



Biotest Aktiengesellschaft, Dreieich

Group Report on Q 3/2001

of Biotest Aktiengesellschaft, Dreieich

as at September 30, 2001

Consolidated sales increase by 4.2 %

In the third quarter the Biotest Group succeeded once again in continuing its good performance. Group sales increased by 4.2 % to DM 370.9 million compared to the corresponding period of last year, although the dynamic growth slowed down. After adjustments for changes in the companies consolidated, the sales growth amounts to 6 %.

Again, sales expansion in the third quarter was mainly due to an increase in international business. Meaningful sales growth was achieved in Central Europe, in the Mediterranean Area and in the Americas. Domestic sales increased by 1 %.

Foreign sales as a percentage of overall sales amounted to 70 % (previous year: 69 %).

Every business division contributed almost equally to sales growth:

Business division	01-09/2001 DM million	01-09/2000 DM million	Change %
Pharmaceutical	250.8	244.6	+ 2.5
Diagnostic	99.0	93.8	+ 5.5
Medical Device	21.1	17.6	+ 19.9
Total	370.91	356.0	+ 4.2

Business growth in the Pharmaceutical division slowed down, due to a postponement of deliveries into the 4th quarter, caused by restraints in capacities. The growth of the clotting factor Haemoctin SDH and with the hepatitis B immunoglobulin Hepatect is outstanding. The increase of DM 6.2 million was achieved with international business activities.

The Diagnostic division achieved its sales increase in the USA and in Europe, including Germany. Gratifying sales were recorded in the business field of HYCON and infectious diseases.

In the course of the year, the growth trend in the Medical Devices division decreased from 30 % to 20 %. This slowdown is due to a delay in the penetration of new markets and by delays in the increase of production capacities.

Group result on the level of the previous period

Although there were exceptional costs for the further development of the Medical Devices division and for the establishment of our own plasmapheresis stations, the profit from operations amounted to DM 29.4 million. This means an increase of 12 % compared to the previous year's period. The operating profit trend is therefore clearly higher than the sales growth. The EBIT-ratio improved from 7.2 % to 7.7 %.

Business expansion activities at some subsidiaries, the increase in current assets due to the dynamic growth and capital expenditure to increase the pharmaceutical production capacities were financed through bank borrowings. Net financing expense rose from DM 6.5 million to DM 9.7 million.

The expenditure for research and development increased from DM 6.5 million to DM 9.7 million.

Earnings after tax reached DM 10.9 million, the same level as in the past year.

The corporation tax rate is 42 %. The use of a tax credit at Biotest Pharma GmbH is compensated with pre-tax start-up costs at other companies.

DVFA earnings amount to DM 1.28 per share (previous year: DM 0.91).

Consolidated balance sheet and cash flow

On September 30, 2001, the total of the Group's balance sheet rose around 10 % to DM 621 million. This increase is mainly due to the expansion of current assets. Trade receivables declined by DM 7 million by comparison to June 30, 2001. Therefore at the reporting date, trade receivables were only DM 20 million higher than at the end of December 30, 2000.

In the first half, inventories were on the level of the year end 2000. However, in the course of the third quarter 2001, an increase of DM 14 million was recorded. Of this increase, DM 10 million are due to finished goods, which were not delivered due to a shortage in output in the packaging department.

The increase in liquid funds was triggered by sales of US Dollar currency futures. These could not be used at balance sheet date to pay back bank borrowings. In the meantime, this has taken place.

The expansion of current assets is mainly financed by bank borrowings.

The cash flow has improved by DM 3 million to DM 30.8 million. Net cash from operating activities has also improved by DM 3 million.

Capital expenditure, depreciation and amortisation

Additions in fixed assets amounted to DM 4.2 million in the reporting period. Capital expenditure of DM 22.4 million is offset by depreciation and amortisation of DM 15.6 million and disposals of DM 2.6 million.

The two large-scale projects of Biotest Pharma GmbH (production of pharmaceuticals and fractionation), which are financed through leasing contracts, progress according to plan. DM 19.5 million were invested in the reporting period (previous year: DM 9.2 million DM).

Employees

The average number of employees rose from 1,168 to 1,197 in the reporting period. The number of staff was particularly strengthened in the production and in the sales department. For the first time, the employees of Plasma Service Europe GmbH and of the new subsidiary Biotest Japan KK were included.

The number of employees was as follows:

	01-09/2001	01-09/2000	Change %
Sales and distribution	387	367	+ 5.5
Administration	141	135	+ 4.4
Production	528	517	+ 2.1
Research and development	141	149	- 5.4
Employees	1,197	1,168	+ 2.5

In addition we employ 25 persons in vocational training (previous year: 25).

