Eckert & Ziegler

Buy (re-initiated coverage)

Disclaimer: Please note the disclaimer on the last page

15 | 04 | 04

CONCORD
Equity Research

Price (€)	**9,10**
12 Month H/L (€)	11,6 / 3,2

Key Data	
Reuters Code	EUZG
Bloomberg Code	EUZ
Financial Year	31/12
Acc. Standard	US GAAP
Market Cap. (€ '000)	29.575
Adj. No. Of Shares ('000)	3.250
Free Float (%)	49,9
Av. Daily Trad. Vol. ('000)	2.500,0
5Y Estim. EPS Growth (%)	20,0%

Valuation (x)	**03**	**04e**	**05e**	**06e**
MC/Tot. Sales	1,0	0,8	0,7	0,6
P/E	-23,4	18,3	13,0	10,8
P/E ex Goodwill	-23,4	18,3	13,0	10,8
P/CEPS	12,2	5,3	4,1	3,5
Div. Yield (%)	0,0	0,0	0,0	0,0
EV/Tot. Sales	0,9	0,8	0,7	0,6
EV/EBIT	12,6	9,4	7,3	6,7

Per Share Data (€)	**03**	**04e**	**05e**	**06e**
EPS	-0,4	0,5	0,7	0,8
BVPS	8,9	8,9	9,6	10,5

Financials (€ '000)	**03**	**04e**	**05e**	**06e**
Total Sales	29.201	36.100	42.600	50.200
EBIT	2.196	3.075	4.275	4.700
% of Sales	7,5	8,5	10,0	9,4
EBT	1.775	2.600	3.675	4.400
% of Sales	6,1	7,2	8,6	8,8
Adj. Net Profit	-1.265	1.612	2.278	2.728
% of Sales	-4,3	4,5	5,3	5,4

Performance (%)	**1m**	**3m**	**6m**	**12m**
Abs. Change	-1,3	23,8	-9,0	180,0

Main Shareholders (%)	
Eckert Consult	38,80
Jürgen Ziegler	11,30

Next information

May 11, 2004 Report - Q1/2004

Analyst **Dr. Roger Becker**

Phone +49(0)69 50951-8202
e-Mail er@concord-ag.de
www www.concord-equity.de

A successful two-tier strategy: radiation therapy and nuclear medicine

- Company has always been profitable
- Market leader in low dose radiation sources (worldwide image)
- First mover in Brachytherapy in Europe
- Strong European focus and market recognition
- Solid operating margins
- European reimbursement regulations are developing in EZAG´s favor
- Positive outlook in the years to come

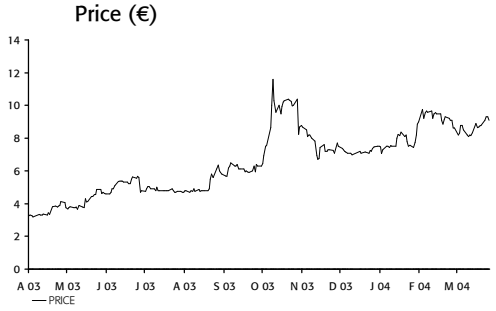
Prostate cancer as the prime indication, Eckert & Ziegler (EZAG) has the right product portfolio. During the most recent analyst meeting on March 30th 2004, EZAG´s management gave an update on their product portfolio including their latest acquisitions of the Afterloader business they acquired from Schering and HEK/MCP. This line extension brings significant synergies with respect to portfolio completeness, marketing, and distribution.

Similar to the US, where ca. 40% of prostate cancer patients are treated with seeds, in Europe a positive trend can be observed due to the success of this method and its evolving reimbursement policies. A further innovation in this field is the development of stranded seeds (IsoCord™) where EZAG is just entering the market in the European Community. Compared to its peers EZAG is providing a unique radiation shielding containment and application device for their Isocord seeds, thereby significantly reducing the operator´s exposure to radioactivity. EZAG is confident that this proposition will generate additional demand strengthening their current market position.

EZAG´s Imaging business has a global reach; the Company´s know-how and brand enjoys a high reputation worldwide.

With this broad product portfolio on offer, EZAG is uniquely positioned in this market growing by ca. 25% p.a. All of EZAG´s immediate peers with a lower level of integration are not cash-positive.

Price (€)



Source: Thomson Financial Datastream

Table of contents

Investment Philosophy and valuation 3
Philosophy 3
Valuation 3

SWOT analysis 6

Business Portrait 7
Prostate Cancer Implants (Seeds) 8
Afterloader 8
Nuclear Imaging and Industry 8
Technology 9

Business model 10

Business units, products, and technology 12
Therapy (seeds, Afterloader) 12
Nuclear Imaging & Industry 12
Technology 13

EZAG´s relevant market segments and competitive arena 14

Considerations and Assumptions in the forecasting Model 16

Financials and Forecasting (P&L), Balance Sheet, Cash-Flow analysis 17

Investment Philosophy and valuation

Philosophy

Global player in isotope technology

EZAG´s management is continuously concerned to identify new opportunities in order to extend its radiation source-driven product portfolio within niche markets belonging to their special know-how. Discontinuing the antibody business, the Company has re-positioned itself to a pure MedTech company, focusing on radiological medical devices for the treatment of cancer. We do appreciate this management decision.

After the restructuring of EZAG's product portfolio, the Company cemented its prominent market position as a global leader in LD radiation sources.

First mover in Brachytherapy in Europe

EZAG is accepted as the first mover in Brachytherapy within Europe and hence enjoys a sound reputation in this market.

Operating margins are amongst the highest within its relevant peer group.

Management has always been able to deliver positive cash-flows to their investors. We are confident that the future expansion strategy - organic or by acquisition - will pay off, as proven in the past.

Reimbursement policies develop in EZAG´s favor

Upcoming European reimbursement regulations should enhance EZAG´s growth potential and improve margins due to economies of scale.

Valuation

EZAG is unique regarding its product portfolio. While we are comparing a relatively small company, EZAG is a major player in distinct niche markets they serve. Due to its product mix and market position it is almost impossible to identify peers that comprehensively match EZAG's complete business spectrum.

We therefore chose a two-tier valuation approach in our multiple analysis:

On the one hand we compared the MedTech Index of Deutsche Börse Prime Standard and on the other hand selected two individual US companies with the closest product/market fit to EZAG's prime business units (Theragenics, North American Scientific).

