2005 Annual Report

Competent. Precise. Committed.

Eckert & Ziegler

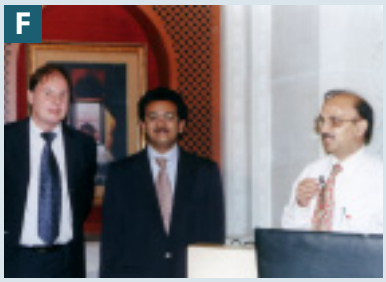
		IFRS 2005	Change over 2004	IFRS 2004	US-GAAP 2003
Revenue	TEUR	**41,792**	18%	35,533	29,156
Return on revenue before tax (excl. non-recurring items)	%	**9**	0%	9	12
Profit for the year	TEUR	**1,590**	-54%	3,439	-1,265
Profit before tax (EBT)	TEUR	**2,215**	-30%	3,158	3,441
Non-recurring item – radiopharmaceuticals start-up	TEUR	**-1,385**			
Profit before tax (EBT) (excl. non-recurring item)	TEUR	**3,600**	14%	3,158	3,441
Interest	TEUR	**-667**	144%	-273	-236
Profit before interest and tax (EBIT) (excl. non-recurring item)	TEUR	**4,267**	24%	3,431	3,677
Depreciation and amortization	TEUR	**3,912**	5%	3,742	3,685
Profit before interest, tax, depreciation and amortization (EBITDA) (excl. non-recurring item)	TEUR	**8,179**	14%	7,173	7,362
Earnings per share	EUR	**0,51**	-53%	1,09	-0,42
Earnings per share (excl. non-recurring item)	EUR	**0,80**	8%	0,74	0,69
Cash flow from operating activities	TEUR	**3,531**	40%	2,530	4,154
Tax rate	%	**31**	-16%	37	33
Shareholders' equity	TEUR	**34,955**	6%	32,863	28,814
Equity ratio	%	**52**	-22%	67	63
Total assets	TEUR	**66,997**	36%	49,441	45,706
Book value per share	EUR	**11,28**	7%	10,57	9,82
Staff	Persons	**247**	15%	215	186
Number of shares as of Dec 31 (excl. own shares)	Item	**3,120,511**	1%	3,088,551	2,935,503
Dividends	EUR	**0.15***	-40%	0.25	-

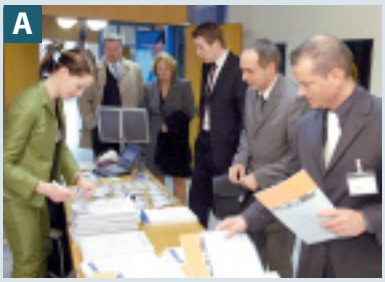
The key data refer to profit from continuing operations.
The comparative figures of the previous year relate to the 2004 financial statements converted to IFRS; earlier years were prepared under US-GAAP.

* Dividend to be recommended by the company to the annual general meeting on May 30, 2006.

Notes to the English translation

This English translation of Eckert & Ziegler AG annual report has been compiled with care and diligence. However, the relevant version is in all cases, including errors and omissions, the German original. Further, since the annual report is a technical document, and the German grammar is quite different from the English one, some of the translations may sound awkward. We tried to eliminate clumsy passages as much as possible, but apologize if we failed to do so completely.





January

■ Executive Board member Dr. Andreas Hey directs the Nuclear Imaging & Industry segment since 1 January 2005.

February

■ BEBIG, the subsidiary specializing in cancer therapy, opens a branch office in Madras (India) and receives the first Indian contract for MultiSource® tumor radiation equipment.

■ Iridium 192 wires for brachytherapeutic treatment of cancer in the head, neck and breast regions receive the CE mark and are licensed for sales in France.

March

■ Eckert & Ziegler acquires a 70% holding in EURO-PET Zyklotron GmbH of Berlin, a manufacturer of radioactive contrast media for positron emissions tomography (PET) examinations.

■ The district council of Berlin-Pankow designates Eckert & Ziegler as "Pankow's Family-Friendly Company for the year 2005".

■ Isotope Products Laboratories Inc. (IPL) receives exclusive distribution rights for NeuroShield®, a removable scanner shielding system for use in PET examinations.

■ Major contract for the supply of BIOBEAM blood irradiation systems to France for a total volume of approx. 1.2 million EUR

April

■ The Deutsche Börse and the Landesbank Baden-Württemberg are associated for the first time with the fifth MedTech Day which takes place in Frankfurt.

May

■ Annual General Meeting in Berlin

June

■ Majority acquisition of f-con Europe GmbH, a German distributor of radioactive contrast media (PET tracers) for cancer diagnosis.

■ Siemens rates BEBIG as a "preferred supplier worldwide" for the brachytherapy and accessories sectors.

■ A physicians' symposium on brachytherapy organized jointly with the Ernst von Bergmann Clinic in Potsdam was a resounding success.

2005

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Eckert & Ziegler

July

■ Introduction to the market of a new IsoSeed® design with considerably improved visibility in fluoroscopy and optimized imaging properties for magnetic resonance tomography.

August

■ A subsidiary company, f-con Pharma Italia s.r.l., starts production of radioactive contrast media for cancer diagnosis.

■ Eckert & Ziegler acquires all the shares in Analytics Inc. of Atlanta, Georgia via its Californian subsidiary, Isotope Products Laboratories Inc. Analytics is the US market leader in calibration standards for the monitoring of nuclear power stations.

■ Acquisition of SORAD s.r.o. Prague, a Czech manufacturer of radioactive components for smoke detectors and anti-static foils for the electronics industry.

September

■ Acquisition of worldwide rights and production know-how for the rheumatism drug SpondylAT® from Altmann Therapie GmbH & Co. KG, based in Salzgitter.

October

■ Eckert & Ziegler is awarded the "Grand Prix for Small and Medium Enterprises" by the Oskar Patzelt Foundation, as finalist.

November

■ The 1000th prostate cancer patient to receive the low radioactive implant IsoCord® is treated at Kuopio University Hospital, Finland.

■ Eckert & Ziegler features again in Europe's 500. These are designated as the 500 fastest growing European public companies.

December

■ Introduction of a new corporate brand. All subsidiaries will in future come together under the "Eckert & Ziegler" umbrella brand.

■ Agreement with the Berlin University Charité Clinic on close collaboration in the development of radio-pharmaceuticals.

■ In a joint Health Technology Assessment report German Authorities endorse the effectiveness of seed implantation in the treatment of prostate cancer.

■ For the first time, the German Joint Committee for Reimbursement Matters takes a positive view on PET. Eckert & Ziegler f-con Deutschland is the German market leader for compounds in PET examination.

2005

Dear Shareholder,

After you have scanned this annual report you will agree with us: 2005 was operationally and strategically a successful year for Eckert & Ziegler. The company has grown yet again; its position in the market has continued to improve. Once more, annual sales growth of just under 20 percent was achieved, allied to a self-financed cash flow of record size. If, as is legitimate, one takes out of the equation the one-off start-up costs from entering the new radiopharmaceuticals business, Eckert & Ziegler AG's earning power has gained more ground, even compared to the strong performance of the previous year.

On qualitative terms, progress also is visible everywhere. In Therapy, for example, we progressed a long way with the integration and development of the entities we acquired last year. Although Eckert & Ziegler did not start from scratch in mid-2004 with tumor radiation equipment, there was much that was still incomplete or which had first to be brought to Berlin and set up there. Thus, among other things, the existing product spectrum had to be complemented by critical elements, and a new sales and service network conjured up out of nothing. On top of that, documentation had to be prepared, licenses obtained, software packages modernized and training organized. The whole thing had to be put into many languages for customers right across the globe, in some cases in unknown markets. How successfully all this was achieved is demonstrated by the major contract we were awarded at the end of the year for equipping 13 clinics in Venezuela: more than any listing of successes, the trust of customers and consortium partners proves how much the staff and management of the segment covered in such a short space of time.

The traditional core business with prostate cancer implants also hit a high note with a double-digit increase in sales. Eckert & Ziegler's strong European market position was further enhanced by the enrollment of further key clinics, and was reinforced through the market introduction of a new generation of implants. The new product is characterized by improved visibility in fluoroscopy, and was developed and licensed in record time. That the introduction passed off routinely in the background, despite the problems from the integration and rationalization of the afterloader business, is a sure sign of the skill and experience of the staff.

Finally, similar operational successes are to be reported from the segment concerned with industrial and nuclear-medical radiation sources: through the purchase of two

Dr. Andreas Eckert, Dr. Edgar Löffler, Dr. Andreas Hey
(from left to right)

smaller competitors and a sales offensive directed at key customers, revenue and earnings rose by double-digit percentage points. At the same time a boost was given to product improvements, in order to expand our strong position in the market for products that assure nuclear-medical quality. Once more it was shown that a competent and focused management team can achieve above-average results even in a mature market segment.

Alongside these pleasing achievements in operating activities, the Group in 2005 was also able to improve its strategic outlook through entering into the new business of radiopharmaceuticals. Through the acquisition of majority holdings in EURO-PET Berlin Zyklotron GmbH and in f-con Europe GmbH, we succeeded from a standing start in reaching a critical mass and in attaining the German market leadership for PET tracers, a radioactive contrast media used in the diagnosis of cancer. Eckert & Ziegler had to absorb expenses of about EUR 1.4 million for one time turn-around costs in these entities, but is optimistic that the expenses quickly pay off. Indeed, both entities have in the meantime become self-financing, and German health insurance funds are warming more and more to the idea of reimbursing the costs of PET examinations.

Nearer to home, we have successfully negotiated a cooperation agreement with the University Charité Clinic for the founding of a Berlin cyclotron center, in order to strengthen the new business field. This helps not only the Berlin development site, but also opens up interesting prospects to Eckert & Ziegler AG for the development of new radio-pharmaceuticals and the associated production facilities. The involvement in radio-pharmaceuticals ties in excellently with the proven competence of Eckert & Ziegler Eurotope GmbH in equipment manufacture, not only for internal use, but also as product for external customers. Building on our own practical experience in the production of radio-pharmaceuticals, a first prototype of our new synthesis module series, Modular-Lab™, has already been presented in the fall at the leading European trade fair in Istanbul, and met with a good response. With respect to this product, synergies also exist, incidentally, with our Californian subsidiary, Isotope Products Laboratories Inc. (IPL), which is developing suitable generators for the modules.

With the new equity investments, we have therefore an outstanding launch pad for further expansion. This now rests not only on radiation sources for industrial, scientific and radiometrical applications and on therapeutic products for the treatment of cancer, but also on services and products for the radio-pharmaceutical sector, which according to all the forecasts is extremely dynamic. I am therefore certain that we will also be able to report on many successes in the years to come, and, as always, I would be delighted if you, as shareholders, shared this path with us.

Yours truly

Dr. Andreas Eckert,
Chief Executive Officer

Competent. Precise. Committed.

Competent.
With decades of experience in isotope technology and one of the broadest product range in the industry, Eckert & Ziegler and its subsidiaries are a unique source of support for radioactive applications in medicine, science and industry.
Starting with the provision of customized components right through to individually designed engineering solutions up to futuristic product innovations in brachytherapy and nuclear medicine. With plant locations in Europe and the United States, and a network of sales offices and specialized distributors everywhere.

Precise.
To a large extend, radiation is measurement, is calibration, is gauging.
Our customers rely on us for precise components, quality-checked, build to tight specifications. In the medical area, the requirements double, the tolerance for variation decreases. In addition, there is a need for an absolute reliability of the delivery process.
With half times of less then two hours, with implants custom manufactured for a particular operation date, it is no wonder that the organization is like a clock work, reliable, predictable, precise.

Committed.
The job does never stop.
In a field like radiation, aftersales support is not a promise, but a commitment.
An extensive range of specialists help with any kind of problem, with training, with advise. If needed, our staff are available around the clock, to ensure that the customers mission becomes a success.
We continually work alongside our customers in improving processes and results, and in seeking the optimal solution. This may include conferences, user meetings, or patient information events.

Dr. Andrea Hawerkamp,

Product Manager Synthesis Modules, Eckert & Ziegler Eurotope GmbH, Berlin, Germany

"Because of their short half-life, radiopharmaceuticals are usually freshly prepared in hospitals or clinics, with only the components needed bought in from outside. With traditional tracers production is also simple and straightforward. But with many innovative newer active substances the 'recipes' are more complicated, so that more and more users are looking for automatic solutions. For these customers we develop synthesis modules where preparation is easier, less expensive, and safer than with manual processes. Our new technology platform, Modular-Lab™, combines maximum radiation protection with the highest quality assurance standards, like those that are for example required by the American health authorities."

The German Corporate Governance Code comprises nationally and internationally recognized standards for good and responsible corporate management, and aims to strengthen the confidence of international and national investors, as well as of the public, in the management and supervision of German listed public companies. Corporate governance within the meaning of this Code means responsible and transparent corporate management which is directed towards long-term added value.

Declaration under the German Corporate Governance Code in accordance with Section 161 AktG

The Executive and Supervisory Boards of Eckert & Ziegler Strahlen- und Medizintechnik AG hereby make the following declaration in accordance with Section 161 AktG:

Eckert & Ziegler Strahlen- und Medizintechnik AG complies with the recommendations of the German Corporate Governance Code in the version of June 6, 2005, with the following exceptions:

– ref. 3.8:
the D&O insurance policy, taken out by the company on behalf of the members of the Executive and Supervisory Boards, does not provide for any self-insured element

– ref. 4.2.4:
the notes to the Group financial statements do not disclose the remuneration of the individual members of the Executive Board.

– ref. 5.3.1. and 5.3.2:
the Supervisory Board has not established any committees, specifically, an audit committee.

– ref. 5.4.7:
the members of the Supervisory Board do not receive any profit-related element in addition to a fixed emolument.

Since the declaration of compliance of December 3, 2004, Eckert & Ziegler Strahlen- und Medizintechnik AG has fully complied with the recommendations of the German Corporate Governance Code – in the version of June 30, 2003 – with the exception of the departures notified.

Berlin, December 5, 2005

For the Executive Board:

Dr. Andreas Eckert

Dr. Edgar Löffler

Dr. Andreas Hey

For the Supervisory Board:

Prof. W. Maennig

The Executive Board makes the following statement on the exceptions notified in the declaration of compliance of December 3, 2005 (also on behalf of the Supervisory Board):

With reference to 3.8:
no self-insured element with D&O insurance

A self-insured element has been dispensed with as there are at present no generally recognized principles for the appropriateness of such an arrangement. Moreover, a self-insured element would not lead to any reduction in premium.

With reference to 4.2.4:
no disclosure of remuneration for individual members of the Executive Board

The disclosure of remuneration of members of the Executive Board in the notes to the Group financial statements is not on an individual basis, but is combined for the Executive Board as a whole. This approach seems to the Executive and Supervisory Boards justifiable, when one takes into account the small number of members of the Executive Board, as well as the fact that these persons are accountable to the shareholders in particular as colleagues in the same enterprise. This serves the shareholders' interest in information on the amount of Executive Board remuneration, to the same extent that the interest of members of the Executive Board is served by keeping details of their personal income confidential.

With reference to 5.3.1 and 5.3.2:
no establishment of committees, specifically no establishment of an audit committee by the Supervisory Board.

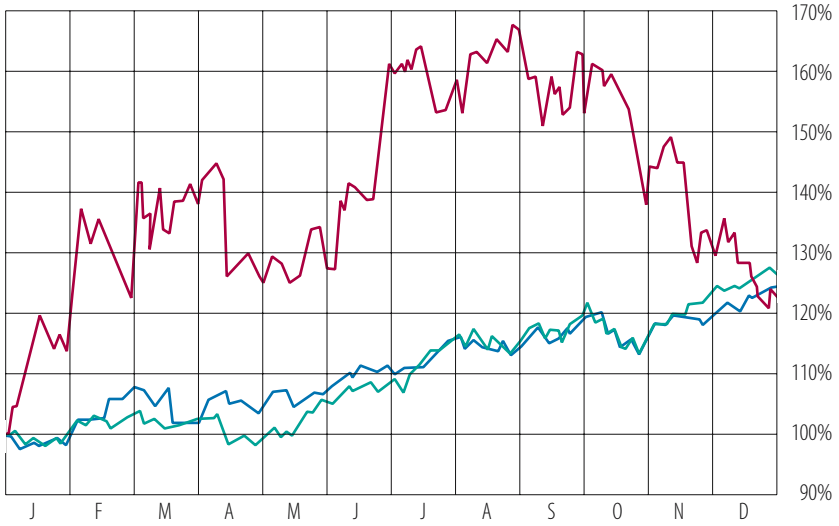
The need to form committees, and specifically an audit committee, is not seen as a matter of priority by the Supervisory Board. Because of the particular circumstances of the company and the small number of members of the Supervisory Board, the duties conferred on such committees can be more effectively exercised by the Supervisory Board itself. The future establishment of Supervisory Board committees is, however, under regular review with efficiency in mind.

With reference to 5.4.7:
no profit-related remuneration for members of the Supervisory Board

Executive and Supervisory Boards are of the opinion that remuneration linked to the profits of the enterprise is not compatible with the legally prescribed function of the Supervisory Board as an independent supervisory body and with the essential neutrality of interests that goes with it.

Rate changes in the year 2005
(1-1-2005 = 100%, source: www.onvista.de)

- Eckert & Ziegler
- Prime All Share (Performance-Index)
- Prime Pharma & Health Care (Performance-Index)



The Share

Dividend payment by Eckert & Ziegler AG

* proposal to the annual general meeting

The Eckert & Ziegler share has again performed very well this year with a growth in value of approx. 22 percent. This meant that it has clearly outstripped the movement in capital market interest rates for the third year running. In relation to the entire stockmarket year, it is true to say that the performance of the Eckert & Ziegler share lagged slightly behind the movements in the Prime Pharmaceuticals & Healthcare Index and the Prime All Share-Index. However, in growing by 22 percent, it did register a result that was four percentage points higher than in the previous year, and could once more vindicate the confidence of its shareholders.

Since their first trading day on May 25, 1999, Eckert & Ziegler AG shares have been quoted on the Frankfurt Stock Exchange as well as on all the German regional exchanges. In addition, they are traded electronically on the XETRA (Exchange Electronic Trading) system under the unique 12-digit International Securities Identification Number (ISIN) DE0005659700. A number of German banks and savings banks also identify the share by means of the former Wertpapier-Kenn-Nummer [security identification number] 565970.

On June 2, 2000 the first and, hitherto, only capital increase took place. Since that date the company's ordinary share capital has remained unchanged at 3,250,000 EUR. As has been the case in the four previous years, the company's solid financial structure has also enabled it in the year under review to finance all its acquisitions, investments in property, plant and equipment and product innovations entirely from internal cash flow. There was no need to seek further funds on the capital market.

