

**3 Months Report 2010/2011**  
**3 Monatsbericht 2010/2011**

**Discover a Healthy Future**



bio  
LITEC

## biolitec at a glance

Selected financial figures of the biolitec group according to IFRS

		30.09.2010	30.09.2009
		T Euro	T Euro
Total assets	Bilanzsumme	57.761	61.204
Revenues	Umsatzerlöse	7.542	6.214
Gross profit	Bruttoergebnis	5.204	4.551
EBIT	EBIT	736	635
Net income / loss	Überschuss / Verlust	528	626
Net income per share (Euro)	Ergebnis je Aktie (Euro)	0,05	0,06
Employees (average)	Mitarbeiter (durchschnittliche Anzahl)	230	222
EBIT w/o R&D costs	EBIT ohne F&E Kosten	1.348	1.290
Net income / loss w/o R&D costs	Überschuss / Verlust ohne F&E Kosten	1.140	1.264
Net income per share w/o R&D (Euro)	Ergebnis je Aktie ohne F&E Kosten (Euro)	0,11	0,12

## I Preface CEO

Dear shareholders,

dear business partners,

This business year's first quarter was positiv for biolitec. The revenue increased during the first quarter of 2010/2011 to EUR 1.33 million compared to last year's first quarter. The increase amounting to 21% can be traced back to economic recovery within the core markets and an increased demand in our main sale items, the treatment of benign prostate hyperplasia with LIFE™ and endoluminal vein treatment (ELVeS™).

The gross balances increased to EUR 5.2 million (previous year: 4.5 million) and the revenue before interests and taxes (EBIT) was at EUR .73 million (previous year: EUR .63 million) due to consistent cost management. The distribution costs remained steadily at EUR 2.3 million compared to EUR 2.1 million last year. The reduction of stock items remains in the focus of our efforts and could be reduced by 4.8% from EUR 16.6 million down to 15.8 million during the first quarter.

Major revenues were created in Europe and North America. With EUR 3.36 million the North American revenue was significantly above last year's. The revenue in Europe amounted to EUR 3.01 million (previous year: EUR 2.5 million), in Asia and the rest of the World biolitec was able to increase its revenue by 19% compared to last year up to EUR 1.08 million.

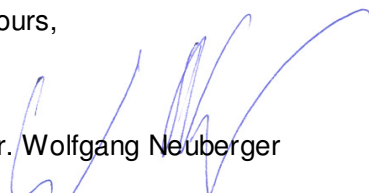
The revenues created by the Pharma segment are marginal. However, our cancer drug Foscan® for patients with head and neck tumors is being reimbursed by many European countries which will lead to a significant increase in revenue in the near future.

A new laser treatment in the field of proctology is received positively on the market. The sclerotisation of hemmorhoids with HeLP™ (Haemorrhoid Laser Procedure) is a minimally invasive, painless surgical procedure. Furthermore, second to fourth degree hemorrhoids can be treated painlessly with the LHP technology. In addition, FiLaC (Fistula-tract Laser Closure) provides for a minimally invasive treatment method for fistulas.

Due to the fact that these are mainly innovative treatment procedures for widespread diseases I project major revenue potential in the future business years. Due to the results mentioned above and further innovations I expect an increase of revenues in the coming quarters of the ongoing business year 2010/2011.

I wish to thank our customers, employees and business partners for their confidence in our products and company.

Yours,



Dr. Wolfgang Neuberger  
(CEO)

## **II The company**

### **The biolitec Group**

biolitec is the technology leader in diode lasers, fiber optic disposables and photodynamic drugs. The company is the only supplier for photodynamic therapy worldwide that offers all relevant core competencies – photosensitizers, lasers and optical fibers as well as an approved cancer drug (Foscan<sup>®</sup>, including the active substance Temoporfin<sup>®</sup>). The combination of medical technology and drug development for diverse medical indications is an outstanding feature of biolitec. Lasers and the pertinent disposables represent the medtech area responsible for biolitecs profitability and dynamic growth opportunities. Temoporfin<sup>®</sup> as an active substance and Foscan<sup>®</sup> as a drug represent the biotech area and a further future upside potential.

biolitec is globally present in all relevant core markets with its broad range of lasers and fiber optic products.

The current growth and innovation emphasis of biolitec is on minimally invasive therapies (BPH treatment, hemorrhoids) and aesthetics (ELVeS<sup>™</sup>, laser liposuction) with a strong focus on re-establishing the patients' quality of life.

