ANNUAL REPORT 2001

Eckert & Ziegler

Ratios of the Eckert & Ziegler Group

		2001	Change over 2000	2000	1999
Sales	Million EUR	**32.8**	39 %	23.6	10.0
Gross earnings	Million EUR	**14.0**	47 %	9.6	4.4
EBITDA	Million EUR	**9.1**	133 %	3.9	1.5
EBIT	Million EUR	**5.2**	160 %	2.0	0.4
Profit/loss before taxes	Million EUR	**5.2**	108 %	2.5	0.02
Net income/loss for the year	Million EUR	**3.2**	159 %	1.3	- 0.1
Earnings per share	EUR	**1.00**	150 %	0.40	- 0.03
Fully diluted earnings per share	EUR	**1.00**	151 %	0.40	- 0.03
Profit for the year before share options	Million EUR	**3.0**	92 %	1.5	- 0.1
Cash flow from operating activities	Million EUR	**9.2**	174 %	3.4	2.8
Operational cash flow per share	EUR	**2.84**	166 %	1.07	1.28
Equity	Million EUR	**35.8**	11 %	32.3	13.2
Balance sheet total	Million EUR	**53.1**	5 %	50.5	25.4
Equity ratio	%	**67 %**	5 %	64 %	52 %
Book value (31. 12.)	EUR	**11.02**	11 %	9.94	4.4
Investments in tangible fixed assets	Million EUR	**7.1**	- 35 %	11.0	6.4
Employees (31. 12.)	Persons	**214**	5 %	204	139
Number of shares (31. 12.)	Item	**3,250,000**		3,250,000	3,000,000

Mission Statement

Eckert & Ziegler is dedicated to the development and production of high-quality, low-level radioactive products in profitable niche markets. In selected areas of application the company sells its products and services directly, in other areas together with strategic partners.

Dear shareholder,

Eckert & Ziegler has completed another successful year. For the fourth time in a row the company has been able to reach new heights in all its key figures: sales have increased by approximately 40 percent to about 33 million EUR and earnings by several hundred percent to 1.00 EUR per share. Compared to other companies in the industry, our growth has been strong and healthy. Eckert & Ziegler appears to be fundamentally in sound shape. I would therefore like to take this opportunity to express my thanks, on behalf of the whole Management Board, to all those that helped with this achievement.

The successful figures disguise the fact, however, that we had to cope with major adaptation processes in 2001. The rapid increases in production volume brought new administrative challenges and called for new talents on both sides of the Atlantic. Our development pipeline shrank dramatically when customers unexpectedly terminated a number of strategic cooperations. Both problems turned out to be a major challenge that made great demands on management.

The final farewell to our old role as a very small company operating purely as a components supplier required a strengthening of the staff in Berlin on both the production and the sales sides. Our subsidiary BEBIG had to set up its own sales organization with a pan-European reach to cover customers in the segment of permanent implants for treating prostate cancer. In Los Angeles the doubling of business volume brought with it new management routines and a new top management with production experience. One of the more satisfying achievements of this past year is the fact that despite all these changes we were able to achieve most of the goals that we had set out for.

Restoring the development pipeline was altogether a more complicated matter. Various initiatives designed to broaden the business activity came to nothing because sellers in this field of business had very high price expectations, or because of a lack of development potential, or of sales or engineering know-how on Eckert & Ziegler's part. This applied just as much to mature industrial fields of work as to the broadening of the oncological product portfolio to include navigated instruments. Radiochemical projects were faced not only with long periods of market introduction and development but also a colossal capital requirement.

As a consequence of all these difficulties and in light of the continuing high valuation of pharmaceutical innovations, the Management Board concentrated its search on emerging fields of business in the therapeutic field, and in the summer it actually proved possible to approve the first funds for the development of an radiola-

(From left)
Dr. Andreas Eckert,
Jürgen Ziegler,
Gerald Pohland,
Dr. Edgar Löffler

belled antibody. A few months later the decision was taken to extend this commitment and to broaden the development work. The crucial point in this subsequent step was that pre-clinical work was already well advanced and patents had been granted, which meant that with a manageable capital requirement the number of strategic action options rose at an above-average rate. Also, adopting the development strategy that had been chosen left enough time to build up complementary areas of competence and exploit existing strengths.

The paradoxical weakness of Berlin as a location for biotechnology also played a role in this decision. Although several universities and many highly reputed molecular biology institutes are concentrated in the city and its hinterland, compared with other regions, and particularly with Munich, the biotechnology industry here is still dominated by small enterprises still dependent on state and start-up phase finance. The relative absence of local competitors presented an opportunity to use outstanding research from the Max Delbrück Centre for a broading of the technological basis. Even though Eckert & Ziegler is thus pushing forward into fields of work unconnected with isotopes, its proximity to the existing business model and to the oncological product portfolio, as well as good past experience with the management of strategic alliances made this project far more attractive to the Management Board than other possibilities that had been evaluated.

The stock market is still skeptically about these decisions. However, we do not regard this as a final judgment but as the consequence of the generally prevailing atmosphere of distrust that has followed the euphoria on the Neuer Markt of preceding years that was sometimes equally misplaced. This diffidence arises not so much from the factual situation or from any lack of communication but from the simple fact that blind trust is no longer available, and only tangible results count. We hope that we will be able to furnish these in the form of alliance acquisitions or approval for clinical trials before this year is out.

Andreas Eckert

Dr. Andreas Eckert
Chairman of the Management Board

JANUARY

The first "Berlin MedTech Day", a joint initiative by Eckert & Ziegler and four other Berlin companies in the medical technology business, meets with a great response from analysts and investors from Germany and abroad.

FEBRUARY

Eckert & Ziegler signs a co-operation agreement with the "Ambulantes Operationszentrum im Ullsteinhaus", Berlin for treating prostate cancer with brachytherapy. This facilitates additional consultative and treatment capacity while promoting this treatment method.

APRIL

Introduction of the new Corporate Design throughout the Group.

MAY

A major order is received for the supply of iodine implants with a volume of 14 million EUR.

Dr. Edgar Löffler, a medical physicist, is appointed to the position of director on the Management Board.

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JUNE

Eckert & Ziegler receives a major order worth about 8 million EUR for the supply of cardiovascular components.

Eckert & Ziegler signs a contract with the world-famous Institut Curie in Paris for the supply of seeds for permanent implants against prostate cancer.

JULY

General Electric Medical Systems selects the Californian company, Isotope Products Laboratories Inc. (IPL), a wholly owned subsidiary of Eckert & Ziegler, to be its original equipment manufacturer for nuclear medicine radiation sources.

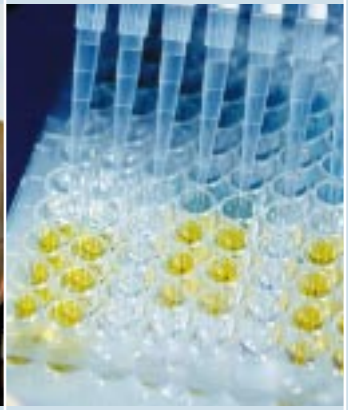
Eckert & Ziegler starts on the development of its own radiopharmaceutical products thereby consolidating its collaboration with the cancer vaccine specialist NEMOD.

SEPTEMBER

Sale of the non-strategic part of the Medical Robots Division.

Establishment of BEBIG Italia s.r.l., Milan, sales office of BEBIG GmbH for Italy.

Nigel Talboys is appointed a director of BEBIG Isotopen- und Medizintechnik GmbH assuming responsibility for the Sales and Marketing Department.



DECEMBER

Eckert & Ziegler strengthens its alliance with NEMOD and widens its product range to take in a broad portfolio of developments and patents in the biotechnological field.

The founder-director Jürgen Ziegler retires from the Management Board at the end of the year. He will continue to be available to the Group as a consultant to the Californian subsidiary IPL.

Business Divisions

Small dimensions,
big impact:
A life-size IsoSeed®

Oncology

In the field of oncology Eckert & Ziegler produces low-level radioactive implants for treating eye and prostate cancer. Prostate carcinoma is the most frequently occurring type of cancer in men, and more than 500,000 men suffer from it worldwide every year. Eckert & Ziegler produces millimeter-sized titanium tubes filled with low-level radioactive substances for brachytherapy, which is an out-patient treatment and does the minimum of harm. The tubes are implanted in the prostate, where they destroy the tumor with extreme accuracy. The advantages of brachytherapy in comparison with surgical removal of the prostate lie in its far lower side-effects. Clinical data from America that now stretches back over more than 12 years and cover more than 100,000 patients show that the chances of recovery are just as good as with the radical alternative of prostatectomy, and far fewer cases of incontinence and impotence occur. Eckert & Ziegler also produces low-level radioactive eye applicators for treating choroid melanomas.

Top:
Low-level radioactive ocular applicator for treating eye cancer

Centre:
Implantation of seeds into the prostate

Cardiology

In the cardiology field Eckert & Ziegler produces low-level radiation sources against restenosis, a renewed narrowing of the arteries.

Every year in the USA alone nearly a million arteriosclerosis patients undergo an angioplasty in which a catheter is inserted through the aorta into the closed coronary blood vessel. At the tip of the catheter there is a tiny balloon that is pumped up in order to reopen the constricted area. In one case out of four, however, the part of the vessel that has already been treated becomes constricted again, and this is called a restenosis. It can be prevented by exposing the inner wall of the blood vessel to a short period of radiation. Eckert & Ziegler is one of the world's leading suppliers of such components, and supplies the low-level radioactive sources for more than two-thirds of the systems to be found on the world market. The majority of these radioactive components are exported to the USA, where this method has established itself as the treatment of choice. It is expected that this application will be broadened in the next few years in the USA to include peripheral blood vessels. Initial clinical tests already started in 2001.

Millimeter-sized strontium sources (top) are introduced with a catheter (centre) in clogged arteries for a short time and prevent restenosis.

Nuclear Imaging

These are diagnostic procedures in medicine by which functions, metabolism, and localization are diagnosed in the patient by measuring incorporated radio nuclides. Eckert & Ziegler operates in this field mainly with calibration and reference emitters for so-called gamma cameras, single-photon emission and positron emission computer tomographs, and is the world leader with about two-thirds of the market.

The nuclear medicine procedure can be used in cases of thyroid gland disease to establish whether the problem lies in an over-function or an under-function of the gland and whether any nodules are benign or malignant.

Positron-emission tomography is the most modern nuclear medicine process for obtaining cross-sectional images and allows metabolic processes to be identified and visualized without external intervention into the body. In this way, for instance, it can be established at a very early stage whether chemotherapy or radiation will bring about the desired result in a cancer patient. Positron-emission tomography now enables a large number of cancer, heart disease, and Alzheimer cases to be diagnosed, so this imaging process will gain in significance in future.

With PET scanners it is possible to make metabolism processes in the body visible.

Eckert & Ziegler supplies the calibration sources for these diagnostic devices.

Industry

Radioactive components are used in various sectors of industry to measure thickness, density, and similar physical dimensions.

Radioactive components produced by Eckert & Ziegler are used in the industrial field for control and instrumentation purposes. More than 400 engineering companies worldwide use encapsulated radioactive sources in their highly specialized measuring instruments so that they can measure thickness, density, and similar physical dimensions even under extreme conditions. The fields of use include the iron and steel industry, power generation, defense and security technology, plant engineering, and the chemical industry. The Viking space probe was equipped about four years ago with Eckert & Ziegler X-ray fluorescence sources for space material studies.

Radioactive components are also used in environmental protection. For instance, it is possible in this way to analyze the lead content of wall paint, and in the petroleum extraction industry radiometric instruments can measure the density of sediment. Neutron probes are used in the construction industry to measure the moisture content and density of layers of concrete, and encapsulated radioactive sources are used for determining the ash content of coal, a figure from which its calorific value can be calculated.

Radiopharmacology / Biotechnology

In the development field of radiopharmacology Eckert & Ziegler is concentrating its efforts on building up a portfolio of convincing product candidates that can later be transferred with strategic partners into clinical trials and possibly licensed to them as well. The organization of the work is being concentrated within an affiliated company called NEMOD Immuntherapie AG. One development priority is a way of treating carcinomas, a frequently encountered kind of tumor. Other products are aimed at leukaemia and immuno-suppression.

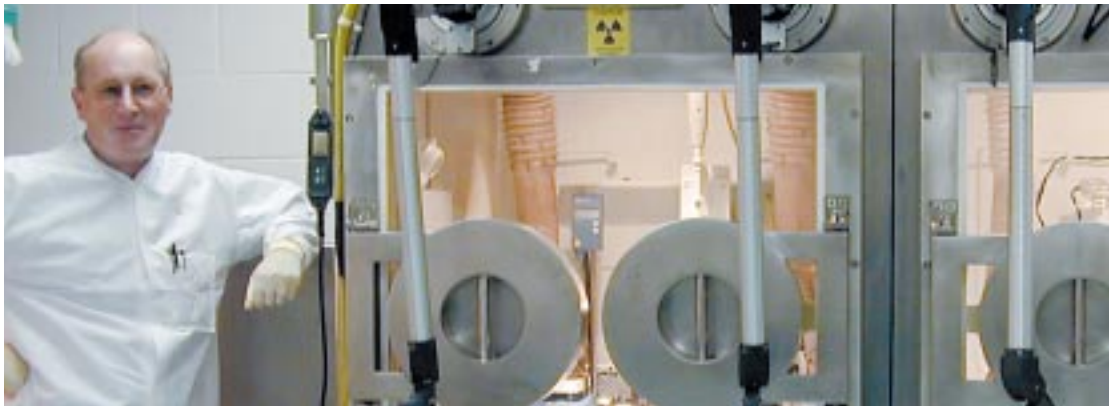
Technologically speaking, these efforts are being concentrated on the preparatory work on antibodies both with radioactive marking and "naked", and also vaccines. The laboratories are also creating immunology tools that pharmaceutical and biotechnology companies can use for measuring the incompatibility of their medications. This includes the first fully functional dendritic cell lines.

A new field of application for radioisotopes: labelling antibodies for cancer therapy.

Group Management Report



Eckert & Ziegler was able to meet its plan targets during the period of time covered by these accounts and to achieve powerful sales growth in all Group companies. We regard this success as a good basis for further growth.



In the USA Eckert & Ziegler produces industrial and calibration sources.

Development of the Business

For the fourth time in succession Eckert & Ziegler has achieved huge gains on all the key dimensions: sales rose from just under 24 million EUR last year by about 40 percent to about 33 million EUR, and profits multiplied to about 1.00 EUR per share, bringing them up into the range of the expectations presented at the beginning of the year. Sales came well ahead of plans because of the favorable exchange rate of the US Dollar.

