



Biotest Aktiengesellschaft, Dreieich

Quarterly Report

as at September 30, 2002

The Biotest Group finds itself – as already mentioned on several occasions – in a period of new alignments with a series of structural amendments and a strategic capital expenditure programme with very long implementation times. These measures, together with limited production capacities and price reductions in export markets are leading to a temporary decline of profitability, despite sales growth.

Sales increase by 5 %

In the third quarter of the current financial year, sales growth also continued. After the first nine months, consolidated sales at EUR 198.3 million exceeded the corresponding level of the previous year's period by 5 %. Therefore the rise in sales is within our expectations.

In 2002, areas of growth are domestic markets and tender business in the Middle East. Domestic sales rose to EUR 61.8 million. This means an increase of 13.5 % in comparison to the corresponding period of the previous year. Due to this disproportionate growth of domestic business, the international share of group sales decreased slightly to 69 %.

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

| Business Division * | Q1/2001 | Q1/2002 | Q2/2001 | Q2/2002 | Q3/2001 | Q3/2002 |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Pharmaceutical | 42.4 | 45.2 | 46.1 | 41.9 | 39.1 | 41.4 |
| Diagnostic | 16.3 | 17.3 | 16.7 | 17.9 | 16.0 | 17.9 |
| Medical Device | 3.4 | 4.8 | 3.7 | 5.6 | 3.7 | 4.9 |
| Holding | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.5 |
| Group | 62.6 | 67.8 | 67.0 | 65.8 | 59.2 | 64.7 |

* Values are in EUR million

In the first nine months of 2002, **Pharmaceutical** sales slightly increased by 0.7 % above last year's level. This was mainly due to the gratifying increase in domestic sales of 15.2 %. South America however did not reach the high sales volumes in the third quarter compared to the same period of the previous year. These fluctuations will reoccur due to the distinct share of tender business in international sales and the resulting geographical and temporary shifts.

After the third quarter, the **Diagnostic** division achieved a sales increase of 8.2 % in comparison to the same period of 2001. The impetus for growth came in particular from Europe. The trend of the second quarter of 2002 in the business field of Transfusion continued with a slight rise in sales with the fully automated blood grouping device TANGO and increasing sales of test kits and reagents for blood grouping and antibody detection (Erytype/Solidscreen).

The **Medical Devices** division continued its positive sales growth with an increase of more than 41 % to EUR 15.3 million. Regional growth was recorded in Europe. The rise was achieved by the sale of the products for pulse oximetry and the diagnosis of the oxygen concentration as well as the trade of bloodbags.

Operating profit of EUR 8.7 million

The operating profit in the first three quarters of 2002 was at EUR 8.7 million after EUR 17.9 million of the corresponding period in 2001. This corresponds to an EBIT margin of 4.4 %.

In the first nine months of 2002, the reasons for the decline of operating profits are reduced prices in international markets and changes in the structure of sales with a trend towards products with lower margins. The aforementioned high pre-operating costs during the process of reorganisation had a substantial influence on the operating profit. Other operating expenses increased with exceptional items such as provisions for income tax inspection and depreciation of foreign receivables. Financial expenses increased as well.

Net profit after minority interest is – EUR 0.9 million. Earnings per share reached – EUR 0.06 (previous year: EUR 0.85).

Financial position

Between the beginning of the year and the balance sheet date, the balance sheet total rose by EUR 30.0 million to EUR 383.3 million.

The non-current assets of EUR 148.7 million include, in contrast to the previously applied accounting principles of HGB, tangible assets of around EUR 29.5 million, which are finance lease assets. Non-current assets rose by EUR 13.7 million. Capital expenditure amounted to EUR 21.6 million. The highest proportion of this was due to the continuation of the scheduled large scale capital expenditure programme of Biotest Pharma GmbH. Depreciation on tangible and intangible assets were recorded at EUR 8.2 million.

Since the beginning of this year, trade receivables rose by EUR 5.2 million. This increase was mainly due to the Dreieich based companies of Biotest Pharma GmbH (+ EUR 3.0 million) and Biotest AG (+ EUR 0.7 million). The further increase in inventories is due to the closing date. For the expected sales growth of the Pharmaceutical business division in the fourth quarter, plasma and plasmafractionations were increasingly stored (Biotest Pharma GmbH of EUR 4.8 million and Biotest Italy of EUR 3.0 million). Furthermore there is a need for an adjustment of the inventory level to the dynamic sales growth in the Medical Device division (+ EUR 1.5 million). The temporary increase of current assets was mainly financed by short term borrowings.

At the balance sheet date, the equity ratio was at 33 % including on the face of the balance sheet reported finance lease assets and liabilities.

As a consequence of the increased inventory level of plasma, the cash outflow from operating activities was at EUR 10.6 million. The cash inflow from financing activities was EUR 8.5 million higher than the cash outflow of investing activities.

Changes in the companies consolidated

In the third quarter of 2002, the activities to optimise the portfolio progressed at a swift pace. A well-known investment bank has been charged with the task of managing the intended portfolio clearance. Biotest is confident that these disinvestments will be successfully undertaken in the financial year 2002.

Employees

At September 30, 2002 the number of full-time employees in the group increased by 103 to 1,308 in comparison to the end of 2001. In the third quarter of 2002, 24 new jobs were created.

Approximately 30 % of the increase in staff was due to the setting-up of plasma-pheresis centres, which are operated by the subsidiary Plasma Service Europe GmbH. The dynamic sales trend in the Medical Device division and the installation of new production facilities were accompanied by an equivalent growth in human resources for production and sales.