### **Investor Relations**

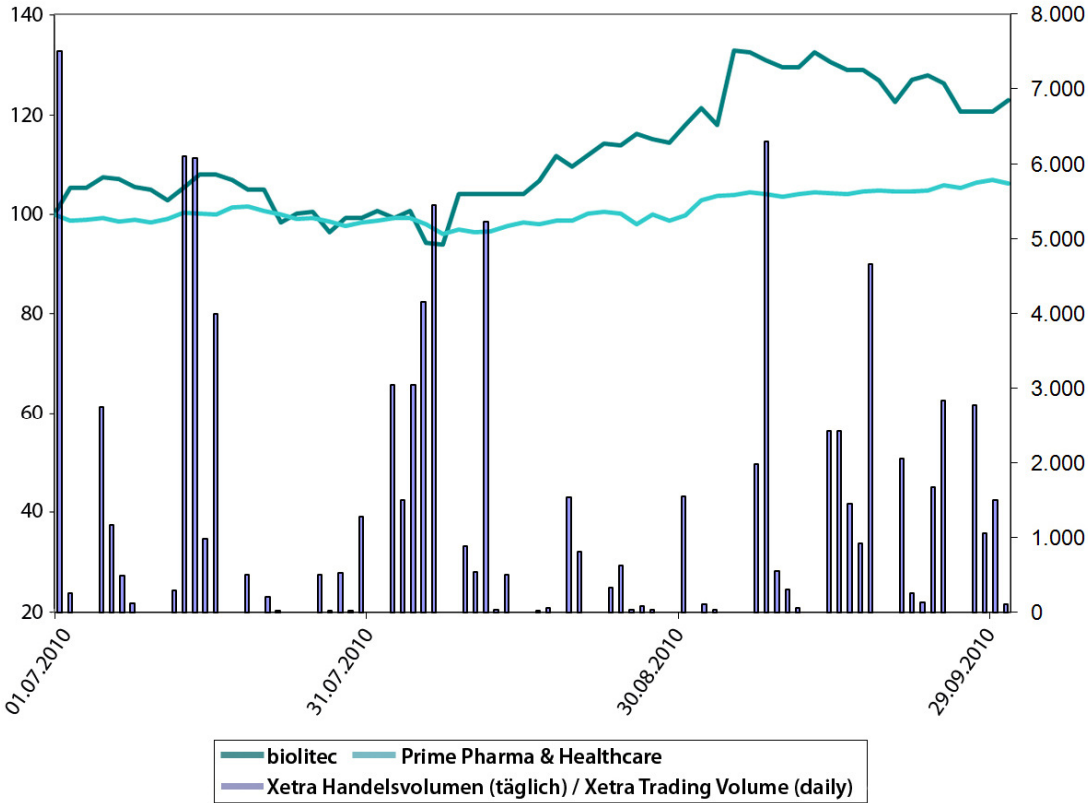
#### **The biolitec share**

Biolitec shares were introduced in November, 2000 in stock market trade of the new market. The share capital of the company amounts to EUR 10,515,750. In the course of the new segmentation of the German stock market, biolitec has received the licensing to the Prime standard on the January 15<sup>th</sup>, 2003. Since that time, the biolitec share is dealt on the Prime-All-Share-Index, under the sectoral index DAXsector All Pharma & Healthcare and the DAXsubsector All Medical Technologies. biolitec also issues an annual declaration pursuant to the "German Corporate Governance Code" to guarantee its stockholders an increased transparency. In November 2007, the group presented itself on a roadshow to institutional investors. After this roadshow, biolitec could successfully conclude a capital increase for cash. In June, 2008 the biolitec stock was recorded in the German Entrepreneurial index (GEX<sup>®</sup>).

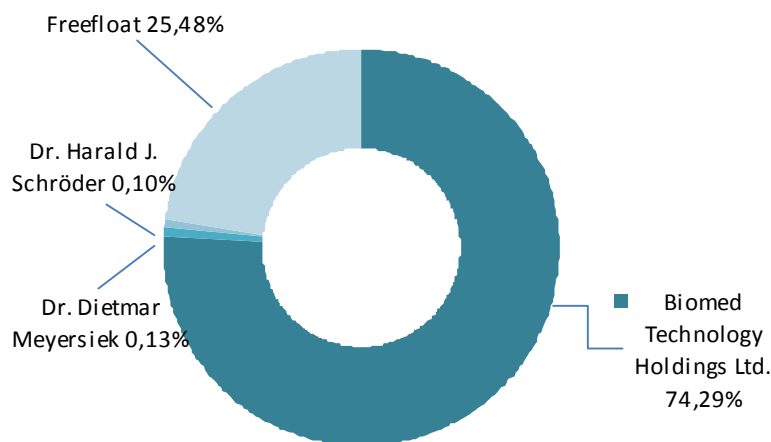
biolitec's stock quotation remained steady between EUR 3.37 and EUR 3.92 during the first quarter of the business year 2010/2011. Thus the biolitec share is in consistence with the Prime Pharma & Healthcare Performance Index' development until July 2010 and performed even better from then on. The first quarter from 1 July 2010 until 30 September 2010 was characterized – like the rest of 2010 – by the Euro Crisis and the European Union's problems connected with this crisis. To counter-measure Greek's impending bankruptcy a EUR 750 million rescue fond was established by the EU. These uncertainties influenced the global financial markets yet they were not able to stop the stock markets upward trend. This year the German economic activity increased significantly.

The share's trading volume was stable during the first three month of the business year 2010/2011. The biolitec share closed at EUR 3.70 during the period of report.

**Share Price Development First Quarter 2010/2011**



## Shareholder Structure Chart as of 1 July 2010



## Investor Relations

biolitec AG attaches great importance to guarantee its institutional and private investors a high degree of transparency and inform them on a regular basis about events and strategies. Current information about the company like financial statements, press reports, ad hoc-reports and the financial calendar can be retrieved on our website [www.biolitec.de](http://www.biolitec.de). Furthermore biolitec AG contacts the media to inform the interested public and investors.

Every year biolitec participates in numerous conferences and congresses in which interested private and institutional investors and analysts could find out in detail about the situation, aims and strategy of the company. From 9-11 November 2009 the “Deutsche Börse AG” and the “KfW Mittelstandsbank” held the “German Equity Forum Fall 2009” in Frankfurt/Main. biolitec AG presented itself to the attending analysts and we will be doing the same during the second quarter of the business year 2010/2011.

In August 2010 biolitec AG – after having its main office in the “Technologie- und Gründerzentrum” on the Beutenberg Campus in Jena for 10 years – moved to the “Pharmapark” in Jena. The new main office at the Otto-Schott-Straße 15 is equipped with state-of-the-art laboratories and superbly equipped offices. The excellent infrastructure as well as the location of the “Pharmapark” right in the center of Jena were the main reasons for the move.

During the DGU Congress in Düsseldorf from 22-25 September 2010 biolitec presented its new TWISTER™ fiber for modern BPH laser treatment, which allows for a simple workflow in contact mode due to its distinguished form. biolitec also represented itself at numerous international trade fairs and congresses.

**Key figures 2010/2011 First Quarter from 01 July 2010 until 30 September 2010**

Highest Quotation (Xetra)	3,92 €
Lowest Quotation (Xetra)	3,37 €
Market Capitalization (Xetra, 9/30/10)	38,90 Mio. €
Number of shares	10.515.750 shares
ISIN	DE0005213409

## **Aesthetics**

A growing societal focus on external appearances, in particular maintaining physical attractiveness and youthful appearances, will lead to a higher demand for aesthetic procedures. Consumer spending on procedures that are minimally invasive and offer optimal cosmetic results will grow substantially. In particular, body contouring procedures will drive the global aesthetic industry. Body contouring encompasses a range of procedures that target weight reduction, toning, firming and cellulite treatment.

