83.7 million). In accordance with our expectations, the trend was less pronounced in Germany due to the health policy measures adopted by the government, with growth of 3.4% to €67.0 million (previous year: 64.8 million). Sales volume in Asia soared 80.0% to total €29.7 million (previous year: €16.5 million), which represented the biggest improvement among the Middle Eastern countries. This can be attributed to an additional delivery to Iraq following a successful bid for tender and the accrued toll manufacturing business with Iran.

Business situation – Pharmaceuticals

Plasma protein business was dominated by growth in almost all product groups and sales regions. Biotest's immunoglobulins continued to enjoy success. As was the case at the end of the first half, Intratect® remained the leading growth driver and succeeded in further extending its position in the key European markets. In Germany, the market share of the polyvalent immunoglobulin, first approved in 2004, stood at 21%. In the past few months, we have achieved strong growth, especially in the UK and Ireland. As a result of the outstanding product attributes and the high demand for immunoglobulins, Biotest implemented a further price increase for Intratect® in the third quarter for new customers outside the Statutory Insurance Scheme System.

Sales of the IgM-enriched immunoglobulin, Pentaglobin®, recorded extremely positive development, with Greece and Russia, in particular, achieving considerable growth.

An increase in the sale of coagulation agents can largely be attributed to the expansion of operations in Eastern Europe. Figures failed to meet expectations in Germany because of the lower number of inhibitor patients here. Coagulation factors are administered in extremely high doses during inhibitor therapy. Accordingly, the reduced number has also impacted on the unit sales of Biotest.

In view of the rising global market prices for albumin, it has once again become attractive for Biotest to participate in bids for tender. Over the course of the year, we have achieved corresponding sales in several countries in the Middle East, where Biotest has been a much sought-after partner for decades.

Sales generated by toll manufacturing were up year-on-year. However, business proved slow, since priority was given to production for the completion of our own high margin products and there was a delay in plasma supplies from our partner.

The discussions which began in May with the Dutch company, Sanquin, concerning increased collaboration on the development and production of plasma proteins continued in the third quarter. Due to differences in corporate policy, the concepts which must be developed for a successful cooperation are considerably more complex than would usually be the case for two companies operating solely at private level.

Business situation – Diagnostics

In business with products and systems for transfusion and transplantation diagnostics, Biotest posted lower sales in almost all product groups compared with the same period in 2005. Transfusion diagnostics proved especially disappointing, in that we had to record a significant decline in growth instead of the forecasted increase. The main factor was that sales of the fully-automated system for diagnosing blood groups, TANGO® optimo, failed to meet our expectations in the USA. However, customers requiring automatic and manual tests systems prefer to source their products from a single supplier. Although the applications for the approval of the manual reagents have been submitted, we do not anticipate approval to be

granted by the Food and Drug Administration (FDA) until the third quarter of next year.

With deliveries of reagents to the Middle East better than expected, it was possible to offset part of the lack of sales. Sales of infection diagnostics products remained around the level of the previous year and therefore also remained below expectations.

The unsatisfactory development in Diagnostics is explained by sustained difficult market conditions in Europe and the other developed countries.

In contrast to the situation in Diagnostics, our hygiene monitoring products achieved a considerably higher sales figure in the first nine months of 2006 than in the same period of the previous year. The main factor contributing to this result was the dynamic business carried out by the Biotest Group with products from our affiliated company, Heipha Dr. Müller GmbH. At €13.5 million, external revenue was up 14.4%.