Outlook

After the first nine months of the financial year 2002, Biotest has achieved a constant sales growth of 5 %. For the fourth quarter of 2002, a similar growth rate is expected. Therefore we forecast for the entire financial year of 2002 an increase in sales of that size.

The earnings burden of the second quarter continued to be felt in the third quarter of 2002. Biotest does not expect a turnaround of the operating profit in the fourth quarter. The operating profit will be distinctly lower than that of 2001.

The net profit for 2002 will approximately break even as far as continued activities are concerned. Furthermore it will be influenced by positive and adverse effects of the portfolio optimisation. The realisation of the portfolio optimisation cannot precisely be forecasted.

Biotest Group

Quarterly Statement as at September 30, 2002

(Abbreviated)

All values are in EUR million

Biotest Group Balance Sheet

| Assets | Sept 30, 2002 | Dec 31, 2001 |
|---------------------------------------------------|----------------------|---------------------|
| Intangible assets | 4.8 | 4.2 |
| Tangible assets | 142.4 | 130.1 |
| Financial assets | 1.5 | 0.7 |
| Total non-current assets | 148.7 | 135.0 |
| Inventories | 141.9 | 129.8 |
| Trade receivables | 71.2 | 66.0 |
| Other assets | 9.9 | 8.9 |
| Securities, cash and cash equivalents | 8.8 | 11.8 |
| Total current assets | 231.8 | 216.5 |
| Deferred tax assets | 2.8 | 1.8 |
| Total assets | 383.3 | 353.3 |
| Equity and liabilities | | |
| Equity attributable to shareholders of Biotest AG | 128.0 | 131.5 |
| Minority interests | 2.5 | 1.4 |
| Provisions and accruals | 61.3 | 54.1 |
| Borrowings | 157.4 | 124.9 |
| Other liabilities | 34.1 | 41.4 |
| Total equity and liabilities | 383.3 | 353.3 |

Biotest Group Income Statement

| | 7-9 2002 | 7-9 2001 | 1-9 2002 | 1-9 2001 |
|------------------------------------|---------------|-------------|---------------|-------------|
| Sales revenues | 64.7 | 59.2 | 198.3 | 188.8 |
| Cost of sales | - 38.0 | - 30.3 | - 108.0 | - 96.8 |
| Gross profit | 26.7 | 28.9 | 90.3 | 92.0 |
| Selling and distribution costs | - 14.5 | - 14.3 | - 48.4 | - 45.8 |
| Research and development costs | - 4.8 | - 3.8 | - 14.9 | - 12.1 |
| Administrative expenses | - 5.1 | - 4.7 | - 14.2 | - 14.5 |
| Other operating expenses | - 0.3 | - 1.2 | - 4.1 | - 1.7 |
| Profit from operations | 2.0 | 4.9 | 8.7 | 17.9 |
| Financial result | - 2.5 | - 2.1 | - 6.9 | - 6.5 |
| Profit before tax | - 0.5 | 2.8 | 1.8 | 11.4 |
| Income tax expense | - 0.9 | - 1.2 | - 2.3 | - 4.5 |
| Profit after tax | - 1.4 | 1.6 | - 0.5 | 6.9 |
| Minority interest | -0.2 | 0.1 | - 0.4 | 0.0 |
| Net profit for the period | - 1.6 | 1.7 | - 0.9 | 6.9 |
| Earnings per share (in EUR) | - 0.15 | 0.20 | - 0.06 | 0.85 |

Biotest Group Statement of Changes in Equity

| | 2002 | 2001 |
|-------------------------------------------------------------------------|--------------|--------------|
| Equity attributable to shareholders of Biotest AG (January 1) | 131.5 | 128.9 |
| Dividend for previous year | - 2.2 | - 2.2 |
| Net profit for the period | - 0.9 | + 6.8 |
| Currency translation differences | - 0.4 | + 0.2 |
| Equity attributable to shareholders of Biotest AG (September 30) | 128.0 | 133.7 |

Biotest Group Cash Flow Statement

| | 1-9 2002 | 1-9 2001 |
|------------------------------------------------|--------------|--------------|
| Cash flow used in operating activities | - 10.6 | - 2.3 |
| Cash flow used in investing activities | - 21.9 | - 21.8 |
| Cash flow from financing activities | + 30.4 | + 30.3 |
| Effects of changes in exchange rates | - 0.1 | + 0.1 |
| Net change of cash and cash equivalents | - 2.2 | + 6.3 |
| Cash and cash equivalents at January 1 | 10.1 | 11.7 |
| Cash and cash equivalents at Sept 30 | 7.9 | 18.0 |

Notes

1. The present report of the Biotest Group for the first nine months 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 not audited.
4. Segmental reporting

4.1 Sales revenues

| Business Division | 1-9 2002 | 1-9 2001 |
|-------------------|--------------|--------------|
| Pharmaceutical | 128.5 | 127.6 |
| Diagnostic | 53.1 | 49.0 |
| Medical Device | 15.3 | 10.8 |
| Holding | 1.4 | 1.4 |
| Group | 198.3 | 188.8 |

4.2 Profit from operations

| Business Division | 1-9 2002 | 1-9 2001 |
|-------------------|--------------|---------------|
| Pharmaceutical | + 6.6 | + 15.4 |
| Diagnostic | + 1.9 | + 2.3 |
| Medical Device | + 0.3 | + 0.2 |
| Holding | - 0.1 | + 0.0 |
| Group | + 8.7 | + 17.9 |

5. Staff

| | Sep 30, 2002 | Dec 31, 2001 |
|--------------------------|--------------|--------------|
| Selling and distribution | 392 | 370 |
| Administration | 148 | 142 |
| Production | 642 | 563 |
| Research and development | 126 | 130 |
| Group | 1,308 | 1,205 |

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