The year was dominated on the Berlin side by the conclusion of the start-up phase which had lasted many years and during which Eckert & Ziegler had for the first time been able to build up its own well-balanced production capacity in its subsidiary companies BEBIG and Eurotope with the help of investment grants from its strategic partners and with the security of very substantial distribution contracts covering many years. With the completion of the last of its production lines, likewise helped by grants from customers, and with a consolidation of its position on the market for medical radiation sources, the main priority in day-to-day business shifted from questions of development and plant construction to such matters as production, distribution, and marketing.

The development from a start-up into a mature corporation went hand-in-hand with a transfer of responsibility to people who had already gained experience in larger organizations. There was also a change in the Management Board; Jürgen Ziegler, one of the founders, left at the end of the year and handed over his responsibilities to Dr. Edgar Löffler, who had been appointed to the Board back in May on the strength of his many years of industrial experience and in light of the new challenges. He will in future be responsible for the radiation-source business and thus for all the divisions except for radiopharmacology.

The transition from the start-up to the consolidation phase did not come unexpectedly, but in some areas it arrived more quickly than anticipated. In the case of permanent implants for the treatment of prostate cancer it had already been foreseeable in 2000 that worldwide production capacity would soon match and then exceed demand, but in the area of cardiovascular radiation the Board had been expecting further plant construction and an expansion of production capacity. The publication of impressive clinical findings on alternative processes and the resultant swift termination of key development cooperation arrangements therefore came as a surprise to the cardiology division. Management was compelled to cut back on capacity and to make the relevant write-downs.

On the American side, at Isotope Products Laboratories, the focus in 2001 was the integration of the radiation-source business acquired from DuPont Pharmaceuticals Company. Merging the two business divisions made relocating into a new and larger production building unavoidable, and this was done towards the end of the year. The preparations for the move, the additional requirements resulting from the surge in sales, and the integration and transfer of DuPont customers necessitated permanent changes in organizational structures and procedures, and also made heavy demands on the Eckert & Ziegler Management Board that a new American management team was installed towards the end of the year. Its members have many years of experience in the management of larger production units.

Inactive titanium tubes are checked visually before being given their radioactive charge.

Developments in the individual Business Divisions

Oncology: For the oncology division, 2001 was dominated by radical changes in the American market for permanent implants. Several entries by market newcomers and capacity increases that competitors had announced long in advance changed the situation of excess demand into one of excess production capacity. This shift in the balance of forces permanently changed the relationships with various marketing partners. It became more difficult for Eckert & Ziegler to obtain appropriate terms and conditions from its customers. With final consumer prices for permanent implants tending to fall, some marketing partners raised their expectations regarding flexibility in prices and delivery. As a supplier from outside the USA, with long freight distances and in the case of some products with unfavorable prices of raw materials as well, Eckert & Ziegler was not always in a position to meet these requirements and to bring its terms and conditions into line with changed expectations. In one case the outcome was litigation over the validity of a long-term agreement that led to the termination of a strategic partnership and the payment to Eckert & Ziegler with immediate earnings impact of damages of 2.6 million EUR.

On the European market the number of competitors remained small because of the complex approval process and the higher cost of the marketing requirements. Eckert & Ziegler has been concentrating on extending the direct-selling organization that it had already set up the previous year so that its own sales people can contact hospitals and doctors. This sales force, and the distributors who were still being used, enabled it to supply the growing European market with about one-third of all implants. Numerous clinical partners, including highly respectable key national hospitals, were recruited under long-term contracts. In the OEM field it also proved possible to hand over a production line that will likewise ensure service and rental income for a long time to come. Worldwide sales and other income in the field of oncology products, which also include applicators for treating eye cancer, thus came to a total of 5.9 million EUR in the year under review. Compared with the preceding year this was equal to an increase of about half again (+51 percent).

Cardiology: The most radical event in the field of cardiovascular products was the announcement from a competitor of success in the clinical trials of an alternative process in which no radioactive components have to be used. The potentially easier market introduction and simpler application of this restenosis prevention led to the relevant strategic partners terminating the existing joint development arrangements and consequently to a significant reduction in the capacity of the subsidiary company Eurotope GmbH in plant engineering and development. The Management Board does not believe that interest will revive within the foreseeable future in new radioactive components for cardiovascular purposes.

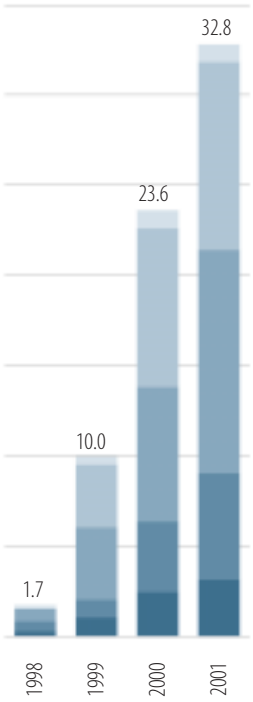
Current business with existing customers was fortunately not affected by these competitors' announcements. Sales here rose above the previous year's level and it even proved possible to secure medium-term sales with new and more extensive supply contracts. Total sales of cardiovascular products for treating restenosis came to 3.1 million EUR, which is equivalent to a sales increase of about 29 percent.

Before being loaded with low-level radioactive seeds, each radiation-proof transportation container is identified with its individual batch number.

Nuclear Imaging: The Group was able to achieve sales of products in the nuclear imaging field of 10.4 million EUR, an increase of about 18 percent over the previous year, and thus to strengthen its position on the world market to about two-thirds of the total. The improvement in the market position largely resulted from the merging of the former IPL production with the newly acquired DuPont Business Division. The merger also facilitated substantial economies of scale and the conclusion of a large number of long-term supply contracts.

Industry: The sales of industrial products rose by 64 percent over the previous year's level and reached 12.4 million EUR. Here again it was primarily the merging of the former IPL production with the DuPont Business Division that made itself noticeable; this business had only been consolidated in the second half of the year. An additional factor was that one competitor suffered delivery difficulties.

Sales by Business Divisions (Million EUR)



Development and Technology

Eckert & Ziegler has traditionally carried out most of its development work jointly with partners, so the termination of strategic projects in the field of cardiovascular radiation sources (see above) forced the whole development effort to look for a new orientation. Continuing the projects autonomously, without a partner, was neither technically possible nor advisable from the point of view of risk management.

Part of the development resources are therefore being concentrated onto other activities: On the one hand a number of planned process improvements are being brought forward, on the other hand development teams are being strengthened that are working on expanding the product portfolio in the oncological field. Some of the capacity had to be eliminated completely, and the appropriate write-downs have been applied to production plants that had already been constructed. The remainder of the development capacity was transferred to the new radiopharmacology division.

The Management Board had already been endeavoring back in the middle of 2000 to recruit people with experience in molecular biology to the Group. Their know-how would enable a new generation of improved cancer medications to be developed in which the radioisotope could be transported with accuracy into the heart of the tumor with the aid of carrier proteins (antibodies). The point of entry around which this work is to crystallize is a group of projects at the Max Delbrück Centre for Molecular Medicine in Berlin for which patent protection has already been obtained and which could be taken over relatively simply by transferring the relevant personnel.


The seeds are filled into a magazine for radiation-proof handling and then transported to the customer in a container.

In order to be able to benefit from public start-up finance and assumption of risk the knowledge transfer was organized through the incubator company NEMOD Immuntherapie AG, which is linked to Eckert & Ziegler through cooperation contracts.

Towards the end of the 2001 financial year it began to emerge that the potential of the molecular biology development group, which by now had grown to 25 scientists, went beyond radiolabelled antibodies. The Management Board therefore decided to make up to 10 million EUR available for the development of additional clinical candidates over the next two years (2002 and 2003). As these are long-term investments the value and durability of which cannot be established until several years of development and testing have gone by, the Board has ruled that all the costs incurred are to be treated immediately as expenditure. Thus the only risks to the balance sheet arising from the commitment to this field will be capitalized fees of 500 TEUR for various patents licensed exclusively from NEMOD Immuntherapie AG.

Eckert & Ziegler is thus able not only to open up a new field of business but also to bring in parts of its infrastructure and experience from other areas of business. This affects, amongst other things, strategic corporate development and project management.

The intermediate goals in the development of the new cancer treatments will be successful Phase I clinical trials and the acquisition of strategic alliances.

Asset, financial, and profit situation

With earnings after tax of 3.24 million EUR, Eckert & Ziegler achieved its 2001 profit target. However, this result was greatly influenced by non-recurring items. Certain aspects were planned such as the 2.63 million EUR received from the out-of-court settlement with a customer, but some were unforeseen such as the non-scheduled write-down of production equipment of 600 TEUR (net) or the book-value profits from issuing stock options totaling 289 TEUR (2000: a write-down of 281 TEUR) which came from the fall in value of the shares.

If these non-recurring factors are netted out, it can be seen that the EBIT reached 2.9 million EUR compared with 2.3 million EUR in 2000, which meant that it rose more slowly than sales (+25 percent, against +39 percent for sales). The main reason for this was the greatly disproportionate rise in sales costs, which went up by 90 percent from 1.55 million EUR to 2.94 million EUR. This reflects the costs of setting up a direct-sales force to sell permanent implants for the treatment of prostate cancer in Europe. The increase in research and development costs was likewise disproportionate, and the cause of this was Eckert & Ziegler's new and additional commitment to the development of radioactively marked antibodies.

Cash flow followed a satisfactory trend during the 2001 financial year. The inflow of cash from operational activities totaled more than 9.3 million EUR, which was nearly triple of the previous year's figure. The 2.6 million EUR damages played an important part, as did the 2 million EUR that came in from public and private investors. This inflow of liquidity helped to finance about 9 million EUR in investments, although for the reasons just men-

tioned some of this had to be written off again immediately. The value of assets on the closing date for the accounts thus only went up by 1.3 million EUR or 4 percent. The increase in stocks was largely cancelled out by a reduction in trade accounts receivable. The changes in the other asset items did not display any unusual features.

In total, and despite the high rate of investment, the sum total of liquid assets rose by about 1 million EUR above the figure as of December 31, 2000. Adding in the portfolio of immediately available securities shows that as of December 31, 2001 about 8.2 million EUR of liquid assets were available.

Risk report

General: Eckert & Ziegler is attempting to handle its business risks with various instruments. The Management Board regularly holds risk management meetings at which the main risks to assets and profits of the Group and its subsidiaries are presented and discussed. Various strategies are pursued in order to identify these risks. These include formal procedures such as manager panels as well as regular surveys of the market and the competition, the evaluation of scientific literature, and the analysis of customer complaints, cost and sales statistics, and suchlike. In those cases in which there is a high probability of an event combines with serious commercial ramifications, the Management Board ensures that risk-reduction measures are taken and contingency plans drawn up.

Risk management also includes detailed annual sales and cost planning, with which managers can identify the variables well in advance that are critical to the profit situation and to examine the financial consequences of a number of possible scenarios. The Supervisory Board, to which all the main decisions are presented, explained, and submitted for approval, and which is informed regularly about the Group's commercial development, acts as a further element in protection against risk.

Business environment and industry risks: As a specialist in radioactive components Eckert & Ziegler operates in fields of business that may be closely related technologically but that only correlate to a limited extent in terms of the market. This heterogeneity reduces the risk that competitors could bring in new and better products and destroy the company's whole basis. As the events in the field of cardiovascular radiation sources showed in 2001, the break-neck pace of technical change means that the company must be on constant watch to see whether the competition's improved processes and efforts might tear away its established markets. This applies not only to the activities of competitors within the industry but also to the efforts of outsiders. They often try to take market shares away from radioactive products with the inactive functional equivalents that consume less time and money in handling and in the obtaining of approval. One Director's division within Eckert & Ziegler concentrates constantly on building protection against this threat by identifying and setting up new fields of business. The risk does remain, however, that such efforts do not lead to success and that new fields of business can only be developed too late, or inadequately, or not at all.

Sales risks: On the operational side the greatest sales and profit risks are connected to the growth of the European market for permanent implants for the treatment of prostate cancer.

This new treatment method is still in an introductory phase in the European countries, and there is not yet sufficient clarity about reimbursement rates by health maintenance organizations. The risk exists that cost reimbursement will not be introduced as planned, that the market for other reasons fails to develop in the way that the Management Board has foreseen, or that competitors achieve far greater success with better products or market introduction strategies. In the same way there are oligopolistic market structures in many sub-segments of the nuclear medicine and industrial markets in which the disappearance of major customers can have perceptible ramifications on the profit and sales situation. Eckert & Ziegler is endeavoring to hedge the sales risks by means of mid-term and long-term supply contracts, but can not guarantee that it will always continue to be successful in the future.

Personnel risks: Eckert & Ziegler is highly dependent in many areas of its business on the specialist knowledge of its employees. Particularly in the building up of new fields of business, and also in sales and in development, it needs the knowledge and technical competence of a small number of highly qualified key employees. Despite a substantial level of profit-sharing and competitive salaries, Eckert & Ziegler cannot guarantee that these employees will remain with the company and demonstrate the necessary kind of commitment. The personnel risk is particularly severe in the new development fields mainly dominated by molecular biology.

In order to minimize the risk of the loss of talented employees the company endeavors to provide adequate remuneration, a pleasant working atmosphere, suitable health and radiation protection, modern production and office equipment, and flexible working hours. The company has also introduced a share option program in order to increase long-term loyalty.

Financial risks: The monitoring and control methods used for avoiding financial risks include the use of such instruments as the annual financial plan and a fine-mesh analysis of deviations from plan. This allows risks to be recognized at an early stage and the appropriate countermeasures to be initiated. In the financial field it has been decided to dispense widely with derivative instruments, and instead use is made of conservative investment and hedging facilities. Because of the high proportion of export sales there is a certain level of dependence on the exchange rate of the US Dollar, but as the sales of the subsidiary company in the USA are made in US Dollars and matched by costs in US Dollars there is no margin problem when exchange rates move. These changes only impact on the conversion of IPL's US Dollar earnings as part of the Group consolidation, and thus on Group earnings. The foreign currency sales of the German companies are partly hedged with futures trades. Plans are based on cautious assumptions regarding the development of foreign currency exchange rates.

Other risks: The other risks faced by Eckert & Ziegler are similar to those faced by any production company and also include the risk of being unable to buy in all the raw and auxiliary materials at the right time and in the necessary quantities. This risk can be reduced by holding stocks and setting up alternative sources of purchasing, but it can never be eliminated altogether. When the products are being dispatched all over the world, in many cases as hazardous materials,

Eckert & Ziegler is dependent on third parties' specialist transport services. As the events of September 11, 2001 show, it cannot be guaranteed that these services can always be maintained in their existing form. Official licenses and approvals are necessary for the production and dispatch of many products, and Eckert & Ziegler can only exert an indirect influence when these have to be issued or renewed.

Supplementary report

In the first months of the new financial year Eckert & Ziegler has been concentrating its efforts on the efficiency and quality improvement program of its American subsidiary company Isotope Products Laboratories, on the extension of its clinical and commercial capacity in the molecular biology field, and in strengthening its position on the European market for permanent implants for the treatment of prostate cancer. A highly respected group of French urologists and new centers in Portugal and Germany were added to the group of long-term partners.