As from February 20, 2003 Eckert & Ziegler AG shares have been listed under the Prime Standard. The companies listed in this segment are subject to particularly high transparency standards, even exceeding those of the prescribed publicity requirements.

Since January 3, 2005 Eckert & Ziegler AG has been a member of the newly created "German Entrepreneurial Index" (GEX). This segment exclusively takes up companies that are listed in the Prime Standard, and where significant amounts of stock are held by founders or management. The background to the creation of this spe-

cial index lies in Deutsche Börse statistics which show that owner-managed enterprises on the stock exchanges have in many cases demonstrated stronger growth in value over time and have stood their ground better than non-owner-managed firms, particularly in a difficult investor climate. Furthermore, such enterprises score positively in relation to their strategic planning, their focus on core competencies and other business-economic criteria.

Movements in the share price

As in the two previous years, it is pleasing to note that the Eckert & Ziegler share price has also risen in the period under review to the benefit of its shareholders.

The beginning of the year marked a turning point in the share price. After closing at the end of the previous year at 8.35 EUR, it immediately reached its lowest point for the year of 8.40 EUR on January 3, 2005, the first trading day in the year under review. From this point onwards until mid-April the share steadily climbed by up to approx. 40 percent. This increase was sparked off by press announcements on the jump in earnings in the financial year then past, on the acquisition in the radiopharmaceutical area, as well as forecasts for continued positive business prospects.

Following a sideways movement which lasted until the beginning of June, the share then rose repeatedly, to reach its peak for the year of 13.90 EUR on August 30. Up to this point the share price had risen by nearly 70 percent over the course of the year, thereby significantly outperforming some of the key indices. The drivers for the rise this time were further acquisitions to strengthen the company's portfolio, together with the reported strong growth in the second quarter.

However, in the last four months of the reporting period the movement in the Eckert & Ziegler share price got increasingly closer to the overall market trend. The reasons for this are not clear. Obviously, one or two investors with larger holdings at this time decided to quit in any case before the critical date of December 31, 2005 while there was still time, without considering the plunge in the share price this would cause. The unexceptional third quarter results may have contributed to their decision, but certainly this might have been due to pure funds administration or technical reporting reasons which often dominate towards the end of the year. After January 1, in any event, the share price recovered rapidly and quickly reached its level of the previous months.

Investor Relations

The aim of our investor relations work is to provide up-to-date, transparent and comprehensive information to our shareholders, analysts and journalists. Throughout the entire period under review, institutional investors, analysts, private investors and representatives from the press have been kept informed in the course of numerous individual discussions on the economic and financial position, and the aims and strategy of the Group.

In addition to that we have conducted several investor, analyst and press conferences during the year. Part of the press conference on the financial statements was devoted to a presentation by the Executive Board on the annual report, where an insight on the trends in the individual company divisions, as well as on the net

Key data on the Eckert & Ziegler share

International Securities Identification Number (ISIN)
DE0005659700

Security identification number (WKN)
565 970

Stock exchange symbols
EUZ (Deutsche Börse)
EUZ (Bloomberg)
EUZG (Reuters)

Stock exchange sector
Prime Standard, Frankfurt

All Share Indices
Prime All Share
Technology All Share
German Entrepreneurial Index (GEX)

Industry-specific Index
Prime-Sector: Pharma & Healthcare
Industry group: Medical Technology

Nominal share capital (12-31-2005)
EUR 3.25 million

Owner bearer shares (12-31-2005)
3,250,000 units

Share price (12-31-2005)
EUR 10.20

Market capitalization (12-31-2005)
EUR 33.15 million

Highest/lowest price in 2005
EUR 13.90 / EUR 8.40

assets, financial position and result of operations was given. Moreover, parallel to the publication of the quarterly reports, telephone conferences were held, in which financial analysts could obtain detailed information on current developments and key indicators.

On April 14, Eckert & Ziegler AG made presentations before international analysts and investors at the 5th MedTech Day in Frankfurt, alongside nine other companies working in the field of medical technology. The event was supported for the first time by the Deutsche Börse, the DVFA [German Association of Financial Analysts], the Landesbank Baden-Württemberg and the Spectaris industrial federation. This specialist conference for quoted companies in the medical technology sector, whose initiation Eckert & Ziegler AG was a party to in 2001, has in the meantime established itself among capital market experts as a permanent fixture for the industry.

Our annual general meeting took place on May 30 in Berlin, and was again this year an important forum for maintaining contact with our shareholders.

At the Deutsche Eigenkapitalforum [German Equity Capital Forum] on November 22 in Frankfurt, an important investors' conference for innovative and growth-oriented enterprises in all industry sectors, Eckert & Ziegler presented its strategy and the prospects for the company's growth in front of numerous investors and analysts.

As part of two roadshows, which the company held at the end of April with the support of Concord Effekten AG, and in November together with the Landesbank Baden-Württemberg (LBBW), the Executive Board made contact with selected, international financial analysts and fund managers.

A further focus of our communication is the making available of current and comprehensive information on the internet. Our website at www.ezag.de has been subject to an extensive relaunch during the year. The website has now been made even more navigable and user-friendly, and offers all the essential information for investors and future shareholders: annual and quarterly financial statements, current share prices and key indicators, press releases and ad hoc announcements, presentations, analyses, the financial calendar, as well as items concerning the annual general meeting and corporate governance.

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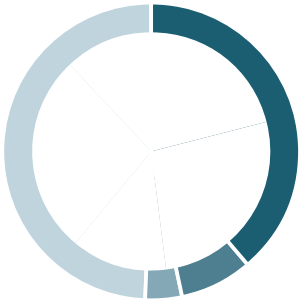
Shareholder structure 12-31-2005



- Eckert Consult GmbH 38.8%
- Jürgen Ziegler 7.8%
- Eckert & Ziegler AG 4.0%
- Free float 49.4%

Shareholder structure

As of the balance sheet date there have only been marginal changes in the shareholder structure compared to the previous year. The shareholding of the founding shareholder, Eckert Consult GmbH, remained constant at 38.8 percent. The second founding shareholder, Jürgen Ziegler, reduced his shareholding by 1.2 percentage points to 7.8 percent during the year. The company reduced the holding of its own shares, which it had acquired in 2003 as part of the share buy-back program, by one percentage point to 4.0 percent, in order to protect the share price. This has led to a minor increase in the shares available to the public (free float) from 47.2 percent to 49.4 percent of ordinary share capital.

Executive Board and Management of the Eckert & Ziegler Group

Strategy

Eckert & Ziegler AG is recognized as a specialist in the processing of radioactive materials, and at first glance is clearly focused on this. Those who follow us and page through our annual report will, however, soon realize that the company's core competence is directed towards several market segments that are independent of each other. They extend from therapeutic products for radio oncologists to components for the gauging industry to, latterly, radio-pharmaceuticals for nuclear medical diagnosis.

Is the subject range too broad? Mixed models arouse suspicion. They don't go down well with capital markets. Portfolio managers prefer pure-bred business models, true to the theory that the investor should himself allocate his capital between different categories or trends, or that the capital market can handle this more efficiently than individual management teams. In fact, one can argue that a management team surrenders or dilutes earnings opportunities if it 'drags in' less profitable sectors, instead of concentrating entirely on the most profitable segment. Should therefore Eckert & Ziegler concentrate on implants and reject industrial sources? We think not.

There are considerable synergies with infrastructure, production and sales and marketing which, for the size of business typical for the industry sector with sales of under 100 million euro, can yield significant advantages. Eckert & Ziegler is not yet a billion euro concern where the individual entities act autonomously from each other. Expenditure for radiation protection, for special logistics, the purchase of iso-

topes, for product approval experts and maintaining a presence in all regions of the world remain almost constant regardless of the level of sales, and would not fall if we refocused our product portfolio. Thus, these investments that are often hard to duplicate protect us not only from competition from the same industry sector, but also from competitors from outside the industry, who, on entering the market from a standing start, would have to generate a certain level of sales or accept long-lasting start-up losses.

Alongside the synergy effects, another factor in favor of the breadth of products is that in some of our markets we are forced to secure our future through diversification, more than in other industry sectors. Radioactivity is indeed a basic phenomenon for which there will always be sensible and lucrative applications, but we also know that, particularly in the medical field, it always needs to be clearly advantageous over alternative technologies if it is to have success. The reason for this is not that treatment with radioactive materials or components is more dangerous, expensive or complicated, rather that it can mostly only be provided in association with other parties: namely, in collaboration between the physician specializing in the particular organ (for example, the urologist) and the radiology expert. Even with diagnostic services the specialists in nuclear medicine are effectively only doing the groundwork. In spite of the team constraint the fee pot is, however, generally not any bigger than with services that can be provided by one person alone. Physicians always have the tendency to switch to a procedure which they can carry out unaided. Therefore, if the relative superiority of a radioactive procedure declines, that is to say, if an alternative procedure is only roughly just as good, market share can relatively quickly be eroded. We were faced with such a situation in the cardiological area a few years ago with the collapse in the demand for radioactive stents.

The competition through substitution from outside the industry is therefore a constant challenge for the management of our company, and we consider ourselves well advised to have several strings to our bow, and, for example, to press on into the radio-pharmaceutical sector. In doing this we gain another foothold with a user group that shares hardly any common ground with customers in the therapeutic segment, although it lies very close to our core business from a technical and production point of view.

This approach seems to be acceptable to the capital market. Yet when we see that Eckert & Ziegler, regardless of its better fundamentals, is less highly regarded than its international competitors, one must conclude that this has more to do with the size, depth of demand and the detailed organization of the capital markets in question.

Dr. Gunnar Mann,

General Manager, Eckert & Ziegler
BEBIG GmbH, Berlin, Germany

"Growth in recent years has been founded not only on organic growth, but also on acquisitions. Acquisitions mean new locations, staff, corporate cultures. Behind all this there are always people with their needs, wishes and fears. That is why we see integration as a core management task. So that integration doesn't just remain theory, but leads to synergies. And because our staff expect that the designation as 'family-friendly company' is not just something we carry around with us, but is put into practice in our everyday work. For intelligent products and services."

Karolin Riehle,

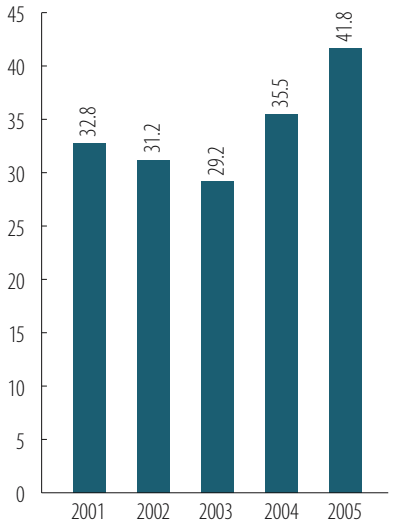
Head of Corporate Communications, Eckert & Ziegler AG, Berlin, Germany

"More than 1.300 sales and marketing documents. In 8 languages. Marketing Communications makes sure that all information around the product is accessible for the whole international sales force. With SalesNET, a web based document management system the whole staff and all distributors have access at any time to the up to date documents. Inlcuding Recommendation for Co-60 Afterloader Room Model or brochures for Advanced Training Brachytherapy."

Group Management Report

Business development

Movements in sales
2001 – 2005



(in million EUR)

Eckert & Ziegler is a worldwide specialist in medical, industrial and scientific applications involving radioactivity. The Group operates its business through several subsidiaries, and has organized it by main customer types into two segments. Products supplied by the first segment (Therapy) with its main target group of radiation therapists, are particularly for the treatment of cancer; while those in the other segment (Nuclear Imaging and Industry) are for nuclear imaging, science and radiometry.

The spectrum of products offered is relatively large in both segments, and generally so specialized that there are only a few suppliers across the world. Indeed, most competitors only occupy individual niches, so that in the past the Group was not faced in the broad range of its products with any direct competitor. This has not changed in the year under review.

The markets for Eckert & Ziegler AG's various product groups are only loosely interconnected, and each has its own business cycle and particular characteristics. National differences mean, in addition, that products use and demand can diverge radically from each one country to another. Therefore, it is difficult, without reference to the particular sub-segment, to make generalized statements on business environments. In connection with medical products, which account for about two-thirds of Group sales, a noticeable factor for some years has been that the demographic trend in all industrialized countries has led to an increasing demand for products for the diagnosis and treatment of cancer, and therefore for the components marketed by the Group. The intensity and dynamics of the demand depend in detail on many factors, but are particularly affected by the detailed ways in which national reimbursement systems are organized and the local competitive situation.

The fragmented structure of the industry and the way it is dominated by small businesses often opens up opportunities for Eckert & Ziegler to strengthen its economic position through acquisitions. Thus, in the year under review, the Group was able to fully take over two companies in the Czech Republic and in the United States, among others. The companies concerned are two producers of specialized radiation sources for industrial and radiometrical applications, Analytics Inc. in Atlanta (Analytics) and Sorad spol s.r.o. in Prague. Their products are directed at already existing customer groups and fit in well with the existing range.

Alongside these company purchases, Eckert & Ziegler was able to acquire two majority holdings in companies in the radio-pharmaceutical field in the year. These are EURO-PET Berlin Zyklotron GmbH (EURO-PET), based in Berlin, and f-con Europe GmbH (FCE), Wiesbaden, bringing with it two further subsidiaries of its own in Wiesbaden and Milan (Italy) into the Group. EURO-PET and FCE are companies that are primarily engaged in the production and distribution of radio-diagnostics for positron emission tomography (PET). Their main product consists of low-level radioactive glucose (FDG). It is injected into the patient as a kind of contrast media, and, with the aid of suitable equipment, allows the physician to locate very precisely the center of even the smallest tumor.

PET examinations with FDG have been firmly established for over ten years, especially in the United States, for cancer care and controlling the progress of therapy, and are increasingly winning through in Europe as well. With the purchase of these equity investments, Eckert & Ziegler hopes to further expand its range of products for the core target group of specialists in nuclear medicine, and open up an additional area for growth.

Sales revenues

The financial year was again marked by strong growth, with sales, as in the previous year, being spread over numerous products and countries, and no more than EUR 2.5 million being attributable to the biggest single customer. In total, 2005 produced an increase of around EUR 6.3 million to EUR 41.8 million, a rise of 18% compared to last year (EUR 35.5 million). Just under half of the revenue growth, namely EUR 3.0 million, was attributable to EURO-PET Berlin Zyklotron GmbH, Analytics Inc., Sorad, and the f-con Group, business divisions newly acquired in the year under review. The rest of the increase of EUR 3.3 million was the result of organic growth from previously existing core businesses, where sales went up from EUR 35.5 million to EUR 38.8 million in total (about 8%). As in the previous year, the Group's policy of securing the growth track of approx. 20% per year that we are striving for through a mixture of acquisitions and internal growth has been vindicated.

Splitting the organically growing core business by segment shows that sales growth in nuclear medical and industrial products at approx. 12% (from EUR 19.4 million to EUR 21.8 million) was particularly marked. Along with a favorable dollar exchange rate, the main contributory factors in this were the surges in sales of raw isotopes by US$ 1.6 million and industrial sources by US$ 1.4 million. While the consolidating effect from the 2004 acquisition of the isotope trader CNL Scientific Resources International Inc. still played a role in the first of these product groups, the success in industrial applications was predominantly indebted to the restructuring of sales and marketing and refocusing the business.

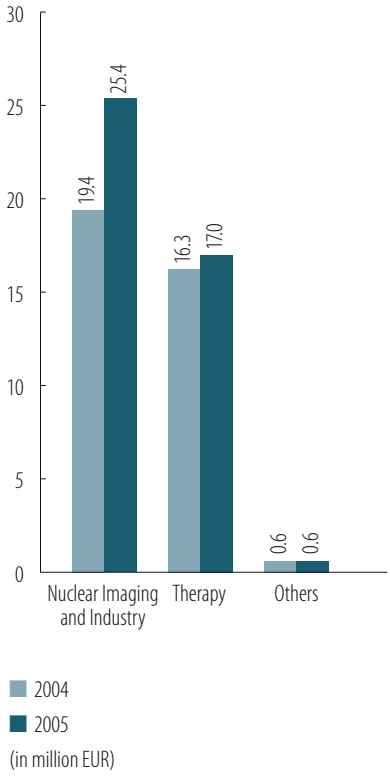
In the therapeutic segment, the core business, in other words the parts that already belonged to the Group in the previous year, grew organically from EUR 16.1 million to EUR 16.9 million, or about 5%. Growth factors included the new tumor radiation devices. These showed an increase in sales of more than one-half. Not only the Curietron® devices, completely redeveloped in the year under review, but also the MultiSource® afterloaders, based on cobalt sources, did well in the market, which also, among other things, was reflected in an expanding order book for the coming financial year.

Implants for the treatment of prostate cancer also rose by another 17% again, despite falling prices in several European markets and the loss of a major distributor, as did likewise the BIOBEAM blood irradiation devices. That total sales growth in the therapeutic segment nevertheless came out relatively low was primarily due to the fact that Eckert & Ziegler Eurotope GmbH this year did not, as in the previous year, register any significant sales of production lines. The engineering group rather was concentrated on the development of the new generation of Modular-Lab™ devices.

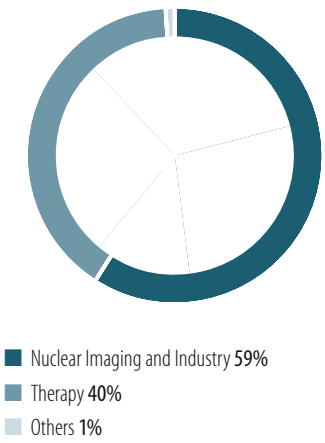
Result of operations

On the earnings side, compared to the previous year, a fall in Group profit for the year 2005 of EUR 1.9 million to EUR 1.5 million (down 57%) has to be reported, which equates to a drop in earnings per share of EUR 0.58 to EUR 0.51 in 2005. This steep decline by more than one-half seems dramatic, but its effect is less alarming when one takes into account that in the previous year profit for the year was boosted by one-off non-cash book profits of about EUR 0.35 per share from the deconsolidation of biotechnology activities. Therefore, if, instead of profit for the year, one compares profit from continuing operations after tax, the drop compared to the previous year is only 37% or EUR 0.23 per share.