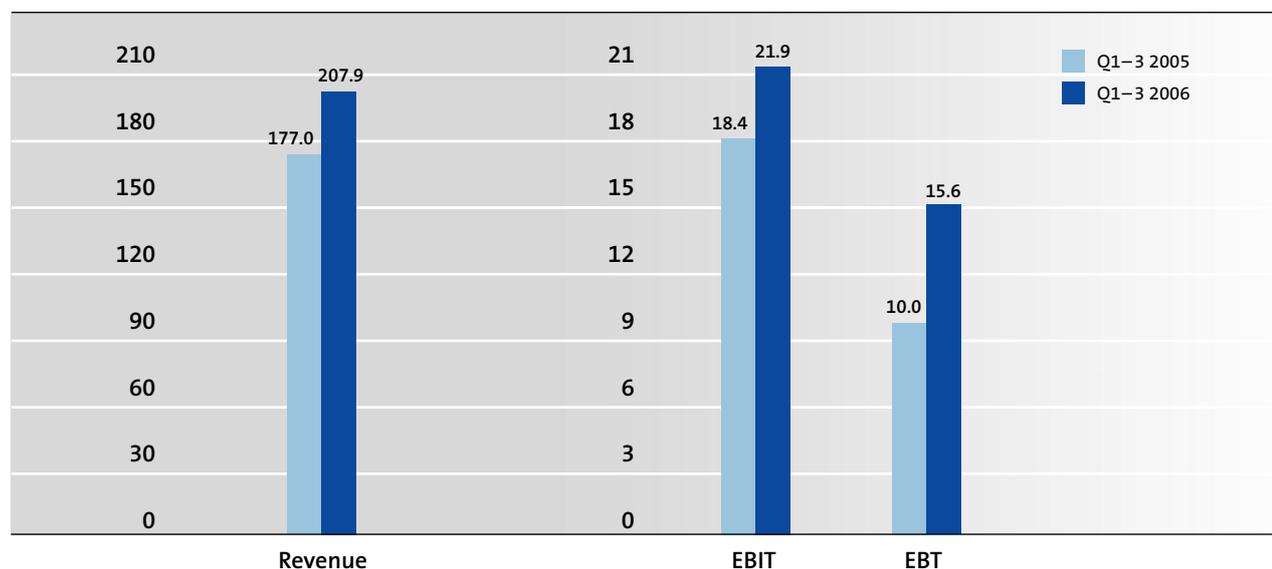
Earnings position

The earnings position of the Biotest Group improved substantially in the first three quarters of 2006 compared to the previous year. EBIT rose by 19.0% to total €21.9 million (previous year: €18.4 million). This is predominantly due to expenditure increasing only moderately in relation to revenue.

Both business divisions of the Biotest Group made positive contributions to EBIT, although, at €33.6 million, this was much higher for Pharmaceuticals than Diagnostics (€0.9 million).

Revenue, EBIT and Profit before Tax

€ million



Due to the markedly improved financial result amounting to €–6.3 million (previous year: €–8.4 million), the rise in earnings before tax (EBT) was even more pronounced, increasing 56.0% to €15.6 million (previous year: €10.0 million).

Comprising 39.1% of EBT, the tax ratio was significantly higher than that of previous year (28.0%). However, it must be taken into account here that financial year 2005 was influenced by a one-off tax rebate and the trade loss carryforwards for Biotest AG have since been offset.

Following deduction of minority interest, retained earnings attributable to equity holders of the parent company totalled €8.5 million, following €6.5 million in 2005. This corresponds to earnings per share of €0.80 (previous year: €0.79). On a comparable basis, taking into consideration the capital increase carried out in 2005, earnings per share were €0.87.

The return on sales based on EBIT amounted to 10.5% as of 30 September compared to 10.4% for the same period in 2005. Annualised Return on Capital Employed, RoCE stood at 8.9% at the end of the third quarter (previous year: 7.5%).

Costs

Influenced by the improvement in sales, manufacturing costs reached €100.2 million in the period under review, which was above the previous year's figure of €94.3 million. The rate of increase remained clearly below growth in sales, resulting in an improvement in the manufacturing costs ratio of 53.3% in 2005 to 48.1% in the first nine months of 2006.

The rise in marketing and distribution costs from €38.5 million in 2005 to €46.1 million in the current financial year was essentially due to increased expenditure on sales-related commissions.

Administrative expenses were up in line with expectations to total €16.8 million (previous year: €14.3 million). This development is primarily a result of consultancy expenses, which were incurred as part of a number of strategy projects.

Research and development expense soared from €13.0 million in the previous year to €19.8 million. This increase can be attributed to the advancement of the R&D projects, especially those in the Biotherapeutics segment.

At €–3.1 million, the balance of other operating income and expenses was negative, while in the previous year, it stood at €1.5 million. With a total volume of €3.4 million (previous year: €5.2 million),

other operating income included a settlement payment of €1.2 million for the previous year, which was incurred by the Pharmaceuticals division.