The index approach gives us guidance in respect to the local margins and profitability of German MedTech companies; the relevant peers, although not German companies provide a specific valuation pertaining to EZAG's products.

National	price	Mcap	EV	sales (Mill.)			EPS		EV/S		EV/EBITDA		EV/EBIT		P/E	
MedTech Index - Deutsche Börse	€	(Mill.)	(Mill.)	2003	2004 e	2005 e	2004 e	2005 e	2004 e	2005 e	2004 e	2005 e	2004 e	2005 e	2004 e	2005 e
Europa																
AAP Implantate AG	2,29	10,9	21,4	11,0	n.a.	n.a.	n.a.	n.a.	1,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Biolitec AG	4,66	46,6	39,9	18,3	25,0	29,6	0,19	0,28	2,2	1,3	8,1	5,9	11,6	7,6	24,5	16,6
Carl Zeiss Meditec AG	11,65	331,1	349,8	235,7	251,2	287,5	0,46	0,66	1,5	1,2	10,2	7,7	11,8	8,7	25,6	17,8
Draegerwerk AG	52,9	335,6	506,9	1.333,0	1.412,9	1.607,7	1,75	2,19	0,4	0,3	3,8	3,0	6,4	4,3	30,3	24,1
Geratherm Medical AG	5,44	24,5	17,6	7,5	n.a.	n.a.	n.a.	n.a.	2,3	0,0	11,3	9,6	15,8	12,8	0,0	0,0
Pulsion Medical Systems AG	4,10	38,7	38,5	13,7	15,7	18,5	0,01	0,16	2,8	2,1	21,4	11,3	55,0	16,7	410,0	25,6
Stratec Biomedical Systems AG	10,80	32,4	39,0	31,7	35,0	39,0	0,63	0,72	1,2	1,0	8,9	7,4	11,5	9,8	17,3	15,0
UMS UTD Medical Syst. Intl AG	5,28	31,8	51,7	62,7	63,5	73,2	0,28	0,48	0,8	0,7	3,4	3,0	9,9	7,2	18,9	11,0
W.O.M. World of Medicine AG	3,65	29,9	32,5	31,3	34,6	36,7	0,14	0,17	1,0	0,9	9,0	7,0	22,9	12,8	26,1	21,5
Wavelight Laser Technologie AG	14,75	56,3	71,1	47,8	62,1	76,2	0,68	0,99	1,5	0,9	8,5	6,4	11,6	8,2	21,8	14,9
Mean		**93,8**	**116,8**	**179,3**	**237,5**	**271,0**	**0,5**	**0,7**	**1,6**	**0,8**	**8,5**	**6,1**	**15,6**	**8,8**	**57,4**	**14,7**
Median		**35,6**	**39,4**	**31,5**	**48,5**	**56,1**	**0,4**	**0,6**	**1,5**	**0,9**	**8,7**	**6,7**	**11,6**	**8,4**	**23,1**	**15,8**
- closest comparable peers -																
US listed	**$**															
Theragenics Corp.	5,28	158,2	91,8	35,6	41,8	n.a.	0,05	n.a.	2,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0
North American Scientific Inc.	10,00	103,4	76,1	14,7	21,5	25,1	-1,10	-0,71	5,2	3,0	0,0	0,0	neg.	-10,0	neg.	-14,2
Mean		**130,8**	**83,9**	**25,1**	**31,7**		**0,1**		**3,9**	**1,5**	**0,0**	**0,0**		**-5,0**		**-7,1**
Eckert & Ziegler AG	9,05	29,4	24,8	31,2	29,7	31,5	0,40	0,57	0,8	0,8	5,0	4,3	21,4	11,3	22,6	15,9

Source: Concord Equity Research

P/E: adequate valuation within MedTech index

According to our peer group analysis, the MedTech-Companies in our index reflect an average P/E of 57.4 and 14.7 for 2004 and 2005, respectively. Because of one extreme value (Pulsion Medical Systems) we would rather use the relevant Median, i.e. a P/E of 23.1 and 15.8 respectively.

With EZAG's P/E of 23.3 for 2004 and 16.3 for 2005, the Company seems to be valued quite adequately.

EV/sales: superior valuation vis-à-vis closest comparable peers

Now we compare EZAG to their closest comparable peers, Theragenics and North American Scientific. Unfortunately, but possibly to EZAG's favor and market position, both companies are not expected to show earnings in 2004 and 2005. In this respect, EZAG shows a clear advantage. In the absence of earnings, if we compare by EV/Sales, EZAG appears to be an immediate buy situation with EV/Sales of 0.8x. Theragenics is valued with a factor of 2.6x, North American at 5.2x. For EZAG to be in line with Theragenics, a stock price of €27 can be argued.

While EZAG appears to have a fair value compared to the MedTech index, the immediate US-peer group shows a significantly higher market valuation.

In a separate DCF valuation we have forecasted EZAG's future cash-flows according to their product portfolio and in line with their market position.

Our DCF-model reflects a fair corporate value of EZAG's future cash-flows of EUR 50 Mill, equal to € 12,50 for EZAG's stock.

Conclusion:

	2004	2005
1. P/E Median of MedTech Index	23.1x	15.8x
2. P/E Median EZAG	23.0x	16.0x
3. EV/Sales immedate peer group	3.9x	
4. EV/Sales EZAG	0.8x	0.8x
5. DCF Valuation	€ 12,50/shr.	

1. P/E Median of MedTech Index:	fair value
2. EV/Sales comparision immediate peers:	undervaluation by > 100%
3. DCF-Valuation	undervaluation by 35%

Fair price per share:
€ 11 - € 13

According to our analysis and valuation we are comfortable with a stock price trading in a range of € 11 to € 13,0 / shr.

The current price of € 9,30 for EZAG's stock reflects the current climate in the equity markets.

We recommend investors to add this stock gradually. EZAG's market capitalization of ca. EUR 30 Mill. in connection with a thin trading volume of ca. 2,500 shares/day is poised to cause overreactions.