With our body contouring procedures we offer a system for aesthetic and cosmetic applications – from cellulite therapy to laser assisted liposuction – using laser and light technology.

The LaEvita™ cellulite therapy reduces the cellulite grade by one. Using a light activated substance leads to an improved tissue appearance / structure as well as to a normalization of skin temperature attributed to an improved blood circulation of the treated areas.

The LipoForm™ treatment solution offers physicians the newest advancement in laser technology for minimally invasive body contouring: A cutting edge combination of medical diode laser technology, a unique fiber and an innovative liposuction handpiece enabling for the first time, the simultaneous application of laser light in combination with irrigation and suction.

This technology platform enables both, laser assisted liposuction for patients suffering from adiposity as well as laser lipolysis allowing more delicate aesthetic treatments e.g. in the facial region.

LipoForm™ quickly liquefies fat cells, improves appearance and spares healthy surrounding tissue in less time than any other laser on the market. It features dual absorption in water and hemoglobin, hence causing blood vessels to coagulate immediately, resulting in less bleeding, swelling and bruising. It is virtually pain-free with little to no side effects and downtime and offers patients' unsurpassed aesthetic outcomes.

## **ELVeS™      The future is radial**

Venous reflux disease is a common condition affecting more than 8 million people in Germany and more than 30 million in the US. Since its market launch the ELVeS™ (Endo Laser Vein System) treatment has established itself worldwide as the minimally invasive concept of choice for treating varicose veins and has set a new standard by minimizing after-effects in a non - traumatizing way.

Continuously striving to improve our ELVeS™ treatment concept to establish a new benchmark for patient and users has lead to the development of ELVeS™ PainLess and the new ELVeS™ RADIAL Fiber.

ELVeS™ PainLess is a versatile and easy to use system allowing for minimally invasive treatment of varicose veins with significantly reduced post-operative pain, excellent medical and cosmetic results and high patient satisfaction.

The new ELVeS™ RADIAL Fiber will change the future of endovenous laser treatment radically. The patented ELVeS™ RADIAL fiber is the first radial emitting laser fiber worldwide used for endovenous laser treatments of the greater saphenous vein / smaller saphenous vein in patients with superficial vein reflux.

The procedure can be performed without tumescence eliminating cosmetically undesirable injection marks and providing substantial time savings. The ELVeS™ RADIAL fiber applies the energy faster and more targeted than any other available fiber in the endovenous market. It guarantees safe closure of the vein and eliminates perforation and charring due to its homogenous circumferential (360°) energy emission.

The newly developed Slim-RADIAL-fiber is particularly suitable for the treatment of more convoluted blood vessels and arterial side branches.

### **Photodynamic therapy with Foscan®**

biolitec is one of the leading companies worldwide in the fields of photodynamic therapy. With the Foscan® photodynamic therapy biolitec is able to offer patients an innovative and gentle form of tumour therapy resulting in very good functional and cosmetic results significantly improving their quality of life.

The European Medicines Agency (EMA) approved Foscan® at the end of 2001 for the palliative treatment of patients with advanced head and neck squamous cell cancer. Following this, in April 2007, Foscan® successfully completed the confirmatory study mandated by EMA to maintain Foscan's® EMA approval.

Head and neck cancer is the sixth most common cancer worldwide showing an estimated global incidence of over 500,000 cases p.a. The most widely spread type of cancer in the head and neck are squamous cell carcinoma. Despite the impressive treatment results of the Foscan® PDT as well as the increasing patient awareness the therapy is adopted slowly as it represents a completely new form of cancer therapy facing a restrictive reimbursement and cost containment situation in Europe.

biolitec was able to achieve another success in the market penetration of its anti-tumor drug FOSCAN®. In November 2008, the College voor zorgverzekeringen (CVS), an independent committee within the Dutch health system, granted a request issued by eight academic.-medical centers for compensation by the medical insurance for FOSCAN® treatment. Six of these eight medical centers already treat patients suffering from head and neck tumors with FOSCAN®.

Besides BRACCO S.A. (for Italy) we were able to win over two new distribution partners, RICHTER AG (for Eastern Europe and Russia) as well as (after the end of the fiscal year) CANTABRIA S.A. (for Spain).

## **Minimally invasive Laser Medicine - BPH**

Benign prostate hyperplasia (BPH), a noncancerous enlargement of the prostate restricting the urinary flow from the bladder, is one of the most common diseases affecting men. About 80% of men over 80 develop the obstructive urinary symptoms associated with BPH.

The LIFE™ (laser induced flow enhancement) procedure for BPH treatment is an uncomplicated and effective process guaranteeing exceptional clinical treatment to patients suffering from BPH. It is composed of the Evolve™ laser system as well as the patented Side-Fire Fiber Fusion™. Fusion™ fibers were specifically designed with a patented fused cap and unique side-fire feature for soft tissue urological procedures therefore offering unsurpassed performance, reliability, and convenience. The LIFE™ procedure combines significantly reduced risks (loss of blood, incontinence, impotence, anaesthesia) with considerable time and cost saving as well as shortened after-care

The US is the key market for innovative benign prostate hyperplasia treatments (i.a. laser, radiofrequency, microwave therapy) with an estimated market volume of US \$ 220 million. Approx. 45% of the market is attributable to the microwave therapy and approx. 45% are attributable to laser treatments. Currently about 15% of the BPH treatments in hospitals are performed with biolitec lasers and it is biolitec's target to achieve a market share of 40%.

With major rental companies as partners, an own direct sales team, award winning key luminaries and the most modern products for BPH, biolitec is confident to accomplish this goal. Concerning Germany, in January 2008 a new billing code (DRG number M11Z) was approved for the laser vaporisation of the prostate. Due to more than 20 reference centres, first ambulant treatments and a competence network of physicians a considerable market potential exists in Germany, too. Other markets – e.g. Turkey, biolitec's second largest BPH market in "Europe", as well as the Arabian markets- show good acceptance of the innovative treatment method as well.

biolitec's new TWISTER™-fiber – which has even better ablation rates as well as better tactile feedback and therefore became our mainstay of sales – is now available in three versions: Slim, Standard and Large. With these new procedures it was possible to lower the procedure time below that of an electro-resection, make the taking of biopsy specimens possible and avoid bleeding even when treating risk patients.