An equity participation contract has been negotiated with NEMOD Immuntherapie AG providing for milestone payments to Eckert & Ziegler totaling up to 10 million EUR over the next two years. A separate option contract has also been negotiated that will later allow Eckert & Ziegler to convert some of this equity into a majority of the shares in NEMOD. At the time when this report went to press, both reports were in the hands of the respective bodies and awaiting signature.

Outlook

Despite the worldwide recession and the consolidation of the isotope business in some segments of the market, Eckert & Ziegler remains confident that it will once again be able to achieve double-digit sales growth in 2002. One of the contributors to this increase will be the growth, stimulated by the expected approval by health funds in several countries in the European market for permanent implants for the treatment of prostate cancer. As radioactive radiation sources can be used as components in high-precision instrumentation, we are expecting one of the consequences of September 11, 2001 to be additional impetus in the special market for security equipment. Another contributor will be in the field of nuclear imaging, because the inclusion of a number of the newer nuclear medicine imaging processes such as the so-called PET scan in the accounting catalogs of the American health plans is opening up considerable growth potential.

On the profit side the Management Board is expecting that the development expenses that will be incurred on the new molecular biology cancer medications will cause profits in 2002 to drop back to about 0.30 EUR per share. Without this expense, earnings would be in line with those in 2001, and this would be equivalent to doubling the operating profit because in 2001 a very substantial contribution to profits came from the above-mentioned special payment, and this cannot be expected to recur. By way of compensation, however, a large number of costs will not recur in 2002 such as those resulting from the integration of the DuPont business, the non-scheduled writing off of assets, and the reduction in goodwill amortization resulting from changes in US GAAP rules. The IPL efficiency program is also expected to achieve cost reductions.

Employees

On December 31, 2001 there were 214 people employed in the Eckert & Ziegler Group (2000: 204). The headcount thus increased during the year under review by about 5 percent.

Personnel costs in the Group in 2001 came to 11.2 million EUR (2000: 8.6 million EUR). The increase of 2.6 million EUR came primarily from the increased numbers employed and from profit-related salary components. The average cost of employing each person was 52,500 EUR.

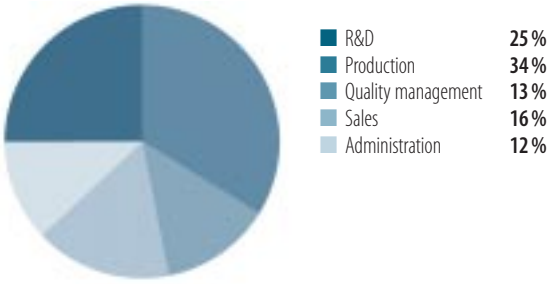
The Prostate Cancer Products Team was enlarged as part of the process of focusing on direct selling in the oncology division. There was also an increase in the numbers employed at the Los Angeles location in the industrial and nuclear imaging divisions.

The continual further training of employees is one of the essential elements in our growth strategy. Eckert & Ziegler offers its employees the possibility of increasing their personal technical knowledge on internal and external courses. Examples of this are advanced training courses on such subjects as safety, quality management, medical products, hazardous substances, and EDP. At the Berlin location alone more than 80 percent of the employees took part in internal seminars and about 45 percent of them in external ones. In the Group as a whole more than 95 TEUR was invested in external training activities.

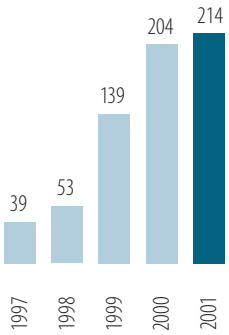
The share option program AOP1 has been running for more than three years now, and the third tranche of 50,500 shares has been issued to a total of 43 specialists and managers. The aim of this profit-sharing program is to enable our employees to participate in the long-term success of the company and to increase the attractiveness of our company to highly qualified applicants.

We would like to thank the employees for their hard work and loyalty to the company. Their efforts and motivation were the basis for the good financial year we enjoyed in 2001.

Employees by department



Trend in headcount



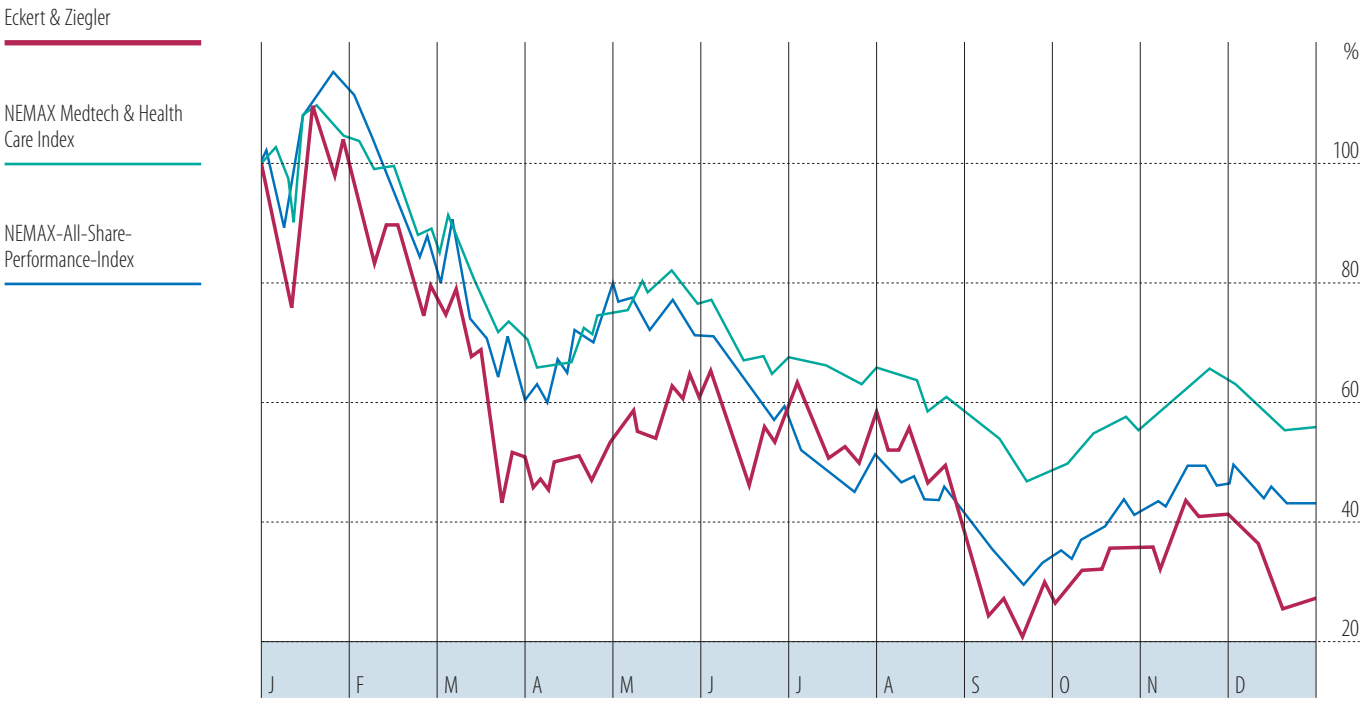
The Share

Since its successful floatation on the stock exchange in May 1999 the shares of Eckert & Ziegler have been listed on the Neuer Markt in Frankfurt and all the German regional stock exchanges. In addition to this they can be traded fully electronically on the Xetra trading platform. No changes in the capital were made during the year under review. It proved possible to finance all necessary investments in future-oriented markets and products from the Company's own resources. The company's basic capital therefore remained unchanged at 3,250,000 EUR. Although the shares have been taken into the portfolios of a number of major investment funds the company's outstandingly good development during the year under review was not reflected in the changes in its share price.

Share development

2001 was dominated by the cooling of the world economy and characterized by a difficult stock exchange environment in which share prices mainly developed sideways or downwards. Not even Eckert & Ziegler shares were able to escape this trend, and moved almost throughout the year in line with the fluctuations of this difficult market environment.

Following a highly volatile movement right at the start of the year, Eckert & Ziegler shares had already reached their high for the year on January 17, at 56 EUR, but as with most of the share indices this was followed by a long downward trend. It was not until the record results of the previous year and a number of other successes were announced during the subsequent months that the price



went through a long phase of recovery and consolidation from the end of March onwards.

Despite the presentation of good half-year results the share lost value disproportionately from the middle of August onwards when competitors for the first time reported on successful clinical trials for an alternative process for treating restenosis, and this trend was intensified by the general decline in the stock market following the Attack on America on September 11. The share price recorded a historic low of 10.50 EUR on September 21 which for a time even brought the company's market capitalization down below the book value of its equity capital.

In parallel with the movements of the Neuer Markt, a continuous upward trend then set in that was not interrupted until the investment plans for the biotechnology field were announced.

Outlook

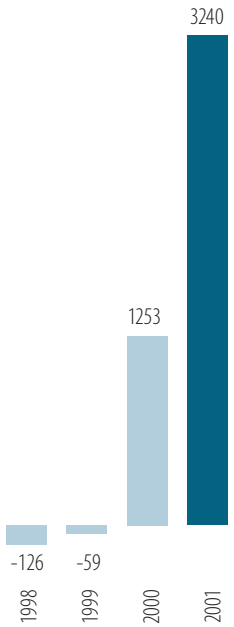
Because of the sound state of the company's balance sheet and its good market position, major analysts are categorizing Eckert & Ziegler shares as undervalued. Many investors saw no profound or fundamental reason for the movement in the share price during 2001 and have in the meanwhile exploited the low valuation as a worthwhile investment opportunity. The most recent share price before this Annual Report went to press confirms this trend: on March 5, 2002 the share was already trading again at 15 EUR. Compared with the price at the end of last year this was equivalent to an increase of approximately 10 %.

Shareholder structure

The biggest shareholders as of December 31, 2001 were Eckert Consult GmbH with 38.8 percent and Jürgen Ziegler with 22.9 percent. The free float was thus 38.3 percent.

Eckert Consult GmbH	38.8 %
Jürgen Ziegler	22.9 %
Freefloat	38.3 %

Net income/loss for the year (US-GAAP/TEUR)



Key data on Eckert & Ziegler shares in 2001 based on US-GAAP

Securities identification number (WKN in German)
565 970

International Securities Identification Number (ISIN)
DE 0005659700

Stock exchange symbols
EUZ.NM (Bloomberg)
EUZG.DE (Reuters)

Trading segment
Neuer Markt Frankfurt

NEMAX-Branchenindex
Nemax - Medtech & Health Care

CDAX-Branchenindex
CDAX Pharmaceutical & Health

Basic capital (31.12.)
3,250,000 EUR

Bearer unitary shares (31.12.)
3,250,000 shares

Share price (31.12.)
13.70 EUR

Market capitalization (31.12.)
44.525 million EUR

High / low for the year
57.40 / 10.50 EUR

Earnings before interest and tax (EBIT)
5.2 million EUR

Net profit for the year
3.2 million EUR

Earnings per share
1.00 EUR

Investor Relations

Eckert & Ziegler always endeavors to maintain an open, trusting, and up-to-date dialog with participants on the capital market. We adhere to our basic principle of enabling private investors to have the same level of information as institutional investors and analysts by using various media in which the Internet plays a vital role. Those who are interested in the company will find the latest news, share price, analyses, chats, press extracts, the persons to contact in the various research teams, and of course background information on the company group at www.ezag.de. Our website offers a facility for shareholders to register for our Investor Relations distribution list on which all company reports and releases are published. The increase in the number of visits to the site compared with last year's figure of about one-third shows us that shareholders are using this source of information more and more. Capital market participants have been informed promptly through nearly 20 ad hoc and press bulletins about important company events. We explained background information backing up the ad hoc announcements in telephone conferences.

In January 2001 the first Berlin MedTech Day took place that we had helped to initiate, and gave investors and analysts an opportunity to gain a concentrated dose of information and make contacts. Because of the good response we repeated this event at the beginning of 2002 and are planning to continue this forum in future years. We also informed institutional investors and analysts directly at individual presentations separately from the Berlin MedTech Day about the business development of Eckert & Ziegler and its corporate strategy.

The DZ Bank added Eckert & Ziegler to its coverage during the year under review, and in October published a comprehensive study with a purchase recommendation. The number of analysts was also widened further with the Landesbank Baden-Württemberg.

In May Eckert & Ziegler was nominated at the "IPO Management Award" for the "Best Investor Relations" category and placed by the judging panel in 12th position. This company prize is awarded by Financial Times Deutschland and

Inactive ocular applicators are subjected to a radioactive charge under strict quality control.

the Monitor Group to the best of 280 stock exchange newcomers. Eckert & Ziegler's ad hoc announcement on January 24 was chosen by the financial magazine Börse Online campaign as the best compulsory announcement for January 2002.

Environment and safety

Eckert & Ziegler commits itself to people and their health with innovative medical products. It is fully in line with our definition of ourselves and with our philosophy "We care for you" to preserve Nature as the basis of life for the present generation and all future generations. We regard it as our job and our obligation constantly to reduce the dangers and risks that could arise from the production, storage, transportation, sale, application, use, and disposal of our products. Handling radioactive substances requires particularly stringent safety regulations.

European Directive 96/29/EURATOM was implemented with effect from August 1, 2001 in the German Radiation Protection Ordinance, which requires a further reduction in permissible dosage limits for persons exposed to radiation in their work. Eckert & Ziegler is keeping its radiation levels down to only a fraction of even these new statutorily prescribed limits.

The number of Radiation Safety Officers at the Berlin location has risen by more than 20 percent to a new total of 16. All production staff are trained regularly in all aspects of radiation protection at extensive internal and external seminars. The costs of radiation prevention at the Berlin location have increased by 14 percent and now stand at 338,149 EUR.

We adhere to high standards in plant safety just as automatically as we ensure the safety of our products. All production plants and laboratories are inspected regularly by the German technical safety organization TÜV and other external inspection organizations.

Consolidated Financial Statements

Consolidated Statements of Income
Years ended December 31

(Amounts in thousands except net earnings per share)		
	2001	2000
	EUR	EUR
Net sales	**32,830**	23,614
Cost of goods sold	**- 18,788**	- 14,038
Gross profit on sales	**14,042**	9,576
Selling expenses	**- 2,943**	- 1,549
General and administrative expenses	**- 7,685**	- 5,386
Research and development expenses	**- 854**	- 423
Amortization of goodwill	**- 607**	- 332
Operating income	**1,953**	1,886
Interest income and expenses, net	**- 32**	462
Gains / losses on currency exchange rates, net	**123**	67
Other income / expenses, net	**3,149**	87
Income before income taxes (and minority interests)	**5,193**	2,502
Income tax expense	**- 1,953**	- 1,257
Income before minority interests	**3,240**	1,245
Minority interests	**–**	8
Net Income	**3,240**	1,253
Net earnings per share		
Basic	**1.00**	0.40
Diluted	**1.00**	0.40
Weighted average number of shares outstanding (basic)	**3,250**	3,146
Weighted average number of shares outstanding (diluted)	**3,254**	3,161

The accompanying Notes are an integral part of these statements.