Changes in the number of consolidated companies

In July 2001, the company Biotest KK, based in Japan, was founded. The aim of the company is to sell and distribute the products of the Biotest-group, especially the products of the Diagnostic division. The Biotest Group is thereby represented with its own company in another important market.

Outlook

In the first 9 months of this year, the healthy rise in sales in the Biotest Group continued. For the financial year 2001, we expect a rise in sales in the range of 5 %.

Biotest is confident to further improve the operating profit after the good result in the past year. However, there is an adverse effect on earnings after tax which is due to increasing interest and development expenditure as pre-operating costs for the large-scale investment programme in the Pharmaceutical division, higher start-up costs for plasmapheresis stations and increased development costs of the automated blood group device Tango coupled with unexpected delays in its market launch. For 2001, we nevertheless hope to reach the good profit of the previous year.

Biotest AG, Dreieich

Consolidated Income Statement for the Period from Jan 1 to Sep 30, 2001 (in DM million)

	Jan 01–Sep 30 2001	%	Jan 01–Sep 30 2000	%
Sales	370,9	97.2	356.0	98.5
Changes in inventories of finished goods and work in progress	10.1	2.6	5.1	1.4
Work performed by the enterprise and capitalised	0.5	0.1	0.5	0.1
Total output	381.5	100.0	361.6	100.0
Other operating income	8.4	2.2	6.7	1.9
Raw material and consumables used	- 146.8	- 38.5	- 139.8	- 38.7
Staff costs	- 99.2	- 26.0	- 94.2	- 26.1
Depreciation and amortisation	- 15.6	- 4.1	- 15.0	- 4.1
Other operating expenses	- 98.9	- 25.9	- 93.1	- 25.7
Profit from operations	29.4	7.7	26.2	7.2
Financial income	1.1	0.3	0.7	0.2
Finance cost	- 10.8	- 2.8	- 7.2	- 2.0
Financial result	- 9.7	- 2.5	- 6.5	- 1.8
Profit before tax	19.7	5.2	19.7	5.4
Income tax expense	- 8.2	- 2.1	- 8.3	- 2.3
Other taxes	- 0.6	- 0.2	- 0.5	- 0.1
Net profit for the period	10.9	2.9	10.9	3.0

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**Consolidated Balance Sheet as at Sep 30, 2001
(in DM million)**

Assets	Sep 30, 2001	Dec 31, 2000
- Intangible assets	9.5	11.0
- Property, plant and equipment	168.2	162.5
- Financial assets	2.8	2.8
Total fixed assets	180.5	176.3
- Inventories	232.9	218.8
- Trade receivables	139.0	118.7
- Other receivables and other assets	29.8	23.0
- Cash and cash equivalents	39.2	25.9
Total current assets	440.9	386.4
Total assets	621.4	562.7
Equity and liabilities		
Capital and reserves	247.9	241.1
Provisions and accruals	97.5	86.4
Borrowings from banks	207.2	168.6
Trade payables	31.7	32.1
Other payables and deferred income	37.1	34.5
Total equity and liabilities	621.4	562.7

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Consolidated Cash Flow Statement for the Period from Jan 01 –Sep 30, 2001 (in DM million)

	Jan 01–Sep 30 2001	Jan 01–Sep 30 2000
Net profit	10.9	10.9
Depreciation and amortisation	15.6	15.1
Increase in provisions for pensions	4.3	1.7
Cash flow	30.8	27.7
Increase in other provisions	6.7	19.6
Increase in inventories, receivables, and other assets	- 40.3	- 52.9
Decrease in payables and in special items	1.9	1.8
Net cash from operating activities	- 0.9	- 3.8
Proceeds from the sale of fixed assets	2.2	0.1
Purchase of fixed assets	- 22.4	- 22.0
Net cash used in investing activities	- 20.2	- 21.9
Dividend Payments	- 4.4	- 3.6
Cash-Changes in minority interests	- 0.1	-
Proceeds from bank borrowings	38.6	27.5
Net cash from financing activities	34.1	23.9
Net increase in cash and cash equivalents	13.0	- 1.8
Other effects on cash and cash equivalents	0.3	0.0
Cash and cash equivalents at beginning of period	25.9	32.7
Cash and cash equivalents at end of period	39.2	30.9

The consolidated financial statements were prepared in accordance with the German Commercial Code (*HGB*).

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