Other operating expenses amounting to €6.5 million (previous year: €3.7 million) included the depreciation of software, which occurred following the conversion of our IT architecture to SAP standard. This item also comprises temporary deferrals.

Financial and assets position

Key to Biotest's enhanced financial situation is the substantial rise in cash flow from operating activities. In the first nine months of the year, Biotest accrued a total volume of €16.3 million here (previous year: €9.0 million). Cash outflow from investment activities of €9.0 million (previous year: €8.2 million) was fully funded from internal resources. Cash outflow from financing activities amounted to €6.3 million at the end of September compared to €15.1 million in the same period for the previous year. Cash and cash equivalents accounted for €8.5 million as of 30 September, having climbed €0.9 million since the beginning of the year.

Structure of the Group balance sheet

Total assets for the Biotest Group of €363.0 million as of 30 September were up €14.4 million on year-end 2005 (€348.6 million). The stretching of the balance sheet on the assets side was mainly a result of the 6.8% expansion in inventories to €115.8 million as well as the 12.0% increase in trade accounts receivable to €74.0 million. Both developments were generated by extended business volume.

Under liabilities, there was a rise in equity from Group net income for the year in the face of a reduction in non-current financial liabilities. Current liabilities recorded an increase of €14.5 million to total €82.2 million. This includes other current liabilities, which were up €4.6 million and impacted by high commissions payable and deferred liabilities in personnel. Current other provisions had climbed €3.3 million since year-end 2005. The equity ratio stood at 48.3% as of 30 September compared to 48.5% as of 31 December 2005.

Staff

As of 30 September 2006, the Biotest Group had a staff complement of 1,127 full-time employees, 22 more than at the end of the first half and 53 more than 12 months ago. The further expansion of the team in research and development, particularly in clinical research, was accompanied by the advancement of our projects. The sales and production teams were also enhanced.

Research and development

Biotest continued to promote its research and development projects in the third quarter.

As a result of certain subjects suffering health problems as part of a study initiated by Tegenero in London, the regulatory authorities reconsidered their course of action and demanded that Biotest conduct additional pre-clinical trials for the antibody BT-061 as well. These tests were carried out successfully. Accordingly, approval was granted to the responsible authority, the Paul-Ehrlich-Institut, for clinical trials for the antibody BT-061 in the indication psoriasis in September.

The additional approval required from the Ethics Commission at Heidelberg University for the concept of the trials has since been granted. Preparations to repeat phase I/II for BT-061 for the indication rheumatoid arthritis are close to completion.

We continued to conduct pre-clinical studies for BT-062. A collaboration and licensing agreement was concluded for this antibody with US company, ImmunoGen Inc. in July. The half-year report contains full details of this agreement. The manufacturing procedure for BT-062 was developed and optimised by Biotest. We are near to concluding contract negotiations with a well-known toll manufacturer regarding the production of investigational medicinal products which comply with GMP regulations.

We have also made good progress with BT-063, the third monoclonal antibody being developed by Biotest: following successful completion of the humanisation of the antibody, we launched operations to establish the production system.

With plasma proteins, we have achieved a milestone in the treatment of cytomegalovirus infections in pregnancy as part of the development of the hyperimmunoglobulin, Cytotect®. The European Medicines Agency (EMA) approved Cytotect® for orphan drug status at the end of October. This type of status grants drugs used to treat rare and serious diseases with market exclusiveness within the EU for a period of up to 10 years. In addition, it can help to promote clinical studies and reduce the costs of approval procedures. The application has been presented for orphan drug status in the USA, where this type of agent is granted market exclusiveness of seven years. The new indication opens up additional market potential of around €30 million in the EU and €40 million in the USA.

The projects for the development of new indication areas for Intratect® (fibromyalgia) and Biseko® (cardiac surgery) progressed as planned.

Significant events after the reporting date

In the middle of October, Biotest and its partner, Olympus America Inc., redefined the sales, service and support agreement for the automated system for diagnosing blood groups, TANGO®, in the USA. Under the new agreement, Biotest will market the TANGO® blood bank system directly to US hospitals via its US subsidiary, Biotest Diagnostics Corporation. Olympus will continue to provide TANGO® instruments, including software and reagents, to the US blood donor market as well as ensuring instrument service and technical telephone support for all customers. The reorganisation of the sales structure is intended to optimise the potential of TANGO® in the US market. Staff numbers at the US subsidiary will rise accordingly.