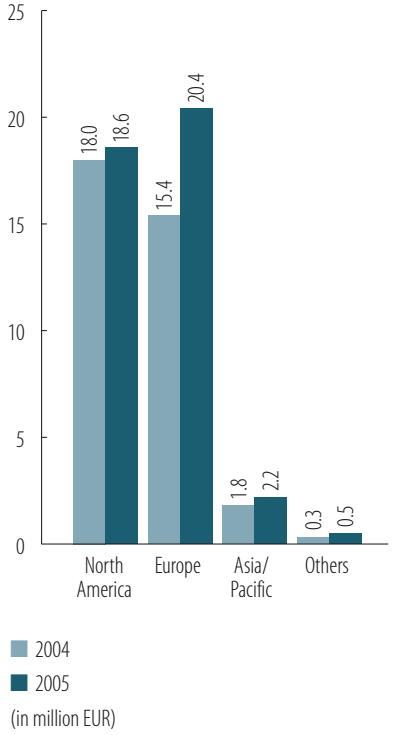
Sales trends in individual segments



Sales by segments 2005



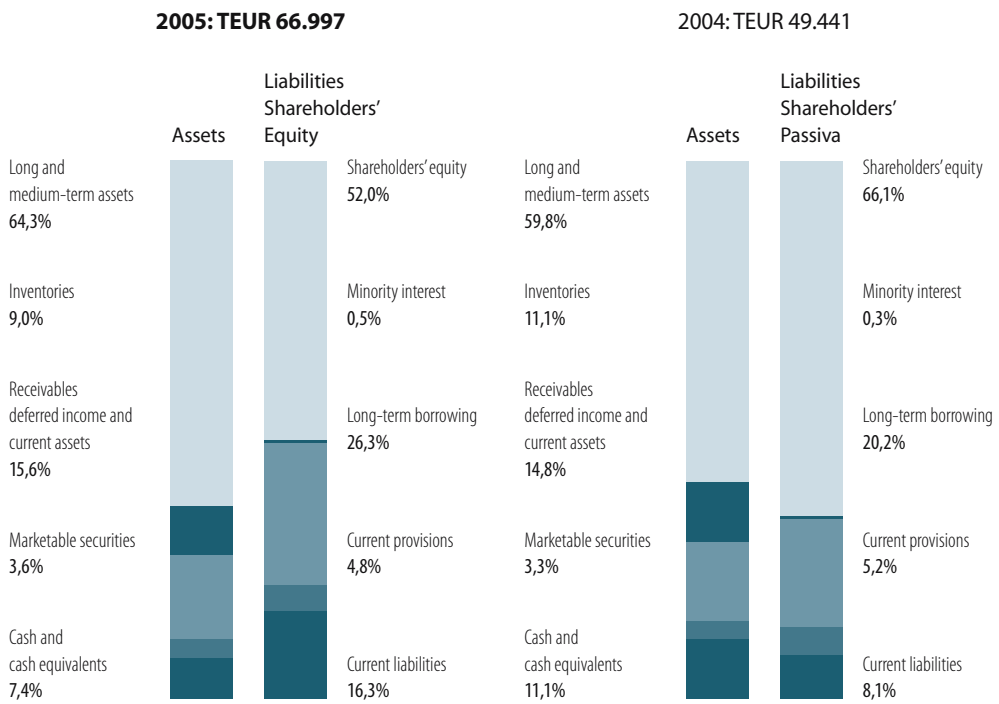
Sales by geographic regions 2004/2005



Not that this decline is pleasing either, but a more favorable picture is revealed by a closer analysis that distinguishes between core business and the newly acquired entities. This shows that profit before tax in the core business has climbed by 18%, from EUR 3.2 million in the previous year to EUR 3.8 million in this, and that the setback in earnings in the Group as a whole to EUR 2.2 million was primarily the result of the newly acquired entities adversely affecting profit before tax to the extent of around EUR 1.6 million. As the increase in profit before tax in the core business at 18%, as mentioned, was twice as high as for the organic growth in sales, earnings potential in the core business has risen. A glance at the adjusted annual comparison shows that here the main contributory factor was the net result of financial activities, which improved by about EUR 0.5 million, thanks principally to favorable exchange rates. The other cost items in the core business, manufacturing costs (EUR 21.3 million) and burden (EUR 13.9 million) grew in roughly the same proportion as sales. The disproportionately high increase in expenditure on manufacturing and general burden in the overall Group compared to the previous year is therefore wholly due to the effect of the acquisitions.

In relation to this expenditure, which affected Group profit along with the entities newly acquired in 2005, it is to be noted that about EUR 1.4 million stems from start-up costs which are not to be expected in the years to come. The non-recurring effects consist, on the one hand, of extraordinary commissioning costs for the cyclotron in Milan, which were caused by a delay in the manufacturing permit for this radiopharmaceutical production plant. Until clearance was given for its own production, our Italian subsidiary in question had to supply customers expensively from abroad over a lengthy period. The other non-recurring effect was caused by site restoration costs at EURO-PET Berlin Zyklotron GmbH, where sales have picked up in the meantime and have helped to achieve a cash break even on a monthly basis. If one excludes both of these non-recurring costs from the Group's 2005 profit from operations, the resultant figure of around EUR 3.9 million is approx. 10% above the level of the previous year (EUR 3.6 million).

Balance sheet structure



Moreover, the earnings position is even more favorable if, instead of profit from operations, profit before income and tax (EBIT) is considered. The thinking behind this is that it only makes sense to compare the development of the business with the previous year if the higher level of debt which has been incurred through bringing the new entities into the Group, is taken into account. Their low equity capital base and the correspondingly high degree of indebtedness, together with Analytics' partial funding of purchases through external borrowing, meant for Eckert & Ziegler that net interest for the year doubled from EUR 273,000 previously to EUR 667,000. This level is admittedly still low in relation to total assets and Group sales, but it distorts the comparison of earnings with the previous year.

If one ignores both non-recurring start-up costs for the newly acquired entities totaling EUR 1.4 million as well as the interest charge, EBIT in 2005 in respect of continuing operations comes to about EUR 4.3 million. This is about 25% higher than the corresponding amount in the previous year (EUR 3.4 million), and leads to an increase of 14% in profit before interest, tax, depreciation and amortization (EBITDA) from EUR 7.2 million to EUR 8.2 million in 2005. This also an important number for external borrowing margins.

Photo above: MultiSource® cancer radiation device (afterloader) for the treatment of gynecological tumors, and cancer in the esophagus, lungs and prostate.

Photo below: Multimodal Mouse Phantom with hot spot " lesions" for nuclear medical diagnostics

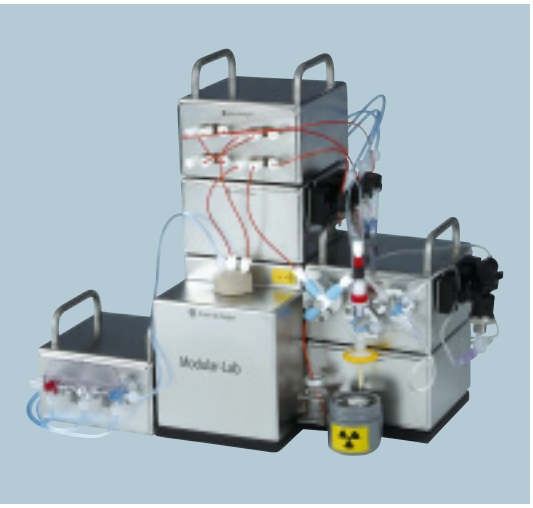
Financial position and net assets

There have been substantial changes to the balance sheet since last year, evident above all in total assets which have risen at a disproportionately higher rate than sales by more than one-third to EUR 67.0 million (2004: EUR 49.4 million). Once more the blame for this lies chiefly with the newly acquired entities, EURO-PET, f-con and Analytics. Together they have increased both assets and liabilities in the balance sheet by EUR 13.3 million, representing about three-quarters of the total balance sheet increase of EUR 17.6 million. The remaining EUR 4.3 million in 2005 came from the core business and, in relation to the growth factor (9%), corresponds fairly closely to the organic rate of growth. On the assets side, EUR 2.2 million of this amount is borne by current assets and EUR 2.1 million by non-current assets, and on the equity and liabilities side almost entirely by current liabilities, which means that the core business saw a relative reduction in its share of long-term borrowings in 2005.

The balance sheet increase of EUR 13.3 million attributable to the new entities includes, on the assets side, EUR 11.5 million from non-current assets, mainly plant and goodwill. This is matched on the equity and liabilities side by non-current and current liabilities of EUR 10.8 million together, which equates to a debt ratio of 81.9%. This has significant consequences for the equity ratio of the whole Group. Owing primarily to the effect of the new entities, it sank from 66.5% in the previous year by 14 percentage points to 52.2%.

As the new entities had negative gross working capital, that is to say, the combined total of their current liabilities of EUR 2.7 million exceeded current assets of EUR 1.2 million (excluding cash and cash equivalents) by EUR 1.5 million, the Group financed itself in 2005 from suppliers' credit, more than was the case in the previous year. This trend was also evident in the core business. Noticeably longer periods of supplier credit and an increase in the recourse to short-term borrowing meant that necessary gross working capital fell by just under EUR 1.9 million compared to the previous year.

This had a pleasing effect on the cash flow from operating activities, which principally rose through the fall in inventories and the longer supplier and shorter customer credit



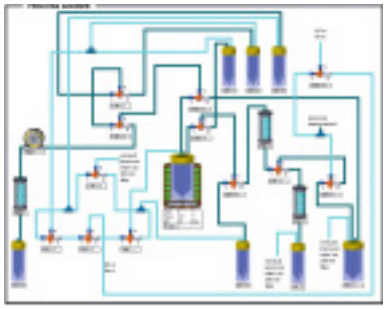


Photo above: The synthesis module Modular-Lab™ is used for the automated and remote-controlled production of radioactive diagnostics and pharmaceuticals. It is especially used for the synthesis of PET tracers.

Photo below: The software for Modular-Lab™ has an intuitive graphical user interface for fast and easy programming.

periods by 40% from EUR 2.6 million in the previous year to EUR 3.5 million in this year. Around EUR 3.7 million was invested in plant and equipment, EUR 0.8 million went on dividends and EUR 0.5 million on the purchase of equity investments to secure the growth path. As acquisitions were largely funded from long-term borrowings, management has not utilized the securities and cash on hand in contrast to the previous year, but was even able to increase them by EUR 0.3 million.

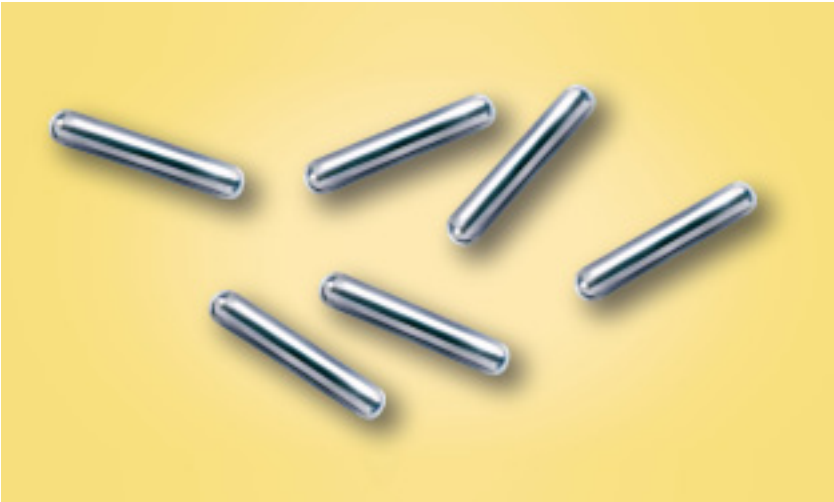
Research and development

The main centers of the Group's development activities are in Berlin and Los Angeles. Radiochemists, engineers, programmers and other specialists work here on the further development of the product range and on improvements to production processes. Their work involves close collaboration with numerous scientific institutions, including, for instance, Charité in Berlin, the Poliklinikum in Milan and the Batelle Institute in Seattle.

In 2005 research and development costs amounted to EUR 512 thousand (2004: EUR 329 thousand). In the year 2005 7new patents were applied for, so that the number of patents applied for or registered rose to approx. 15.

In the Therapy segment work was mainly directed towards the development of a new generation of implants with improved visibility in fluoroscopy, and towards numerous improvements and additions to the MultiSource® and Curietron® range of tumor radiation equipment, newly introduced in the previous year. The latter was comprehensively upgraded. New software was developed for the BIOBEAM blood irradiation equipment, and several pieces of preparatory work successfully completed for the planned new 5-channel afterloading device, GyneSource®. Moreover, in order to concentrate production of therapeutic products at one location, the development teams set up new production facilities in Berlin for iridium wires. These medical products enable carcinomas in the head, neck and breast to be very effectively treated. Because of the increase in demand, production capacity for the manufacture of seed strands (IsoCord®) was also expanded and brought up to the latest technical standards.

In the field of diagnostic imaging (Nuclear Imaging segment) the focus of development was on new components for attenuation correction and on multimodal sources that can be applied simultaneously in different imaging procedures, not only with SPECT or PET scanners, but also with computer tomographs and magnetic resonance machines. Our American subsidiary, Isotope Products Laboratories Inc. (IPL), which is in charge of this work, has collaborated closely with manufacturers of equipment of this size, such as Philips Medical Systems. For their CardioMD SPECT camera, used for cardiac examination, IPL produced its new gadolinium line source NES8497 for market acceptance, and also the gadolinium source MMS07 visible in computer tomographs for quality assurance and calibration of the new Philips Precedence SPECT-CT scanner. Existing product lines were also upgraded with General Electric Healthcare and Siemens Medical Solutions, and a start made with the development of prototypes for new generations of scanners. The successful family of flood sources, Perflexion™, was expanded, and presented in June in its new 18 inch size at the annual congress of the North American Society of Nuclear Medicine in Toronto. The product line of multimodal sources was supplemented by the MMS09 point source, used in the rapidly growing market segment of small animal scanners. In this connection an outstanding product innovation was the first three-modal marker MMS10. This allows MRI, CT and SPECT or PET images to be fusioned



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

Low-level radioactive implants (seeds) for minimally invasive treatment of prostate cancer

for the first time. IPL has taken out a US patent for multimodal imaging sources to protect the technology used in the MMS product family.

For industrial applications IPL has commenced the development of a nuclear battery in association with Cornell University, USA under a Government research contract. The project attempts to show the feasibility of using beta emitting radiation to generate small currents for powering microelectronic devices. Applications are, for example, small sensors placed in harsh environments where batteries are impractical. Another project is concerned with the design and fabrication of gamma radiation devices used for the inspection of vehicles and trucks at border crossings.

In the radio-pharmaceutical field, a fully automated synthesis module for the production of radio-pharmaceuticals and chemicals was developed by the Berlin-based subsidiary, Eckert & Ziegler Eurotope GmbH. It was presented for the first time under the brand name Modular-Lab™ at the 2005 annual congress of the European Association of Nuclear Medicine (EANM) in Istanbul. Its unique feature is its special flexibility and expandability. It is particularly suitable for the rapid take-up of new radio-pharmaceutical synthesis into manufacturing. In order to validate the synthesis module in the clinical environment and to extend it into other applications, Eckert & Ziegler concluded a collaboration agreement, among other things, with the Berlin-based Charité university clinic at the end of 2005. In addition, the developers in the radio-pharmaceutical area were able to announce the conclusion of a development and cooperation agreement concerning the development of a pharmaceutically useful germanium gallium generator with the Batelle Institute and the Pacific Northwest National Laboratory (both in the US).

Opportunity and risk management report

At this point in time, the Group considers itself in possession of sufficient financial means to secure its position as well as further development. It also sees itself as capable of meeting all financial obligations. In the coming business years, however, it anticipates a slight increase in the debit ratio in order to secure growth via further acquisitions and to finance the development of new products.

Eckert & Ziegler sees a major development expenditure especially with regard to financing a clinical study for SpondylAT®, a radium chloride-based rheumatism drug for which it purchased the rights in 2005 from Altmann Therapie GmbH & Co. KG in Salzgitter (see the appendix for more information). SpondylAT® is a radioactive substance that has already been used successfully to treat ankylosing spondylitis for decades, but for which the German Federal Drug Agency in Bonn has decided a phase III clinical study must now be performed. Although the study does not require investment as high as that for completely new and unknown active agents, it will still require three to five million euros over a time period of two to four years.

As for all drug development work, there is a risk that the clinical trials of SpondylAT® will result in either losing or delaying authorization, which in turn would either eliminate or postpone anticipated sales and earnings. However, the current financial situation and the strong cash flow at Eckert & Ziegler mean that the Group would probably survive unscathed even if the project were to be completely written off. Moreover, expenditure is linked to the achievement of milestones, and the Executive and Supervisory Boards have the option of stopping the project at any time without further financial obligation if the clinical data should prove to be disappointing.

If successful, SpondylAT® represents an opportunity to achieve a new order of magnitude in sales of radiopharmaceutical products over the medium term. Ankylosing spondylitis is a very common condition which has thus far lacked curative treatment options. Radium chloride, however, appears to address causative factors in the progression of this disease. If we can acquire authorization for SpondylAT® in Europe or for that matter beyond Europe, long-term annual sales volumes of as much as EUR 100 million become possible.

In addition to economic and technical development risks, Eckert & Ziegler is also subject to the vicissitudes of the market. These can lead not only to revenue but also to liquidity risks, because the Group has received outside financing for some of its acquisitions and has provided guaranties for loans to its subsidiaries. The Group remains susceptible even if the management reacts rapidly to reduce costs and/or leave a threatened field of activity. However, this situation only exists on a large scale with respect to the credit line for the California subsidiary IPL and for guarantees serving EURO-PET in Adlershof. Other loan liabilities listed in the appendix, such as those for former or minority shareholders, are not guaranteed by Eckert & Ziegler.

The acquisitions of recent years have given rise to some contractual risks for the Group. Although the Executive Board sought to contain all risks in advance by means of unmistakable provisions and the services of qualified attorneys, disputes can still arise over the interpretation of contracts. The Group is currently facing an additional purchase price demand, with an attempt at court to have more than one million EUR paid from the purchase of MMI GmbH in March of 2004. The Board views this suit as groundless, but cannot exclude the possibility that this or similar actions will not find backing. Yet it would not make sense to refrain from acquisi-

tions in order to avoid all risk. In the past, the Group has been able to add a number of profitable business fields only via acquisitions, and must continue to assume such risks in the future in the interest of further development.

Other risks

As a specialist for a broad portfolio of radioactive components, radiation equipment and radiopharmaceutical products, Eckert & Ziegler is better protected against slumps in the market than single-product companies. Although the different business fields feature related technology, they differ considerably in their product life cycles and in their customer and market structures. This variation generally lowers the risk that competitors will undermine the company's business foundation with new and better products. Nevertheless, the possibility cannot be entirely excluded that improved processes and efforts on the part of the competition might lead to the loss of important markets, and thus endanger the company.

To counter this threat, Eckert & Ziegler is actively seeking to develop new products and to identify and set up new business fields. The risk exists, however, that these efforts will remain unsuccessful and that new business fields can only be developed too late, or inadequately, or not at all. Furthermore, the possibility cannot be ruled out that competitors will undertake more successful actions with other products or marketing strategies.