## **HeLP™ - a new ambulant and painless method for hemorrhoid treatment**

Hemorrhoids are a widespread disease. An estimated 50% of the population over 50 years suffers from the typical symptoms of this illness. Hemorrhoids belong to the most common diseases of the large intestine. They are pathological enlargements of the smaller vessels located beneath the mucous membrane of the large intestine.

HeLP™ (Haemorrhoid Laser Procedure) hemorrhoidal dearterialization is a minimally invasive, painless surgical procedure (patents applied by biolitec). It is surely the simplest and most effective amongst the existing techniques and does not comprise tissue aspiration, but only the closing of the artery. All without internal cuts or sutures.

Using disposable guidance probes, selective laser energy and fiber optic delivery systems, the hemorrhoidal arteries above the hemorrhoidal cushions are identified and by using photocoagulation a retraction of the surrounding tissue is achieved.

HeLP™ is the only surgical procedure that can be carried out without anesthesia (or with minimum local anesthesia) and can therefore be effectively done in a one-day surgery or in ambulatory surgery.

This technique stands out due to its high safety and minimal pain and discomfort for the patient. Post operative recovery is faster than alternative approaches, with only few complications. Patients can go back home a few hours after the treatment and can quickly return to normal activities.

While lower degree hemorrhoids can be treated by partially closing the feeding arteries, advanced degrees are treated by shrinking the hemorrhoids via a small incision.

Anal fistulas – an increasingly common aftereffect of radiotherapy – can be closed with this procedure.

## III Management Report

### Business environment and sector environment

The global economic growth during the covered financial year was small with the exception of the BRIC's and Arabian markets.

The market for laser is strongly influenced by worldwide economic developments, because lasers and laser systems are big investments on the part of the customers whose turnovers and financial budgets depend on the economical development.

The market for medical laser systems is strongly segmented into applications and medical fields. There is no dominant competitor. The USA are the biggest market for medical lasers with a market share of 60%, followed by Europe (23%) and Asia/ROW (17%). Diode lasers are a small but gaining importance on this market as well as accessories. It is biolitec's business model to primarily achieve its turnovers via disposable probes and provide hardware partly at no charge.

A growing consciousness for a healthy life-style, an expanding wellness market as well as the expanding number in aesthetic treatments is expected to drive the market for health products. In particular products, which will offer a high effectiveness and comfort, will be in demand. On a long term basis, biolitec will profit from the trend towards minimum-invasive medical technology and the growth in the aesthetics field. In addition, the continuous increase of the installed laser base will form the ground for the dynamic growth in the consumable market and for the pharmaceutical business.

With the three business branches aesthetics, minimum-invasive laser medicine and PDT oncology, biolitec plays an important role in the Medtech sector as well as in the Biotech/Pharma sector.

### Business Development

The summer months are traditionally biolitec's weakest quarter. During the period under review, biolitec benefited from the booming global economy.

The first quarter's of the fiscal year 2010/2011 consolidated revenue increased by 21% compared to last year and amounts to EUR 7.5 million (previous year: EUR 6.2 million). The gross balance of EUR 5.2 million is slightly above last year's (EUR 4.55 million). biolitec achieved an EBIT of EUR .73 million during the first three months and therefore closing EUR .11 million higher than last year.

The revenue in the Meditec segment increased by 18% compared to last year amounting to a total of EUR 7.13 million due to an increase in demand in Europe (21%), North America (22%) and Asia (19%). This reflects an increased use of treatments involving biolitec's innovative products and technologies. Major sales items are LIFE™, laser treatment of BPH and the endoluminal laser therapy ELVeS™. By introducing new innovative products in

addition to geographical expansion biolitec was able to gain new key reference as well as erect new training centers with a high multiplier effect. Due to our new developments we will be able to meet the next quarters' challenges and devote ourselves to fully exploit our product portfolio's potential.

## Sales and Earnings Performance

### Performance by segments during the first quarter

During the first quarter the total revenue within the Meditec segment amounted to EUR 7.13 million. The increase of 18% reflects the increased demand for our products laser and disposables fiber optics/ laser probes. Our continued effort to convert our devices to RFID encoded systems will guarantee revenues with disposables in the future.

The total revenue within the Pharma segment amounted to EUR .4 million during the first quarter. In the future we expect a significant effect from the Pharma marketing partners (e.g. Bracco) as well as the reimbursement in the Netherlands, the unconditional reimbursement in Italy as well as the expected reimbursement in France.

Segment	2010 / 2011 T Euro	3 Months/ 3 Monate Change/ Veränderung	2009 / 2010 T Euro
Meditec	7.130	18%	6.021
Pharma	412	113%	193
Total	<b>7.542</b>	21%	<b>6.214</b>

### Performance by region during the first quarter

The European and North American markets are responsible for the majority of the company's revenues, whereas North America contributed 45% to the overall turnover. With a turnover amounting to EUR 3.36 million the North American market increased by 22%. The European turnover amounted to EUR 3.09 million (previous year: EUR 2.55 million).

Although the turnover increased by 19% in Asia and the rest of the world, the overall contribution totalling EUR 1.09 million is comparably small. Yet we expect that the subsidiaries founded in the last financial year will contribute more clearly to the overall revenue in the future

<b>Regions</b>	<b>2010/2011 T Euro</b>	<b>3 Months/ 3 Monate Change/ Veränderung</b>	<b>2009/2010 T Euro</b>
Europe	3.092	21%	2.545
North America	3.364	22%	2.754
Asia and Rest of World	1.086	19%	915
Total	<b>7.542</b>	21%	<b>6.214</b>

### Profit and Profitability during the first quarter

During the first three months biolitec achieved a result of EUR .74 million (previous year: EUR .64 million) before taxes and interests (EBIT). The increase in EBIT was possible due to an increase in revenues of EUR 1.33 million and consistent cost management. The EBIT margin slightly changed to 9.8% (previous year: 10%).