Supplemental Disclosures
(ref. to Consolidated Statements of Cash Flows, page 31)

(Amounts in thousands)		
	2001	2000
	EUR	EUR
Cash paid for interest, net of amounts capitalized	**449**	756
Cash paid for income taxes	**770**	595
Equipment acquired under capital leases		357
Issuance of note payable for assets acquired		
– Medtronic	**–**	1,038

The accompanying Notes are an integral part of these statements.

Consolidated Statements of Cash Flows
Years ended December 31

(Amounts in thousands except net earnings per share)		
	2001	2000
	EUR	EUR
Cash flows from operating activities:		
Net income	**3,240**	1,253
Adjustments for:		
Depreciation and amortization	**7,575**	2,921
Proceeds from grants less release of deferred income from grants	**- 1,668**	2,703
Deferred income taxes	**- 19**	85
Impact on income of stock option plan	**- 289**	281
Unrealized foreign currency gains	**- 634**	-
Impact of foreign currency rate changes on operating cash flows	**27**	- 8
Changes in long-term accruels and other long-term liabilities	**639**	140
Gain (-)/loss on the sale of subsidiaries and equity investments	**- 342**	18
Gain (-)/loss on the disposal of property, plant and equipment	**22**	–
Change in accrued interest, net	**19**	120
Others, net	**14**	- 243
Changes in short-term assets and liabilities:		
Accounts receivable	**1,288**	- 3,801
Inventories	**- 1,520**	- 1,311
Prepaid expenses and other current assets	**- 148**	143
Accounts payable and accounts payable to affiliates	**- 63**	973
Accrued income taxes	**1,205**	269
Other accrued liabilities	**- 149**	1,427
Deferred income	**217**	- 405
Other liabilities	**- 173**	- 1,198
Net cash provided by operating activities	**9,241**	3,367
Cash flows from investing activities:		
Acquisitions, net of cash acquired	**–**	- 14,921
Proceeds from the sale of subsidiaries net of cash sold	**- 82**	–
Additions to intangible assets and property, plant and equipment	**- 8,718**	- 8,418
Purchase/sale of investments	**- 131**	332
Purchase of securities	**- 1,039**	- 8,804
Proceeds from the sale of marketable securities	**1,042**	11,571
Other	**43**	- 234
Net cash used in investing activities	**- 8,885**	- 20,474
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	**–**	17,290
Proceeds from long-term borrowings	**74**	2,611
Repayment of long-term debt	**- 219**	- 323
Change in short-term borrowings	**663**	- 98
Net cash provided by financing activities	**518**	19,480
Effect of exchange rates on cash and cash equivalents	**121**	11
Net increase in cash and cash equivalents	**995**	2,384
Cash and cash equivalents at beginning of period	**3,453**	1,069
Cash and cash equivalents at end of period	**4,448**	3,453

The accompanying Notes are an integral part of these statements.

Consolidated Balance Sheets December 31
Assets

(Amounts in thousands)

	2001	2000
Assets	EUR	EUR
Current assets		
Cash and cash equivalents	**4,448**	3,453
Marketable securities	**3,751**	3,768
Accounts receivable, less allowance for doubtful accounts	**3,930**	5,102
Receivables from related parties	**772**	353
Inventories	**4,636**	3,154
Deferred income taxes	**261**	257
Prepaid expenses and other current assets	**303**	688
Total current assets	**18,101**	16,775
Non-current assets		
Property, plant and equipment, net	**19,658**	18,636
Intangible assets, net	**6,180**	5,958
Goodwill, net	**8,371**	8,476
Long-term investments, net	**202**	71
Notes receivable, related parties	**68**	119
Deferred income taxes, long-term	**5**	9
Other loans	**488**	454
Total non-current assets	**34,972**	33,723
Total assets	**53,073**	50,498

Consolidated Balance Sheets December 31
Liabilities and shareholders' equity

(Amounts in thousands)

	2001	2000
Liabilities and shareholders' equity	EUR	EUR
Current liabilities		
Current portion of long-term capital lease obligation	**58**	55
Current portion of long-term debt and short-term notes payable	**814**	916
Accounts payable	**1,790**	1,859
Prepayments received	**38**	214
Accrued liabilities	**2,408**	2,543
Deferred income from grants and other deferred income	**1,155**	1,022
Income taxes payable	**1,663**	430
Deferred taxes	**38**	–
Other current liabilities	**434**	592
Total current liabilities	**8,398**	7,631
Non-current liabilities		
Long-term debt, less current portion	**3,279**	4,197
Long-term capital lease obligation, less current portion	**219**	261
Deferred income from grants and other deferred income	**3,028**	4,697
Deferred taxes	**802**	606
Accrued pension liabilities	**92**	86
Other non-current liablities	**1,409**	747
Total non-current liabilities	**8,829**	10,594
Shareholders' equity		
Common stock	**3,250**	3,250
Additional paid-in capital	**26,637**	26,926
Retained earnings	**4,435**	1,195
Accumulated other comprehensive income	**1,524**	902
Total shareholders' equity	**35,846**	32,273
Total liabilities and shareholders' equity	**53,073**	50,498

The accompanying Notes are an integral part of these statements.

Consolidated Statement of Changes in Shareholders' Equity December 31, 2001 and 2000

(Amounts in TEUR except per share data)

	Common stock		Additional		Accumulated other	Total
	Shares	Nominal value	paid-in Capital	Retained earnings	comprehensive income	shareholders' equity
Balance at December 31, 1999	3,000,000	3,000	9,431	- 58	784	13,157
Issuance of common stock in public offering	250,000	250	17,375			17,625
Offering cost (net of TEUR 174)			- 161			- 161
Stock-based compensation (stock option plan)			281			281
Net income				1,253		
Other comprehensive income:						
Unrealized gains and losses on investments in certain debt and equity:						
Unrealized holding losses as of December 31, 2000 (net of taxes of -13 TEUR)					- 17	
Less: Reversal of unrealized gains as of December 31, 1999					- 138	
Foreign currency translation adjustment					273	
Total comprehensive income						1,371
Balance at December 31, 2000	**3,250,000**	**3,250**	**26,926**	**1,195**	**902**	**32,273**

(Amounts in TEUR except per share data)

	Common stock		Additional		Accumulated	Total
	Shares	Nominal value	paid-in Capital	Retained earnings	other comprehensive income	shareholders' equity
Balance at December 31, 2000	3,250,000	3,250	26,926	1,195	902	32,273
Income from stock option plan			- 289			- 289
Net income				3,240		
Other comprehensive income:						
Unrealized gains and losses on investments in certain debt and equity:						
Unrealized holding losses as of December 31, 2001 (net of taxes of -17 TEUR)					- 26	
Less: Reversal of unrealized losses as of December 31, 2000					17	
Foreign currency translation adjustment					631	
Total comprehensive income						3,862
Balance at December 31, 2001	**3,250,000**	**3,250**	**26,637**	**4,435**	**1,524**	**35,846**

The accompanying Notes are an integral part of these statements.

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin (hereinafter called "Eckert & Ziegler AG" or "the Company") is one of the world's leading companies in the development, testing, manufacture, and marketing of low-level radioactive radiation sources used in the treatment of cancer and cardiovascular diseases. Existing fields of application are prostate cancer, eye cancer, and arteriosclerosis, where short-term low-level irradiation, known as brachytherapy, can achieve considerable successes in treatment compared with conventional methods. This minimally invasive surgery reduces side effects and treatment costs.

The second main business area consists of radioactive radiation sources for use in highly specialized measuring instruments and scientific applications.

The Company operates in a market characterized by rapid technological progress, heavy research expenditure, and constantly new scientific discoveries. This market is also subject to supervision by federal, state, and local authorities, the bodies responsible for this supervision being the "Landesamt für Arbeitsschutz, Gesundheitsschutz und technische Sicherheit", Berlin, "CETECOM", Essen, "RWTÜV", Essen, and the corresponding American organizations such as the FDA (Food and Drug Administration) and the NRC (Nuclear Regulatory Commission). The Company is therefore directly affected by changes in technology and products as they may apply to cancer treatment, government regulations related to its industry, or the well-being of the healtcare industry.

2. BASIS OF PRESENTATION

These accompanying consolidated financial statements of Eckert & Ziegler AG were prepared in accordance with the accounting principles generally accepted in the United States (US GAAP), as is permitted under the reporting provisions for entities listed on the German Neuer Markt.

However, in order to comply with Section 292a of the HGB (German Commercial Code), the consolidated financial statements presented under US GAAP were supplemented with a group management report and additional explanations within the Notes. Therefore, the consolidated financial statements, which have to be filed with the Commercial Register and published in the Federal Gazette, comply with the Fourth and Seventh Directives of the European Community. For the interpretation of these directives we relied on DRS No. 1 (Deutscher Rechnungslegungsstandard) issued by the German Accounting Standard Committee, which has also been approved by the European Commission and the German Federal Department of Justice.

Deviations from German GAAP relate to the following areas:
– capitalization of patent costs in accordance with APB 17
– capitalization of tax shield up (in accordance with SFAS No. 109) and intangible fixed assets at the initial consolidation of IPL
– capitalization of financing costs (interest) incurred in connection with the production of self-constructed assets in accordance with SFAS No. 34
– capitalization of leasing in accordance with SFAS No. 13
– foreign currency translation in accordance with SFAS No. 52
– valuation of securities available for sale in accordance with SFAS No. 115
– calculation of deferred taxes according to the liability method under SFAS No. 109
– calculation of deferred taxes on losses carried forward in accordance with SFAS No. 109
– offsetting of costs incurred in connection with the raising of shareholders' equity with the capital reserve in accordance with SAB Topic 5a
– application of APB Opinion No. 25 to account for stock option plans
– accounting for pensions in accordance with SFAS No. 87
– accounting for derivatives in accordance with SFAS No. 133.

The consolidated financial statements and the Group management report as of December 31, 2001 prepared in accordance with Section 292a of the Code of Commercial law and filed with the Commercial Register in Berlin Charlottenburg under the number HRB 64 997, will be provided to shareholders on request.

The consolidated financial statements include the accounts of the Company and its subsidiaries, unless control has been deemed to be temporary. Wholly-owned consolidated subsidiaries include BEBIG Isotopen- und Medizintechnik GmbH ("BEBIG GmbH"), Berlin; Eurotope Entwicklungsgesellschaft für Isotopentechnologien mbH, Berlin; Iso-Science Laboratories, Inc., trading as Isotope Products Laboratories (IPL), Burbank, USA; CESIO spol. s.r.o., Prague, Czech Republic; and BEBIG Italia SRL, Milan, Italy. The Company's 25.1-percent interest in Isotope Products Europe Blaseg GmbH, Waldburg, is included in the accompanying consolidated financial statements using the equity method of accounting. The book value of this investment amounted to TEUR 83 as of December 31, 2000 and as of December 31, 2001. Under the equity method of accounting investment had a value of TEUR 74 and TEUR 70 as of December 31, 2001 and as of December 31, 2000, respectively. In addition, the consolidated financial statements as of December 31, 2000 included jojumarie Intelligente Instrumente GmbH, a former subsidiary of BEBIG GmbH (see Note 7), in which the Company held an 80-percent interest.

All significant intercompany accounts and transactions have been eliminated in consolidation. The companies included in the Group financial statements are consolidated in accordance with US GAAP using the purchase method or the at equity method of accounting. Initial and final consolidation are made effective as of the date of acquisition or sale, respectively.

In the year under review, the presentation of the consolidated balance sheet, the consolidated statement of income and the consolidated statement of cash flows have been adjusted to comply with the standard format of Deutsche Börse AG. Previous year's figures have been reclassified accordingly in order to ensure comparability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition – In accordance with SAB No. 101, revenue from product sales is recognized when earned (generally upon shipment), if a contractual agreement exists, the price is fixed and determinable and payment by the customer can be anticipated. No warranty coverage or right of return provisions are given to customers. Licensing fees are recognized in the period to which they relate.

Advertising – Expenditures for advertising and for other sales-related expenses are charged to expense as incurred. Advertising costs were not significant in financial year 2000. In 2001 advertising expense totaled TEUR 474.

Research and development – Research and development costs are expensed as incurred.

Earnings per share – Basic earnings per share are calculated by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share reflect the potential dilution that would occur if all options to issue ordinary shares with an exercise price below the average stock price during the period were exercised. It is computed by dividing the net income by the sum of the weighted average number of common shares outstanding for the period plus the assumed exercise of all dilutive securities by applying the treasury stock method. Net income in 2001 represents the earnings of the Group after minority interests; there were no minority interests in 2000.

Property, plant and equipment – Property, plant and equipment is valued at acquisition or manufacturing cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method. Property and equipment held under capital leases, which involve a transfer of ownership, are depreciated over the estimated useful life of the asset. Other property and equipment held under capital leases and leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the related asset. The manufacturing costs of self-constructed plant and equipment include all direct costs and allocable manufacturing overheads. Self-constructed assets mainly concern production units. Cost of the construction of certain long-life assets include capitalized interest amortized over the estimated useful life of the related asset. Capitalized interest costs were TEUR 221 and TEUR 352 in 2001 and 2000, respectively. Total interest costs were TEUR 546 and TEUR 515 in 2001 and 2000, respectively.

The depreciation period is determined according to the expected service life. The following useful lives are assumed:

Buildings	39 to 45 years
Leasehold improvements	10 to 15 years
Technical assets and machines	4 to 10 years
Other equipment, factory and office equipment	3 to 12 years

Tangible assets with purchase costs up to EUR 409 (DM 800) are written off in full in the year of acquisition. Assets purchased with costs exceeding EUR 409 (DM 800) are capitalized and will be depreciated over their expected useful lives. Upon retirement or sale, the acquisition or manufacturing costs of the assets and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income.

A significant portion of the Company's depreciable assets is used for the production of its products. Management regularly assesses the future usefulness of these assets, taking the current business environment fully into account. On the basis of these assessments, impairment losses were recognized in financial year 2001 (see note 8). Management believes that no further impairment in depreciable assets exists on December 31, 2001. It is possible, however, that Managements' estimates concerning the realizability of the Companys' depreciable assets could change in the near term due to changes in the technological and regulatory environment.

Intangible assets – Intangible assets consist primarily of patents, licenses, trademarks, and goodwill. Purchased intangible assets, other than goodwill, are valued at acquisition cost and usually amortized over their respective useful lives, (2 to 20 years) on a straight-line basis. Goodwill represents the excess of the aggregate purchase price over the fair value of net assets acquired in a business combination, and is amortized on a straight-line basis over 15 years. Commencing with fiscal 2002, goodwill and intangible assets with indefinite useful lives are no longer amortized (we refer to the comments in the Section on the "New Accounting Standards").