Major sales and revenue risks continue to lie in developing the European market for permanent implants for the treatment of prostate cancer. This innovative treatment method is still in the introductory phase in European countries, which can be seen especially in the fact that reimbursement by statutory health insurance programs – an essential element in the economic success of this method – in some key countries is either not yet or only partially secured. In addition, the competitive situation has also reduced the profit margin here. Eckert & Ziegler is attempting to enhance customer loyalty via an attractive service program and long-term supply contracts, and thus counter existing risks to sales and earnings.

Sales of radiation systems are subject to the risk that high capital expenditure and follow-up costs will prevent them from penetrating the primary target markets to the extent or rate anticipated. Because this area of business has only come under our control recently, it is possible that current distribution structures and/or technical features of the systems do not yet meet the demands of the market to the degree necessary.

In the radiopharmaceutical segment, which is currently being extended, a risk to sales exists in the possibility that the necessary authorizations might not be granted or might be withdrawn. It is also possible that both number of new customers and the sales themselves might not develop as expected due to less than optimal decisions on cost reimbursement by statutory health insurance programs.

Many nuclear medical and industrial subsegments feature oligo-political market structures, which means that the loss of major customers can have a marked impact on revenue and sales. Eckert & Ziegler AG strives to counter these sales risks by setting up medium and long-term supply contracts, but it cannot guarantee that it will always be successful at this endeavor in the future.

Both radioactivity itself as well as its use in medical or pharmaceutical products entail product liability risks. Eckert & Ziegler is addressing these risks by adhering to strict quality criteria. Its operational facilities are ISO-certified, and its quality management systems are regularly checked by both internal and external audits. In order to avoid accidents that injure employees, cause damage to the environment, or prompt regulatory agencies to close down production facilities, staff members regularly undergo training in occupational safety and radiation protection. Despite all these measures, it cannot be excluded that events giving rise to liability could occur and pose a threat to the company. As far as possible and feasible, appropriate insurance has been taken out to guard against liability risks.

In many segments, Eckert & Ziegler AG depends on the specialized knowledge of its employees. Especially in setting up new business fields, but also in development and sales, it relies on the expertise and skills of a few especially qualified key individuals. In order to minimize the risk of losing talented personnel, the company strives to create a friendly and helpful atmosphere, a modern and secure working environment, adequate compensation, professional training and further education opportunities, and flexible working hours. The company has also launched a share option program to enhance long-term loyalty and motivation. Despite these measures and a demonstrated high degree of employee satisfaction, Eckert & Ziegler cannot guarantee that these employees will remain with the company or display the necessary type of commitment.

Monitoring and control measures to avoid financial risk include the use of such instruments as the annual financial budget with revisions during the year, and fine-toothed analysis of deviations from the budget. This enables potential risks to be identified at an early stage and suitable countermeasures to be implemented. Due to the high proportion of sales in the USA, there is a certain degree of dependence on the exchange rate for the US dollar. Because the subsidiary in the USA responsible for most of this revenue also incurs its costs in US dollars, however, fluctuations in the exchange rate cause hardly any problems for the profit margin. Exchange rate movements only have an impact on profit and loss statements and thus on Group earnings when US dollar revenues are converted for consolidation purposes. For German companies, around 50% of sales in foreign currencies are hedged by forward exchange contracts and simple put options.

Other risks facing Eckert & Ziegler AG are similar to those for other manufacturing companies. These include the risk of being unable to buy all the raw materials and consumables at the right time and in the necessary quantities. This risk can be reduced by warehousing and by establishing alternative procurement sources, but it can never be eliminated altogether. With products being dispatched all over the world, in many cases as hazardous materials, Eckert & Ziegler is dependent on specialized service providers. There can be no guarantee that these services will be sustained in their existing form. Official licenses and permits are needed for the production and dispatch of many products, and Eckert & Ziegler AG can only exert indirect influence when these are issued or renewed.

Changes to risks: In spite of the growth in its range of products, there has been no heightening of the risk profile for the Eckert & Ziegler Group which could endanger the company's intrinsic value. A large number of prevailing risks has already been considered in the Group's detailed planning for the coming year. The Executive Board does not expect that the risks listed above will have a significant impact on the 2006 financial year.

Risk management

Eckert & Ziegler AG attempts to handle its business risks using a range of instruments. As part of the risk management system, yearly interviews with technical managers and leading executives are held at which new and existing risks are identified, ranked with respect to probability, and potential effects on the company discussed. As far as possible, preventive measures are taken to counter those risks which might damage the company, contingency plans are drawn up, and regular evaluations of these risk factors are organized. These include market and competitor surveys, evaluation of scientific literature, analysis of customer complaints, cost and sales statistics, and similar data.

Risk management also includes detailed annual sales and cost planning. These allow managers to identify well in advance the variables that are critical to the earnings position and to simulate the financial consequences of various eventualities.

Overall, a risk minimizing approach is chosen. Existing risks are systematically monitored, and minimized or guarded against by means of ongoing process improvement. New product developments and acquisitions are tested for possible risks at the outset and incorporated into the risk management system. Market developments are monitored, as are the activities of competitors, so that our own strategies can be modified and then implemented at early stages.

In order to regularly observe and evaluate prevailing risks, Eckert & Ziegler AG has created the position of a Risk Management Controller, who reports to the Executive Board. These reports form the basis for regular meetings of the Executive Board at which significant risks to the survival and earnings of the Group and its subsidiaries are presented and discussed.

The Supervisory Board, to which all the main decisions are presented, explained, and submitted for approval, and which is kept regularly informed about economic developments, serves as a further element to guard against risk.

Photo above: Production facility for the manufacturing of radioactive diagnostics

Photo below: Radioactive diagnostics injected into the body can reveal the smallest tumors during a PET examination.

Post-balance sheet events

The central event in the area of therapeutic products was the successful acquisition of a major contract from Latin America. Against strong competition Eckert & Ziegler, together with its distribution partner Philips, secured a contract worth millions to equip a series of radiotherapeutic centers in Venezuela.

In the field of radio-pharmaceuticals, Eckert & Ziegler has succeeded in forging a further link in the strategy chain and concluded the long-negotiated cooperation agreement with Charité. It permits the Group access to the second local cyclotron facility and enables a centre to be built offering considerable advantages in terms of capacity utilization and security of supplies (reserve capacity for periods of servicing and repairs). In addition, through the deal Eckert & Ziegler acquires a laboratory in which new substances, and equipment for the manufacture of these substances, can be tested and developed. As in mid-February we came at the same time to an arrangement with the former shareholders regarding the final still unresolved financing issues in Adlershof, we are confident that we can conclude the rationalization process and significantly reduce the start-up losses. This impression is backed up by the fact that initial progress is being made in the reimbursement question. The combined German committee of health insurance funds and physicians' representatives has with several decisions paved the way for a broader acceptance of positron emission tomography in the last few months. This has also led in the Berlin area to a series of such devices being installed, which will revive demand for radiodiagnostics.

Outlook

Although it must be noted at the outset that actual results always differ considerably from expected developments, Eckert & Ziegler is anticipating a further increase in business volume over the coming financial years. Engines driving the growth include the Curietron® and MultiSource® cancer radiation systems, for which large-scale orders have already been placed. These include an order for equipping 13 radiation clinics in Venezuela, which Eckert & Ziegler, in partnership with Philips Argentina, was able to obtain in January against strong competition. We are optimistic that this order will send out favorable signals to markets in other countries. In the course of the coming months, moreover, the introduction to the market of further items of accessories is planned, which should likewise give a boost to sales.

Management is expecting double-digit growth in sales of implants for the treatment of prostate cancer for at least the next two years. In European markets this method is increasingly winning through as a mild and cost-effective alternative to surgical intervention. Further, the new generation of implants with their improved visibility in fluoroscopy has been well received by physicians. In the course of the year we are hoping that a formal statement from the German Institute for Quality and Efficiency in Health, Cologne, will give impetus to the important German market. This semi-public institute has been requested by the decision-making body of the statutory health insurance funds to give its opinion on brachytherapy for early prostate carcinomas. We anticipate that growth in sales of other therapeutic products will be largely stable.

In the Nuclear Imaging segment we expect firstly growth contribution through a full year accounting of Analytics. The company was only consolidated for a part of 2005 and will now be attributed to the Group for the first time for the whole of the finan-

cial year. With regard to the core business of industrial radiation sources and products for nuclear imaging, the segment's management is counting on a slight rise in sales figures, caused by the increasing spread of combined imaging techniques. Thanks to the fact that also the other newly acquired entities will now be consolidated for the full year, further impulses to growth will similarly emanate from them. We also anticipate being able to expand radiopharmaceutical product volumes beyond the existing level. The main hopes have been aroused by the most recent vote of the Joint Federal Committee of Physicians and Health Insurance Funds, among other factors. This highest governing body of the German statutory health insurance funds had recently decided that PET examinations should initially be reimbursed for a certain form of lung cancer for patients insured under these funds as well. Admittedly, the ruling only applies to hospitals, but there are indications that sooner or later private consultants will also get this advantageous form of treatment refunded by health insurance funds.

We are expecting a slight increase in the number of centers offering this kind of examination in the service area of the Berlin cyclotron combine. Alongside that, we are hoping for stimulus to come from the neighboring regions. An initial supply contract has recently been signed with a hospital in Poland, for example.

The anticipated organic growth in sales is expected to lead to an improvement in net operating income, as the rise in overheads in previous years leads us to believe that these will not increase over-proportionately to sales in 2006. However, set against this, we expect extraordinary expense to arise from the involvement with Altmann Pharma in Salzgitter, as already announced in 2006. Here, segmental management is planning the financing of a clinical study into the rheumatism drug radium chloride, which Eckert & Ziegler is confident will provide considerable potential for sales and earnings in the medium term. The cost of developing the Modular-Lab™ synthesis equipment family and of bringing it to market will also give rise to extraordinary expense in 2006. Overall, management is confident, however, that in spite of these items of expense, 2006 will show a marked organic growth in earnings.

Photo above: Line sources for optimised imaging in nuclear medicine

Photo center: The handy Perflexion™ flood source facilitates the routine calibration of SPECT and gamma cameras.

Photo below: Radioactive coated foils for smoke detectors

Better in the team: staff members of the Eckert & Ziegler Group at the 5 x 5 km relay race in Berlin

Staff

In 2005, 247 people were employed on average in the Group worldwide. In relation to the total workforce this corresponds to a growth of 15 percent. The increase in staff numbers is mainly attributable to company acquisitions in the US and the entry into the radio-pharmaceutical business.

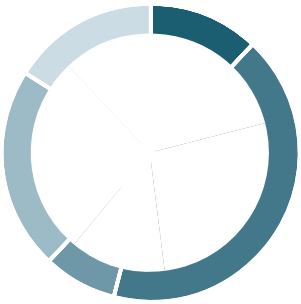
Staff costs in the financial year 2005 amounted to EUR 12.3 million (2004: EUR 10.9 million); staff costs per head averaged EUR 50 thousand (2004: EUR 51 thousand). Around 41% of all staff possess a diploma from a university for applied science or a higher degree.

To achieve a balance between family and work is an important and permanent element of our staff policies. For this reason, Eckert & Ziegler AG supports working arrangements that are supportive of the family, such as flexible working hours in the day and during the week, part-time working, healthcare, and maintaining contact with the company during parental leave through regular exchange of information, as well as by means of programs to assist the return to work. For this, Eckert & Ziegler was awarded the prize for being "Pankow's Family-Friendly Company for the year 2005". For the increasing number of newly created jobs, Eckert & Ziegler was included once more among the 500 most rapidly growing European enterprises – "Europe's 500".

In order that staff should participate in the firm's success, value-oriented incentive schemes were continued. As far as possible, managers and other executives receive variable elements in their pay. Furthermore, by means of a stock option program, it is hoped that managers will have due regard to movements in the company's share price, and hence to the interests of shareholders. From this stock option program (AOP2), now running for more than three years, 32,500 options were granted in a fourth tranche in 2005, 18,000 of which were to members of the Executive Board.

Once more at this time the Executive Board wishes to express its thanks to all members of staff for their commitment and effort. These thanks is also directed at the works council, which through liaising between the company's management and its workforce, has played its part in ensuring that many decisions have been implemented.

Staff by functions



- R&D 12%
- Production 42%
- Quality management 8%
- Sales and marketing 22%
- Administration 16%

Annika Wasgindt,

Customer Service, Eckert & Ziegler BEBIG GmbH, Berlin, Germany

"An urgent inquiry from overseas. Could we speedily send a ruthenium applicator for the treatment of eye cancer? By yesterday, if possible? – It is for a rare eye disease where the retina is affected by a tumor. Fortunately the clinic is known to us. We've got up-to-date copies of their radiation licence, the logistics are no more than usually complicated, the technical items quickly resolved. A quick call to the production people. They need to do a bit of juggling, but the package goes out in three days. Next one please!"

At symposia and workshops for physicians the company regularly presents information about its products in brachytherapy

Marketing and Public Relations

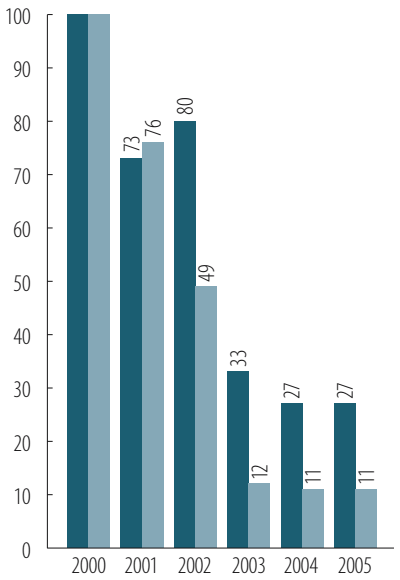
The most significant marketing efforts in the year under review, alongside the preparation of brochures and presentations and the overhaul of the internet website, included, in particular, exhibiting at trade fairs and congresses. Operating subsidiaries of Eckert & Ziegler AG were represented at around 30 trade fairs within and outside Germany. On top of that came the organization of two international distributors' meetings, at which product qualities and innovations in the area of brachytherapy was presented, and also a symposium for physicians that Eckert & Ziegler arranged in conjunction with the Ernst von Bergmann clinic, Potsdam. All events were well received.

In order to make the mass of product information available to the worldwide distribution network, Eckert & Ziegler introduced a web-based document management system, called SalesNET. This gives staff, distributors and other authorized persons access at all hours to all product-related information. With a total of around 1,300 documents in several languages the offering extends from distributor-specific price lists for the particular country to technical specifications for MultiSource® through to training videos for seed implantation.

In the field of public relations, topics of interest to the stock exchange and fresh company developments were to the fore. This included Eckert & Ziegler's designation as "Pankow's Family-Friendly Company for the year 2005" and other news, among them presentations targeted at prostate cancer patients. They included detailed information on the low side effects of implant therapy. Parties interested were also able to gain an insight into the advantages of this minimally invasive method of treatment from stands on Patients' Day during the German Cancer Congress and at other health shows, through lectures, through a wide range of information available on the website and from the dispatch of information packs with overall facts about clinics.

In order to exploit more strongly the synergies between the individual subsidiaries and their customer circles, the Executive Board decided to emphasize more strongly the common "Eckert & Ziegler" name and to consequently change the logos and public appearances of its subsidiaries. To this extend, many of them have also been renamed by placing the words "Eckert & Ziegler" before each of their company names, so that the group can be identified more easily in registries, lists, and other alphabetic compilations. The standardization of the company image across all subsidiaries should be completed in 2006.

Reduction in the mean annual dose



whole body dose
hand dose
(in % by reference to the year 2000)

Environment and Safety

The companies of our group work on the processing of radioisotopes and the development, production and marketing of technical isotopic components or units, and related products. Therefore, the consideration of resources, the reduction of radiation exposure and the minimizing of disposal expenditure are issues of priority in the field of environmental protection and safety.

In its year of foundation, 1992, BEBIG Isotopen- und Medizintechnik GmbH, already worked on and implemented the germ cells of Eckert & Ziegler AG in accordance with guidelines, process instructions and inspection mechanisms in the fields of environmental protection, work protection and safety to health. Since then we have been continuously working on the further development of these high standards and their professional implementation in all plants.

Emissions of conventional dangerous substances, i.e. substances of a conventional type which have negative effects on humans and the environment, do not appear in any considerable form at the subsidiaries of Eckert & Ziegler AG. For our group of companies, environmental protection means, above all, radiation protection. As such, our efforts are focussed on keeping radiation exposure for staff, customers and the environment as low as possible during the development, production and distribution of our products or to avoid radiation exposure completely.

In the year under review we were not only able to keep the radiation exposure of professional staff to the extremely low level of the previous year, but were able to decrease this figure even further, despite a significant increase in the production figures for the production of iodine seeds and extensive reduction measures undertaken on a production line at a Berlin plant.

Production facility for the manufacturing of low-level radioactive prostate implants

In addition to this, we were able to establish the annual mean values of activity concentration of radioactive substances in vitiated air at just 3.6% of the legally stipulated limit, and thus at the lower end of our own set standards, despite conditions which had become more difficult.

Our foreign subsidiaries were able to record extraordinary success in their efforts to reduce radiation exposure during the year under review. At our largest subsidiary, Isotope Products Laboratories Inc. (IPL) in California, the erection of special concrete retaining walls led to a reduction in radiation dose by 92%.

We supplement our activities by ensuring that our staff is continuously updated on the latest scientific standards in the respective fields. At the Berlin plant, for example, several training courses were held on the subject of radiation protection, and there were 10 courses in the field of safety at work. All staff members are regularly informed of the dangers involved in their work. Such investments not only benefit the respective employees, but also the company as a whole. As in the previous two years, in the field of radiation protection there was not one occurrence which had to be notified to the authorities. Only one industrial accident had to be registered in the field of safety at work at the Berlin plant.

All plants were passed on inspection by independent experts prior to initiation, and inspected at regular intervals in individual cases. These audits document the implementation of the international, and internally high standards sets by our group of companies in the fields of environmental protection, safety at work and health protection. We are proud of the fact that the results from danger assessments show that none of the work places in our plants represent any considerable deficiencies or faults with regard to safety for our staff.

Ivan Simmer,

General Manager, Isotope Products Cesio s.r.o., Prague, Czech Republic

"When we talk about krypton, the layman thinks of the imaginary substance that brings comic heroes to their knees. Actually, the inert gas can affect you badly when, say, it is encapsulated as a component in a radiometrical apparatus that has to be exposed to extreme conditions. You haven't often come across this problem? – Nor us any longer, for we mastered the appropriate technology years ago. To the relief of several dozen users worldwide in industry and science. For them we are the knights in shining armor. Just like Superman, in fact."