SWOT analysis

Strengths

- Market leader in low radioactive radiation sources (worldwide image)
- First mover in Brachytherapy in Europe
- Strong European focus and market recognition
- Solid operating margins
- Balanced product portfolio providing distribution synergies
- Managment´s proven capability to quickly adopt to a changing market environment

Weaknesses

- Several competitors in relevant market segments have much stronger balance sheets
- Innovation potential for some of EZAG´s products is limited (mature product portfolio)

Opportunities

- Reimbursement regulations are developing in EZAG´s favor
- EZAG´s own distribution capabilities may pay off
- Flexible corporate structure

Threats

- Significant FX-exposure
- Partly capital-intensive business lines
- Product exposure to foreign distribution, especially in developing countries
- Alternative treatment methods which could make EZAG´s therapeutic products obsolete

Business Portrait

Specialist in isotope technology

Eckert & Ziegler AG is a holding company for a number of subsidiaries that are involved in the processing of radioisotopes and in the development, manufacture, and marketing of components using isotope technology or related products. The main areas of application for Group products are in medical technology, particularly in cancer radiation therapy, as well as in nuclear imaging and industrial measurements. In these areas the products of Eckert & Ziegler and its subsidiaries are aimed at radiation therapists, nuclear medicine practitioners, medical physicists, and other specialists for isotope materials.

Major markets are served by own distribution forces

EZAG is marketing and distributing their product portfolio through a variety of channels. In the United States and the European Union the subsidiaries Isotope Products Laboratories (IPL) and BEBIG Isotopen- und Medizintechnik GmbH (BEBIG) employ their own sales force for selected product groups, and use complementary distributors for others. Outside the major industrial countries, EZAG and their subsidiaries rely on a network of specialized distributors. The company is very responsive to the ideas of physicians and other clients. Should there be a commercial opportunity to launch a product into an additional regional market segment, EZAG has the resources to move very quickly.

Currently, EZAG's products show the following distribution characteristics:

Table

Market/Applications	Therapy (BEBIG)	Nuclear Imaging & Industry (IPL)	Technology (Eurotope)
Europe	Seeds, HDR-Afterloader, LDR-Afterloader, Accessories	calibration (gamma-cameras, PET); measurement and testing technology	opportunistic
United States		calibration (gamma-cameras, PET); measurement and testing technology	production equipment
Asia	HDR-Afterloader	calibration (gamma-cameras, PET); measurement and testing technology	opportunistic
Developing Countries	LDR-Afterloader	calibration (gamma-cameras, PET); measurement and testing technology	opportunistic

Source: Eckert & Ziegler AG

Prostate Cancer Implants (Seeds)

Prominent player in the prostate cancer seeds market in EU, Middle East and Africa

From its origin as a production equipment maker, the company's subsidiary BEBIG has build a strong position as a manufacturer and distributor of radioactive implants for the treatment of prostate cancer in Europe and in neighbouring countries in the Middle East and Africa. BEBIG employs its own dedicated seed sales force and over the years has tied up a substantial number of European hospitals into direct long term delivery contracts, among them the prestigious Institute Curie of Paris, France, plus a good number of centres in Germany, the most important European market. In addition to selling directly to clinics, BEBIG also acts as an OEM supplier for other medical device companies. This unusual arrangement, whereby BEBIG sells to its own competitors, is due to the fragmented nature of the European medical device market, where local arrangements often lead to entry barriers and well entrenched parochial distribution networks. Rather then seeing this as a weakness, BEBIG has managed to exploit this situation skilfully, making it today by far the largest European manufacturer of radioactive implants.

BEBIG should be well positioned to benefit from the accelerating adaptation of the seed technology in Europe. It should also be well protected against competitors or new market entrants due to its cost efficient production technology, its central European location, and the lock-up of its customers trough long term delivery contracts.

Afterloader

With the acquisition of the Afterloader business, EZAG complements its portfolio of Brachytherapy products and takes advantage of distribution synergies

With an eye towards levering its distribution network, BEBIG recently has acquired two other business that also aim at radiation therapists, giving BEBIG a much broader product offering to the same calling point. From Schering AG`s French operating company CIS bio International BEBIG acquired the low dose rate (LDR) afterloader business, primarily targeting developing countries, and French speaking areas with their traditional affinity towards low dose rate radiation. From London`s MCP Ltd. BEBIG bought a complementary range of high dose rate (HDR) Afterloader that do well in Asian markets. Part of the acquisition package are also accessories like patient fixation devices and collimator cutting machines. Both the Schering and the MCP business are profitable, and have the potential to be grown into full-fledged radiation therapy offerings for larger markets in the U.S. and the European Union.

Nuclear Imaging and Industry

Market leader in radiation sources for the calibration of radiodiagnostic devices

EZAG´s Imaging and Industry segment is currently the most important revenue source. It contributes with ca. 60% to the Company´s top line. EZAG offers isotopic sources for the calibration of radiodiagnostic devices such as gamma cameras and PET. In addition, also industrial markets are being served with calibration sources for measurement and control devices. In this particular market segment, EZAG is a market leader worldwide, accounting for about 2/3 of the global market volume.