Cash and cash equivalents – The Company considers all highly liquid financial instruments with a maturity of up to three months to be cash equivalents. In view of their short-term nature the nominal value of these assets is taken as their fair value.

Investments – Investments in marketable securities are classified as current assets (available for sale) and are reported at their fair value based upon their quoted market prices on the balance sheet date. Unrealized gains and losses from available-for-sale securities are included in accumulated other comprehensive income, net of applicable deferred taxes. Investments in 20-percent to 50-percent owned affiliates are valued based on the equity method of accounting.

Financial instruments – Derivative financial instruments such as currency futures or swaps are only used for hedge purposes. The Berlin parent company will be receiving payments totaling approximately k$ 12,100 until 2015 from the scheduled repayment of an intra-Group loan. In order to hedge part of these payment streams against fluctuations in exchange rates the Company has entered into an interest-and-currency swap agreement with a term of 10 years under which it has a payment obligation of k$4,050 at a fixed interest rate of 10.0 percent p. a., and in return is being paid TEUR 4,369 at the fixed rate of 8.77 percent p. a. The market value of this swap transaction as of December 31, 2001 results in a liability of TEUR 453, which is shown in the balance sheet under "other long-term liabilities". The exchange-hedge costs resulting from the difference in interest rates are expensed when incurred.

Restricted cash – As of December 31, 2001 and 2000, there was restricted cash of TEUR 407 (k$361) and TEUR 382 (k$359), respectively, for the future remediation and renovation of IPL's facilities (the "decontamination fund"). These amounts are legally restricted and subject to state supervision. As of December 31, 2001, and 2000 restricted cash is classified as "Other assets, long-term".

Inventories – Inventories, consisting mainly of raw materials, work in progress, and finished goods are valued at the lower of acquisition cost or manufacturing cost or market. Cost of radioactive materials located at BEBIG GmbH are generally determined using the "FIFO" (first in, first out) method, which corresponds to the actual consumption pattern. The purchase costs for radioactive material located at IPL and all other inventory are valued at the average purchase price or production costs. Write-offs for obsolete or excess inventory are made on the basis of Management's inventory analyses and future sales forecasts.

Accrued pension liability – The Company's wholly-owned subsidiary BEBIG Isotopen- und Medizintechnik GmbH sponsors a defined benefit pension plan covering a single member of the Company's Management Board who is also a member of BEBIG's management. The valuation of a pension liability is based upon the projected unit credit method in accordance with SFAS No. 87, "Employers' accounting for Pensions". The pension expenses were not significant in the two years up to December 31, 2001.

Accruals for asset retirement obligations – The Company's business activity requires handling radioactive substances which inevitably leads to the radioactive contamination of production equipment and parts of buildings. The Company is under both public and civil law obligations to eliminate this contamination on termination of its business activities. To cover resulting decontamination obligation accrued liabilities are recognized over the expected useful life of the production equipment or over the lease term for building, respectively. We refer to the comments in the Section on the "New Accounting Standards" published by the FASB in June 2001 in respect of commitments which is obligatory for the Company with effect from fiscal 2003.

Use of estimates – The preparation of the consolidated financial statements requires Management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date and the revenues and expenses shown for the period under review. Actual results may differ from these estimates and assumptions.

Income taxes – Deferred income taxes are provided for using the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are recognized in order to reflect future tax impacts attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating or tax credit carryforwards. Deferred tax assets and liabilities are assessed on the basis of statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effects of a change in tax rates on the deferred tax assets and liabilities are shown in the income statement for the financial year in which the legislative changes were approved. A valuation allowance is made to reduce the carrying amounts of deferred tax assets unless it is more likely than not that these assets will be realized.

Stock option plan – The Financial Accounting Standards Board (FASB) has published SFAS No. 123, "Accounting for Stock-Based Compensation", which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. SFAS No. 123 superseded certain provisions of the Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and its related interpretations.

SFAS No. 123 also allows legal entities to assess the costs of its employee participation programs using the intrinsic value based method of APB Opinion No. 25 and to provide pro forma net income and pro forma earnings per share information as if the fair-value based method defined in SFAS No. 123 had been applied. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the underlying stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. The relevant date for determining the respective values is the so-called "Measurement Date" within the meaning of APB Opinion No. 25. Personnel costs are determined as of the issue date of the option and any further balance sheet and are reported in the income statement. The Company has decided to apply the provisions of APB Opinion No. 25 and provide the pro forma data in the Notes as required by SFAS No. 123 for the stock options granted to employees.

Foreign currency translation – In translating the financial statements of its foreign subsidiaries into the reporting currency of the consolidated financial statement, the Company applies the principles of SFAS No. 52, "Foreign Currency Translation". The functional currency for the foreign subsidiaries has been assessed to be their respective national currency, and accordingly, the assets and liabilities of these subsidiaries have to be translated at the current exchange rate as of the balance sheet date. Revenue and expenses have been translated at the weighted average monthly exchange rates prevailing during the year. Gains and losses resulting from the translation of the subsidiaries' financial statements are shown as accumulated comprehensive income under shareholders' equity. Other gains and losses from foreign currency transactions are included in determining net income.
The following is an overview of the changes in cumulative translation adjustments as of December 31, 2001 and 2000.

Investment and other grants – Funds that the Company receives as grants from public or private sources are recorded as deferred income in the year of receipt or – if they relate to specific expenses – used as a direct offset to such expenses in the period they are incurred. The deferred items mainly relate to grants received for the purchase of fixed assets and are amortized over the useful lives of the respective assets. In 2001 and 2000, the Company recorded grants received totaling TEUR 2,037 and TEUR 3,618, respectively, as deferred income.

Comprehensive income – SFAS No. 130, "Reporting Comprehensive Income", requires a full set of general purpose financial statements to be expanded to include the reporting of comprehensive income. Comprehensive income consists of two components: the net income and the "other comprehensive income, which comprises certain gains and losses not included in the statement of income". For the financial years ended December 31, 2001 and 2000, the "other comprehensive income" includes unrealized gains and losses on investments in securities and the effects of the translation of the foreign subsidiaries' financial statements into the reporting currency.

A summary of the changes in the accumulated other comprehensive income at December 31, 2001 and 2000 is presented below:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Cumulative translation adjustment at the beginning of the year	**919**	646
Changes in cumulative translation adjustment during the year	**631**	273
	1,550	919
Unrealized gains and losses on investments in certain debt and equity securities at the beginning of the year	**- 17**	138
Change in unrealized gains and losses on investments in certain debt and equity securities	**- 9**	- 155
	- 26	- 17
Accumulated other comprehensive income	**1,524**	902

New accounting standards – The FASB issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets" in July 2001. SFAS No. 141 requires that the purchase method of accounting has to be used for all business combinations initiated or completed after June 30,2001. Under SFAS No. 142, goodwill and other intangible assets with indefinite useful lives are no longer amortized, but instead have to be examined for impairment at least annually in accordance with the provisions of SFAS No. 142. In the event of any impairment, the relating loss is recognized in the statement of income. Intangible assets with a limited useful life have to be amortized over the anticipated useful life to their estimated residual book value in accordance with SFAS No. 142. At the date of adoption, a goodwill impairment assessment must be performed.

Since Eckert & Ziegler AG acquired no businesses in fiscal 2001, with the result that the new regulations under SFAS No. 141 and SFAS No. 142 only have to be applied beginning in fiscal 2002. Goodwill resulting from business combinations in previous years and other intangible assets continued to be amortized in fiscal 2001. In the balance sheet at December 31, 2001, the Company shows unamortized goodwill of TEUR 8,371 and unamortized other intangible assets of TEUR 6,180 which will be subject to the regulations under SFAS No. 142 with effect from 2002. Goodwill amortization amounted to TEUR 607 (385) in fiscal 2001 (2000).

The Financial Accounting Standards Board (FASB) issued SFAS No. 143 "Accounting for Asset Retirement Obligations" in June 2001. This new standard regulates the financial accounting and reporting for obligations arising from the decommissioning or sale of fixed assets and the related decommissioning costs incurred. It applies to legal obligations in connection with the decommissioning or sale of fixed assets which arise as a result of the acquisition, erection, development and/or the normal use of the respective assets. The relevant liabilities are to be accrued at their market value in the period in which the payment obligation arises, provided an appropriate market value can be reasonably estimated. The book value of the relating asset has to be increased by the same amount. Depreciation of the capitalized amount is applied over the remaining useful life of the assets. The liability is adjusted to its present value at the end of each year through charges to operating expense. When the obligation is settled a positive or negative difference to

the carrying amount is recognized as a gain or loss in the statement of income. SFAS No. 143 has to be applied at the latest with effect from the fiscal year commencing after June 15, 2002, i. e. with effect from fiscal 2003 as far as Eckert & Ziegler AG is concerned. Eckert & Ziegler AG anticipates no major effects on the consolidated financial statements as a result of the application of SFAS No. 143.

SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued in August 2001. SFAS No. 144 retains the existing ruling under which an impairment loss must be recognized if the book value of long lived assets ceases to be covered by the total undiscounted cash flows anticipated from its further use in the future. However, goodwill is no longer considered when determining the book values. The Company will apply SFAS No. 144 on January 1, 2002 for the first time. No material effect on the consolidated financial statements is anticipated from its initial application.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2001 and 2000, consist of the following:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Accounts receivable	**4,363**	5,348
Less: valuation allowance	**- 433**	- 246
	3,930	5,102

5. INVENTORIES

Inventories as of December 31, 2001 and 2000 consist of the following:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Raw materials	**3,270**	2,187
Finished goods	**800**	583
Work in progress	**566**	384
	4,636	3,154

6. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

The following table summarizes the available-for-sale securities as of December 31, 2001 and 2000.

(Amounts in thousands)				**Dec. 31, 2001**
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	EUR	EUR	EUR	EUR
Debt securities	3,074	74	5	3,143
Equity securities	339	1	60	280
Investment funds	381	0	53	328
Total current available-for-sale securities	3,794	75	118	3,751

(Amounts in thousands)				**Dec. 31, 2000**
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	EUR	EUR	EUR	EUR
Debt securities	2,864	19	2	2,881
Equity securities	473	8	60	421
Investment funds	461	5	–	466
Total current available-for-sale securities	3,798	32	62	3,768

The fair value of securities is determined by their quoted prices.

Debt securities at December 31, 2001 have a due date of between one and five years.

The following table summarizes the sales of available-for-sales securities in the financial years ended December 31, 2001 and 2000. The average-cost method was used to determine acquisition costs in calculating realized gains or losses.

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Proceeds from sales	**1,042**	11,571
Gross realized gains	**15**	540
Gross realized losses	**- 48**	- 8

7. BUSINESS ACQUISITIONS AND DISPOSALS

a) Acquisitions

In June 2000, Eckert & Ziegler AG and its subsidiary IPL jointly entered into an asset purchase agreement with the DuPont Pharmaceuticals Company (DuPont), North Billerica, USA, to acquire part of DuPont's business for approximately million EUR 14.9. Eckert & Ziegler AG paid million EUR 1.1 for certain intellectual property it retained from the acquisition, while IPL paid approximately million EUR 13.8 including acquisition costs for the assets it acquired and retained. This transaction is recorded under the purchase method of accounting, and, accordingly, the results of operations of the DuPont assets have been included in the accompanying consolidated financial statements since the date of acquisition. The purchase price, which includes related costs, has been allocated to assets acquired based on the fair market value at the date of acquisition with the remainder being recorded as goodwill. The resulting goodwill is being amortized on a straight-line basis over a period of 15 years. The Company was not able to obtain financial information for the period prior to the date of acquisition and is therefore not able to present pro forma information for the periods prior to the acquisition date.

Allocation of the purchase price is based on the estimated fair value of the assets at the date of acquisition as follows:

(Amounts in thousands)	
	EUR
Purchase price	14,921
Net tangible assets acquired	3,274
Excess of purchase price over assets	11,647
Intangible assets	
Product licenses	1,139
Customer relationships	1,164
Production technologies	593
Covenant not to complete	740
Goodwill	8,011
	11,647

On September 28, 2001, BEBIG GmbH purchased the entirety of the shares in the Italian company ESAT Società a Responsabilità Limitata for TEUR 14. The company was then renamed to BEBIG Italia SRL and is serving the purpose of extending Eckert & Ziegler AG's sales activities in Italy.

b) Investments

On February 6, 2001, BEBIG GmbH entered into a contract for the creation of a "silent" company with a leading German treatment center for prostate cancer. BEBIG GmbH is the "silent" partner in this company with a contribution of TEUR 128. The contract provides for extensive cooperation relationships in the field of permanent implantation technology and also places the other participant under the obligation of purchasing certain annual minimum quantities of the relevant products from BEBIG GmbH. BEBIG GmbH participates in the company's profits, not in its losses. Under certain conditions the services provided by the other party to BEBIG GmbH can be offset as partial repayments of the "silent" equity. The investment is stated at acquisition cost.

c) Disposals

On January 3, 2000, BEBIG Trade GmbH (a former subsidiary of BEBIG GmbH) was sold for TEUR 26 to Eckert Consult Organisations- und Strategieberatung GmbH, a shareholder in Eckert & Ziegler AG. This transaction resulted in a book loss of TEUR 16.

On July 6, 2000, the Company sold its 35-percent interest in G.O.T. Gesellschaft für Therapieoptimierung und Targeting Entwicklungs mbH ("G.O.T. GmbH") for TEUR 332. Unamortized goodwill relating to G.O.T. of TEUR 352 was written off in conjunction with the sale, resulting in a net transaction loss of TEUR18. In connection with the disposal an additional loss of TEUR 46 was incurred by loans being partly written off that had been granted to the former shareholders in G.O.T. mbH in 1999.

On March 5, 2001, BEBIG GmbH acquired the remaining 20 percent of the shares in jojumarie Intelligente Instrumente GmbH for EUR 1.00 with the intention of reselling the company in its entirety. On September 26, 2001, jojumarie GmbH was sold for TEUR 15 to Eckert Consult Organisations- und Strategieberatung GmbH. The transaction resulted in a gain of approximately TEUR 342. The sale did not affect the strategic positioning systems for the treatment of prostate cancer. This business field was integrated into BEBIG GmbH prior to the sale.

In September 2000, jojumarie GmbH, at that time a subsidiary of BEBIG GmbH, acquired for approximately million EUR 1.1 the SurgiScope medical robot product line from Medtronic, Inc., Minnesota, USA, and thus also the rights to one of the world's first and most frequently installed ceiling-mounted medical robots. The agreement between the two companies also provides for collaboration in the servicing, development, and sale of robotic products. The acquisition of the product line was accompanied by the acquisition of a service and development group located in Grenoble, France.