Joe Hathcock,

Chief Operating Officer, Isotope Products Laboratories Inc., Valencia, USA

"35,000 units produced and shipped. In 2,000 different configurations. 98.5% on-time deliveries. Total cost of scrap, returns and defects less than 1%. These are industry benchmarks that are envied by our competitors. And you can be sure our customers in imaging and industrial markets appreciate product quality and delivery reliability."

Quality Management

In order to offer all our business partners and users high-value, unblemished quality products and services, we already installed a comprehensive and integrated quality management system for the nucleus of our Group, BEBIG Isotopen- und Medizintechnik GmbH (BEBIG), in 1998. Since then we have been investing considerable resources in the latest standards of quality management systems. These we get accredited externally by named certification bodies, as well as being the subject of regular internal quality audits. We place great value in the further development of our quality management system as a means of securing the future of our company.

Since its first accreditation, BEBIG has always obtained subsequent certification – with only minor qualifications – under the standards prevailing at the time. It regularly complies with all European and national statutory provisions of medical product law in respect of the requirements of the day for quality management systems.

In the period under review BEBIG was subject to an intensive control audit, as a result of which it was twice awarded the "Complete Quality Assurance System" certificate:
1. as already in the previous year under European Directive 93/42 EWG for the applicable area "development, manufacture and distribution of brachytherapy radiation sources and radiation therapy devices";
2. under European Directive 90/385 EWG for its products, IsoSeed® I-125, IsoCord® and IsoCord® needle loading station.

The successful recertification was granted to BEBIG under DIN EN ISO 9001:2000 for the entire application area of development, manufacture and distribution of radioactive radiation sources. It obtained further recertification under the current medical product norm, DIN EN ISO 13485:2003, for the development, manufacture and distribution of brachytherapy radiation sources.

In addition, BEBIG was accredited under the ISO standard 13485/CMDCAS, which certifies that standards meeting the requirements of the Canadian authorities have been fulfilled.

The 100% subsidiary, Eckert & Ziegler Isotope Products Europe GmbH (IPE), as well as Steuerungstechnik + Strahlenschutz GmbH (STS) have been integrated into the quality management system of BEBIG GmbH, to the extent that their respective procedures meshed easily with each other. In October 2005, IPE obtained certification under the DIN EN ISO 9001:2000 standard; STS's quality assurance system had already successfully undergone a control audit in August. Work processes were accredited under DIN EN ISO 9001 and DIN EN ISO 13485:2000; these were granted to it for the development, manufacture and distribution of gamma radiation equipment for blood and blood components, as well as for remote controlled, automatically operated afterloading devices for brachytherapy. Furthermore, it obtained the certificate under European Directive 93/42 EWG annex II for the application area: "development, manufacture and distribution of medical gamma radiation equipment".

Our Californian subsidiary, Isotope Products Laboratories (IPL), is likewise accredited under international standards DIN EN ISO 9001:2000 and DIN EN 13485:2003. In addition, it is certified by the German Calibration Service as a calibrating laboratory using isotope technology, an extremely rare award that reflects the high level of precision and quality in the field of calibration.

During the year IPL and BEBIG obtained approval under ISO 13485:2003/CMDCAS from the Canadian regulatory authority; moreover, IPL achieved registration of its radiation and flood sources with the Canadian and US regulatory authorities. It was also awarded the CE certificate for its flood sources. Beyond that, it was confirmed that IPL had met the requirements under ISO Standard 14971:2000, which requires an exemplary risk management system for the sales and marketing of low-level radioactive radiation sources into the European Community.

In order to test the various quality assurance systems, Eckert & Ziegler and its subsidiary companies concerned set internal quality targets, such as those related to the number of customer complaints per million euro of sales, delays in shipments to customers and scrap rates in the production area. These quality statistics are regularly calculated and evaluated and, where it makes sense, are also made the subject of agreements for premiums to pay.

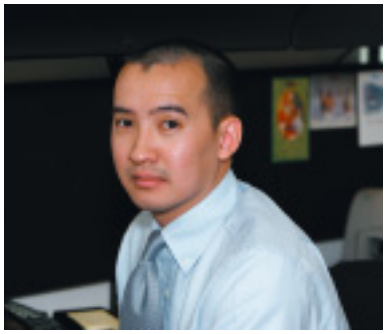
As part of the integration of companies and business units acquired, we will in the medium term integrate all our European subsidiaries with the successful BEBIG quality management system, in order to continuously optimize all our business processes and make them leaner.

Regular information exchange for efficient processes

Photo above left: Richard Hunter, Director Global Industrial Sales, Isotope Products Laboratories Inc., Valencia, USA

Photo below left: Steven Nguyen, Operations Manager, Isotope Products Laboratories Inc., Valencia, USA

Photo below right:
Staff members of Analytics, Atlanta, USA.
Edith Hawkins, Quality Assurance Specialist
John Ferguson, Customer Service Representative
Doreen McBride, Customer Service and Office Manager
Charlene Lawrence, Quality Assurance Specialist
(from left to right)



Katrin Antonenko,

Director Logistics, Eckert & Ziegler
BEBIG GmbH, Berlin, Germany

"Neither wind, nor rain, nor snow, nor hail … can stop our crew delivering annually approximately 3.000 specialized shipments of radioactive material to customers in 55 countries world wide. From St. Gallen to Hanoi. From 2 kg parcels with precious radioactive implants for prostate cancer treatment to bulky blood irradiators weighting more then 3 tons."

Diego Rizzato,

Sales, Eckert & Ziegler f-con Pharma Italia s.r.l., Milan, Italy

"Lettuce? Cut-flowers? Logistic chains for perishable fresh food? All child's play compared to the challenge of delivering to the clinic a radioactive contrast media with a half-life of 110 minutes bang on time. In fact, five times a week, 250 days a year, like clockwork and regardless of the Milan traffic chaos and the fickleness of technology. Then mobile phones sometimes become red-hot until deep in the night when, for example, relief deliveries have to be organized over hundreds of kilometers at short notice. So that the doctor doesn't have to worry about anything, but can concentrate on the most important thing, his patient."

Consolidated Financial Statements of the Eckert & Ziegler Group

Consolidated Statements of Income

Years ended December 31

	Note	2005	2004
(Amounts in thousand EUR except for per share data)		EUR	EUR
Revenue	6.	**41,792**	35,533
Cost of goods sold	7.	**-23,300**	-19,415
Gross profit on sales		**18,492**	16,118
Selling expenses	8.	**-7,509**	-5,455
General and administration expenses	9.	**-8,728**	-7,071
Research and development expenses	10.	**-512**	-329
Other income	11.	**953**	850
Other expense	12.	**-160**	-547
Profit from operations		**2,536**	3,566
Interest receivable and payable, net	13.	**-667**	-273
Gains/losses on currency exchange, net	13.	**343**	-119
Other financial items	13.	**3**	-16
Profit before tax		**2,215**	3,158
Income tax expense	14.	**-724**	-805
Profit from continuing operations		**1,491**	2,353
Profit from discontinued operations, net (including income from the discontinuation and deconsolidation of the Immunology division of EUR 1,000 thousand and proportional income taxes of EUR 602 thousand) [tax credit]		**-**	1,086
Share of profit attributable to minority interest	15.	**-99**	92
Profit for the year		**1,590**	3,347
Earnings per share	16.		
Basic		**0,51**	1,09
Diluted		**0,51**	1,09
Earnings per share - continuing operations			
Basic		**0,51**	0,74
Diluted		**0,51**	0,74
Earnings per share - discontinued operations			
Basic		**0,00**	0,35
Diluted		**0,00**	0,35
Average number of shares in circulation (basic)		**3,102**	3,061
Average number of shares in circulation (diluted)		**3,134**	3,081

The following notes are an integral part of these Group financial statements.
The comparative figures of the previous year relate to the 2004 financial statements converted to IFRS; earlier years were prepared under US-GAAP.

Consolidated Statements of Cash Flows

Years ended December 31

	Note	2005	2004
(Amounts in thousands)		EUR	EUR
Cash flows from operating activities	34.		
Profit for the year		**1,491**	3,439
Adjustments for:			
Depreciation and amortization		**3,912**	3,742
Proceeds from grants less release of deferred income from grants		**-774**	89
Deferred tax		**-318**	-380
Income (-)/expense from share option plan		**99**	59
Unrealized foreign currency gains/losses		**-22**	412
Effect of foreign currency rate changes on operating cash flows		**69**	-26
Long-term provisions, other non-current liabilities		**-448**	221
Book gains on deconsolidation of NEMOD + release of negative goodwill		**-**	-1,501
Gains (-)/losses on the disposal of non-current assets		**-2**	35
Gains (-)/losses on the sale of securities		**-**	-24
Additions to (-)/release of accruals for interest		**19**	35
Other items, net		**-249**	-24
Changes in current assets and liabilities			
Receivables		**-1,532**	-2,288
Inventories		**109**	-996
Prepaid expenses and other current assets		**-50**	170
Trade accounts payable and accounts payable to related parties		**495**	-612
Tax provisions		**311**	92
Other provisions and accruals		**181**	502
Deferred income		**-41**	137
Other liabilities		**281**	-552
Net cash generated from operating activities		**3,531**	2,530
Cash flows from investing activities	35.		
Additions to non-current assets		**-3,677**	-3,231
Sale of non-current assets		**664**	953
Acquisition of consolidated enterprises		**-505**	-2,686
Purchase of securities		**-801**	-2,493
Sale of securities		**-**	1,765
Net cash used in investing activities		**-4,319**	-5,692
Cash flows from financing activities	36.		
Dividends paid		**-775**	-
Distribution to minority interest		**-**	-76
Purchase/sale of own shares		**165**	68
Receipts from the take-up of long-term borrowings		**700**	-
Repayments of long-term borrowings		**-322**	-214
Change in short-term borrowings		**257**	-29
Net cash generated from financing activities		**25**	-251
Effect of exchange rates on cash and cash equivalents		**209**	-25
Net decrease in cash and cash equivalents		**-554**	-3,438
Cash and cash equivalents at beginning of period		**5,504**	8,942
Cash and cash equivalents at end of period		**4,950**	5,504

The following notes are an integral part of these Group financial statements.

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Consolidated Balance Sheets

as of December 31, 2005 and 2004

	Note	2005	2004
(Amounts in thousands)		EUR	EUR
ASSETS			
Non-current assets			
Property, plant and equipment	17.	**18,501**	13,248
Intangible assets	18.	**6,994**	4,639
Goodwill	19.	**11,681**	6,922
Equity investments		**68**	68
Other loans	20.	**53**	340
Deferred tax	14.	**3,985**	1,899
Other non-current assets	21.	**1,807**	2,443
Total non-current assets		**43,089**	29,559
Current assets			
Cash and cash equivalents	22.	**4,950**	5,504
Marketable securities	23.	**2,444**	1,607
Trade accounts receivable	24.	**9,499**	6,924
Receivables from related parties	41.	**13**	8
Inventories	25.	**6,029**	5,473
Prepaid expenses and other current assets	26.	**973**	366
Total current assets		**23,908**	19,882
Total assets		**66,997**	49,441
EQUITY AND LIABILITIES			
Shareholders' equity	27.		
Subscribed capital		**3,250**	3,250
Capital reserve		**29,346**	29,188
Retained earnings		**4,316**	3,729
Cumulative other equity items		**-1,623**	-2,928
Own shares		**-434**	-541
Minority interest		**100**	165
Total shareholders' equity		**34,955**	32,863
Non-current liabilities			
Long-term borrowings, less current portion	28.	**9,316**	2,384
Deferred income from grants and other deferred income	29.	**1,841**	2,492
Deferred tax	14.	**2,563**	702
Retirement benefit obligations	30.	**128**	142
Other non-current liabilities	31.	**3,755**	4,276
Total non-current liabilities		**17,603**	9,996
Current liabilities			
Current portion of finance lease obligations		**0**	28
Short-term borrowings and current portion of long-term borrowings	28.	**3,437**	172
Trade accounts payable		**4,162**	1,845
Advance payments received		**55**	261
Provisions	32.	**3,236**	2,576
Deferred income from grants and other deferred income	29.	**939**	1,103
Current tax payable	14.	**592**	-44
Other current liabilities	33.	**2,018**	641
Total current liabilities		**14,439**	6,582
Total equity and liabilities		**66,997**	49,441

The following notes are an integral part of these Group financial statements.

The comparative figures of the previous year relate to the 2004 financial statements converted to IFRS; earlier years were prepared under US-GAAP.

Consolidated Statements of Shareholder's Equity

as of December 31, 2005 und 2004

	Subscribed capital				Cumulative other equity items					Group
	Shares	Nominal value	Capital reserve	Retained earnings	Unrealized Unrealized securities	Exchange differences	Own shares	Equity attributable to shareholders	Minority interest	share holders' equity
(Amounts in EUR thousands, except for per share data)		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance January 1, 2005	3,250,000	3,250	29,188	3,729	19	-2,947	-541	32,698	165	32,863
Dividends paid				-775				-775	-251	-1.026
Cost of share option plan			99					99		99
Application of own shares for acquisitions and to service share option plan			59				107	166		166
Profit for the year				1,590				1,590	-99	1,491
Unrealized gains/losses on securities at balance sheet date (after tax of EUR 26 thousand)					41			41		41
Reversal of unrealized gains/losses on securities at previous balance sheet date					-19			-19		-19
Foreign currency translation differences						1,283		1,283		1,283
Increase/decrease in minority interest								0	285	285
Negative minority interest acquired				-228				-228		-228
Balance December 31, 2005	**3,250,000**	**3,250**	**29,346**	**4,316**	**41**	**-1,664**	**-434**	**34,855**	**100**	**34,955**

	Subscribed capital				Cumulative other equity items					Group
	Shares	Nominal value	Capital reserve	Retained earnings	Unrealized gain/loss on securities	Exchange difference	Own shares	Equity attributable to shareholders	Minority interest	share holders' equity
(Amounts in EUR thousands, except for per share data)		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance January 1, 2004	3,250,000	3,250	28,443	382	5	-2,193	-1,054	28,833	150	28,983
Cost of share option plan			59					59		59
Application of own shares for acquisitions and to service share option plan			686				513	1,199		1,199
Profit for the year				3,347				3,347	92	3,439
Unrealized gains/losses on securities at balance sheet date (after tax of EUR 12 thousand)					19			19		19
Reversal of unrealized gains/losses on securities at previous balance sheet date					-5			-5		-5
Foreign currency translation differences						-754		-754		-754
Increase/decrease in minority interest								0	-77	-77
Balance December 31, 2004	**3,250,000**	**3,250**	**29,188**	**3,729**	**19**	**-2,947**	**-541**	**32,698**	**165**	**32,863**

The following notes are an integral part of these Group financial statements.
The comparative figures of the previous year relate to the 2004 financial statements converted to IFRS; earlier years were prepared under US-GAAP.

Notes to the Group Financial Statements

as of December 31, 2005 and 2004

Background, principles and practices

1. Organization and description of business activities

Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin (hereinafter called "Eckert & Ziegler AG" or "the company") is a holding company whose specialized subsidiaries are engaged worldwide in the processing of radioisotopes and the development, manufacture and sale of components based on isotope technology, radiation equipment, and radio-pharmaceuticals or of related products. The main areas of application for Group products are in medical technology, particularly in cancer therapy, as well as in nuclear-medical imaging and industrial radiometry. In these areas, the products of Eckert & Ziegler AG and its subsidiaries are aimed at radiation therapists, radio-oncologists and nuclear-medical specialists, among others.

The company operates in a market characterized by rapid technological progress, heavy research expenditure, and constantly new scientific discoveries. This market is subject to supervision by German Federal, State, and local authorities. These regulatory authorities include the Regional Office for Work Protection, Health and Safety and Technical Safety in Berlin, the Technical Monitoring Agency in Essen, the Federal Drug Office (BfArM), along with the corresponding US institutions, such as the Food and Drug Administration (FDA) and the Nuclear Regulatory Commission (NRC). The company is therefore directly affected by changes in technology and in products used in cancer treatment and for nuclear-medical imaging, by government regulations related to the industry in which Eckert & Ziegler AG operates, and by the general business environment within healthcare.

2. Reporting principles

The consolidated financial statements of Eckert & Ziegler AG as of December 31, 2005 have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS). All the standards of the International Accounting Standards Board (IASB), London applicable in the EU at the balance sheet date, as well as the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) have been followed. In addition, the supplementary applicable commercial provisions of Section 315a para. 1 HGB [German Commercial Code] have been observed. The Group financial statements therefore convey a fair presentation of the net assets, financial position and result of operations of the Group.

The reporting currency is the euro. The amounts shown in the Group financial statements have been rounded to thousand euro.

The financial statements of subsidiaries have been prepared as of the same date as for the consolidated financial statements, this balance sheet date corresponding to that of Eckert & Ziegler AG. The annual financial statements cover the period under review from January 1 to December 31, 2005 and have been prepared in euro. The income statement has been prepared in accordance with the cost of sales method of presentation.

The consolidated financial statements and the Group management report as of December 31, 2005 is filed with the Commercial Register at Berlin-Charlottenburg under the number HRB 64 997, will be provided willingly to shareholders on request.

3. First-time application of IFRS

In this first-time application of IFRS the provisions of IFRS 1 have been followed. The date of the changeover is January 1, 2004. The reliefs offered by IFRS 1 have been invoked in relation to the retroactive application of the rules relating to employee benefits (IAS 19) and the non-application of IFRS 3 for business combinations before the transition date.

The resulting effects of the changeover to IFRS on the balance sheet, income statement, shareholders' equity and the cash flow statement are detailed in the following sections. The basis for this comparison are the last consolidated financial statements prepared under Generally Accepted Accounting Principles in the United States (US-GAAP) as of December 31, 2004, compared with the consolidated financial statements under IFRS as of this balance sheet date.