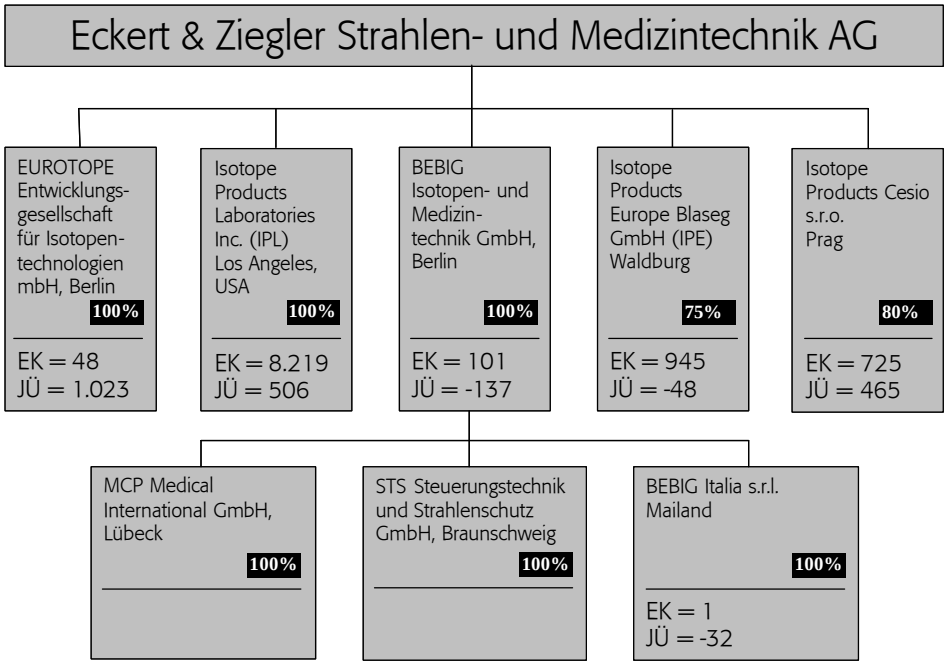
Technology

Sought-after manufacturer of production equipment

Due to their competence and specific product know-how with radiation devices, EZAG, through its subsidiary EUROTOPE Entwicklungsgesellschaft für Isotopentechnik GmbH (EUROTOPE), is a sought-after manufacturer for state-of-the-art production equipment, particularly in the US. For selected partners, EUROTOPE has developed, built, and often operated, a wide range of specialized production lines or production equipment for radioactive components. Customers include Radiance Medical System, Novoste, Nucletron, Cordis, SciMed, Boston Scientific, Bard, Varian, and Theragenics. In the past, the recently acquired STS GmbH has similarly built production equipment for Altmann Pharma.

The following chart depicts the current organizational structure of the holding company:

Organization chart



Source: Eckert & Ziegler AG

Business model

Management is highly responsive and quickly adopts to changing markets

Within the isotope market, EZAG has chosen to focus on profitable niches that it can dominate within a reasonable time frame of three to five years through its production technology, its know how of regional markets, and its financial strengths. If EZAG or its subsidiaries fail to gain a profitable position and a significant market share within a given time frame, the Company is not afraid of withdrawing from a segment entirely. This has happened a number of times in the past. It often was associated with decreased revenue growth, but in all cases helped to secure a continued profitability of the Group.

Retraction from US seeds market, discontinuation of the cardio-vascular and radio-immunology business units

Recent restructuring of the product portfolio

In 2003, EZAG has restructured its business portfolio in that it gave up the highly competitive US seeds business for prostate implants. As the margins in this market have been declining constantly. EZAG was able to successfully sell its production line technology to Theragenics Corp., a major player in the US market for prostate implants.

Similarly, the cardio-vascular radiation business unit (radioactive components for the treatment of restenosis) was sized down to a minimum of $1 Mill. guaranteed turnover, due to changing practices in favor of drug-coated stents.

In radio-immunology, a segment that was integrated in EZAG´s subsidiary NEMOD, management decided to discontinue clinical development of its radiolabelled antibodies Pankomab™. Although pre-clinical tests have been performed with positive results and $4 Mill. have already been invested, further investments will just be injected into this technology should there be a qualified co-investor. The Company does not intend to channel further resources in their antibody program as long as alternative investments in existing businesses are available to generate a higher contribution. The therapeutic antibody program will be either out-licenced or completely sold. Those transactions should be terminated by end of 2004.

To compensate for these divestitures, EZAG streamlined and strengthened its radiation therapeutic business and acquired two complementing business units:

- From Schering's French operating company CIS bio International, EZAG bought the low dose (LD) Afterloader business including various service contracts.
  - → Should EZAG be able to service established reference clients in France and generate additional sales from developing countries, the price of this transaction (EUR 200K) will pay-off handsomely.

- From HEK/MCP Medical International (MMI), EZAG acquired the high dose (HDR) Afterloader business. The transaction with HEK also includes blood irradiators and devices for patient fixation (immobilization of the patient in order to confidently relocalize the radiation focus in the course of repeated treatment sessions) and thus complements EZAG´s segment portfolio.

  → EZAG will need a higher sales volume for HDR-devices to break-even on this deal; although not fully disclosed we estimate the value of this transaction to be € 2.3 Million.

Focus on Brachytherapy streamlines EZAG´s position in radio-oncology

With this new concept EZAG has gained the following propositions:

- Concentration (focus) on the seed brachytherapy business (including stranded seeds) in European markets with promising growth rates (high upside potential);

- Sole supplier and service provider of LDR Afterloader worldwide in developing countries as the most relevant market segment;

- Supplement of the therapeutic product line with the acquisition of HDR Afterloader; generating new opportunities for product development

Taken together, these steps will create a strong and diversified player in radiation therapy, enabling cross marketing opportunities of both brachytherapy products, Afterloader and related accessories into the radiation oncology clinic.

Business units, products, and technology

Therapy (seeds, Afterloader)

Short distance radiation (Brachytherapy) by seeds and Afterloader

Besides surgery and medication, short distance radiation is the therapy of choice regarding treatment of prostate cancer. Brachytherapy – radiation over short distances - is performed by permanent implantation of radioactive devices, so-called seeds, or by temporary irradiation through Afterloader. In both cases, the radiation source is directly positioned near the tumor and thus avoids deleterious effects on sane tissue. In the case of prostate cancer, this therapy avoids the typical side-effects incurred by the traditional treatment (surgery), i.e. incontinence and impotency.

Changing reimbursement policies will enhance sales in the seeds business

Similar to the US, where ca. 40% of prostate cancer patients are treated with seeds, in Europe a positive trend can be observed due to the success of this method and its evolving reimbursement policies. A further innovation in this field is the development of stranded seeds (IsoCord™) where EZAG is just entering the market in the European Community. Compared to its peers EZAG is providing a unique radiation shielding containment and application device for their seeds, thereby significantly reducing the operator´s exposure to radioactivity. EZAG is confident that this proposition will generate additional demand strengthening their current market position.

Afterloader acquisition to complement Brachytherapy portfolio

A second treatment option for short-distance radiation therapy is the Afterloader technique. With the acquisition of Schering´s and HEK/MMI´s products in early 2004, EZAG was able to enter this complementary market segment. This product line extends EZAG's spectrum to serve radiation oncologists. There are two types of therapeutic schemes where the Afterloader technique is used:

LD-therapy requires a minimum of 3-day clinical stay as in inpatient treatment; HD therapy allows outpatient treatment.

The special feature of the HD Afterloader, which represents a USP to EZAG, is the usage of Cobalt as the radiation source. Compared to Iridium, Cobalt has a higher half-life (ca. 5 years vs. Iridium 74 days). With Cobalt loaded devices, the running costs are much lower for the hospitals. This property provides EZAG to offer their products at a premium compared to traditional Iridium driven Afterloader.

Nuclear Imaging & Industry

Innovation in calibration: Perflexion ä

EZAG supplies physicians in nuclear medicine with radioactive reference sources for the calibration of imaging diagnostic devises, such as Positron Emission Tomography (PET) and gamma cameras. With EZAG´s latest innovation in this field the Perflexion™ device was introduced in 2003 which offers the operator a stronger radiation protection and a more convenient

handling compared to traditional devices.