Due to the increase in turnovers the gross balance increased to EUR 5.2 million totalling 69% of the overall turnover (previous year: 73%). Compared to last year the distribution costs contribute 31%.

Due to the increase in turnover and increase administration costs a slight surplus of EUR .5 million could be generated.

<b>Key Figures</b>	<b>Mio. Euro</b>
Total sales	7,2
Costs of goods manufactured	(2,3)
Gross balance	5,2
Operating result	0,7
EBIT	0,7
EBIT w/o R&D costs	1,3
Surplus	0,5
Surplus w/o R&D costs	1,1

### **Financial status**

Cash flow from operating activities amounts to EUR -0.77 million (previous year: EUR 0.6 million). This change is mostly due to strong changes in other assets due to currency fluctuations.

The cash flow balance from investment activities amounts to EUR -1.25 million (previous year: EUR -0.2 million) and represents investments in tangible fixed assets, intangible assets and inflows in financial assets.

During the period under review the cash-flow from financing activities amounted to EUR -0.2 million. The continued repayments of loans as well as interest income and numbers are equal to last year's.

At the end of September 2010 the liquid funds amounted to EUR 7.9 million.

Because of a consistent continuation of measures (reduced number of staff in production, product volume in accordance with the order situation and strict cost management) during the first quarter this result was possible.

The company expects that the consistent net transfer of resources into the pharma segment that was done during the last five years can be decreased because of already received (and expected) reimbursements of Foscan<sup>®</sup> as well as signed distribution and licensing contracts.

In the future less financial assets will be invested in R&D without endangering our distinguished leading position.

## **Net asset position**

The group's consolidated balance sheet total decreased by 5.48% down to EUR 3.35 million compared to 30 June 2010. Stock-in-trade was decreased during the last three quarters (decrease of EUR .8 million) because product capacities were adjusted according to the demand.

The equity capital 30 September 2010 amounted to EUR 49.3 million and is relatively slightly lower compared to last year (EUR 50.8 million). This change results from changes in deferred items for foreign currency conversions.

The equity ratio (shareholder equity ÷ balance sheet total) amounts to approximately 85%.

## **Staff**

biolitec's employees work together to continuously increase the market position by offering unique products and quality in service. During the first quarter biolitec employed on average 230 employees worldwide.

biolitec AG internationally possess a large number of qualified employees and maintains intensive communication and cooperation with universities and scientific institutes. In this context biolitec offers regularly trainee positions and post-graduate programs for laser technology and connected application fields.

It is our goal to continuously acquire new highly-qualified staff for our company as well as continue training already existing staff to guarantee and increase our high quality standard and leading role in technology.

## Research and Development

The Medtech/Biotech industry is characterized by its high innovative strength which is reflected in high expenses for research and development. German Medtech companies invest on average 9% of their turnover in research and development of new products. In the last financial year, biolitec's expenses for research and development amounted to EUR 3.6 million (previous year: EUR 3.3 million; 12% of the turnover 2009/2010). In addition, about EUR 1.0 million of this amount was capitalized in accordance with IAS 38 as development expenses on intangible assets.

At the end of the fiscal year 2009/2010 biolitec employed 33 (previous year: 33) people in the R&D department. Furthermore, biolitec employs a number of freelancers and advisers.

biolitec focuses its research and development activities on the development of new, minimally invasive treatment methods as well as their enhancement with new safety features, and the development of new products based on available core technologies. Moreover, new formulations of our photodynamic drug Temoporfin are being tested in several applications and new PDT drugs for antibacterial applications are being developed.

The treatment of Basalioma was especially effective in a medical centre in Mailand (Professor Monti) with low-dose Foscan<sup>®</sup> treatment. This method is being established in other centres.

Besides this, lipomas (benign tumors of the fatty tissue) and lipodystrophy could be successfully treated using locally injected small amounts of Temoporfin<sup>®</sup>. The effectiveness of our procedure for minimally invasive removal of lipomas in lipodystrophy is to be validated in studies in Argentina. The results of the clinical study could form the basis for a possible FDA approval for lipodystrophy treatment. Formal clinical approval studies for cellulite could follow.

R&D goals for Foscan<sup>®</sup> are early stages of ENT tumors as well as treatment of biliary tract and prostate tumors. In this field we work together with numerous renowned institutes and clinics.

CeramOptec GmbH, a hundred percent subsidiary of biolitec AG, is concerned with the development of new optical fibers, connectors, and medical laser systems. Besides the development of customized products such as e.g. fiber bundles for environmental analytics, the company takes active part in a number of publicly funded research projects within national, European, and international frameworks.

The trend in the area of industrial laser applications requires the development of high-power lasers with higher optical output powers and better beam quality. Especially for industrial laser material processing (welding and cutting), e.g. in the automotive industry or shipbuilding, high laser power (multi-kW range) combined with excellent beam quality is needed. Good beam quality and high optical power allow for precise and fast processing of work pieces, even with a high material thickness.

So far, only multi-mode fibers were used for laser beam delivery. These are sufficient for existing laser sources but would yield a loss of beam quality with the new high-brightness high-power lasers. The new laser sources with excellent beam quality necessitated the development of large-mode-area fibers (LMA fibers) for laser beam delivery, which are due

to their characteristics (large core diameter of the fiber of 20 µm, small numerical aperture  $NA \leq 0.6$ ) feasible to simultaneously deliver high optical power and preserve beam quality.

CeramOptec GmbH develops in the framework of its research projects inter alia optical fibers for generating (active optical fibers for high power fiber laser) and delivering (e.g. LMA fibers) high optical powers at high brightness. Our newly developed optical fibers with a quadratic, rectangular and octagonal diameter will be the basis for new products as well as improvement of existing fiber lasers and beam profiles.