On 13 October, Biotest introduced a new agreement with considerably more favourable conditions to replace the existing syndicated loan agreement with the lending banks. The structuring costs for the previous agreement originally spread across the entire term therefore comprise expenditure, the entire amount of which must be entered in the accounts in the fourth quarter. This generated a one-off strain on the financial result of approximately €0.8 million. Due to the more favourable conditions of the new agreement, much higher overall savings will be made in the coming years.

On 2 October, operations were launched at our new plasmapheresis station in Merseburg. As a result, we now run four donor centres via our subsidiary, Plasma Service Europe. Biotest's strategy is to expand the proportion of plasma collected by the Group itself, in order to be more independent of the price trends in the global market and to ensure top quality raw materials.

Outlook

Biotest expects the trends observed over the year as a whole to continue in the respective markets. The demand for plasma proteins remains high, while the upward price trend is set to persist at least in the export markets. We will therefore extend production for generating immunoglobulins. However, due to the lengthy approval procedure, this will result in higher capacities in the medium term. In the Diagnostic division, we expect the difficult market conditions to continue.

A decision has not yet been reached by the responsible customs authorities on the application for exemption from tax on spirits on the denatured alcohol used in fractionating plasma submitted by Biotest at the beginning of the second quarter in 2006. The exemption request was inadvertently not resubmitted when the production of pharmaceuticals was transferred from Biotest Pharma GmbH to Biotest AG. Due to the proposed use of the alcohol, we continue to assume that the application will be granted and will not impact negatively on the result.

In view of the growth achieved to date, we are confirming our objective to increase sales for the year as a whole by approximately 15%. We estimate that, despite the increase in research and development expenditure, operating profit will exceed the figure for the previous year by at least 10%.

Income Statement

of Biotest Group*

| € million | Q3 2006 | Q3 2005 | Q 1–3 2006 | Q 1–3 2005 |
|---|-------------|-------------|--------------|-------------|
| Revenue | 70.7 | 61.8 | 207.9 | 177.0 |
| Cost of sales | – 34.2 | – 31.7 | – 100.2 | – 94.3 |
| Gross profit | 36.5 | 30.1 | 107.7 | 82.7 |
| Other operating income | 1.7 | 1.3 | 3.4 | 5.2 |
| Distribution expense | – 15.9 | – 13.1 | – 46.1 | – 38.5 |
| Administrative expense | – 5.7 | – 5.2 | – 16.8 | – 14.3 |
| Research and development expense | – 6.7 | – 5.0 | – 19.8 | – 13.0 |
| Other operating expenses | – 2.3 | – 1.0 | – 6.5 | – 3.7 |
| Operating profit | 7.6 | 7.1 | 21.9 | 18.4 |
| Financial result | – 2.7 | – 3.2 | – 6.3 | – 8.4 |
| Profit before tax | 4.9 | 3.9 | 15.6 | 10.0 |
| Income tax | – 1.5 | – 1.7 | – 6.1 | – 2.8 |
| Profit after tax | 3.4 | 2.2 | 9.5 | 7.2 |
| thereof: | | | | |
| Equity holders of the parent company | 3.0 | 2.0 | 8.5 | 6.5 |
| Minority interest | – 0.4 | – 0.2 | – 1.0 | – 0.7 |
| Earnings per share in € | 0.29 | 0.23 | 0.80 | 0.79 |