Further to clinical applications, EZAG´s isotopic products also find industrial/scientific usage in detectors for material analysis and calibration purposes.

Technology

In the past, EZAG was a relevant player in the US market segment for implants of radioactively loaded seeds. The Company pulled out of this market last year but still left their footprints. While it did not make sense in the past to supply EZAG´s seed production lines to competitors, because of cannibalization purposes, EZAG now provides this manufacturing technique and know-how to this target group, i.e. their previous competitors. The first significant profits were booked on EZAG´s balance sheet in 2003. The Company has received further inquiries, recently, and also acquired STS GmbH, who has been active in this area in the past.

EZAG´s relevant market segments and competitive arena

Since many years, EZAG has held a strong position as a prominent participant and supplier for radioactive components in the market for radiation therapy, nuclear medicine and industrial purposes. With its product portfolio the Company is active in various geographic and product/application markets. EZAG´s product markets determine the Company´s geographic presence driven by reimbursement policies and local medical practices. We concentrate our market analysis on EZAG´s prime product portfolio and applications (please also refer to the exhibit on page 7 for the geographical product/distribution mix):

1. Therapy (seeds, Afterloader)
2. Imaging & Industry (calibration for medical and industrial purposes)
3. Technology

Seeds: main market is Europe; annual growth rates of ca. 20%

1. EZAG´s main market presence for seeds is Europe after having withdrawn from the US market in early 2003. In the US the total market for seed Brachytherapy amounts to $ 200 Mill. (source EZAG). The Company has a direct sales force to distribute their seeds in most of the European countries with the exception of Spain, Portugal, Greece, and Turkey where distributors are used to place EZAG´s seeds. An indirect distribution method is applied. We see a potential for EZAG to increase sales in the addressed regional markets by ca. 20% annually. This estimation reflects the anticipated market growth in Europe due to favourably changing reimbursement policies.

Afterloader: regional business expansion into developing countries

The recently acquired afterloader business is a smart extension to the existing oncology business providing further economies of scale to EZAG´s distribution force. Schering (CIS) and HEK/MMI, from whom they acquired this business, had already developed markets in industrial countries like Europe and Asia; in a regional business expansion EZAG now intends to enter into developing countries with their LDR-Afterloader. Such devices are more suitable in such countries because of logistic insufficiencies. In the Japanese market it is EZAG´s USP to supply Cobalt-containing HDR-Afterloader; this isotope is the preferred radiation source in this country. The market volume for Afterloader, including services, is about $ 100 Mill., annually.

Relevant competitors

Theragenics (sales in 2003: $ 35.4 Mill.), North American Scientifc ($14.7 Mill.), IBT (€ 5.6 Mill.), Varian ($ 1 Bill.), and Nucletron (n/a) are major competitors in EZAG´s radiation oncology business. For completeness we would like to indicate, that Oncura, a recent spin-off of Amersham Healthcare is a major competitor to EZAG in the seeds business. In the past, its association to a large cap conglomerate prevented transparent comparison in terms of margins.

While Theragenics and North American Scientific are focused in the US markets in particular, it is Varian, Nucletron and IBT who are sharing the European markets with EZAG. With a current market share of ca. 38% EZAG is the most prominent player in Europe. We have included Theragenics and North American Scientific into our peer group since both companies have the closest fit to EZAG in terms of products and sales volume.

In 2003, Imaging accounts for 60% of EZAG´s total sales

2. EZAG´s business for calibration of Imaging devices has a global reach; the Company enjoys a leading position among its peers. In 2003, EZAG generated revenues of €17.7 Mill. in this segment which equals ca. 60% of total sales. Approx. two-third of EZAG's sales are derived from nuclear medicine and one-third from industrial/scientific applications. EZAG distributes its Imaging products via Isotope Products Laboratories Inc. (IPL), a 100% operating company in the US market. The European market is served by IPE Blaseg GmbH in which EZAG just increased their stake to almost 75% ownership. Since this segment of EZAG´s business addresses a niche market, the global universe of relevant competitors is limited: One notable competitor in the industrial/scientific segment is *AEA Technology QSA GmbH*, Braunschweig, Germany. With sales of ca. € 54 Mill. in 2003 AEA generated an operating profit of € 3.9 Mill. The company was not able to increase sales in 2003 significantly compared to the previous year, but improved its operating margin nicely.

Proprietary know-how in engeneering production lines; although growth rates are limited, increasing demand for automation might lead to constant revenues.

3. We perceive EZAG's third market segment "production lines" as an opportunistic business. This business is driven by EZAG's market expertise pertaining to radio-isotopic applications and technology. With this competence and proprietary know-how, EZAG is a sought after partner to develop and engineer industrial production lines. In some cases, however, EZAG has a conflict of interest to directly provide their know-how to competitors. A most recent example for this opportunistic behavior was EZAG's retraction from the US seeds market, which allowed the company to now supply the local seeds industry with their proprietary production lines. Although growth rates in this business unit are limited, EZAG expects constant revenues, since the demand for automation in the production of radioactive devices will increase gradually. The most recent product line constructions has been delivered to Theragenics; this year, another production line will be installed in the US with an undisclosed client. Maintenance and technical support of the production lines installed will generate constant revenues. To the best of our knowledge, the sole competitor in this segment is Gravatom Engineering Systems Ltd., UK, who are specialized in the construction of iodine seed production lines. Amersham was one of their clients.

Considerations and Assumptions in the forecasting Model

The forecasting used in our model to evaluate and make a fair judgement of EZAG's corporate and market value of the stock has the following origin:

- Annual and Interim Reports 2002 and 2003 - Eckert & Ziegler AG;
- Analyst conference of EZAG on April 30th - Corporate Presentation in Frankfurt;
- Management discussion with EZAG's Executive Directors;
- Analysis of EZAG's prime product markets, segments, and products;
- Secondary Research of recognized Financial Data providers;
- Own judgement of the analyst, Dr. Roger Becker.

Sales

According to our management discussion the Company plans to grow annual sales by 15 to 20%. Due to EZAG's latest acquisition we think that a growth rate of ca. 30% is likely in this segment; the imaging business, however, will be growing more moderately in the range of 8% to 12% p.a.