The table below summarizes the assets acquired and liabilities assumed under this acquisition:

(Amounts in thousands)	
	EUR
Purchase price	1,126
Tangible fixed assets and inventories including work in progress	730
Liabilities assumed	- 391
Excess of purchase price over assets / liabilities	787
Intangible assets	
Customer list	19
Technologies	58
Tradename	58
Patents	115
Technical documentation	12
Goodwill	525
	787

The transaction was financed by a note payable to the seller of TEUR 1,126 (k$ 975). Furthermore the company was granted an additional loan by Medtronic totaling TEUR 664 (k$ 600) which is to be paid back out of the sales margin of three SurgiScope systems that Medtronic intends to sell under its own name but on commission from and for the account of jojumarie. In the event that upon completion of the three sales the profit achieved is not sufficient to pay off the k$ 600 loan, Medtronic will forgive the remaining balance. There is currently no payable due date on the loan.

The disposal of jojumarie GmbH in 2001 (see Note 7) resulted in the assets and liabilities described above being removed from the consolidated balance sheet.

In May 2000, IPL acquired the assets of The Source, Inc., a designer, developer and manufacturer of radioactive calibration equipment and reference materials located in New Mexico, USA, for approximately TEUR 449 (k$ 422). IPL paid TEUR 213 (k$ 200) for certain inventory and equipment and issued a five-year note payable to the seller for TEUR 236 (k$ 222) representing a covenant not to compete for a period of 5 years. Under the acquisition agreement, IPL has accepted contingent payment obligations to the former owner of The Source, Inc., equal to between 20 to 33.33 percent of the sales in the first two years from the date of acquisition. The maximum contingent obligation in 2001 will be TEUR 106 (k$ 100). These contingent obligations will be accounted for as additional purchase price. For the year ended December 31, 2000 IPL had already recognized TEUR 42 (k$ 39) of such contingent payment obligations. This amount was paid in 2001 but further major payments are not expected to arise.

8. PROPERTY, PLANT AND EQUIPMENT

In September 2001, a number of reports were published on the successful development of competitive products for the treatment of arterial constriction. Because of these developments two of Eckert & Ziegler AG's customers decided to cease their own product developments in the field of cardiovascular brachytherapy and to cancel existing orders. For this reason Management decided to write off in full in 2001 the two production lines that had been built in this connection. The resulting impairment loss of TEUR 3,430 recognized in accordance with SFAS No. 121 is shown in the Cardiology & Oncology segment. A major part of the investment costs of these lines had already been covered by the relevant customer grants, and further compensation payments were also agreed during the negotiations on the termination of the contracts. The grants were shown on receipt as deferred income. The release of this item resulted in non-scheduled income of TEUR 2,781 in the year under review. The impairment loss and the income from the release of the related deferred income are shown in the income statement under cost of goods sold.

In December 2000, the Company completed the construction of a new building for administration and manufacturing at the Berlin location. Total cost for this facility as of December 31, 2000 was approximately TEUR 2,065. Another TEUR 99 fell due in 2001 as additional construction costs. The total amount has been capitalized under "land and buildings". The land on which the facility was built is owned by the State of Berlin, so a long-term lease agreement was signed with BBB GmbH, the administrator of this land (see Note 13).

The Group's property, plant and equipment is summarized as follows as of December 31, 2001 and 2000:

(Amounts in thousands)		
	2001	2000
	EUR	EUR
Land	**76**	72
Buildings	**3,770**	3,579
Leasehold improvements	**2,886**	1,503
Furniture and office equipment	**2,058**	1,471
Machinery and equipment	**18,775**	12,118
Instalment payments made and work in progress	**2,863**	4,836
	30,428	23,579
Less accumulated depreciation and amortization		
Owned assets	**- 10,688**	- 4,907
Assets under capital leasing contracts	**- 82**	- 36
	19,658	18,636

The property, plant and equipment includes TEUR 371 and TEUR 351 of assets under capital leases as of December 31, 2001 and 2000, respectively. The relating amortization expense was TEUR 53 and TEUR 27 for the years ended December 31, 2001 and 2000, respectively.

The development of consolidated fixed assets during the financial year are shown in the consolidated fixed asset movement schedule (see Note 21).

9. NOTES PAYABLE

Notes payable as of December 31, consist of the following:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Loan payable to IKB net of debt discount of TEUR 124 and TEUR 142 in 2001 and 2000, secured by 2 personal guarantees of members of the Board of Management, interest 8,6% p. a. plus 3% dependent on profit payable on June 30, 2008	**1,681**	1,662
KfW loan payable to Commerzbank, secured by a guarantee of Eckert & Ziegler AG, payable in half-yearly instalments of TEUR 85 (k$ 75) and quarterly interest payments of 7,38% p. a., due: September 2010	**1,524**	1,597
Notes payable to Wells Fargo, secured by certain machinery and equipment, payable in yearly instalments of TEUR 5 (k$ 4) plus interest ranging from 8.4% to 10.8%, due: February 2004 to February 2005	**144**	24
IPL credit line up to TEUR 1,129 (k$ 1,000) secured by the assignment of accounts receivable, interest rate US Prime Rate plus 2% (average 7.1% in 2001)	**542**	–
Total notes payable to banks:	**3,891**	3,283
– short-term portion	**763**	165
	3,128	3,118
Note payable to Medtronic, payable in quarterly instalments of TEUR 65 (k$ 61) plus interest of 3.0% p. a. beginning September 2001 (Disposed of with the sale of jojumarie GmbH)	**–**	1,038
Note payable to Medtronic, payable out of the excess of SurgiScope revenues plus interest of 6,0% p. a. (Disposed of with the sale of jojumarie)	**–**	621
Loan from M. Ortiz payable in monthly instalments of TEUR 4 (k$ 4) between June and December 2001 and monthly instalments of TEUR 6 (k$ 5) between January 2002 and June 2005, interest 9.3% p.a.	**202**	171
Total other notes payable:	**202**	1,830
– short-term portion	**51**	751
	151	1,079

The IKB loan, in the original amount of TEUR 2,812, has a payment period of 10 years and is to be fully repaid on June 30, 2008. Premature repayment with payment of a cancellation fee is possible. In case of insolvency of Eckert & Ziegler AG, IKB has subordinated its claim to be repaid.

The fair values of the IKB loan and the KfW loan at December 31, 2001 determined on the basis of current interest rates amount to TEUR 2,009 and TEUR 1,606 respectively.

IPL has a credit line agreement with a bank, which provides for borrowings of up to TEUR 1,129 (million k$ 1) at an annual interest rate of U.S. prime plus 2%. Borrowings under this line of credit agreement are collateralized by IPL's accounts receivable. As of December 31, 2001, IPL had drawn on TEUR 542 (k$ 480) of this credit line, which will expire in September 2002, if not renewed.

Annual maturities of long-term debts outstanding as of December 31, 2001 are as follows:

(Amounts in thousands) Years ending December 31:	EUR
2002	814
2003	279
2004	268
2005	204
2006	169
thereafter	2,359
	4,093

10. SHAREHOLDERS' EQUITY

The registered capital of the Company amounted to EUR 3,250,000.00 at December 31, 2001 and is divided into 3,250,000 shares with no par value.

On March 30, 1999, the shareholders' meeting authorized the Management Board to increase the registered capital of the Company with the approval of the Supervisory Board by issuing up to 1,500,000 new common or preferred shares for non-cash or cash contributions, simultaneously excluding the subscription rights of existing shareholders (authorized capital). The exclusion of subscription rights is only permissible to the extent that the new shares are used for the acquisition of businesses or for issuing at a stock exchange. The authorization is valid until March 31, 2004.

In June 2000, Eckert & Ziegler AG approved a capital increase to fund the acquisition of the worldwide radiation source business of DuPont. The funding was provided through the issuance of 250,000 new no-par-value shares on the Neuer Markt, and resulted in proceeds of TEUR 17,290, after deduction of commissions and emission costs of TEUR 335. The authorized capital has been reduced to TEUR 1,250 as a result of the capital increase.

The registered capital is conditionally increased by up to EUR 300,000, represented by up to 300,000 shares (see Note 11).

The basis for determining dividend distributions is not the consolidated financial statements but the statutory stand-alone financial statements of the Group parent company prepared in accordance with the German Commercial Code.

11. EMPLOYEE STOCK OPTION PLAN

On April 30, 1999, the General Shareholders' Meeting authorized the Management Board to set up a stock option plan for the employees and the management of the Company and its subsidiaries. The plan designed by the Management Board with the consent of the Supervisory Board, provides for grants of options to purchase a maximum of 300,000 shares of authorized but unissued common stock. A single option entitles the holder to receive one share of common stock. The exercise price for the initial grant is equal to the stock price associated with the Company's initial public offering, while the exercise price for subsequent grants will be calculated as the average stock price of the last five trading days prior to the passing of the Management Board resolution on the granting of options.

Options issued can be exercised after a vesting period of at least two years counting from the date of grant and may only be exercised during specific exercise periods. Additionally, the option may only be exercised, if the performance of the Company's shares in the period betweed the grant date and day of proposed exercise exceeds the share performance of the NEMAX All-Share index during same period. Awards granted have a maximum term of five years after the vesting period. Options are subject to cancellation in the event of termination of employment prior to exercise. If the performance criteria are met, the options granted in 2000 may be first exercised on November 15, 2002, while those granted in the 2001 financial year may not be exercised until March 30, 2004, at the earliest.

The development of the number of outstanding stock options in the last two financial years can be summarized as follows:

		2000
	Options	Weighted Average Exercise Price
	No.	EUR
Outstanding beginning of year	23,250	23.00
Granted	31,000	62.30
Exercised	–	–
Forfeited	1,500	45.46
Outstanding end of year	52,750	45.46

		2001
	Options	Weighted Average Exercise Price
	No.	EUR
Outstanding beginning of year	52,750	45.46
Granted	50,500	17.16
Exercised	–	–
Forfeited	10,250	46.17
Outstanding end of year	93,000	29.87

The following table summarizes information about the stock options granted in 2000 and 2001:

			2000
	Options	Weighted Average Exercise Price	Weighted Average Fair Value
	No.	EUR	EUR
Exercise price below the market price of stock at grant date	31,000	62.30	71.20

			2001
	Options	Weighted Average Exercise Price	Weighted Average Fair Value
	No.	EUR	EUR
Exercise price below the market price of stock at grant date	50,500	17.16	21.50

The following table summarizes information about the stock options outstanding on December 31, 2001:

Outstanding options			
Exercise Price	Options Outstanding on December 31	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
EUR	No.	Years	EUR
23.00	18,750	5.25	23.00
62.30	23,750	5.88	62.30
17.16	50,500	7.25	17.16

As of December 31, 2001 there were no exercisable options.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock option plan. Accordingly, compensation expenses will be recognized based on the number of shares to be exercised and the difference between the grant price and the market price as of each balance sheet date, with final compensation expense being calculated upon fulfilment of the vesting period and performance criteria. This future expense will result in a related increase in capital reserves. Total expense incurred to date under APB 25 came to TEUR 289 in the 2000 and 2001 financial years.

Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123 "Accounting for Stock-Based Compensation" the Group's net income would have been reduced in the financial years 2000 and 2001. Under SFAS No. 123, the fair value of each option granted on the grant date is calculated using a "Monte Carlo" option pricing model. The Company made the following assumptions:

	2001	2000
Expected dividend yield	–	–
Risk-free interest rate	**4.03%**	5.00%
Expected volatility	**78.00%**	77.60%
Expected life	**2.33 years**	2.12 years
Fair value	**EUR 10.62**	EUR 33.96

For the purpose of the pro forma calculation, the estimated fair value of the options is amortized to expense over the options' vesting periods. The Company's pro forma information is as follows:

(Amounts in thousands except per share data)	**2001**	2000
	EUR	EUR
Net income:		
As reported	3,240	1,253
Pro forma	2,375	1,132
Earnings per share:		
As reported basic	1.00	0.40
As reported diluted	1.00	0.40
Pro forma basic	0.73	0.36
Pro forma diluted	0.73	0.36

12. INCOME TAXES

On October 23, 2000, new legislation came into force which reduced the base corporate tax rate in Germany from 40 to 25 percent. The new tax rate is effective January 1, 2001 for calendar-year companies. Accordingly, the following tax rates were applied in calculating the tax expenses; they result in a tax rate of 38.9 percent for 2001 and 52.0 percent for 2000, respectively for the Group.

	2001	2000
Municipal trade tax	5% and 410% municipal factor	
Corporate Income Tax	**25.0%**	40.0%
Solidarity Surcharge	**5.5%**	5.5%

The income tax provision (benefit) is as follows for the years ended December 31, 2001 and 2000:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Income before income taxes:		
Germany	**2,427**	838
Foreign subsidiaries	**2,766**	1,644
	5,193	2,502

	2001	2000
	EUR	EUR
Current taxes:		
Germany	**879**	284
Foreign subsidiaries	**1,018**	695
	1,897	979
Deferred taxes:		
Germany	**210**	473
Foreign subsidiaries	**- 154**	- 195
	56	278

Reconciliation of the Group's tax expense based on the statutory tax rate applicable in Germany, and the Group's effective tax rate is as follows:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Statutory tax Germany	**2,020**	1,306
Changes in tax rates	**0**	45
Stock-based compensation	**- 112**	146
Tax differences on income of foreign subsidiaries	**67**	- 263
Non-deductible items	**31**	29
Tax-free income	**- 58**	- 6
Other	**5**	–
Effective tax expense	**1,953**	1,257

In accordance with the change in tax legislation the Company re-measured its deferred tax assets and liabilities as of the 2000 financial year on the basis of the tax rates applicable from 2001 onwards. The TEUR 45 loss from re-measurement is recorded as income tax expense in 2000.

Deferred taxes are recorded based upon the differences between the financial statement and tax basis of assets and liabilities and available carryforwards. The temporary differences result in deferred tax assets and liabilities as of December 31, 2001 and 2000, summarized as follows:

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Germany		
Deferred tax assets:		
Net operating loss for the year and losses carried forward	**–**	112
Differences in historical cost and depreciation of assets	**–**	74
Inventories	**27**	25
Accrued liabilities	**113**	25
Total deferred tax assets:	**140**	236
Deferred tax liabilities:		
Exchange rate differences	**64**	116
Differences in historical cost and depreciation of assets	**246**	–
Valuation of securities	**19**	13
Total deferred tax liabilities:	**329**	129
Net deferred tax assets/liabilities:	**- 189**	107
Foreign subsidiaries		
Deferred tax assets:		
Net operating loss and tax credit carried forward	**–**	8
Allowance for doubtful accounts	**8**	78
Accrued liabilities	**293**	146
State income tax	**59**	–
Other	**62**	12
Total deferred tax assets:	**422**	244
Deferred tax liabilities:		
Depreciation and amortization	**286**	63
Unrealized exchange rate differences	**9**	–
State income tax	**0**	12
Deferred taxes on Tax shield gross up IPL	**512**	616
Total deferred tax liabilities:	**807**	691
Net deferred tax assets/liabilities:	**- 385**	- 447

In accordance with German tax law, net operating losses and tax credit carryforwards do not expire. Due to the sale of jojumarie GmbH the Company no longer had the prior year tax loss carryforwards relating to the Group's business activities in France as of December 31, 2001.