* unaudited

Balance Sheet

of Biotest Group*

| € million | 30.9.2006 | 31.12.2005 |
|--|--------------|--------------|
| ASSETS | | |
| Intangible assets | 3.9 | 5.9 |
| Property, plant and equipment | 120.9 | 119.4 |
| Financial lease assets | 25.4 | 27.6 |
| Investments in associates | 0.6 | 0.7 |
| Other investments | 0.8 | 0.4 |
| Other assets | 0.1 | 0.3 |
| Deferred tax assets | 4.9 | 5.8 |
| Non-current assets | 156.6 | 160.1 |
| Inventories | 115.8 | 108.4 |
| Trade receivables | 74.0 | 66.1 |
| Current income tax assets | 0.7 | 1.0 |
| Cash and cash equivalents | 8.5 | 7.6 |
| Other assets | 7.4 | 5.4 |
| Current assets | 206.4 | 188.5 |
| TOTAL ASSETS | 363.0 | 348.6 |
| EQUITY AND LIABILITIES | | |
| Issued capital | 27.3 | 27.3 |
| Share premium | 122.9 | 123.1 |
| Reserves | 14.2 | 6.0 |
| Retained earnings attributable to equity holders of the parent company | 8.5 | 10.2 |
| Shareholders' equity | 172.9 | 166.6 |
| Minority interest | 2.4 | 2.4 |
| Total equity | 175.3 | 169.0 |
| Provisions for pensions and similar obligations | 36.5 | 35.8 |
| Other provisions | 2.9 | 4.3 |
| Financial liabilities | 63.3 | 69.2 |
| Other liabilities | 0.2 | 0.3 |
| Deferred tax liabilities | 2.6 | 2.3 |
| Non-current liabilities | 105.5 | 111.9 |
| Other provisions | 11.4 | 8.1 |
| Current income tax liabilities | 4.9 | 2.8 |
| Financial liabilities | 21.6 | 19.3 |
| Trade payables | 27.3 | 25.1 |
| Other liabilities | 17.0 | 12.4 |
| Current liabilities | 82.2 | 67.7 |
| Liabilities | 187.7 | 179.6 |
| TOTAL EQUITY AND LIABILITIES | 363.0 | 348.6 |

* unaudited

Consolidated Statement of Changes in Equity

of Biotest Group

| € million | 2006 | 2005 |
|---|--------------|--------------|
| Equity as of 1 January | 169.0 | 108.0 |
| Dividend to Biotest shareholders | - 1.6 | - 0.9 |
| Capital increase | 0.0 | 20.0 |
| Profit after tax | 9.5 | 7.2 |
| Currency impact during period | - 0.4 | 0.3 |
| Gains/losses recognised immediately in equity | - 0.2 | 0.0 |
| Dividend to minority interest | - 1.0 | - 0.5 |
| Equity as of 30 September | 175.3 | 134.1 |

Cash Flow Statement

of Biotest Group

| € million | Q 1–3 2006 | Q 1–3 2005 |
|--|------------|---------------|
| Cash flow | | |
| Net cash from operating activities | 16.3 | 9.0 |
| Net cash used in investing activities | - 9.0 | - 8.2 |
| Net cash used in financing activities | - 6.3 | - 15.1 |
| Cash changes in cash and cash equivalents | 1.0 | - 14.3 |
| 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 30.9. | 8.5 | 5.4 |

Segment Reporting

of Biotest Group

| € million | Q 1–3 2006 | Q 1–3 2005 |
|----------------------|--------------|--------------|
| Revenue | | |
| Pharmaceuticals | 150.3 | 119.5 |
| Diagnostics | 57.6 | 57.5 |
| Biotest Group | 207.9 | 177.0 |
| EBIT | | |
| Pharmaceuticals | 33.6 | 20.4 |
| Diagnostics | 0.9 | 3.4 |
| Corporate | - 4.8 | - 2.7 |
| Biotherapeutics | - 7.8 | - 2.7 |
| Biotest Group | 21.9 | 18.4 |

Quarter-to-Quarter Comparison

of Biotest Group

| € million | Q3 2006 | Q2 2006 | Q1 2006 | Q4 2005 | Q3 2005 |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 70.7 | 69.7 | 67.5 | 60.6 | 61.8 |
| Pharmaceuticals | 51.9 | 51.0 | 47.4 | 40.9 | 42.7 |
| Diagnostics | 18.8 | 18.7 | 20.1 | 19.7 | 19.1 |
| EBIT | 7.6 | 7.4 | 6.9 | 6.9 | 7.1 |
| Profit before tax | 4.9 | 5.7 | 5.0 | 5.0 | 3.9 |

Other information

Accounting policy

The Nine-Month Report as of 30 September 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 nine-monthly accounts have not been audited.

Financial Calendar

| | |
|------------------|---|
| 14 November 2006 | Analysts' conference Autumn conference for analysts and journalists |
| 16 March 2007 | Publication of Annual Report 2006 |
| 16 March 2007 | Press conference on annual results |
| 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.