Profit Margins:

For EZAG's products, we calculate with an EBIT-margin of 8-10% given the Company's forecasted growth rate.

FX-Exposure

With less than 10% of EZAG's revenues generated in Germany, i.e. more than 75% in non EURO currencies, the company is exposed to a high FX-risk. Eckert & Ziegler currently calculates with a US$/EUR-Exchange rate of 1.25 for fiscal 2004. We think that this rate is a realistic approach but calculated with a rate of 1,30 US$/EUR in our forecasts.

In fiscal 2003 EZAG suffered a book-loss of ca. EUR 2.5 Mill. because of the Dollar weakness which declined by 20% in this period.

We calculated with a tax rate of 38% on EZAG's recurring and operating earnings.

Profit and Loss account (€ '000)

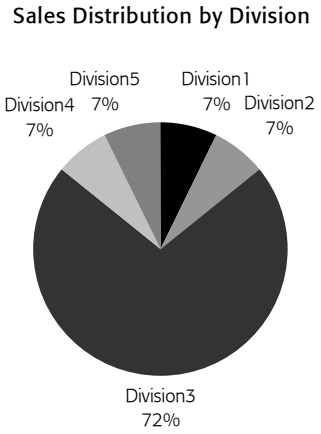
Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e	03	04e	05e	06e	5Y ø
						y-o-y changes (%)				
Total Sales	**31.221**	**29.201**	**36.100**	**42.600**	**50.200**	**-6,5**	**23,6**	**18,0**	**17,8**	**12,6**
Cost of Sales	15.955	15.745	18.600	22.150	26.500	-1,3	18,1	19,1	19,6	13,5
Gross Profit	**15.266**	**13.456**	**17.500**	**20.450**	**23.700**	**-11,9**	**30,1**	**16,9**	**15,9**	**11,6**
Other Operating Income	1.422	207	200	200	200	-85,4	-3,4	0,0	0,0	-38,8
Distribution Expenses	3.351	3.033	4.050	4.875	5.750	-9,5	33,5	20,4	17,9	14,5
Administrative Expenses	7.916	6.271	8.100	8.800	10.200	-20,8	29,2	8,6	15,9	6,5
Other Operating and R&D Expenses	3.428	2.163	2.475	2.700	3.250	-36,9	14,4	9,1	20,4	-1,3
EBIT	**1.993**	**2.196**	**3.075**	**4.275**	**4.700**	**10,2**	**40,0**	**39,0**	**9,9**	**23,9**
Interest Income	148	48	175	200	200	-67,6	264,6	14,3	0,0	7,8
Interest Expenses	324	337	550	700	500	4,0	63,2	27,3	-28,6	11,5
Income from Particip. & Assoc.	0	-91	-100	-100	0	0,0	9,9	0,0	-100,0	-100,0
Other Financial Expenses	902	41	0	0	0	-95,5	-100,0	0,0	0,0	-100,0
Financial Result	**-1.078**	**-421**	**-475**	**-600**	**-300**	**-60,9**	**12,8**	**26,3**	**-50,0**	**-10,7**
Income from Ord. Business	**915**	**1.775**	**2.600**	**3.675**	**4.400**	**94,0**	**46,5**	**41,3**	**19,7**	**48,1**
Extraordinary Result (Inc.+,Exp.-)	0	0	0	0	0	0,0	0,0	0,0	0,0	---
EBT	**915**	**1.775**	**2.600**	**3.675**	**4.400**	**94,0**	**46,5**	**41,3**	**19,7**	**48,1**
Taxes on Income	569	1.037	988	1.397	1.672	82,2	-4,7	41,4	19,7	30,9
Other Taxes	0	0	0	0	0	0,0	0,0	0,0	0,0	---
Net Profit	**346**	**738**	**1.612**	**2.278**	**2.728**	**113,3**	**118,4**	**41,3**	**19,8**	**67,6**
Minorities	0	0	0	0	0	0,0	0,0	0,0	0,0	---
Adjustments	0	-2.003	0	0	0	0,0	-100,0	0,0	0,0	-100,0
Adjusted Net Profit	**346**	**-1.265**	**1.612**	**2.278**	**2.728**	**-465,6**	**-227,4**	**41,3**	**19,8**	**67,6**
Dep. on Tang. Ass. and o. Op. Ass.	4.261	3.685	4.000	4.864	5.773	-13,5	8,5	21,6	18,7	7,9
Amortisation of Goodwill	0	0	0	0	0	0,0	0,0	0,0	0,0	---
EBITDA	**6.254**	**5.881**	**7.075**	**9.139**	**10.473**	**-6,0**	**20,3**	**29,2**	**14,6**	**13,8**
EBITA	**1.993**	**2.196**	**3.075**	**4.275**	**4.700**	**10,2**	**40,0**	**39,0**	**9,9**	**23,9**
Personnel Expenses	11.381	10.086	10.389	10.700	11.021	-11,4	3,0	3,0	3,0	-0,8
Marketing Expenses	451	435	500	575	662	-3,5	15,0	15,0	15,0	10,1
R & D Expenses	3.428	2.163	2.379	2.617	2.879	-36,9	10,0	10,0	10,0	-4,3
Adj. No. of Shares	3.146	3.250	3.250	3.250	3.250	3,3	0,0	0,0	0,0	0,8
Adj. Net Profit/Share (EPS)	**0,11**	**-0,39**	**0,50**	**0,70**	**0,84**	**-453,9**	**-227,4**	**41,3**	**19,8**	**66,2**
Adj. Net Profit/Share ex Goodwill	**0,11**	**-0,39**	**0,50**	**0,70**	**0,84**	**-453,9**	**-227,4**	**41,3**	**19,8**	**66,2**
Adj. Cash Earnings (CE)/Share	**1,46**	**0,74**	**1,73**	**2,20**	**2,62**	**-49,2**	**131,9**	**27,3**	**19,0**	**15,6**

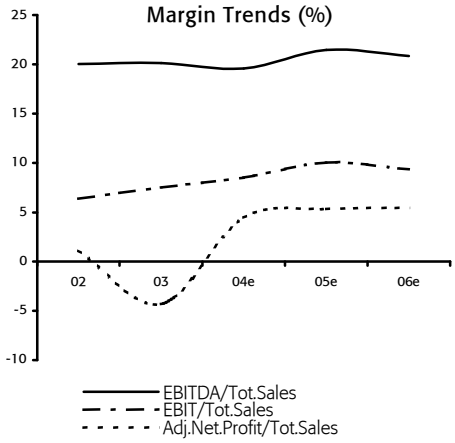
Cash Flow Statement (€ '000)