Reconciliation of the consolidated balance sheets under US-GAAP with those under IFRS as of January 1, 2004 (IFRS-opening balance sheets) and December 31, 2004

(refer to tables on page 49–50)

	US-GAAP 01-01-2004	Conversion factors	IFRS 01-01-2004
(Amounts in thousands)	EUR	EUR	EUR
ASSETS			
Non-current assets			
Property, plant and equipment, net	14,876	842 [7]	15,718
Intangible assets, net	3,688		3,688
Goodwill, net	6,004		6,004
Equity investments	109		109
Loans receivable from related parties	21		21
Other loans	362		362
Deferred tax	1,134	-373 [4]	761
Other non-current assets	1,072	604 [7]	1,676
Total non-current assets	27,266		28,339
Current assets			
Cash and cash equivalents	8,942		8,942
Marketable securities	832		832
Trade accounts receivable	2,811		2,811
Receivables from related parties	882		882
Inventories	2,965		2,965
Deferred tax	1,011	-1,011 [4]	-
Prepaid expenses and other current assets	997		997
Total current assets	18,440		17,429
Total assets	45,706		45,768
EQUITY AND LIABILITIES			
Shareholders' equity			
Subscribed capital	3,250		3,250
Capital reserve	26,752	1,691 [2]	28,443
Retained earnings	2,054	-1,672 [1]	382
Cumulative other equity items	-2,188		-2,188
Own shares	-1,054		-1,054
Minority interest	-	150 [6]	150
Total shareholders' equity	28,814		28,983
Non-current liabilities			
Long-term borrowings, less current portion	3,806		3,806
Long-term finance lease obligations, less current portion	55		55
Deferred income from grants and other deferred income	2,864	-401 [8]	2,463
Deferred tax	1,163	-812 [4] [8]	351
Retirement benefit obligations	131		131
Other non-current liabilities	2,903	1,604 [7]	4,507
Minority interest	150	-150 [6]	-
Total non-current liabilities	11,072		11,313
Current liabilities			
Current portion of finance lease obligations	41		41
Short-term borrowings and current portion of long-term borrowings	387		387
Trade accounts payable	677		677
Advance payments received	346		346
Provisions	1,849		1,849
Deferred income from grants and other deferred income	1,148	-138 [8]	1,010
Current tax payable	11		11
Deferred tax	210	-210 [4]	-
Other current liabilities	1,151		1,151
Total current liabilities	5,820		5,472
Total equity and liabilities	45,706		45,768

	US-GAAP 12-31-2004	Conversion factors	IFRS 12-31-2004
(Amounts in thousands)	EUR	EUR	EUR
ASSETS			
Non-current assets			
Property, plant and equipment, net	12,753	495 [3) 7)]	13,248
Intangible assets, net	4,620	19 [5)]	4,639
Goodwill, net	6,922		6,922
Equity investments	68		68
Other loans	340		340
Deferred tax	1,367	532 [4) 8)]	1,899
Other non-current assets	1,816	627 [7)]	2,443
Total non-current assets	27,886		29,559
Current assets			
Cash and cash equivalents	5,504		5,504
Marketable securities	1,607		1,607
Trade accounts receivable	6,924		6,924
Receivables from related parties	8		8
Inventories	5,473		5,473
Deferred tax	1,190	-1,190 [4)]	-
Prepaid expenses and other current assets	366		366
Total current assets	21,072		19,882
Total assets	48,958		49,441
EQUITY AND LIABILITIES			
Shareholders' equity			
Subscribed capital	3,250		3,250
Capital reserve	27,481	1,707 [2)]	29,188
Retained earnings	5,388	-1,659 [1)]	3,729
Cumulative other equity items	-2,928		-2,928
Own shares	-541		-541
Minority interest	-	165 [6)]	165
Total shareholders' equity	32,650		32,863
Non-current liabilities			
Long-term borrowings, less current portion	2,384		2,384
Deferred income from grants and other deferred income	2,827	-335 [3) 8)]	2,492
Deferred tax	1,060	-358 [4)]	702
Retirement benefit obligations	142		142
Other non-current liabilities	2,913	1,363 [7)]	4,276
Minority interest	165	-165 [6)]	-
Total non-current liabilities	9,491		9,996
Current liabilities			
Current portion of finance lease obligations	28		28
Short-term borrowings and current portion of long-term borrowings	172		172
Trade accounts payable	1,845		1,845
Advance payments received	261		261
Provisions	2,626	-50 [3)]	2,576
Deferred income from grants and other deferred income	1,241	-138 [8)]	1,103
Current tax payable	-44		-44
Deferred tax	47	-47 [4)]	-
Other current liabilities	641		641
Total current liabilities	6,817		6,582
Total equity and liabilities	48,958		49,441

The following adjustments have been made in converting the consolidated balance sheet under US-GAAP to that under IFRS as of January 1 and December 31, 2004:

1) Retained earnings
In accordance with IFRS 1, adjustments in the adaptation to IFRS have been taken directly to retained earnings as of the changeover date.

2) Share-based payment
Under IFRS 2, the fair value of share-based payments are to be spread over the vesting period as staff costs, with the corresponding amounts being added to capital reserve. Up to now the company has applied APB Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for share options. The staff costs to be reported were determined on the basis of the number of options exercisable in the future, and the difference between the effective price of the options and the stock exchange price at each balance sheet date and spread over the vesting period.

3) Structural balance sheet adjustments
The amounts shown include netting of provisions and non-current assets of EUR 50 thousand, as well as measurement adjustments in the deferral of grants of EUR 11 thousand.

4) Deferred tax
The adjustments to deferred tax concern, firstly, accounting for deferred tax resulting from accounting and measurement differences between US-GAAP and IFRS. Secondly, all deferred tax previously reported as current items have now been classified as non-current in accordance with IAS 1.70, and netting carried out as required by IAS 12.

5) Intangible assets
Development costs are capitalized as intangible assets if they meet the criteria of IAS 38 for this. Under US-GAAP all research and development costs were expensed immediately in the period in which they arose.

6) Reporting minority interests
Under IAS 27 minority interests are to be shown in the consolidated balance sheet within shareholders' equity. Under US-GAAP these were previously reported as external borrowing.

7) Property, plant and equipment and environmental restoration provisions
Both under US-GAAP (SFAS 143) as well as under IAS 16 the costs of site decommissioning and restoration obligations are to be capitalized at present value as part of the acquisition or manufacturing cost of the relevant asset, with provisions set up for the same amounts. However, under IFRS changes to interest rates after initial recognition of restoration obligations necessitate an adjustment to present value, in contrast to US-GAAP. Moreover, under IFRS claims for reimbursement of restoration costs are shown as an asset, whereas under US-GAAP the amount of the provision was correspondingly reduced.

8) Deferral of tax-free subvention payments
Both under IFRS and US-GAAP tax-free subvention payments are deferred as a liability, and the corresponding depreciation on the asset concerned released to income. Furthermore, under US-GAAP the amount of the deferral was grossed up by the advantage arising from the tax exemption, and a deferred tax asset set up for the same amount, which under IFRS is not permitted.

9) Provisions for pensions and similar obligations
In accounting for retirement benefit obligations the company has availed itself of the relief in IFRS 1, under which in the transition period, contrary to the provisions of IAS 19, all hitherto unrecognized actuarial gains or losses may be recognized. As the transitional amount arising as of December 31, 2004 is less than EUR 1 thousand, it does not feature in the reconciliation account.

Effects of the IFRS conversion on the income statement for the period from January 1 to December 31, 2004:

(Amounts in thousands)	US-GAAP 01-01–12-31-2004 EUR	Conversion-factors EUR	IFRS 01-01–12-31-2004 EUR
Revenue	35,533		35,533
Cost of sales	-19,226	-189 [2]	-19,415
Gross profit on sales	16,307		16,118
Selling expenses	-5,455		-5,455
General and administrative expenses	-7,066	-5 [3]	-7,071
Research and development expenses	-350	21 [4]	-329
Other operating income and expense, net	850		850
Other expenses	-243	-304 [5]	-547
Profit before tax	4,043		3,566
Interest receivable and payable, net	-273		-273
Gains/losses on currency exchange, net	-119		-119
Other income/expenses, net	-16		-16
Profit before tax	3,635		3,158
Income tax expense	-1,333	528 [1] [5]	-805
Profit from continuing operations	2,302		2,353
Profit from discontinued operations, net (including income from the discontinuation and deconsolidation of the Immunology division of EUR 1,000 thousand and proportional income taxes of EUR 602 thousand [tax credit])	1,086		1,086
Extraordinary items (net) less proportional income taxes of EUR 341 thousand	38	-38 [1]	0
Profit/loss for the year	3,426	13	3,439
Share of profit attributable to minority interest	-92	-	-92
Share of profit attributable to shareholders of Eckert & Ziegler AG	3,334	13	3,347

For a better presentation of the effects of the changeover the classification of the income statement under US-GAAP for the financial year 2004 has been adjusted to that under IFRS. The reclassification of the income statement under US-GAAP affects other income and other expense and also other financial items. Furthermore, in contrast to the US-GAAP income statement of the previous year, profit for the year is shown before the deduction of the share of profit attributable to minority interest.

The main differences are as follows:

1) Reporting of extraordinary items
In accordance with IAS 1.85, under IFRS no extraordinary items are shown on the face of the income statement.

2) Manufacturing costs
The change in the disclosure of manufacturing costs compared to US-GAAP lies in the net effect of the adjustments made in connection with costs for site decontamination and restoration obligations, as well as the adjustment to the deferral of grants (see footnote 8 in the notes on the conversion of the Group balance sheet).

3) General and administration costs
The adjustment to general and administration costs is caused by changes to staff costs which relate to accounting for share-based remuneration at fair value, as well as from adjustments to the accrual for investment grants.

4) Research and development costs
The adjustment made to research and development costs compared to US-GAAP lies in the capitalization of self-generated intangible assets.

5) Taxes on income
The differences in taxes on income result from accounting for deferred tax on the effects of the transition.

Effects of the IFRS conversion on shareholders' equity

The accounting and valuation polices to be followed under IFRS give rise to the following adjustments to Group shareholders' equity:

(Amounts in thousands)	01-01-2004 EUR	12-31-2004 EUR
Group shareholders' equity under US-GAAP	28,814	32,650
Effects of changes in accounting policies to IFRS:		
Property, plant and equipment	842	545
Intangible assets	-	19
Deferred tax	-362	-253
Other non-current assets	604	627
Deferral of grants	539	473
Other non-current liabilities	-1,604	-1,363
Disclosure of minority interest	150	165
Group shareholders' equity under IFRS	28,983	32,863

The amounts correspond to the adjustments on the reconciliation statements in respect of the consolidated balance sheets as of January 1 and December 31, 2004.

Effects of the IFRS conversion on net income for the year

Group profit for the year under US-GAAP	3,334
Effects of changes in accounting policies to IFRS:	
Intangible assets	19
Deferred tax	109
Property, plant and equipment	-297
Other non-current assets	23
Other non-current liabilities	241
Deferral of grants	-66
Share options	-16
Group profit for the year under IFRS	3,347

Effects of the IFRS conversion on the cash flow statement

There are no material differences between the cash flow statement under US-GAAP and one prepared under IFRS.

Differences to accounting and valuation policies under HGB

Material differences between the IFRS applied to the consolidated financial statements and German commercial accounting, valuation and consolidation policies exist in the following areas:

- Development costs are capitalized as intangible assets when the criteria in IAS 38 for the capitalization of internally generated intangible assets are met.
- Goodwill is capitalized and subjected to an impairment test at least once a year. Scheduled amortization is not permitted.
- In accordance with IAS 23.11, capitalization of financing costs (interest) relating to the period of manufacture of self-constructed assets takes place under certain conditions.
- Leased assets are to be accounted for by the economic owner both under IFRS and HGB. Differences between IFRS and HGB exist in relation to the criteria for determining economic ownership. Under IAS 17.8 the leased asset is accounted for by the entity to which substantially all the risks and rewards of ownership attach.
- Under IAS 12 deferred tax has to be set up in respect of all the timing differences between the amounts recognized under IFRS and their values for tax purposes. Deferred tax on timing differences that have arisen without effect on net income are also accounted for in this manner. Deferred tax is to be set up for taxable loss carry-forwards, provided it is sufficiently likely that the tax losses can be utilized.
- Non-current liabilities and provisions, in contrast to German commercial law, are to be discounted under IFRS. Provisions for anticipated internal expenses are not permissible under IFRS.
- For determining pension provisions the projected unit credit method is applied, with future salary and pension trends being taken into account.
- The translation of currency items is effected at the mid-rate as of the balance sheet date. The resultant changes in value are recognized in the income statement.
- Available-for-sale financial assets are recognized at fair value.
- Under IFRS share-based payments are recognized as staff costs based on a valuation at market value. Capital reserves are increased at the same time.

4. Companies included in the consolidation

In the consolidated financial statements of Eckert & Ziegler AG all companies are included where Eckert & Ziegler AG, either indirectly or directly, is able to determine the financial and business policies (control concept). The companies included in the consolidation as of December 31, 2005 are:

	Share of equity
Eckert & Ziegler BEBIG GmbH, Berlin (previously: BEBIG Isotopen- und Medizintechnik GmbH)	100 %
Eckert & Ziegler BEBIG Italia s.r.l., Cinisello Balsamo, Italy (previously: BEBIG Italia s.r.l.)*	100 %
Eckert & Ziegler MMI GmbH, Berlin (previously: MMI Medical Instruments GmbH)	100 %
STS Steuerungstechnik + Strahlenschutz GmbH, Berlin*	100 %
Iso-Science Laboratories, Inc., Burbank, USA (trading as Isotope Products Laboratories, (IPL))	100 %
CNL Scientific Resources International, Inc., San Fransisco, USA*	100 %
Analytics, Inc., Atlanta, USA*	100 %
Eckert & Ziegler Isotope Products Europe GmbH, (IPE), Berlin (previously: Isotope Products Europe GmbH)	100 %
Eckert & Ziegler Eurotope GmbH, Berlin (previously: EUROTOPE Entwicklungsgesellschaft für Isotopentechnologien mbH)	100 %
Isotope Products Cesio s.r.o., Prague, Czech Republic	80 %
SORAD spol s.r.o., Prague, Czech Republic*	80 %
EURO-PET Berlin Zyklotron GmbH, Berlin	70 %
Eckert & Ziegler f-con Europe GmbH, Holzhausen (previously: f-con Europe GmbH)	51 %
Eckert & Ziegler f-con Deutschland GmbH, Holzhausen (previously: f-con Pharma Deutschland GmbH)*	51 %
Eckert & Ziegler f-con Pharma Italia s.r.l., Cinisello Balsamo, Italy (previously: f-con Pharma Italia s.r.l.)*	51 %
Eckert & Ziegler Medizintechnik GmbH, Berlin	100 %
Altmann Therapie GmbH & Co. KG, Salzgitter**	0 %

* indirect interest
** inclusion as special purpose entity under SIC 12 (as from Oct 3, 2005)

Changes to companies included in the consolidation

In the financial year 2005 the following shares in companies were acquired, or changes made to the companies included in the consolidation:

– EURO-PET Berlin Zyklotron GmbH, Berlin: In February 2005 Eckert & Ziegler AG acquired 70 percent of the shares in EURO-PET Berlin Zyklotron GmbH through taking over a capital increase and available shares.
– Analytics Inc., Atlanta, USA: Isotope Products Laboratories Inc., Burbank, USA acquired 100 percent of the shares in Analytics Inc., Atlanta in August 2005.
– SORAD spol s.r.o.: Isotope Products Cesio s.r.o., Prague, Czech Republic acquired 100 percent of the shares in SORAD spol s.r.o. in September 2005.
– Eckert & Ziegler f-con Europe GmbH: Eckert & Ziegler AG acquired 51 percent of the shares in Eckert & Ziegler f-con Europe GmbH as of July 1, 2005. Eckert & Ziegler f-con Europe GmbH holds 99,167% of the shares in Eckert & Ziegler f-con Deutschland GmbH, Holzhausen and 99 percent of the shares in Eckert & Ziegler f-con Pharma Italia s.r.l., Cinisello Balsamo, Italy.
– Eckert & Ziegler Medizintechnik GmbH: The articles of incorporation of the newly founded Eckert & Ziegler Medizintechnik GmbH were sealed by the notary on June 24, 2005. The entry in the commercial register of the Charlottenburg Court Office was made on July 1, 2005. Eckert & Ziegler AG holds 100 percent of the shares in Eckert & Ziegler Medizintechnik GmbH.
– Altmann Therapie GmbH & Co. KG: Through the conclusion of various agreements between Eckert & Ziegler AG and Altmann Therapie GmbH & Co. KG (Altmann KG for short) and their shareholders in October 2005, control over Altmann KG was secured from an economic point of view without acquiring an equity investment in it. In accordance with SIC 12 Altmann KG is to be included in the consolidated financial statements as a special purpose entity.

For further explanatory notes please refer to the 'Other Information' section.

Consolidation Principles

Consolidation of investments in subsidiaries is carried out in accordance with IFRS 3 (Business Combinations) under the purchase method. Under this, the assets and liabilities acquired are measured at fair value on the date of purchase. Next, the costs of acquiring the purchased shares are netted against the proportionate share of the newly valued shareholders' equity in the subsidiary. A positive difference resulting from this is included under intangible assets as goodwill. The initial consolidation is carried out as of the date of purchase.

All significant receivables and payables as well as transactions between related enterprises have been eliminated as part of the consolidation.

Currency translation

The financial statements of subsidiaries prepared in foreign currency and included in the Group consolidation are translated into euro in accordance with IAS 21. As the subsidiaries conduct their business affairs autonomously from a financial, economic and organizational standpoint, the functional currency of the companies included corresponds to their respective national currency. Assets and liabilities are trans-

lated at mid-market rates on the balance sheet date; shareholders' equity is translated at historical rates. Translation of the income statement is at the average rate for the year. Until the subsidiary is disposed of, differences resulting from the translation of the financial statements are not passed through the income statement, but shown as a separate item within equity.

At initial recognition, foreign currency items are measured at historical rates in the annual financial statements of the companies included in the consolidated financial statements. Monetary items are expressed at the mid-market rate as of the balance sheet date. The resultant exchange gains and losses at the balance sheet date are recognized in the income statement.

The following exchange rates were used in currency translation (refer to table below):

5. Limited comparability of Group financial statements with the previous year

The company and its subsidiaries have acquired various enterprises in the year under review which have been fully consolidated for the first time in the Group financial statements (for further information see the explanatory notes under 'Changes to companies included in the consolidation' and 'Other information', 'Acquisitions and disposals of enterprises'). This has given rise to material effects on the Group's net assets and result of operations, distorting the comparability of the consolidated balance sheet and income statement with the previous year.

Accounting and valuation principles

The reporting of assets and liabilities of the German and foreign subsidiaries included in the full consolidation is in line with standard accounting and valuation policies also used for comparative information with the previous year.

In accordance with IAS 1.51 (Presentation of Financial Statements), separate classifications of current and non-current assets and current and non-current borrowings are shown on the face of the balance sheet. For the preparation of consolidated financial statements in compliance with IFRS, it is necessary that estimates and assumptions are made that impact on the amount and disclosure of recognized asset values and liabilities, income and expense. Actual values may deviate from the estimates. Significant assumptions and estimates are made for useful lives, earnings attainable from non-current assets, realisability of receivables and the recognition and measurement of provisions.

Non-current assets

Intangible assets – Under intangible assets are shown goodwill, capitalized development costs, patents, trade marks, software, licenses and similar rights. Development costs have been capitalized as intangible assets if the conditions for the capitalization of self-generated intangible assets under IAS 38 have been satisfied cumulatively. Capitalized development costs comprise all directly or indirectly attributable costs incurred from the date on which all the criteria for capitalization have been met. Research costs, along with development costs not eligible for capitalization, are expensed as they arise.