In 2000, the German tax authorities carried out a field tax audit on the German group entities, excluding Eckert & Ziegler AG, for the assessment periods from 1996 to 1998. No final and conclusive assessment has been issued to date but on the basis of the interim notice it can be assumed, that certain costs incurred by one of the subsidiaries, particularly the recognition of accrued liabilities for decontamination costs and an agreed waiver of claims to payment, would not be accepted for tax purposes until later assessment periods. To cover the expected tax arrears and interest liabilities of TEUR 71 were accrued. As has already been explained, the largest part of the issues in dispute do not relate to the question as to whether, but when, the relevant expenses will be accepted for tax purposes. This results in a potential tax reduction of approximately TEUR 55 for the assessment period of 2000. Accordingly, the amount was credited to tax expense resulting in a net additional tax expense of TEUR 16.

13. OTHER INCOME (EXPENSE)

The following table summarizes components of other income (expense) in 2001 and 2000, respectively.

(Amounts in thousands)	**2001**	2000
	EUR	EUR
Release of accruals	**92**	46
Gain/loss on the sale of investments	**342**	- 34
Compensation for termination of contract	**2,712**	–
Other	**3**	76
Total other income (expenses)	**3,149**	88

The income from compensation relates to compensation payments of TEUR 2,630 paid by a customer for the cancellation of a contract for the erection of a production plant and the subsequent purchase of the products produced. We refer in this respect to the comments under Note 8 "Property, Plant and Equipment".

14. OTHER COMMITMENTS AND CONTINGENT LIABILITIES

a) Lease commitments

The Company has entered into capital and operating leases relating to equipment, automobiles, and leasehold improvements, land and buildings. Lease expense was TEUR 831 and TEUR 510 for the years ended December 31, 2001 and 2000, respectively.

During fiscal year 1999, IPL entered into a capital lease line of credit agreement. This credit line is for the financing of certain production machinery and equipment, and bears a variable interest rate to be determined upon lease commencement. As of December 31, 2001 and 2000, IPL had borrowed TEUR 277 and TEUR 316, respectively, under this credit line. Lease payments commence upon receipt of all machinery and equipment acquired under the line of credit agreement. In addition obligations under this credit line are classified as a capital lease.

In conjunction with the newly constructed administration and manufacturing facility located in Berlin (see Note 8), the Company has entered into a long-term operating property lease with BBB GmbH, the administrator of the land. This lease agreement will result in annual lease expenses of TEUR 167, TEUR 89 of which are offset against the construction costs. The lease agreement calls for an initial term of 15 years until December 31, 2014, with the option to extend the lease for three additional 10-year periods. The total amount of lease expense under the agreement is subject to changes as the agreement calls for re-calculation of the annual lease expense based on changes in the standard rental rates for property within the State of Berlin.

Future minimum lease payments under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2001 are as follows:

(Amounts in thousands)	Capital Leases EUR	Operating Leases EUR
Years ending December 31		
2002	89	606
2003	89	573
2004	86	521
2005	67	513
2006	–	520
thereafter	–	2,305
Total minimum leasing payments	331	5,038

Less: Amount representing interest	- 54
Present value of net minimum lease payments	277
Less: Current proportion	- 58
	219

b) Contingent liabilities

There were no contingent liabilities as of December 31, 2001.

15. SEGMENT INFORMATION

The Eckert & Ziegler Group has organized its business activities into three reporting units. Due to reorganization the composition of the reportable segments has changed. The holding company was transferred from the Cardiology & Oncology Segment to Others. The reference period was adjusted accordingly. The assets of the segment "Others" include investments in the Industry & Nuclear Imaging segment. These units offer different products and are also separated organizationally by location. Two of these units generated more than 92 percent of the Group's sales and earnings in 2001: the Industry & Nuclear Imaging Source business and the Cardiology & Oncology Source unit.

The accounting principles of the individual segments are the same as those described in the summary of significant accounting policies (see Note 3). Segment information is unconsolidated. This corresponds to the information used by Management as part of the regular reporting system. Intersegment transactions are generally valued at market prices.

The Industry & Nuclear Imaging Source segment manufactures and sells standards as well as industrial and medical radiation sources. Standards are radioisotopes for calibration purposes and are generally sold to scientific institutions. Industrial radiation sources are used in various kinds of control and instrumentation equipment for industrial facilities and other measurement devices. They are generally sold to manufacturers of the measurement devices or their operators. The medical radiation sources include radioactive sources for the calibration of so-called gamma cameras. The customers are hospitals and the manufacturers of various kinds of equipment.

The Cardiology & Oncology segment is focused on product development and market introduction of radioactive sources in these fields. The main priorities in oncology include the treatment of prostate cancer with radioactive iodine seeds. The center of focus in oncology is the prevention of restenosis. In addition to the development and erection of new production lines and the expansion of existing production facilities, the extension of the sales organization was a particular priority in 2001. The customers are manufacturers of medical equipment and hospitals, most of whom are linked to the Company by outline contracts.

(Amounts in TEUR)

2001

	Industry & Nuclear Imaging	Cardiology & Oncology	Others	Total
Sales to external customers	22,317	9,465	1,048	32,830
Sales to other segments	262	163	1,540	1,965
Total segment sales	22,579	9,628	2,588	34,795
Equity earnings from affiliates	–	–	4	4
Depreciation and amortization	- 1,999	- 5,151	- 425	- 7,575
Impairment losses	–	- 3,430	–	- 3,430
Interest income	118	27	2,020	2,165
Interest expenses	- 1,189	- 674	- 356	- 2,219
Non cash related income/expenses	- 961	2,785	- 1,406	418
Income tax	- 691	- 909	- 353	- 1,953
Net income	809	1,816	612	3,237
Segment assets	28,630	16,075	38,047	82,752
Segment liabilities	13,674	10,706	3,229	27,609
Equity investments	–	128	74	202
Additions to fixed assets (without financial investments)	3,722	4,578	418	8,718

(Amounts in TEUR)

2000

	Industry & Nuclear Imaging	Cardiology & Oncology	Others	Total
Sales to external customers	16,636	6,314	664	23,614
Sales to other segments	365	390	1,156	1,911
Total segment sales	17,001	6,704	1,820	25,525
Equity earnings from affiliates	–	–	2	2
Depreciation and amortization	- 1,615	- 1,115	- 191	- 2,921
Interest Income	36	37	1,341	1,414
Interest expenses	- 582	13	- 372	- 941
Non cash related income/expenses	100	- 192	380	288
Income tax	- 468	- 840	51	- 1,257
Net income	607	800	- 156	1,251
Segment assets	25,761	16,875	36,471	79,107
Segment liabilities	13,034	9,713	4,605	27,352
Equity investments	–	–	71	71
Additions to fixed assets (without financial investments)	12,847	7,457	3,035	23,339

Reconciliation of Segments

(Amounts in thousands)		
	2001	2000
	EUR	EUR
Net income:		
Segments in total	**3,237**	1,251
Elimination of intersegment gains/losses	**3**	2
Consolidated net income	**3,240**	1,253
Interest expenses:		
Segments in total	**- 2,219**	- 941
Intersegment interest expenses	**1,894**	778
Consolidated interest expenses	**- 325**	- 163
Interest income:		
Segments in total	**2,165**	1,414
Intersegment interest income	**- 1,872**	- 789
Consolidated interest income	**293**	625
Segment assets:		
Segments in total	**82,752**	79,107
Elimination of intersegment shares, equity investments, and accounts receivable	**- 29,679**	- 28,609
Consolidated total assets	**53,073**	50,498
Segment liabilities (as defined under HGB):		
Segments in total	**27,609**	27,352
Elimination of intersegment accounts payable	**- 20,314**	- 19,044
	7,295	8,308

The segment totals of sales to external customers, depreciation, and income taxes are the same as the consolidated values.

Sales by geographic area				
	2001		2000	
	million EUR	%	million EUR	%
North America	**23.6**	**72%**	19.1	81%
Europe	**8.0**	**24%**	3.7	16%
Asia/Pacific	**1.1**	**3%**	0.7	3%
Other	**0.1**	**<1%**	0.1	<1%
	32.8	**100%**	23.6	100%

The analysis by geographical regions is based on the location of the receiver of the relevant invoice. Sales in North America relate almost exclusively to the USA.

The assets held by the Industry & Nuclear Imaging segment are located in North America, those of all the other segments in Europe.

Major customers

As in 2000, there was no one customer in 2001 that represented more than 10 percent of the Group's consolidated sales.

16. EARNINGS PER SHARE

Earnings per common share were computed as follows (Amounts in TEUR except per share data):

Years ended December 31		
	2001	2000
	EUR	EUR
Numerator for basic and diluted earnings per share (net income)	**3,240**	1,253
Denominator for basic earnings per share: weighted average no. of shares	**3,250**	3,146
Effect of dilutive stock options	**4**	15
Denominator for diluted earnings per share: weighted average no. of shares	**3,254**	3,161
Basic earnings per share	**1.00**	0.40
Diluted earnings per share	**1.00**	0.40

17. TRANSACTIONS WITH RELATED PARTIES

Transactions were conducted with the following associated third parties in 2000 and 2001:

– Eckert Consult Organisations- und Strategieberatung GmbH ("Eckert Consult") which holds 38.8% of the shares in Eckert & Ziegler AG and whose sole shareholder, Dr. Andreas Eckert, is the Chairman of the Management Board of Eckert & Ziegler AG.
– jojumarie Intelligente Instrumente GmbH ("jojumarie GmbH") which has been a 100% subsidiary of Eckert Consult since September 2001. Dr. Eckert is also the Managing Director of jojumarie GmbH.
– NEMOD New Modalities Heilmittel GmbH ("NEMOD") in which Eckert Consult holds 75% of the shares. Dr. Eckert is Managing Director of NEMOD.
– Glycotope GmbH in which Eckert Consult has a 66.4% interest. Dr. Eckert is Managing Director of Glycotope GmbH.

In 2000, the Company sold 7 percent of its 35-percent holding in G.O.T. Gesellschaft für Therapieoptimierung und Targeting Entwicklungs mbH and 100 percent of its investment in BEBIG Trade GmbH, a subsidiary of BEBIG GmbH, to Eckert Consult. These transactions resulted in a loss of TEUR 34, which is shown under "Other expense" for the year ended December 31, 2000.

In September 2001, the shares in jojumarie GmbH were sold to Eckert Consult GmbH (see Note 7).

The Company employed Eckert Consult to book advertisements in daily newspapers and other publications. Expenses incurred were TEUR 14 and TEUR 32 in 2001 and 2000, respectively.

Included in the 2000 financial statements is a TEUR 51 related party loan payable received by jojumarie GmbH from a member of the Eckert & Ziegler AG management. The loan bears interest of 11.25 percent p.a. plus additional interest of 3.75 percent dependent on the income situation of jojumarie GmbH. The loan was paid back in full in January 2001. Since January 1, 2001, a service contract has been concluded between Eckert & Ziegler AG and jojumarie GmbH under which Eckert & Ziegler AG provides certain administrative services. The monthly remuneration is EUR 500. On September 24, 2001 BEBIG GmbH acquired the rights over two inventions made by jojumarie GmbH for TEUR 10. The contract provides for a further payment of TEUR 5 each to jojumarie GmbH as soon as a patent is granted to them, and that further profit-related royalties will be payable upon commercial use. In this connection a further TEUR 8 had been paid to jojumarie up to December 31, 2001 as reimbursement for the patent agents' fees and similar costs incurred. From February 16 to December 31, 2001, an employee from jojumarie GmbH's French production location was working as Sales Manager for BEBIG products in France. A remuneration of TEUR 100 was paid by BEBIG to jojumarie GmbH for these services.

The financial statements for 2001 and 2000 include loan liabilities of TEUR 202 and TEUR 171, respectively, towards the former owner of The Source, Inc. who is currently a consultant of IPL; this loan serves to fund the purchase price of The Source, Inc. The note bears interest at 9.3 percent p.a. and was repaid during the period from June 2000 to December 2001 in monthly instalments of TEUR 4. During the period from January 2002 to June 2005, monthly instalments of TEUR 5 are to be paid.

In November 1999, the Company had purchased the certain rights to acquire a patent for TEUR 8. In February 2000, the Company sold these patent acquisition rights to NEMOD New Modalities Heilmittel GmbH ("NEMOD", formerly BEBIG Trade GmbH) for their TEUR 8 acquisition price. Therefore no gain or loss was recorded on this transaction. Additionally, on January 3, 2000, Eckert & Ziegler AG entered into a service agreement with NEMOD under which Eckert & Ziegler AG provides certain administrative support for NEMOD. Eckert & Ziegler AG received a monthly fee of TEUR 1 for these services. This contract was amended with effect from January 1, 2001, and since then the monthly fee has been TEUR 2. From April 27 to August 17, 2001, Eckert & Ziegler AG granted NEMOD a liquidity loan of TEUR 500 secured by a guarantee from Eckert Consult GmbH. Interest of TEUR 5 was charged. Eckert & Ziegler AG and NEMOD entered into a research and development agreement on July 31, 2001 under which the Company entrusts NEMOD with the development of certain monoclonal antibodies as tumor therapeutical products when linked to a radioisotope. In return the Company commits itself to several instalment payments totaling million EUR 1 due when certain agreed milestones are reached. The parties have also entered into a license agreement under which the Company has secured the rights of use over certain monoclonal antibodies that can be used as tumor therapeutical products. The total volume of this agreement is million EUR 1, TEUR 500 of which was payable upon signature of the contract and the remaining TEUR 500 will fall due when NEMOD starts Phase I of the clinical tests. NEMOD is under a repayment obligation for this amount in case that the results are of no use for any further clinical studies. NEMOD has been trading under the name of NEMOD Immuntherapie AG since January 17, 2002.

Since December 1, 2001, a contract has been concluded between Eckert & Ziegler AG and Glycotope GmbH, Berlin, under which Eckert & Ziegler AG provides certain administrative services for a monthly fee of TEUR 2.

The Group's related party balances in accounts receivable, notes receivable, accounts payable and notes payable as of December 31, 2001 and 2000, are as follows:

(Amounts in thousands)

	2001	2000
	EUR	EUR
Accounts receivable due from related parties	**745**	330
Notes receivable due from related parties	**95**	142
Accounts payable to related parties	**4**	27
Notes payable to related parties	**202**	222

Other Notes required by the German Commercial Code (HGB)

18. OTHER INCOME (EXPENSE)

Other income (expense) contains prior period cost of TEUR 57 mainly relating to a credit note for the purchase of materials (quantity discount) and the reimbursement of prior year ancillary lease costs.