Additional research and development activities explore new light sources, in particular lamps, LEDs and diode lasers, for medical applications.

biolitec's quality management system is in accordance with the current medical directives of the EU. Therefore risk exposures during the development phase and afterwards are believed to be well managed and kept to a minimum.

biolitec plans to invest an surpassing amount of revenues into the future oriented development of high margin systems and substances to increase our market shares in our traditional applications and open up new fields of application.

## **Opportunities and Risks**

For a disclosure on opportunities and risks we kindly refer to the annual financial statement of 2009/2010.

## **Litigations**

biolitec AG and its subsidiaries are involved in a number of litigations. As far as these litigations have a significant influence on the company's performance they are listed in the annual financial statement of 2009/2010.

## **Important events after the first quarter 2010/2011**

No important events occurred after the end of the period date.

## Outlook

The statements made in the “Outlook” section are based on the operative planning of the biolitec group for the years 2010/2011 through 2011/2012.

biolitec’s operations focus on the global growth markets minimally invasive surgery as well as aesthetics. The demographic development as well as the cost and workload pressure on patients will lead to a continuously increasing demand for our products. We expect that the relatively weak upward trend of the international economic which is mainly created by the growth of the BRIC countries as well as strong export-orientated national economics will continue.

The Executive Board expects sales growth to resume in the new fiscal year and counts on the cost-cutting and efficiency enhancement measure already initiated to maintain its profitability. The main sales growth should arise from equipment and disposables (catheter, laser fiber) for the BPH treatment as well as for the ELVeS™ vein treatment method. In addition, revenue is expected to increase due to new applications in aesthetics, especially for laser body forming, as well as due to the new hemorrhoid treatment.

The research and development efforts will remain at a high level in order to attain sustainable long-term results. Our development projects primarily aim at the continuous expansion and improvement of the existing product range inter alia in aesthetics in order to allow a short time to market. In cooperation with highly qualified physicians and cooperation partners, we continuously expand the application spectrum and tend to improve the efficiency of our products.

We will further expand our sales and marketing activities in the fields of aesthetics (laser liposuction, ELVeS™ PainLess) as well as for the minimally invasive laser medicine treatments (BPH, hemorrhoids) in order to further establish these therapies and to generate new growth potential.

At this time, we plan no acquisitions. However, we remain open to act on opportunities.



**Notes**

**First Quarter Interim Report**

**2010/2011**

Consolidated balance sheet according to IFRS for the period from 1 July 2010 to 30 June 2010

<b>Assets</b>	<b>3-Months-Report</b>	<b>Annual Report</b>
	<b>30.09.2010</b>	<b>30.06.2010</b>
	<b>Euro</b>	<b>Euro</b>
<b>Non-current assets</b>		
<b>Intangible assets</b>	<b>9.017.914</b>	<b>8.915.439</b>
Goodwill	4.009.410	4.009.410
Concessions, industrial property rights, licenses	5.008.504	4.906.029
<b>Property, plant and equipment:</b>	<b>9.622.850</b>	<b>10.051.281</b>
Land and buildings	2.658.472	2.703.467
Machinery and technical equipment	4.063.003	4.421.079
Other operating and office equipment	2.844.695	2.860.786
Payments on accounts and tangible assets under construction	56.680	65.949
<b>Financial assets:</b>	<b>797.341</b>	<b>859.721</b>
Investments	26.345	26.345
Other loans	770.996	833.376
<b>Differed taxes</b>	<b>4.170.813</b>	<b>4.409.598</b>
<b>Total non-current assets</b>	<b>23.608.918</b>	<b>24.236.039</b>
<b>Current assets</b>		
<b>Inventories:</b>	<b>15.805.909</b>	<b>16.572.073</b>
Raw materials and supplies	2.983.655	3.952.003
Work in progress	578.852	670.126
Finished goods and goods for resale	12.243.402	11.949.944
<b>Accounts and other properties</b>	<b>12.638.032</b>	<b>12.405.217</b>
Trade accounts receivable	8.063.026	8.763.304
Other current assets	4.575.006	3.641.913
<b>Cash and cash equivalents</b>	<b>5.708.079</b>	<b>7.897.278</b>
<b>Total current assets</b>	<b>34.152.020</b>	<b>36.874.568</b>
<b>Total assets</b>	<b>57.760.939</b>	<b>61.110.607</b>

	<b>3-Months- Report</b>	<b>Annual Report</b>
<b>Liabilities and shareholders equity</b>	<b>30.09.2010</b>	<b>30.06.2010</b>
	<b>Euro</b>	<b>Euro</b>
<b>Shareholders' equity</b>		
Share capital	10.515.750	10.515.750
Additional paid-in capital	34.113.356	34.113.356
Legal reserves		
Additional fair value	2.532.733	2.532.733
Retained earnings	3.025.815	2.401.780
Adjustment item for foreign currency exchange rates	-925.182	1.106.164
Attributable to the shareholders of the parent entity	49.262.472	50.669.783
Minority interest	32.746	128.459
<b>Total shareholders' equity</b>	<b>49.295.218</b>	<b>50.798.242</b>
<b>Non-current liabilities</b>		
Financial liabilities	3.750.450	3.892.076
Deferred tax liabilities	367.589	208.773
<b>Total non-current liabilities</b>	<b>4.118.038</b>	<b>4.100.849</b>
<b>Current liabilities</b>		
Financial liabilities	177.591	279.442
Trade accounts payable	1.470.352	3.021.732
Advance payments received	71.266	76.808
Other liabilities	406.588	829.802
<b>Accrued expenses:</b>	<b>2.221.885</b>	<b>2.003.732</b>
Tax accruals	644.157	738.045
Accrued expenses	1.577.728	1.265.687
<b>Total current liabilities</b>	<b>4.347.681</b>	<b>6.211.516</b>
<b>Total liabilities and shareholders' equity</b>	<b>57.760.938</b>	<b>61.110.607</b>