Intangible assets other than goodwill and other intangible assets with unlimited economic lives are capitalized at acquisition or manufacturing cost and subject to normal straight-line amortization over their respective useful lives (2 to 20 years). Goodwill represents the excess of the aggregate purchase price for an enterprise, or part of one, over the fair value of net assets acquired.

Under IFRS, goodwill and other intangible assets with unlimited economic lives have to be subject to a test for impairment at least annually, and with other intangible assets and property, plant and equipment this has to be carried out only where there are definite indications that this may have occurred. An impairment loss has to be expensed in cases where the recoverable amount of the asset does not exceed its carrying amount. The recoverable amount is, in principle, to be determined for each asset individually. In cases where a determination on an individual asset basis is not possible, this has to be carried out on the basis of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale under normal market conditions less the costs of disposal. Value in use is determined on the basis of discounted future net cash flows from the use of the asset. Cash flows used as the basis for the impairment test are estimated, and correspond to those used in long-term business plans.

These impairment tests for 2005 and 2004 showed that there was no need for a special write-down.

Property, plant and equipment – Property, plant and equipment is valued at acquisition or manufacturing cost less accumulated depreciation. The manufacturing costs of

Country	Currency	12-31-2005	12-31-2004	Average rate 2005	Average rate 2004
USA	USD	1.1844	1.364	1.232928	1.225655
Czech Rep.	CZK	28.9961	30.39	29.696502	31.992834

self-constructed plant and facilities include all the direct costs and attributable manufacturing burden. Self-constructed assets mainly relate to production lines. Property, plant and equipment acquired under finance leases within the meaning of IAS 17 are capitalized and depreciated over the estimated useful life of the asset. Other property, plant and equipment and tenants' fixtures acquired through finance leases are depreciated either over the lifetime of the rental or lease or the estimated economic life of the underlying asset, if shorter.

Depreciation expense is determined on the basis of the straight-line method. The depreciation period is fixed in accordance with the foreseeable economic life. The following economic lives are assumed:

Buildings	25 to 45 Years
Tenants' fixtures	10 to 15 Years
Plant and machinery	4 to 10 Years
Fixtures and fittings	3 to 12 Years

For simplicity's sake, items of property, plant and equipment costing up to EUR 410 are written off in full in the year of acquisition. Asset items costing more than EUR 410 are capitalized and written down over the period of expected use. Upon scrapping or sale, the acquisition or manufacturing costs of the assets and the related accumulated depreciation are extinguished, 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 manufacture of its own products. The Executive Board regularly assesses the future usefulness of these assets, taking the business environment at the time into account. On the basis of this assessment, no special depreciation was necessary for 2005. The Executive Board believes that there were no impairment arises as of December 31, 2005. It is possible, however, that its estimates concerning the utilization and realisability of the company's depreciable assets could change in the short term owing to changes in the technological and regulatory environment.

Current assets

Inventories – Inventories comprise raw materials, consumables and supplies, work in process and finished products. Inventories are stated at acquisition or manufacturing cost or at net realizable value at the balance sheet date, if lower. Apart from direct costs, manufacturing costs include appropriate portions of material and manufacturing burden, as well as production-related depreciation, administration and social costs. Financing costs are not treated as part of acquisition or manufacturing cost. Where necessary, the average cost method is applied, in order to simplify measurement. Write-offs for obsolete or excess inventory are made on the basis of an inventory analysis carried out by the Executive Board and future sales forecasts.

Investments and marketable securities – Investments in quoted securities are not held for trading or held to maturity. They are therefore classified as available-for-sale financial assets, and measured at fair value based on quoted market prices on the balance sheet date. Unrealized gains and losses arising from subsequent measurement of available-for-sale securities are entered directly into equity less attributable tax until the securities are sold or an objective impairment is incurred. At this point the cumulative gain or loss is to be recognized as profit or loss for the period.

Equity investments, where the Group's participation is between 20 and 50 percent, are accounted for under the equity method.

Derivative financial instruments – Derivative financial instruments such as currency futures or swaps are in principle only used for hedge purposes. They are shown in the Group balance sheet at fair value, with changes in value being passed through the income statement. Apart from an interest-currency swap (see 'Other non-current assets' for details) the Group held no further derivatives at the balance sheet date.

Liquid assets with restricted availability – Liquid assets with restricted availability refer to amounts paid into a fund by the US subsidiary IPL which are intended to assure the fulfillment of its future obligations to restore any contaminated plant and facilities.

Certain other cash resources are also subject to restriction, as under the law governing the pre-retirement scheme, credits under that scheme have to be protected against the risk of insolvency.

We refer to the sections on 'Other loans' and 'Other non-current assets' for more details.

Liquid funds – The company considers all highly liquid funds with a maturity of up to three months to be cash equivalents, to be shown under cash and cash equivalents. In view of their short-term nature the nominal value of these items is taken as their fair value.

Retirement benefit obligation – The valuation of the liability for pensions is based upon the projected unit credit method in accordance with IAS 19, Employee Benefits. Under the projected unit credit method, future salary and pension growth is taken into account when measuring the obligation. Actuarial gains and losses are only recognized if they exceed 10 percent of the present value of the obligation (or of the plan assets if this is higher). The amount of the surplus is spread over the average expected remaining

working period of the employees concerned. Use has been made of the relief granted under IFRS 1 to fully recognize actuarial gains or losses in the transition period. A part of the pension obligations is covered by plan assets. As required by IAS 19, the fair value of the amount so covered has been netted against the pension obligations.

Provisions for environmental restoration – The costs for the demolition and clearance of assets, and also the restoration of the site, are part of acquisition or manufacturing cost under IAS 16, providing the costs have to be provided for under IAS 37.

Provisions for environmental restoration are based on statutory and civil obligations to decontaminate radioactively contaminated assets and buildings, to determine by measurement that they are free from contamination, and to allow them to be open to access and general use again without danger. Accordingly, the estimate of costs includes labor costs for the demolition of the facilities, for the preparation of waste so that it can be decontaminated, for the cleaning of rooms and for the disposal of waste by experts, as well as the costs for the disposal and decontamination of radioactive waste. In this, it is only the radioactive waste from the decontamination of assets that is taken into account. Waste that arises from normal production is regularly decontaminated, and the associated costs are shown as a separate item within cost of goods sold. Under IAS 37 the environmental costs are measured at current value, i.e. under the assumption that this work is carried out by outside contractors. Provisions are measured at the present value of the costs expected as of the balance sheet date. Various assumptions underlie the calculation of the restoration obligations, based on estimates. These include estimates on the labor hours, daily rates and expected material costs required. The amount of the obligation has to be reviewed at each balance sheet date, and changes in measurement should be taken up accordingly as adjustments to non-current assets and provisions.

Shares in Altmann Therapie GmbH & Co. KG – Altmann Therapie GmbH & Co. KG is to be included in the consolidated financial statements of Eckert & Ziegler AG because the latter exercises economic control, despite there being no equity investment. Shares in a partnership qualify under IAS 32 as revocable financial instruments and are therefore no longer to be classified as equity instruments. The capital remaining after the consolidation belonging to the external shareholders has therefore been shown not as a minority interest within equity, but as a financial amount payable.

Revenue recognition – In accordance with IAS 18, revenue from product sales is realized when performance is complete (generally upon shipment), provided a contractual agreement exists, at a fixed and determinable price, and payment by the customer can be counted on. No guarantees or rights of return are granted to the customer beyond his statutory rights. Licensing fees are recognized in the period to which they relate.

Advertising – Expenditure on advertising and other sales-related costs are charged to expense as incurred.

Research and development – Research expenditure is recognized as expense in the period when it is incurred. Development costs are to be capitalized in accordance with IAS 38 (Intangible Assets) where certain cumulative conditions are met. Development costs that cannot be capitalized are expensed as they arise.

Income taxes – Deferred tax is calculated by means of the liability method under IAS 12 (Income Taxes). Under this method, deferred tax assets and liabilities are reported in order to reflect future tax impacts attributable to differences between the carrying amounts of assets and liabilities in the Group financial statements and their respective values for tax purposes, as well as from tax loss carry-forwards. Deferred tax assets and liabilities are measured on the basis of statutory tax rates expected to apply to taxable income in the years in which these temporary timing differences are expected to be reversed. The effects of a change in tax rates on deferred tax assets and liabilities are shown in the income statement for the financial year in which the legislative changes were approved. Deferred tax assets are only recognized if it is likely that these asset values will be realized. Deferred tax assets and liabilities are shown net if the corresponding criteria of IAS 12 are fulfilled.

Share option plan / employee share scheme – Accounting for the employee share scheme is in line with IFRS 2 (Share-based Payment). Under this, the market value (fair value) of all share options issued has to be established at the time of issue, and spread as staff costs over the vesting period. The fair value of each option issued on the issue date is calculated by means of an option price model. The charge to staff costs is linked to an increase in capital reserves.

Investment grants and other subvention payments – Funds that the company receives as grants from public or private sources are recorded as deferred income in the financial year of receipt, or – if they relate to specific expenditure – used as a direct offset to such expenditure in the period it is incurred. The deferred grants in the Group financial statements were received for the purchase of property, plant and equipment. They are released to income over the useful lives of the respective assets.

Earnings per share – Earnings or loss per share is calculated by dividing profit for the year by the average number of shares in circulation during the financial year. Diluted earnings per share reflect the potential dilution that would occur if all options to acquire shares were exercised at a price below the average share price during the period. It is computed by dividing profit for the year by the sum of the aver-

age number of shares in circulation during the financial year plus the diluted shares arising from the exercise of all the outstanding options (calculated by applying the treasury stock method).

New accounting standards

The Group financial statements comply with all the standards of the IASB applicable in the EU at the balance sheet date, as well as the IFRIC and SIC statements in force. The Executive Board is not anticipating any material effects on future Group financial statements from changes to existing standards made by the IASB under various projects to further develop IFRS and to achieve convergence with US-GAAP, nor from new standards which do not come into force until after December 31, 2005.

Notes to the income statement

6. Revenue

The company generates its income solely from the sale of goods. These revenues have once more gone up substantially in the financial year 2005 from EUR 35,533 thousand to EUR 41,792 thousand. Approx. 50 percent of the increase was due to organic growth in the core business, the other half is attributable to revenues from entities newly acquired in 2005.

The classification of revenue by geographical segments and business units is given in the section on segmental reporting.

7. Cost of goods sold

Cost of goods sold includes, apart from costs of materials, labor and depreciation directly attributable to sales, also a proportion of material and labor burden.

8. Selling expenses

Expenditure on advertising and other sales-related costs are charged to expense as incurred.

Selling expenses are broken down as follows:

(Amounts in thousands)	**2005** EUR	2004 EUR
Staff costs	**3,472**	2,555
Shipping	**1,892**	791
Commission	**340**	231
Advertising	**759**	646
Depreciation and amortization	**490**	486
Other	**556**	745
Total	**7,509**	5,455

9. General and administration costs

General and administrative expenses include:

(Amounts in thousands)	**2005** EUR	2004 EUR
Staff costs	**4,525**	3,630
Rents	**443**	441
Depreciation and amortization	**1,074**	893
Consultancy	**649**	495
Communications	**226**	192
Investor relations	**178**	185
Insurance, subscriptions	**352**	336
Other	**1,282**	899
Total	**8,729**	7,071

10. Research and development costs

The costs of research, and development costs not eligible for capitalization, have been expensed as incurred and amounted to EUR 512 thousand for 2005 and EUR 329 thousand for 2004. The costs in the research and development areas consist of the following:

– directly attributable staff and material costs
– depreciation and amortization
– other directly attributable expense
– proportionate burden

The costs of research and development of EUR 512 thousand (2004: EUR 329 thousand) include depreciation and amortization of EUR 61 thousand (2004: EUR 20 thousand) and cost of materials of EUR 44 thousand (2004: EUR 33 thousand).

11. Other income

Other income mainly consists of income from the release of provisions, release of allowances, project grants and insurance recoveries. Income from the release of provisions amounted to EUR 364 thousand (2004: EUR 615 thousand) in the year under review.

12. Other expense

Other expense mainly consists of additions to allowances and bad debts incurred.

13. Net result of financial activities

Interest receivable and similar income amounted to EUR 49 thousand in the financial year (2004: EUR 86 thousand), while interest payable came to EUR 716 thousand (2004: EUR 359 thousand).

Gains/losses on currency exchange consist of exchange gains of EUR 685 thousand (2004: EUR 387 thousand) and exchange losses of EUR 342 thousand (2004: EUR 506 thousand).

Other financial items include income from equity investments.

14. Income tax expense

Under German tax laws income tax expense consists of corporation tax, trade tax and solidarity surcharge.

Current loss carry-forwards mainly relate to German companies in the Eckert & Ziegler Group. Losses in Germany can be carried forward indefinitely.

The tax rate for the computation of the tax charge in Germany for corporation tax and trade tax for most of the companies included in the consolidation during the financial year was 38.9 percent. For two of the companies consolidated for the first time in 2005 the applicable tax rate was 36.8 percent. Last year the uniform rate of 38.9 percent applied. Tax rates in Germany are as follows:

	2005	2004
Trade tax – basic rate	**5%**	5%
Trade tax – rate of assessment	**330% and 410%**	410%
Corporation tax	**25%**	25%
Solidarity surcharge on corporation tax	**5.5%**	5.5%

Income tax expense/income (-) is made up as follows for the financial years ended December 31, 2005 and 2004:

	2005	2004
(Amounts in thousands)	EUR	EUR
Profit before tax:		
Germany	**-882**	479
Foreign subsidiaries	**3,097**	2,679
	2,215	3,158
Current tax:		
Germany	**47**	-86
Foreign subsidiaries	**1,191**	1,117
	1,238	1,031
Deferred tax:		
Germany	**-358**	-78
Foreign subsidiaries	**-156**	-148
	-514	-226
Total tax:	**724**	805

Reconciliation of the Group's tax expense, based on the tax rates applicable in Germany, to the Group's actual reported tax charge is as follows:

	2005	2004
(Amounts in thousands)	EUR	EUR
Tax expense based on German tax rates	**862**	1,228
Tax differences on the income of foreign subsidiaries	**-187**	-75
Actual tax for prior years	**53**	0
Disallowable expenditure	**104**	30
Tax-free income	**-198**	-377
Loss carry-forwards not recognized for taxation	**81**	0
Other items	**10**	-1
Effective tax charge	**724**	805

Deferred taxes are based upon the differences between the values of assets and liabilities in the consolidated financial statements and those in the tax accounts of individual Group companies, as well as in respect of available tax loss carry-forwards. Deferred tax assets and liabilities have been netted in the balance sheet to the extent permitted under IAS 12.

Deferred tax income of EUR 738 thousand (2004: deferred tax expense of EUR 287 thousand) arises in the year under review in respect of tax loss carry-forwards, while deferred tax expense of EUR 224 thousand (2004: deferred tax income of EUR 513 thousand) has been incurred on timing differences.

In 2005 EUR 14 thousand (2004: EUR 9 thousand) of deferred tax expense was netted directly within equity without affecting net income.

No deferred tax has been provided in respect of loss carry-forwards of EUR 193 thousand (2004: EUR 0 thousand). In total deferred tax assets of EUR 3,499 thousand (2004: EUR 1,762 thousand) have been set up in respect of tax loss carry-forwards. Of that, EUR 3,328 thousand (2004: EUR 1,762 thousand) may be carried forward indefinitely; the rest is restricted to five years. Based on expected future taxable profits and planned transactions with fiscal consequences, the Executive Board anticipates that the deferred tax assets can be fully realized.

Deferred tax assets and liabilities at the individual balance sheet item level are shown in the following table:

	Deferred tax assets		**Deferred tax liabilities**	
	2005	2004	**2005**	2004
(Amounts in thousands)	EUR	EUR	EUR	EUR
Tax loss carry-forwards	**3,499**	1,762	**0**	0
Non-current assets	**22**	0	**2,867**	1,415
Share options	**155**	147	**0**	0
Securities	**0**	0	**26**	12
Receivables	**240**	532	**236**	521
Provisions	**1.331**	998	**0**	0
Other items	**238**	80	**934**	374
Sub-total	**5,485**	3,519	**4,063**	2,322
Offsets	**-1,500**	-1,620	**-1,500**	-1,620
Balance in Group balance sheet	**3,985**	1,899	**2,563**	702

The German tax authorities commenced a tax audit in 2004 of Eckert & Ziegler AG for the periods of assessment from 2000 to 2002. No interim report has been produced so far. The tax audit will recommence in May 2006.

15. Share of profit/loss attributable to minority interest

Group profit after tax contains shares of losses amounting to EUR 99 thousand (2004: share of profits of EUR 92 thousand) attributable to minority interests.

16. Earnings per share

Earnings per share have been calculated as follows (in thousands, apart from per share data):

	As of year-end	
	2005	2004
	EUR	EUR
Numerator for the calculation of earnings and diluted earnings per share – profit/loss for the year	**1,590**	3,347
Denominator for the calculation of earnings per share – weighted average number of shares	**3,102**	3,061
Effect of dilutive share options	**32**	20
Denominator for the calculation of diluted earnings per share – weighted average number of shares	**3,134**	3,081
Basic earnings per share	**0.51**	1.09
Diluted earnings per share	**0.51**	1.09

Notes to the consolidated balance sheet

17. Property, plant and equipment

Movements in property, plant and equipment from January 1 to December 31, 2005 are shown in the non-current assets movement schedule.

Assets which have been acquired by way of finance leases are included in property, plant and equipment. Net book values of assets accounted for as finance leases amount as of December 31, 2005 to EUR 539 thousand (2004: EUR 84 thousand).

Additions in the financial year 2005 relate to various items of analysis equipment for quality control of radio-pharmaceutical products, as well as leased vehicles. Additions of EUR 5,325 thousand originated from company acquisitions, of which EUR 4,273 thousand mainly relates to a cyclotron plant, including land and buildings.

In line with IAS 23 the allowed alternative treatment has been applied in the recognition of borrowing costs. Under this, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the acquisition or manufacturing cost of that asset. Capitalized interest amounted to EUR 73 thousand and EUR 12 thousand in 2005 and 2004 respectively. Borrowing costs eligible for capitalization were based on a cost of capital of 11.56 percent.

Own work capitalized totaled EUR 865 thousand (2004: EUR 458 thousand) in the year.

18. Intangible assets

Intangible assets include customer relations, competition bans, patents and technology, licenses and software, capitalized development costs, and other such intangibles. Capitalized development costs include development costs that have been capitalized as self-generated intangible assets. Development costs capitalized during 2005 include expenditure of EUR 389 thousand on an equipment system for radio-pharmaceutical synthesis. Capitalized development costs have not been amortized as the development of the system has not yet been completed, and the asset cannot therefore be utilized by the company.