19. MANAGEMENT AND SUPERVISORY BOARD

In 2001, the total emoluments paid by Eckert & Ziegler AG to the members of the Management Board totaled TEUR 548 plus 20,000 stock options. The emoluments paid to the members of the Supervisory Board totaled TEUR 45.

As of December 31, 2001, no advances or loans to members of the Management Board of Eckert & Ziegler AG existed.

20. PERSONNEL

During 2001, an average of 208 people were employed by the consolidated Group companies. These people worked in the following departments:

Manufacturing	73
Research & Development	56
Administration	24
Sales	28
Quality Management	27
Total	208

Personnel costs for 2001 were as follows:

(Amounts in thousands)	
	2001
	EUR
Wages and salaries	**9,877**
Social security contribution and expenditures for pension benefits	**1,328**
– therein for pension	**30**

21. FIXED ASSET MOVEMENT SCHEDULE
AS OF DECEMBER 31, 2001

(Amounts in thousands)

	Acquisition and production costs					
	31/12/00	Additions	Disposals	Transfers	Currency translation	31/12/01
	EUR	EUR	EUR	EUR	EUR	EUR
ASSETS						
I. Intangible assets						
1. Goodwill	8,860	510	532		518	9,356
2. Other intangible assets	7,199	1,114	315		347	8,345
	16,059	1,624	847		865	17,701
II. Property, plant and equipment						
1. Buildings on third-party land	5,154	1,511	105	38	134	6,732
2. Technical equipment and machinery	12,118	607	440	6,314	176	18,775
3. Furniture and office equipment	1,471	646	101		42	2,058
4. Construction in progress and advance payments thereon	4,836	4,330	3	- 6,352	52	2,863
	23,579	7,094	649		404	30,428
III. Investments and other long-term assets						
1. Investments in associated companies	71	3				74
2. Loans to associated companies	119		51			68
3. Other investments		128				128
4. Other loans	454	9			25	487
	644	140	51		25	758
	40,282	8,858	1,547		1,294	48,887

Accumulated depreciation and amortization						Net book value	
31/12/00	Additions	Disposals	Transfers	Currency translation	31/12/01	31/12/00	31/12/01
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
385	607	38		31	985	8,475	8,371
1,240	907	59		77	2,165	5,959	6,180
1,625	1,514	97		108	3,150	14,434	14,551
810	179	73		24	940	4,344	5,792
3,492	5,380	209		58	8,721	8,626	10,054
641	396	56		22	1,003	830	1,055
–	106	–		–	106	4,836	2,757
4,943	6,061	338		104	10,770	18,636	19,658
						71	74
						119	68
							128
						454	487
						644	758
6,568	7,575	435		212	13,920	33,714	34,967

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of Eckert & Ziegler AG is responsible for preparing the accompanying consolidated financial statements. We have installed effective controlling and monitoring systems to guarantee compliance with accounting principles and the adequacy of reporting. These systems include the use of uniform guidelines group-wide, the use of reliable software and the selection and training of qualified personnel. With a view to the requirements of the German Business Monitoring and Transparency Act (KonTraG) we have integrated the Groups' early warning systems into a risk management system. This enables the Board of Management to identify significant risks at an early stage and to initiate appropriate measures.

The KPMG Deutsche Treuhand-Gesellschaft audited the consolidated financial statements, which were prepared in accordance with the United States generally accepted accounting principles, as well as the group management report and issued the following auditors' report.

The Supervisory Board has audited the annual financial statements and the management report of Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated financial statements of the Eckert & Ziegler Group, the Group management report for the Eckert & Ziegler Group and the auditors' reports and discussed them together with the Board of Management and the auditors. The Supervisory Board has approved the results of the audit and has approved the annual financial statements as well as the management report of Eckert & Ziegler Strahlen- und Medizintechnik AG.

Berlin, March 15, 2002

Eckert & Ziegler
Strahlen- und Medizintechnik AG

Dr. Andreas Eckert

Gerald Pohland

Edgar Löffler

AUDITORS' REPORT

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity/partners' capital and cash flows as well as the Notes to the financial statements prepared by the Eckert & Ziegler Strahlen- und Medizintechnik AG for the business year from January 1 to December 31, 2001. The preparation and the content of the consolidated financial statements in accordance with United States Generally Accepted Accounting Principles (US-GAAP) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Eckert & Ziegler Strahlen- und Medizintechnik AG Group for the business year in accordance with United States Generally Accepted Accounting Principles.

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2001, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2001 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Berlin, March 15, 2002

KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hannich, Wirtschaftsprüfer

Dr. Hasenburg, Wirtschaftprüfer

Supervisory Board Report

The Supervisory Board has regularly supervised and advised the Management Board during the period under review in accordance with the responsibilities placed on it by legislation and the Company Statutes. It has been kept fully informed by the Management Board orally and in writing during the year under review both about the situation and development of the Company and on major questions of business policy.

Six Supervisory Board meetings were held during the 2001 Company financial year, and the following general subjects were at the centre of attention:

- entry into the radio-pharmacology market
- disposal of Jojumarie Intelligente Instrumente GmbH
- appointment of Dr. Edgar Löffler to the Management Board
- establishment of BEBIG Italia S.R.L.
- establishment of a branch in France
- entry into the biotechnology business.

The annual accounts of Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated accounts of the Eckert & Ziegler Group, the management report for Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated report for the Eckert & Ziegler Group, and the Management Board's proposal to the Annual General Meeting for the appropriation of the profit for the year have been submitted to the Supervisory Board, together with the reports by the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Berlin, and handed out.

Representatives of the auditor took part at the Supervisory Board's Annual Report Meeting and submitted their reports. As a result of his audit, the auditor stated in his audit reports that the statutory regulations had been adhered to. An unrestricted certificate of confirmation was issued. The Supervisory Board noted with consent the findings of the auditor's audit.

As the definitive result of its own examination, the Supervisory Board had no objections to raise against the audited accounts or any of the other documentation submitted to it. This means at the same time that the annual accounts are adopted.

One member of the Supervisory Board, Dr. Marlene Ziebig, retired from the Supervisory Board in May for professional reasons. On May 16, the Annual General Meeting elected Mr Frank Perschmann to succeed her. The Supervisory Board would like to thank Dr. Ziebig for her work.

The Supervisory Board would also like to thank the employees and directors of the Company for their great commitment and successful work in the past financial year.

Berlin, March 2002

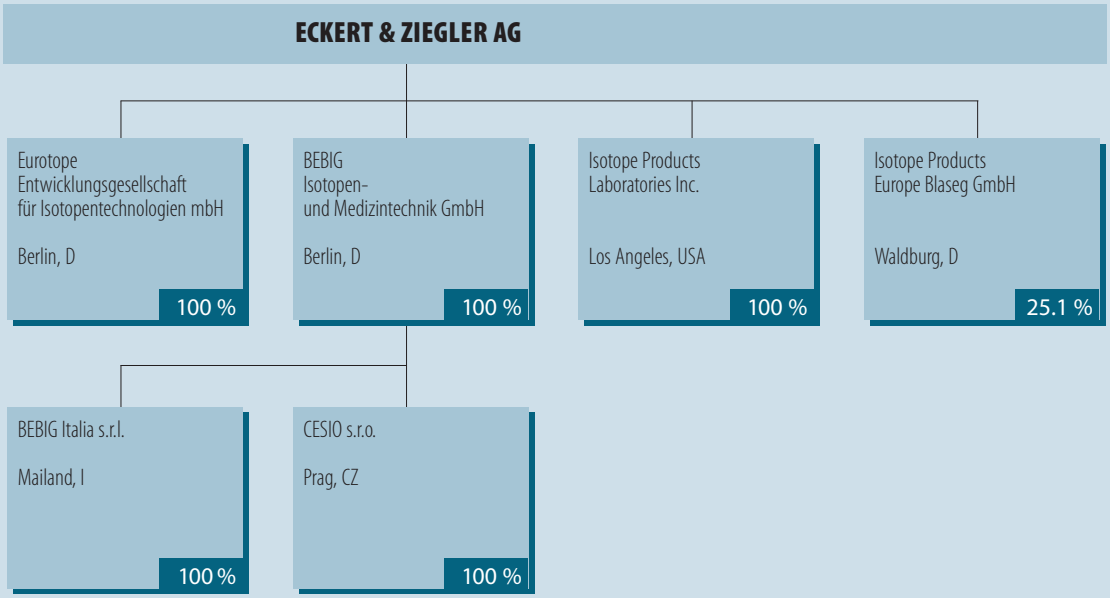
The Supervisory Board

Prof. Dr. Wolfgang Maennig
Chairman

Stocks and stock options

Management Board and Supervisory Board		December 31, 2001	
		Stocks	Stock options
Dr. Andreas Eckert	Management Board	10	2,500
(Eckert Consult GmbH)		(1,260,446)	(0)
Jürgen Ziegler	Management Board	742,857	2,500
Gerald Pohland	Management Board	4,750	15,000
Dr. Edgar Löffler	Management Board	0	10,000
Prof. Dr. Wolfgang Maennig	Supervisory Board	2,680	0
Margit Jatzke	Supervisory Board	385	0
Ralf Hennig	Supervisory Board	141	0
Dr. Johannes Mauser	Supervisory Board	271	0
Frank Perschmann	Supervisory Board	200	0
Prof. Dr. Detlev Ganten	Supervisory Board	0	0

Corporate Structure



Glossary

Angioplasty Procedure to eliminate constrictions of the arterial system. Used as so-called PTCA to expand clogged coronary arteries

Antibodies Specific proteins which defend against disease-causing agents and destroy tumor cells

Arteriosclerosis Constriction of the blood vessels through depositions

Balloon dilatation Using an expandable balloon which is inserted in the vessel to expand the artery

Brachytherapy Contact treatment mainly in the form of radiation at minimal distance between the source of radiation and the tissue

Calibrated-reference emitters Devices which serve to compare measuring instruments with pre-specified standards

Calibration Adjusting measuring instruments according to set standards

Carcinoma Surface tissue malignant tumor

Cardiology Sub-sector of internal medicine that deals with the causes, effects and possible treatments of heart disease

Cardiovascular Pertaining to the heart and circulatory system

Catheter Tube-like instrument inserted in vessels or cavities

Choroid membrane melanoma Most frequent malignant eye tumor occurring mainly in older persons

Clinical testing Phases 1 – 3 Clinical examinations serve as a rigorous test of the effectiveness and safety of a new drug. The health authorities decide whether to license a drug on the basis of these tests. Clinical testing is usually divided into several phases. Phase I mainly tests tolerance and provides suggestions for doses to be used in further clinical testing. This is followed in Phase II by tests for effectiveness and relative safety. The data acquired in this process provide the basis for planning studies in Phase III, which has to provide evidence at various points of the effectiveness and safety of the drug.

Dendritic cell line Cells which pick up substances foreign to the body (antigens) and offer them to the body´s immune defense cells in a way that those can destroy these antigens effectively

Emitter In this context: device for emitting radioactive fields

Eye applicator Anatomically formed source of radiation for radiation treatment of eye tumors

Gamma camera Camera used for imaging diagnosis in nuclear medicine. Used in scintigraphic imaging.

Immunosuppression Suppression of the immune system

Immunotherapy Treating diseases with drugs that manipulate the immune system

Implantation Implanting foreign material in the body

Implants Natural or false materials which are implanted in the body (here used synonymously with seeds)

Incontinence Inability to deliberately control the release of urine and / or faeces

Incorporate To introduce substances into the organism, e.g., by means of injection. In this context: radioactively marked agents for imaging purposes

Incubator Service-provider bringing start-up companies to market maturity and offering them infrastructure, consultancy, coaching, networks and finance for this purpose

Interstitial Lying between tissues (Interstitium)

Iodine 125 Radioisotope iodine; for therapeutic purposes low-energy photon radiation is used

Isotope Chemical elements having the same atomic number but different atomic weights. Isotopes can be either stable or disintegrate emitting ionizing radiation (radioactive isotopes)

Leukaemia Malignant disease of the white blood corpuscles

Minimally invasive In this context: less intrusive than radical prostatectomy

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Molecular biology	Interdisciplinary branch of biology, which investigates the relationships between molecular structures in organisms
Navigated instruments	Instruments with a computer-controlled target system
Neutron probe	Rod-shaped element with a neutron emitter at the far end
Nuclear imaging	Image processing for nuclear medicinal purposes
Nuclear medicine	Specialist medical area which deals with the use of mainly ephemeral radionuclides in diagnostic and therapeutic applications
Oncology	Specialist medical area which deals with the origin and treatment of malignant tumors
OEM	(Original Equipment Manufacturer). Manufacturer that buys products or components of other manufacturers and sells these on, unmodified, under his own name or integrates them into his own products
Peripheral blood vessels	Blood vessels supplying the body's extremities
Permanent implants	Implants that are meant to remain permanently in the organism / body
PET-Scanner	Instrument for positron emission tomography. Special application procedure in nuclear medicine
Photon	Tiny energy packages
Positron	Elementary particle with the mass of an electron but with a positive charge
Positron-emission tomography	Nuclear medicinal examination for creating sectional images using the photons created by positron decay
Pre-clinical tests	Testing of a drug / method before clinical use
Prostate	Chestnut-sized, course gland situated around the neck of a man's bladder
Prostatectomy	Surgical removal of the prostate
Radioactivity	Characteristic of unstable nuclides where corpuscular radiation (alpha and beta rays) or electromagnetic waves (gamma rays) are emitted either spontaneously or through disintegration of atomic nuclei
Radiochemistry	A branch of nuclear chemistry concerned with the production of radionuclides
Radioisotope	Radionuclide of an equivalent chemical element
Radiometry	Methods of qualitatively and quantitatively analyzing substances by means of radioactivity
Radio nuclide	Radioactive isotope
Radiopharmaceuticals	Drugs which react on the basis of radioactive nuclides
Restenosis	Renarrowing (of previously widened arteries)
Scintigraphic Imaging	Production of images in nuclear medicine using mainly gamma rays for diagnostic purposes
Seed	Radioactive isotopes embedded in small metal rods for interstitial radiation treatment
Single-photon-emission computer tomography	Nuclear-medicinal examination for creating sectional images, in which a gamma camera rotates around the patient
Strontium 90	Radioisotope which transmits beta radiation
Urology	Speciality that deals with the urogenital system
X-ray fluorescence	Effect used for the non-destructive analysis of substances to demonstrate the existence of small impurities (e.g. heavy metals).

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FINANCIAL CALENDAR

27-03-2002:
Balance press conference in Berlin

27-03-2002:
Annual Report 2001

28-03-2002:
Analyst presentation in Frankfurt

15-05-2002:
Annual general meeting in Berlin

28-05-2002:
Quarterly report I/2002

13-08-2002:
Quarterly report II/2002

12-11-2002:
Quarterly report III/2002

January 2003:
3rd Berlin MedTech Day