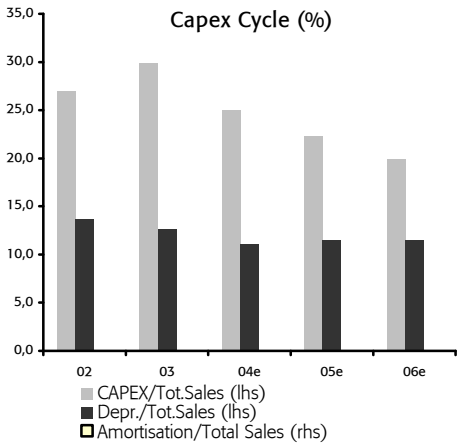
Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e	03	04e	05e	06e	5Y ø
						y-o-y changes (%)				
Adjusted Net Profit	346	-1.265	1.612	2.278	2.728	-465,6	-227,4	41,3	19,8	67,6
+ Depreciation & Amortisation	4.261	3.685	4.000	4.864	5.773	-13,5	8,5	21,6	18,7	7,9
+ Chg. in long-term Provisions	0	0	0	0	0	0,0	0,0	0,0	0,0	---
= Cash Earnings	**4.607**	**2.420**	**5.612**	**7.142**	**8.501**	**-47,5**	**131,9**	**27,3**	**19,0**	**16,5**
+ Minorities	0	0	0	0	0	0,0	0,0	0,0	0,0	---
- Chg. in Net Working Capital	0	-4.128	-244	-230	-269	0,0	-94,1	-5,8	16,9	-59,8
= Operating Cash Flow	4.607	6.548	5.856	7.372	8.770	42,1	-10,6	25,9	19,0	17,5
- Capex	8.418	8.718	9.000	9.500	10.000	3,6	3,2	5,6	5,3	4,4
= Free Cash Flow	**-3.811**	**-2.170**	**-3.144**	**-2.128**	**-1.230**	**-43,1**	**44,9**	**-32,3**	**-42,2**	**-17,2**
- Net Other Items	0	0	0	0	0	0,0	0,0	0,0	0,0	---
- Dividends (Previous Year)	0	0	1.463	0	0	0,0	0,0	-100,0	0,0	---
+ Increase in Share Capital	0	0	0	0	0	0,0	0,0	0,0	0,0	---
- Outflow from Share Buy Backs	0	0	0	0	0	0,0	0,0	0,0	0,0	---
+ Bank Loans	2.741	2.442	2.686	2.955	3.250	-10,9	10,0	10,0	10,0	4,4
= Incr. in Cash (+)/Decr. in Cash (-)	**-1.070**	**272**	**-1.921**	**827**	**2.020**	**-125,4**	**-806,1**	**-143,0**	**144,4**	**95,1**

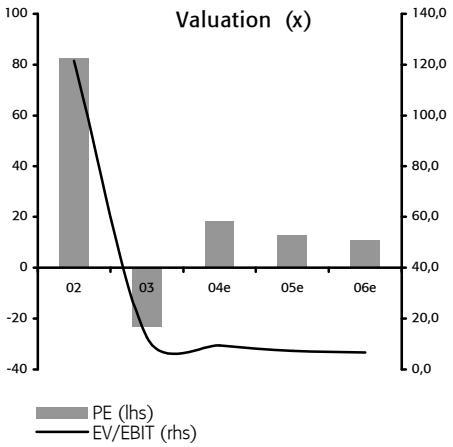
Balance Sheet (€ '000)

Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e	03	04e	05e	06e
Assets						% of Balance Sheet Total			
Tangible Assets	17.693	14.876	19.876	24.512	28.740	32,5	37,0	38,4	38,0
Other Assets	14.409	12.390	15.317	18.075	21.300	27,1	28,5	28,3	28,2
t/o Goodwill	11.953	9.692	9.086	8.518	7.986	21,2	16,9	13,3	10,6
Total Fixed Assets	**32.102**	**27.266**	**35.193**	**42.588**	**50.040**	**59,7**	**65,5**	**66,6**	**66,2**
Inventories	3.634	2.965	3.666	4.326	5.097	6,5	6,8	6,8	6,7
Accounts Receivable	3.277	2.811	3.475	4.101	4.832	6,2	6,5	6,4	6,4
Total Liquid Funds	8.464	9.774	7.853	8.680	10.700	21,4	14,6	13,6	14,1
Other Current Assets	2.251	2.890	3.573	4.216	4.968	6,3	6,6	6,6	6,6
Total Current Assets	**17.626**	**18.440**	**18.567**	**21.323**	**25.598**	**40,3**	**34,5**	**33,4**	**33,8**
Balance Sheet Total	**49.728**	**45.706**	**53.760**	**63.910**	**75.638**	**100,0**	**100,0**	**100,0**	**100,0**
Liabilities						% of Balance Sheet Total			
Subscribed Capital	3.250	3.250	3.250	3.250	3.250	7,1	6,0	5,1	4,3
Share Premium	26.637	26.752	26.752	26.752	26.752	58,5	49,8	41,9	35,4
Retained Earnings & Other Reserves	3.040	-1.188	-1.039	1.239	3.967	-2,6	-1,9	1,9	5,2
Shareholders Equity	**32.927**	**28.814**	**28.963**	**31.241**	**33.969**	**63,0**	**53,9**	**48,9**	**44,9**
Minorities	0	0	0	0	0	0,0	0,0	0,0	0,0
Group Equity	**32.927**	**28.814**	**28.963**	**31.241**	**33.969**	**63,0**	**53,9**	**48,9**	**44,9**
Provisions	1.862	1.980	2.448	2.889	3.404	4,3	4,6	4,5	4,5
t/o Pension Provisions	127	131	162	191	225	0,3	0,3	0,3	0,3
Other Liabilities	14.939	14.912	22.349	29.781	38.265	32,6	41,6	46,6	50,6
Total Liabilities	**16.801**	**16.892**	**24.797**	**32.669**	**41.669**	**37,0**	**46,1**	**51,1**	**55,1**
t/o Interest Bearing Liabilities	6.768	7.192	8.891	10.492	12.364	15,7	16,5	16,4	16,3
t/o Non Interest Bearing Liab. <1Y	6.068	9.700	11.992	14.151	16.675	21,2	22,3	22,1	22,0
Balance Sheet Total	**49.728**	**45.706**	**53.760**	**63.910**	**75.638**	**100,0**	**100,0**	**100,0**	**100,0**









