



## Biotest Aktiengesellschaft, Dreieich

Half Year Report 2002

as at June 30, 2002

### Sales increase by 3.1 %

In the first half of 2002, the Biotest Group succeeded in continuing the positive growth in sales. At EUR 133.6 million, consolidated sales exceeded the corresponding level of the previous year's period by more than 3 %. However, the sales growth decreased markedly in the second quarter 2002. Sales declined by 1.8 % in comparison to the same quarter of the previous year.

Domestic business is the main driving force in the group and this gained even momentum in the second quarter of 2002. Domestic sales of EUR 40.7 million were achieved in the first half year of 2002. This is an increase of 10.7 % in comparison to the corresponding period of the previous year. At around 70 %, the share of international business as a percentage of consolidated sales remains unchanged and on a high level.

Sales by division were as follows (at the beginning of the financial year 2002, the business activities with monoclonal antibodies by the affiliated company Diaclone SAS had been allocated to the business division Holding. The figures of the previous period were amended accordingly):

Business Division	Q1/2002 million €	Q1/2001 million €	Q2/2002 million €	Q2/2001 million €
Pharmaceutical	45.2	42.4	41.9	46.1
Diagnostic	17.3	16.3	17.9	16.7
Medical Devices	4.8	3.4	5.6	3.7
Holding	0.5	0.5	0.4	0.5
<b>Group</b>	<b>67.8</b>	<b>62.6</b>	<b>65.8</b>	<b>67.0</b>

In the first half year, **Pharmaceutical** sales slightly declined by 1.6 %. Whilst domestic sales increased by 13.5 %, international business decreased by 7.4 %. In the second quarter, European sales in particular, did not match the high sales of the corresponding period of the previous year.

The decline in sales particularly affected the present generation of immunoglobulins as well as human albumins. By contrast, there is an increasing acceptance for the new CP-generation of Biotest's immunoglobulins and further increasing sales of our main product Haemoctin SDH.

The **Diagnostic** business division achieved a sales increase of 6.7 % in comparison to the first half year of 2001. The growth region was especially Europe. The trend of the first quarter 2002 further continued. Gratifying sales growth was again recorded in the business fields of HYCON and Transfusion.

In the first 6 months, the **Medical Devices** division continued its positive sales trend with an increase of more than 46 % to EUR 10.4 million. Regional growth was recorded in Germany and in Europe. The increase was achieved by the sale of the products for pulse oximetry and the diagnosis of the oxygen concentration as well as with the trade of bloodbags.

### **Operating profit of EUR 6.7 million**

In the first half year 2002, the operating profit was at EUR 6.7 million after EUR 13.0 million of the previous period. This corresponds to an EBIT margin of 5 %.

Reasons for the decline of the EBIT margin were reduced prices in international activities and changes in the structure of sales, which lead to a slight increase of production costs. Increasing selling and distribution costs as well as other operating expenses had a substantial influence on the operating margin. Finance costs were kept on the same level as in the previous year, although there is an increase in bank borrowings.

Net profit after minority interest is EUR 0.7 million. Earnings per share reached EUR 0.08 (previous year: EUR 0.65).

### **Financial position**

At June 30, the balance sheet total rose by EUR 32 million to the present level of EUR 385 million.

The non-current assets of EUR 145 million include - in contrast to the previous accounting principles of HGB - tangible assets of around EUR 28 million which are finance lease assets. Non-current assets rose by EUR 10 million. Capital expenditure amounted to EUR 17 million, of which the highest portion was due to the continuation of the scheduled large scale capital expenditure program of Biotest Pharma GmbH. Depreciation on tangible and intangible assets were recorded at EUR 5 million.

With the exception of Biotest Italy (increase of EUR 1.2 million), trade receivables remained on the same level as at the beginning of the year. The further increase in inventories is due to the closing date. For the expected sales growth of the Pharmaceutical division, plasma and plasmafractionations were increasingly stored. Furthermore there is a need for an adjustment of the inventory level to the dynamic sales trend in the Medical Devices division.

The expansion of current assets was mainly financed by short term borrowings. In the reporting period, the equity ratio decreased from around 37% to 36% (including capitalised finance leases and on the face of the balance sheet reported finance lease obligations).

As a consequence of the increased inventory level of plasma, the cash outflow from operating activities was just over EUR 3 million. The cash inflow from financing activities was EUR 8 million more than the cash outflow from investing activities. Due to the closing date, cash and cash equivalents were at EUR 15 million.

## **Changes in the companies consolidated**

In the course of the second quarter 2002, Biotest AG acquired a further 9 % of the shares from the minority shareholder of Envitec Wismar GmbH as of January 1, 2002. At the same time, the shareholders increased the share capital. This increase in equity facilitates the further expansion of Envitec Wismar GmbH with its record of high growth in sales and profit.

## **Employees**

At June 30, 2002 the number of full-time employees in the group increased by 79 to 1,284. 31 new employments were created in the second quarter of 2002. The opening of a plasmapheresis station in Rostock, operated by Biotest, required alone 20 new full-time jobs.

## **Outlook**

After the successful start in the financial year 2002, the sales trend declined in the second quarter, especially in the Pharmaceutical division and mainly in its activities abroad. In the second half of 2002, Biotest expects an improvement in the sales trend. For the financial year 2002, Biotest still anticipates an increase in sales of more than 5 %.