**Income Statement according to IFRS for the period from 1 July 2010 to 30 June 2010**

<b>Income Statement</b>	<b>3-Months- Report 01.07.2010 - 30.09.2010 Euro</b>	<b>3-Months- Report 01.07.2009 - 30.09.2009 Euro</b>
<b>Continuing operations</b>		
<b>Revenues</b>	<b>7.541.811</b>	<b>6.214.224</b>
Cost of revenues	(2.337.535)	(1.663.382)
<b>Gross profit</b>	<b>5.204.276</b>	<b>4.550.841</b>
Other operating income	602.674	460.005
Selling and marketing expenses	(2.388.492)	(2.108.413)
General administrative expenses	(2.036.841)	(1.558.477)
Research and development expenses	(611.334)	(654.937)
Other operating expenses	(42.086)	(22.506)
<b>Operating income</b>	<b>728.197</b>	<b>666.513</b>
Other income	11.041	636
Other expenses	(24.767)	(19.246)
Foreign currency exchange gain/losses	26.987	(7.660)
Other taxes	(5.139)	(4.936)
<b>“Result before interest and income tax – EBIT“</b>	<b>736.320</b>	<b>635.306</b>
Interest Income	17.945	7.016
Interest Expense	(58.308)	(17.896)
Income tax	(167.634)	2.048
<b>Result of continued operations</b>	<b>528.322</b>	<b>626.474</b>
<b>Net Income</b>	<b>528.322</b>	<b>626.474</b>
thereof attributable to		
<b>Shareholders of the parent entity</b>	<b>624.035</b>	<b>609.334</b>
<b>Minorities</b>	<b>(95.713)</b>	<b>17.140</b>
Accumulated income / loss brought forward	2.401.780	3.635.322
<b>Retained earnings</b>	<b>3.025.815</b>	<b>4.244.656</b>

**Earnings per share from continued and discontinued operations that is attributable to the shareholders of the parent entity in the financial year (Euro per share)**

Earnings per share (basic)		
Earnings per share from continued operations	0,05	0,06
Earnings per share from discontinued operations	0,00	0,00
<b>Earnings per share (diluted)</b>		
Earnings per share from continued operations	0,05	0,06
Earnings per share from discontinued operations	0,00	0,00
“Weighted average shares outstanding (basic)“	10.515.750	10.515.750
“Weighted average shares outstanding (diluted)“	10.515.750	10.515.750

**Statement of comprehensive income according to IFRS for the Period from July 1, 2010 to September 30, 2010**

	<b>3-Months-Report</b>	<b>3-Months-Report</b>
	<b>30.09.2010</b>	<b>30.09.2009</b>
<b>Income Statement</b>	<b>Euro</b>	<b>Euro</b>
<b>Net Income</b>	<b>528.322</b>	<b>609.334</b>
<b>Other gains or losses</b>		
Unrealized gains of losses from currency translation	1.351.440	(74.623)
<b>Other comprehensive income</b>	<b>1.351.440</b>	<b>(74.623)</b>
<b>Total comprehensive income</b>	<b>1.879.762</b>	<b>534.711</b>
thereof attributable to shareholders of the parent entity	1.975.475	517.571
thereof attributable to non-controlling interests	(95.713)	17.140

**Consolidated Cash flow statement according to IFRS for the period from July 1, 2010 to September 30, 2010**

<b>Cash Flow Statement</b>	<b>01.07.2009 - 30.09.2010 T Euro* IFRS</b>	<b>01.07.2009 - 30.09.2009 T Euro* IFRS</b>
<b>Cash flow from operating activities</b>		
Consolidated net income before interest and tax	736	620
Change in other reserves	(2.031)	(40)
Minority Interest	(96)	17
Depreciation and Amortisation of fixed assets	456	658
Provisions and value adjustments	(312)	(190)
Income taxes / Deferred taxes	(5)	333
Assets not attributable to investing or financing activities	767	(350)
Trade accounts payable and other assets not attributable to investing or financing activities	(289)	(464)
<b>Net Cash generated by / (used) for operating activities</b>	<b>(774)</b>	<b>583</b>
<b>Cash flow from investing activities</b>		
Additions of property, plant and equipment	(50)	(683)
Additions of intangible assets	(200)	(82)
Additions to financial assets	(1.000)	529
Payments from disposal of noncurrent assets	0	0
<b>Net cash from/(used in) investing activities</b>	<b>(1.250)</b>	<b>(236)</b>
<b>Cash flow from financing activities</b>		
Repayment of granted loans	0	0
Cash repayments of amounts borrowed	(125)	(152)
Returns on interest	18	7
Interest payments	(58)	(18)
Others	0	0
<b>Net cash from / (used in) financing activities</b>	<b>(165)</b>	<b>(163)</b>
Change in cash and cash equivalents	(2.189)	184
<b>Cash and cash equivalents at beginning of period</b>	<b>7.897</b>	<b>6.223</b>
<b>Cash and cash equivalents at end of period</b>	<b>5.708</b>	<b>6.407</b>

**Consolidated statement of changes in equity according to IFRS for the period from July 1, 2010 to September 30, 2010**  
**Entwicklung des Konzern-Eigenkapitals für den Zeitraum vom 1. Juli 2010 bis zum 30. September 2010**