Key Ratios & Margins

Fiscal Year 31/12 • US GAAP	02	03	04e	05e	06e
Profitability (%)					
Gross Profit/Total Sales	48,9	46,1	48,5	48,0	47,2
EBITDA/Total Sales	20,0	20,1	19,6	21,5	20,9
EBITA/Total Sales	6,4	7,5	8,5	10,0	9,4
EBIT/Total Sales	6,4	7,5	8,5	10,0	9,4
EBT/Total Sales	2,9	6,1	7,2	8,6	8,8
Adj. Net Profit/Total Sales	1,1	-4,3	4,5	5,3	5,4
Free Cash Flow/Total Sales	-12,2	-7,4	-8,7	-5,0	-2,5
Cost-Structure (%)					
Material Exp./Total Sales	0,0	0,0	0,0	0,0	0,0
Personnel Exp./Total Sales	36,5	34,5	28,8	25,1	22,0
Marketing Exp./Total Sales	1,4	1,5	1,4	1,4	1,3
Depreciation/Total Sales	13,6	12,6	11,1	11,4	11,5
Amortisation/Total Sales	0,0	0,0	0,0	0,0	0,0
Taxes/EBT	62,2	58,4	38,0	38,0	38,0
Productivity (€)					
No. of Employees (Avg. / Year)	199	197	220	240	260
Total Sales/Employee	156.889	148.228	164.091	177.500	193.077
Personnel Exp./Employee	57.191	51.198	47.221	44.584	42.389
EBIT/Employee	10.015	11.147	13.977	17.813	18.077
Value Added/Employee	88.618	81.051	79.380	82.662	82.669
Cross Ratios (%)					
Capex/Total Sales	27,0	29,9	24,9	22,3	19,9
Inventories/Total Sales	11,6	10,2	10,2	10,2	10,2
Net Working Capital/Total Sales	9,9	-3,5	-3,5	-3,5	-3,5
Equity Ratio	66,2	63,0	53,9	48,9	44,9
Gearing	13,6	15,7	16,5	16,4	16,3
Net Debt/Equitiy	-5,2	-9,0	3,6	5,8	4,9
Net Debt/Free Cash Flow	44,5	119,0	-33,0	-85,1	-135,2
Return on Equity (net)	1,1	-4,4	5,6	7,3	8,0
Return on Capital Employed	3,6	3,3	4,5	4,9	4,2
Goodwill/Equity	36,3	33,6	31,4	27,3	23,5
Goodwill/Balance Sheet Total	24,0	21,2	16,9	13,3	10,6
EBITDA/Goodwill	52,3	60,7	77,9	107,3	131,1
EV-Based Valuation (x)					
EV/Tot.Sales	7,8	0,9	0,8	0,7	0,6
EV/EBITDA	38,7	4,7	4,1	3,4	3,0
EV/EBITA	121,5	12,6	9,4	7,3	6,7
EV/EBIT	121,5	12,6	9,4	7,3	6,7
EV/Free Cash Flow	-63,5	-12,7	-9,2	-14,7	-25,6
EV/Capital Employed	6,0	0,8	0,6	0,5	0,4
Calc. Of Capital Invested (€ '000)					
Total Fixed Assets	32.102	27.266	35.193	42.588	50.040
Accumulated Depreciation of TFA	4.907	8.592	12.592	17.456	23.228
Net Working Capital (NWC)	3.094	-1.034	-1.278	-1.508	-1.778
Capital Employed (CE)	**40.103**	**34.824**	**46.507**	**58.535**	**71.490**
Net Debt (+) / Cash (-)	-1.696	-2.582	1.038	1.812	1.664
Avg. Market Cap.	243.590	29.575	29.575	29.575	29.575
Avg. Net Debt (+) / Cash (-)	-1.543	-2.139	-772	1.425	1.738
Other Items	127	131	162	191	225
Enterprise Value (EV)	**242.175**	**27.567**	**28.965**	**31.191**	**31.538**

Concord Effekten AG
Equity Research
Große Gallusstraße 9
60311 Frankfurt am Main
Tel.: 069/50951-450
Fax: 069/50951-490

Concord Effekten AG
Equity Sales
Große Gallusstraße 9
60311 Frankfurt am Main
Tel.: 069/50951-240
Fax: 069/50951-298

Concord Corporate Finance GmbH
Große Gallusstraße 9
60311 Frankfurt am Main
Tel.: 069/50951-8202
Fax: 069/50951-8200

Concord Fixed Income
Neue Mainzer Straße 1
60311 Frankfurt am Main
Tel.: 069/50951-600
Fax: 069/50951-650

© 2003 Publisher: Concord Effekten AG, Große Gallusstraße 9, D 60311 Frankfurt. All rights reserved.

Although the information contained in this publication has been derived or obtained from carefully selected sources we believe to be reasonable and reliable, we do not guarantee its accuracy, correctness or completeness. Any opinions expressed reflect the current judgement of the author and do not necessarily reflect the opinions of the Concord Effekten AG and/or of any subsidiary or affiliate of the Concord Group and/or of any representative or employee. The opinions and estimates reflected in the report may change without notice. To the extent permitted by law, neither the author nor the Concord Effekten AG or any subsidiary or affiliate of the Concord Group accept any liability with respect to the use of this document or its contents. The report is solely for informational purposes and does not constitute and shall not be construed as an offer or solicitation, or any advice or recommendation, for buying or selling any mentioned securities. Private Customers should seek own advice and be aware that the price of and income from securities can go down as well as up and that no representation or warranty can be made regarding the future performance. The author, Concord Effekten AG and/or any subsidiary or affiliate of the Concord Group and/or any representative or employee may be holding long or short positions of securities or related securities mentioned in this report and/or may be engaging in "market-making" and/or may be acting as bankers and/or providing financial services for the issuers and/or companies mentioned in the report and/or may be represented in the board. This report and its content may not be reproduced, distributed or published for any purpose, in whole or in part, without the prior written consent of the Concord Effekten AG. By accepting this document, you agree to be bound by all of the foregoing provisions.

This document is published by request of the company described above.

Concord Effekten AG was a member of the IPO-Syndicat of the company (Lead Manager) in 1999.