The most influencing factors of the past year continue to have an impact on the profit level in the current financial year. The expected increase in sales will compensate for the decline of the profit situation and will lead to a clear increase of the profit level by comparison to the first half of 2002. For the entire year of 2002 we expect profit to be less than that of the previous years level.

## Biotest Group Quarterly Statement as of June 30, 2002 (Abbreviated)

All values are in EUR million

### Biotest Group balance sheet

<b>Assets</b>	June 30, 2002	December 31, 2001
Intangible assets	4.9	4.2
Tangible assets	139.5	130.1
Financial assets	0.9	0.7
<b>Total non-current assets</b>	<b>145.3</b>	<b>135.0</b>
Inventories	143.0	129.8
Trade receivables	67.8	66.0
Other assets	10.2	8.9
Securities, cash and cash equivalents	16.9	11.8
<b>Total current assets</b>	<b>237.9</b>	<b>216.5</b>
<b>Deferred tax assets</b>	<b>2.0</b>	<b>1.8</b>
<b>Total assets</b>	<b>385.2</b>	<b>353.3</b>
<b>Equity and liabilities</b>		
Equity attributable to shareholders of Biotest AG	131.6	131.5
Minority interests	2.4	1.4
Provisions and accruals	57.8	54.1
Borrowings	148.9	124.9
Other liabilities	44.5	41.4
<b>Total equity and liabilities</b>	<b>385.2</b>	<b>353.3</b>

## Biotest Group income statement

	Q2/2002	Q2/2001	H1/2002	H1/2001
Sales revenues	65.8	67.1	133.6	129.6
Cost of sales	- 33.3	- 32.6	- 70.0	- 66.5
<b>Gross profit</b>	<b>32.5</b>	<b>34.5</b>	<b>63.6</b>	<b>63.1</b>
Selling and Distribution Costs	- 17.9	- 16.9	- 33.9	- 31.5
Research and development costs	- 4.9	- 4.2	- 9.1	- 8.3
Administrative expenses	- 4.8	- 5.3	- 10.1	- 9.8
Other operating expenses	- 2.7	- 1.4	- 3.8	- 0.5
<b>Profit from operations</b>	<b>2.2</b>	<b>6.7</b>	<b>6.7</b>	<b>13.0</b>
Financial result	- 2.1	- 2.3	- 4.4	- 4.4
<b>Profit before tax</b>	<b>0.1</b>	<b>4.4</b>	<b>2.3</b>	<b>8.6</b>
Income tax expense	- 0.3	- 1.8	- 1.4	- 3.3
<b>Profit after tax</b>	<b>-0.2</b>	<b>2.6</b>	<b>0.9</b>	<b>5.3</b>
Minority interest	-0.1	0.0	- 0.2	- 0.2
<b>Net profit for the period</b>	<b>- 0.3</b>	<b>2.6</b>	<b>0.7</b>	<b>5.1</b>
<b>Earnings per share (in EUR)</b>	<b>- 0.04</b>	<b>0.32</b>	<b>0.08</b>	<b>0.65</b>

## Biotest Group statement of changes in equity

	H1/2002	H1/2001
Equity attributable to shareholders of Biotest AG (January 1)	131.5	128.9
Net profit for the period	+ 0.7	+ 5.1
Currency translation differences	- 0.6	+ 0.4
<b>Equity attributable to shareholders of Biotest AG (June 30)</b>	<b>131.6</b>	<b>134.4</b>

## Biotest Group Cash flow statement

	H1/2002	H1/2001
Cash flow used in operating activities	- 3.3	+ 0.1
Cash flow used in investing activities	- 15.6	- 10.3
Cash flow from financing activities	+ 24.0	+ 14.5
Effects of changes in exchange rates	- 0.1	+ 0.6
<b>Net increase of cash and cash equivalents</b>	<b>+ 5.0</b>	<b>+ 4.9</b>
Cash and cash equivalents at January 1	10.1	11.7
<b>Cash and cash equivalents at June 30</b>	<b>15.1</b>	<b>16.6</b>

## Notes

1. The present report of the Biotest Group for the first half year 2002 complies – for the first time – with the International Accounting Standard 34.
  2. The same accounting and valuation principles are applied as used for the preparation of the consolidated financial statements 2001 according to IAS.
  3. This report is unaudited.
  4. Segmental reporting
- 4.1 Sales revenues

Business Division	H1/2002	H1/2001
Pharmaceutical	87.1	88.5
Diagnostic	35.2	33.0
Medical Device	10.4	7.1
Holding	0.9	1.0
<b>Group</b>	<b>133.6</b>	<b>129.6</b>

4.2 Profit from operations

Business Division	H1/2002	H1/2001
Pharmaceutical	+ 6.6	+ 10.4
Diagnostic	+ 0.9	+ 2.1
Medical Device	- 0.4	+ 0.3
Holding	- 0.4	+0.2
<b>Group</b>	<b>+ 6.7</b>	<b>+ 13.0</b>

5. Staff

	June 30, 2002	Dec. 31, 2001
Selling and distribution	389	370
Administration	155	142
Production	615	563
Research and Development	125	130
<b>Group</b>	<b>1,284</b>	<b>1,205</b>

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