		Share Capital	Additional paid-in capital	Additional fair value	Retained earnings/accumulated deficit	Other comprehensive income	Shareholders equity before minority interest	Minority interest	Consolidated shareholder's equity
		Gezeichnetes Kapital	Kapital Rücklage	Umstellungsrücklage	Bilanzgewinn/Bilanzverlust	Ausgleichsposten für Fremdwährungsrechnung	Eigenkapital der Mehrheitsgesellschafter	Anteil Dritter	Konzern-eigenkapital
		Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>01.07.2009</b>	<b>01.07.2009</b>	<b>10.515.750</b>	<b>34.113.356</b>	<b>2.532.733</b>	<b>3.635.322</b>	<b>-245.276</b>	<b>50.551.885</b>	<b>218.899</b>	<b>50.770.784</b>
Net income or loss	Gewinne und Verluste				626.474		609.334	17.140	626.474
Currency translation	Währungsrechnung					-40.014	-40.014		-40.014
<b>30.09.2009</b>	<b>30.09.2009</b>	<b>10.515.750</b>	<b>34.113.356</b>	<b>2.532.733</b>	<b>4.261.796</b>	<b>-285.290</b>	<b>51.121.205</b>	<b>236.039</b>	<b>51.357.244</b>
<b>01.07.2010</b>	<b>01.07.2010</b>	<b>10.515.750</b>	<b>34.113.356</b>	<b>2.532.733</b>	<b>2.401.780</b>	<b>1.106.164</b>	<b>50.669.783</b>	<b>128.459</b>	<b>50.798.242</b>
Net income or loss	Gewinne und Verluste				528.322		624.035	-95.713	528.322
Currency translation	Währungsrechnung					-2.031.346	-2.031.346		-2.031.346
<b>30.09.2010</b>	<b>30.09.2010</b>	<b>10.515.750</b>	<b>34.113.356</b>	<b>2.532.733</b>	<b>2.930.102</b>	<b>-925.182</b>	<b>49.262.472</b>	<b>32.746</b>	<b>49.295.218</b>

## **NOTES TO THE INTERIM REPORT FROM 1 JULY 2010 UNTIL 30 SEPTEMBER 2010**

### **Explanation to the notes**

In the interim report the same accounting and evaluation standards were used that were already used in the annual financial statement. Within the consolidation all exchange rates are period-end exchange rates and carrying amounts in the income statement are average amounts.

The interim report as of 30 September 2010 was conducted in accordance with IAS 34 and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as required by §315a German Commercial Code (HGB) and acknowledged by the European Union.

The interim report is to be read in context with the audited IFRS annual report and its annotations which was published by biolitec on 19 January 2011 within the Management Report for the business year 2009/2010.

## Segment Reporting

The segmentation was done in accordance with IFRS 8.11-13 and hence the operative segments Medical Technology and Pharma were defined. Medical Technology sales are primarily generated by fibers and laser probes. It comprises of the product groups laser probes and fibers with more than 30 different light conducting systems on fiber optic basis. The majority of these products are disposables for medical purposes. The biolitec group's lasers are mainly diode lasers, which due to the method of construction are characterized by their small size and low maintenance requirements. The production of biolitec's laser probes and optical fibers features a high level of vertical integration and is located at the groups' subsidiaries in Bonn / Germany, in the USA and in Latvia. In the USA (complete assembly), Malaysia (pre-assembly) as well as Bonn (final assembly) the level of automation in production is low.

The Pharma segment comprises of production, development and distribution of pharmaceutical substances.

### Performance by Segments

Segment	2010 / 2011 T Euro	3 Months/ 3 Monate Change/ Veränderung	2009 / 2010 T Euro
Meditec	7.130	18%	6.021
Pharma	412	113%	193
Total	<b>7.542</b>	21%	<b>6.214</b>

### Performance by Regions

Regions	Q1 2010 / 2011 T Euro	3 Months/ 3 Monate Change/ Veränderung	Q1 2009 / 2010 T Euro
Europe	3.092	21%	2.545
North America	3.364	22%	2.754
Asia and Rest of Word	1.086	19%	915
Total	<b>7.542</b>	21%	<b>6.214</b>

	Meditec		Pharma		Others / consolidations and transitions		biolitec group	
KEUR	1. July - 30. September		1. July - 30. September		1. July - 30. September		1. July - 30. September	
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010
External revenues	7.130	6.031	412	183	0	0	7.542	6.214
Intersegmentary revenues	0	0	0	0	0	0	0	0
<b>Total segment result</b>	<b>7.130</b>	<b>6.031</b>	<b>412</b>	<b>183</b>	<b>0</b>	<b>0</b>	<b>7.542</b>	<b>6.214</b>
Functional costs before depreciation and amortization	-6.129	-4.419	-220	-502	0	0	-6.350	<b>-4.921</b>
Depreciation and amortization	-302	-515	-154	-142	0	0	-456	<b>-658</b>
Depletion	0	0	0	0	0	0	0	<b>0</b>
Goodwill	-168	-24	0	26	0	0	-168	<b>2</b>
Income tax	18	7	0	0	0	0	18	<b>7</b>
Interest Income	-58	-18	0	0	0	0	-58	<b>-18</b>
<b>Segment result</b>	<b>491</b>	<b>1.062</b>	<b>38</b>	<b>-436</b>	<b>0</b>	<b>0</b>	<b>528</b>	<b>626</b>

## **Entsprechenserklärung “Deutscher Corporate Governance Kodex”**

Executive and Supervisory Board hereby declare that the company has issued the mandatory declaration on corporate governance pursuant to §161 German Stock Corporation Act (AktG) and that it has been made accessible by the stock holders at biolitec AG's homepage [www.biolitec.de](http://www.biolitec.de)

## **Equity Capital**

With resolution of the general meeting from 18 November 2008 biolitec was authorized until 17 Mai 2010 to acquire for certain previously defined reasons up to 1,051,575 – about 10% of its capital stock – of its own shares.

## **Auditing**

Neither the interim consolidated balance sheet nor the interim management report were audited.

## **Transactions with related parties or persons**

Within the group certain delivery and service business connections exist between biolitec AG and its research, production and distribution subsidiaries. All transactions are done at market costs. Certain costs arising from business for related parties or persons were directly passed on.

## **Declaration by the Executive Board**

To the best of our knowledge, and in accordance with the to be applied principles of accounting, we declare that the consolidated financial statements of biolitec AG, dated 30 September 2010, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report 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.

Jena, 10 February 2011

Dr. Wolfgang Neuberger

## **Notation of figures**

All figures were rounded.

## Investor Relations Calender

Semi -Annual Report 2010/2011	28. Februar 2011
Annual General Meeting 2009/2010	03. März 2011
Nine-Months Report 2010/2011	31. Mai 2011
Financial Statements 2010/2011	31. Oktober 2011
Annual General Meeting 2010/2011	Dezember 2011
Analyst-Conference „Deutsches Eigenkapitalforum, Herbst 2011“  Frankfurt am Main	21. - 23. November 2011

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The German text is binding.

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