In the financial year expenditure totaling EUR 300 thousand was incurred on acquiring know-how for the manufacture of a drug. Straight-line amortization has been applied over its estimated useful life of eight years.

The carrying values of intangible assets with unlimited economic lives, not subject to normal amortization, are composed of the following as of December 31, 2005 and 2004:

	2005	2004
(Amounts in thousands)	EUR	EUR
Goodwill	**11,681**	6,922
Other items	**422**	367
Balance as of Dec 31	**12,103**	7,289

The book values of the sundry intangible assets are composed of the following as of December 31, 2005 and 2004:

	2005	Remaining period of amortization	2004
(Amount in thousands)	EUR		EUR
Customer relations	**2,682**	8–10 years	1,679
Licenses and software	**1,503**	2–8 years	1,334
Patents and technology	**791**	8–19 years	629
Competition bans	**654**	7–8 years	286
Capitalized development costs	**477**	9 years	19
Other items	**465**	2–9 years	326
Balance as of Dec 31	**6,572**		4,273

Amortization of intangible assets is allocated in the income statement to costs of goods sold, selling expenses, research and development and general and administrative expenses according to the functional area of the intangible asset concerned. The major part of amortization of intangible assets is included in general and administrative expenses.

Movements in intangible assets from January 1 to December 31, 2005 are shown in the non-current assets movement schedule.

19. Goodwill

Goodwill changed in the financial year 2005 as follows:

(Amounts in thousands)	EUR
Balance as of Jan 01, 2005	6,922
Additions	3,154
Retirements	0
Exchange differences	1,605
Balance as of Dec 31, 2005	11,681

All items of goodwill relate to the Industry and Nuclear Medicine and Industry segment.

Additions include an amount of EUR 138 thousand from an adjustment to deferred tax liabilities in connection with a company acquisition in 2004.

Capitalized goodwill was subject to an impairment test during 2005 in accordance with IFRS 3 and IAS 36. No impairment loss was identified as of December 31, 2005.

20. Other loans and other assets

Other loans relate to rental deposits of EUR 35 thousand (2004: EUR 55 thousand) and cash paid into a decontamination fund of EUR 18 thousand (USD 21 thousand) [2004: EUR 285 thousand or USD 389 thousand]. Payments into the fund relate to future obligations to decommission and restore plant and facilities belonging to Isotope Products Laboratories Inc. (IPL) and of Analytics Inc. These amounts are prescribed by law, are under state control and their access is therefore restricted.

21. Other non-current assets

The general managers of Isotope Products Cesio s.r.o. have each been granted a loan by Eckert & Ziegler AG which are shown under other non-current assets. As of December 31, 2005 the loans receivable including interest amounted to EUR 480 thousand in total (2004: EUR 470 thousand). The loans are due to be repaid on September 30, 2008.

In order to hedge a portion of cash flows from the repayment of a loan to the US subsidiary IPL against exchange rate fluctuations, the company entered into an interest and currency swap agreement in 2001 with a term of 10 years. From this transaction the company still has a payment obligation amounting to USD 3,182 thousand at a fixed interest rate of 10.0 percent. In return it receives EUR 3,433 thousand at a fixed interest rate of 8.77 percent. The market value of this swap transaction as of December 31, 2005 is EUR 876 thousand (2004: EUR 1,339 thousand) and is shown in the balance sheet under other non-current assets. The expense arising from the change in market value has been included under losses on currency exchange.

Contractual rights to reimbursement in connection with environmental restoration provisions of EUR 327 thousand (2004: EUR 627 thousand) are shown under other assets.

In addition, cash equivalents of EUR 124 thousand, which are intended to protect credits under the pre-retirement scheme against the risk of insolvency, as required by the law governing that scheme, are shown under other non-current assets. The cash is subject to restricted access.

22. Cash and cash equivalents

Cash and cash equivalents of EUR 4,950 thousand (2004: EUR 5,504 thousand) are represented by checks, cash in hand and cash at banks maturing within three months.

23. Marketable securities

All of the marketable securities are classified as available-for-sale financial assets. The following summary shows the composition of marketable securities as of December 31, 2005 and 2004:

				Dec 31, 2005
	Costs	Unrealized gains	Unrealized losses	Market value (fair value)
(Amounts in thousands)	EUR	EUR	EUR	EUR
Bonds	298	9	-1	306
Investment funds	2,078	61	-1	2,138
Total marketable securities	2,376	70	-2	2,444

				Dec 31, 2004
	Costs	Unrealized gains	Unrealized losses	Market value (fair value)
(Amounts in thousands)	EUR	EUR	EUR	EUR
Bonds	299	11	0	310
Investment funds	1,277	20	0	1,297
Total marketable securities	1,576	31	0	1,607

The market value of securities is determined by quoted prices.

Bonds have a remaining period to redemption of between 7 and 40 months as of December 31, 2005

No sales of marketable securities were made in the financial year 2005.

24. Trade accounts receivable

Trade accounts receivable consist of the following items as of December 31, 2005 and 2004:

	2005	2004
(Amounts in thousands)	EUR	EUR
Trade accounts receivable	**10,011**	7,397
Less allowances	**-512**	-473
Balance as of Dec 31	**9,499**	6,924

25. Inventories

Inventories consist of the following items as of December 31, 2005 and 2004:

	2005	2004
(Amounts in thousands)	EUR	EUR
Raw materials, consumables and supplies	**4,435**	4,269
Finished products	**278**	1,089
Work in process	**1,499**	262
	6,212	5,620
Less allowances for obsolescence	**-183**	-147
Balance as of 31	**6,029**	5,473

Raw materials, consumables and supplies mainly consist of nuclides and components needed for the fabrication of end products. In 2005 changes in inventories of EUR 5,923 thousand were expensed. The expense of allowances against inventories amounted to EUR 35 thousand.

26. Prepaid expenses and other current assets

The item prepaid expenses and other current assets of EUR 973 thousand (2004: EUR 366 thousand) mainly relates to deferrals of expense and amounts owed by the tax authorities. This item also includes rental deposits of EUR 15 thousand (2004: EUR 0 thousand) due in more than one year's time.

27. Shareholders' equity and minority shareholders' interests

Changes in shareholders' equity and minority interest are set out in the consolidated statement of shareholders' equity.

The company's nominal capital amounted to EUR 3,250,000.00 as of December 31, 2005 and is divided into 3,250,000 shares with no par value, all fully paid.

On May 25, 2004, with the approval of the Supervisory Board, the shareholders' meeting authorized the Executive Board to increase the company's nominal capital by up to EUR 1,625,000 by issuing up to 1,625,000 bearer shares for cash or non-cash contributions, while excluding the subscription rights of existing shareholders where relevant (authorized capital). The Executive Board is authorized, with the approval of the Supervisory Board, to determine any further rights attaching to the shares and the conditions for the share issue. The exclusion of subscription rights is permissible for capital increases with non-cash contributions, particularly for the acquisition of enterprises or parts thereof, equity investments in enterprises or patents. For capital increases against cash contributions, exclusion of subscription rights is only permissible to the extent that it is necessary for the equalization of highest-ranking amounts, or if the capital increase does not exceed 10 percent of the nominal capital, and the issue price of the new shares does not lie significantly below the stock market price of the shares at the time that the Executive Board determines the issue price. The authorization is valid until December 31, 2006.

The nominal capital has been conditionally increased by up to a further EUR 300,000 (authorized but unissued share capital), split into a maximum of 300,000 shares.

As part of a share buyback scheme the company bought a total of 320,000 of its own shares in March 2003 (about 9.8 percent of nominal capital) at an average price of 3.35 euro per share.

In October 2003, 5,503 of these shares were resold. In order to finance the acquisitions of MMI GmbH and IPE GmbH in 2004, a total of 139,648 of the company's own shares were applied. Up to now, 45,400 own shares (2005: 32,000 shares, 2004: 13,400 shares) have been utilized to service share options under the employee share scheme.

Transactions in own shares gave rise to a total profit in 2005 of EUR 59 thousand, which was appropriated to the capital reserve for own shares with no effect on net income. The balance of own shares stood at 129,449 shares as of December 31, 2005.

Changes in the number of outstanding share options are shown in the Other Information section.

The addition of a minority relates to the acquisition of 70 percent of the shares in EURO-PET Berlin Zyklotron GmbH. Through the acquisition of 51 percent of the shares in Eckert & Ziegler f-con Europe GmbH, a negative minority interest of EUR 228 thousand was taken up in the consolidated financial statements, and this was deducted from Group retained earnings without affecting the income statement. Furthermore the minority holding in the Czech subsidiary CESIO s.r.o. has decreased by EUR 251 thousand.

28. Borrowings

Borrowings consist of the following items as of December 31, 2005 and 2004:

(Amounts in thousands)	2005 EUR	2004 EUR
Bank borrowings	**7,887**	2,399
Other borrowings	**4,866**	157
Balance as of Dec 31 in total	**12,753**	2,556
– of which current	**3,437**	172
– of which non-current	**9,316**	2,384

Borrowings have clearly increased in 2005. The increase is due not only to the take-up of new credit but also to the takeover of new companies. The following table gives an overview of borrowings as of December 31 in each of the financial years:

(Amounts in thousands)	Interest rate p.a.	2005 EUR	2004 EUR
Loans from former shareholders from the takeover of shares	6.00%	**2,964**	0
Loan from Deutsche Industrie Bank AG (IKB)	8.6% plus 3% on reaching profit target	**1,757**	1,738
Loans from Landesbank Berlin	4.35% to 4.85%	**1,705**	0
Loan from minority interest shareholders	5.00%	**1,705**	0
Loan GE Mietfinance	9.50%	**1,370**	0
Loan from Comerica Bank (USA)	7.50%	**1,083**	0
Loan from Deutsche Bank (AG)	4.50%	**700**	0
Bank overdrafts	variable	**639**	0
Reconstruction credit loan from Commerzbank AG	7.38%	**633**	660
Other loans	4.0% to 9.3%	**197**	157
Loans from Wells Fargo Bank	8.4% to 10.8%	**0**	1
Total borrowings as of Dec 31		**12,753**	2,556

The loan payable to the Deutsche Industriebank AG (IKB) in the original amount of EUR 2,812 thousand extends over 10 years and is repayable on June 30, 2008. Early redemption is possible subject to an early payment penalty. In the event of Eckert & Ziegler AG's insolvency, IKB has secured a subordination of its receivables.

Market values (fair values) of the IKB and KfW loans as of December 31, 2005 amount to EUR 2,168 and EUR 711 thousand respectively, based on current interest rates.

The loans granted by the Landesbank Berlin to EURO-PET Berlin Zyklotron GmbH are secured by a mortgage of EUR 1,534 thousand on EURO-PET GmbH's business premises in Berlin and guarantees from Eckert & Ziegler AG and two minority shareholders.

The loan from Comerica Bank to IPL is secured by an assignment of IPL's non-current assets valued at EUR 4,534 thousand.

IPL has been granted a credit line by a bank of up to USD 827 thousand (EUR 698 thousand). In addition, there is a further credit facility in the form of a guarantee for up to USD 1,875 thousand (EUR 1,583 thousand) which has been utilized as security for the decontamination plan.

IPL had not utilized this credit line by December 31, 2005. Eckert & Ziegler AG has put up securities in respect of the IPL loans.

Eckert und Ziegler AG and its subsidiary BEBIG GmbH have joint credit lines available of EUR 4,270 thousand of which EUR 700 thousand has been utilized.

The interest rate agreed for the loan of EUR 700 thousand granted by the Deutsche Bank was the three-month EURIBOR rate + 1 percent at the time of taking up the credit. The risk of an interest rate change was hedged by means of an interest swap, so that the effective rate is 4.5 percent.

The remaining periods to maturity of the borrowings on December 31, 2005 and 2004 are as follows:

(Amounts in thousands)	2005 EUR	2004 EUR
Up to 1 year	**3,437**	172
1 to 5 years	**9,042**	2,274
Over 5 years	**274**	110
Total borrowings as of Dec 31	**12,753**	2,556

29. Deferred income from grants and other deferred income

This item is made up of the following as of December 31 in each of the years:

(Amounts in thousands)	2005 EUR	2004 EUR
Current deferred income from grants	**853**	976
Other deferred income	**86**	127
Current deferred income from grants and other deferred income	**939**	1,103
Non-current deferred income from grants	**1,841**	2,492
Balance as of Dec 31	**2,780**	3,595

30. Retirement benefit obligations

Pension undertakings have been made as part of the company's old-age provision which is based on a defined benefit pension plan. Pension obligations are calculated in accordance with IAS 19 for under the projected unit credit method by taking the present value of pension benefits earned up to the measurement date, including probable future increases in pensions and salaries. The determination of present value involves using a discount rate of 5.0 percent (previous year: 5.5 percent). As each person concerned will already have left company service, the scale of the obligation changes annually merely with the interest compounded and with actuarial gains and losses. This produced the following obligations determined actuarially in each of the financial years ending December 31:

(Amounts in thousands)	2005 EUR	2004 EUR
Present values of defined benefit retirement rights	**406**	331
Plan assets at market value	**-219**	-189
Actuarial gains (+) and losses (-)	**-59**	0
Retirement benefit obligations as of Dec 31	**128**	142

The amounts shown for retirement benefit obligations have changed as follows:

(Amounts in thousands)	2005 EUR	2004 EUR
Retirement benefit obligations as of Jan 1	**142**	131
Payments of pensions	**14**	68
Allocation of earlier current service cost	**0**	-29
Payments into the fund or plan assets	**-28**	-28
Retirement benefit obligations as of Dec 31	**128**	142

The following amounts were recognized in the income statement in each of the financial years:

(Amounts in thousands)	2005 EUR	2004 EUR
Current service cost	**0**	24
Interest expense	**17**	16
Allocation of earlier current service cost	**0**	29
Income from the fund or plan assets	**-3**	-1
Total amounts recognized	**14**	68

31. Other non-current liabilities

The main element of other non-current liabilities is the provision for environmental restoration.

The following table gives an overview of the movements in other non-current liabilities in 2005 and 2004.

(Amounts in thousands)	2005 EUR	2004 EUR
Environmental restoration provisions	**3,466**	4,076
Other non-current liabilities	**289**	200
Total other non-current liabilities as of Dec 31	**3,755**	4,276

Movements in the provisions for environmental restoration in 2005 are as follows:

Environmental restoration provisions as of Jan 1	4,076
Retirements	-1,010
Compounding interest	152
Currency translation	248
Environmental restoration provisions as of Dec 31	3,466

The release of environmental restoration provisions gave rise to income of EUR 310 thousand in the year under review. The reserves for environmental restoration are based on the statutory and civil obligation to decontaminate radioactively contaminated assets and buildings, to determine by measurement that they are free from contamination, and to allow them to be open to access and general use again without danger. In 2005 an adjustment has been made to align discount rates to changes in the capital markets, in accordance with IFRIC 1. These adjusted interest rates lie between 3.3 and 4.2 percent.

For some sites amounts have been paid into a fund whose use is restricted to future restoration. These payments are shown under other loans.

Contractual rights to reimbursement in connection with obligations for restoration are shown under other non-current assets.

32. Provisions (Short-term)

Short-term provisions have changed in 2005 as follows (refer to the last table of this page):

33. Other current liabilities

Other current liabilities are composed of the following as of December 31 in each year:

	2005	2004
(Amounts in thousands)	EUR	EUR
Liabilities to related parties	**465**	0
Other short-term liabilities	**1,553**	641
Balance as of Dec 31	**2,018**	641

Amounts owed to related parties concern a liability arising from dividends paid by CESIO s.r.o. to its minority shareholders, as well as the limited partner's capital in Altmann Therapie GmbH und Co. KG (Altmann KG for short) which was not consolidated until 2005 (we refer to details in the section 'Acquisition and disposal of enterprises'). In accordance with IAS 32, shares in a partnership are not to be shown under minority interests within Group shareholders' equity, but are classified as external borrowing.

The remaining short-term liabilities include wages and salaries, social security and payroll tax.

Explanatory notes on the Group cash flow statement

Cash and cash equivalents shown in the Group cash flow statement are represented by cash in hand, checks, cash at banks and all highly liquid cash equivalents maturing within three months.

The Group cash flow statement depicts how cash balances in the Eckert & Ziegler Group have changed by cash inflows and outflows in the course of the financial year. In accordance with IAS 7 (Cash Flow Statements) cash flows in the Group cash flow statement have been split under cash inflows from operating, investing and financing activities.

34. Operating activities

Starting with profit after tax the cash inflows and outflows are determined indirectly. Profit/loss after tax is adjusted for expense not involving the movement of cash and supplemented by changes in assets and equity and liabilities.

35. Investing activities

Cash flows from investing activities are derived from actual payment transactions. They include cash flows in connection with the acquisition and disposal of non-current assets and marketable securities which do not form part of cash and cash equivalents. Inflows and outflows of cash from the acquisition and disposal of enterprises are also shown here.

36. Financing activities

Cash flows from financing activities are derived from actual payment transactions and include not only the take-up and repayment of credits and other financial liabilities, but also cash flows between the Group and its shareholders, such as dividend payments, for example.

	2004	Utilized	Addition	Release	2005
(Amounts in thousands)	EUR	EUR	EUR	EUR	EUR
Accruals for profit-sharing and bonuses	624	604	1,007	21	**1,006**
Staff-related accruals	860	859	777	1	**777**
Accruals for ground rent	208	1	9	0	**216**
Accrual for year-end audit	59	34	96	25	**96**
Accrual for Supervisory Board fees	45	45	33	0	**33**
Other provisions and accruals	780	771	1,106	7	**1,108**
Provisions as of Dec 31	2,576	2,314	3,029	54	**3,236**

Changes in the balance sheet items which are considered as movements in the Group cash flow statement are adjusted to exclude non-cash effects of currency translation and changes in companies included in the consolidation. Further, investing and financing transactions that have not led to changes in cash and cash equivalents are not included in the cash flow statement. Therefore, the conditional purchase price payment in connection with the acquisition of the f-con Group, and included as a provision in 2005, does not form part of the Group cash flow statement. For these reasons changes to the balance sheet items concerned in the Group cash flow statement are not directly reconcilable to the corresponding amounts in the published consolidated balance sheet.

Cash flows from operating activities include:

	2005	2004
(Amounts in thousands)	EUR	EUR
Interest paid, less amounts capitalised	**-750**	-328
Interest received	**54**	83
Income tax paid	**-876**	-314

Other disclosures

37. Acqusition and disposal of enterprises

a) Acquisitions

In February 2005 Eckert & Ziegler AG announced the takeover of a capital increase in EURO-PET Berlin Zyklotron GmbH, and at the same time it took over shares from the former owners. The company, based in Adlershof, whose former and founding shareholders included a number of leading specialists in nuclear medicine, is licensed as a manufacturer of radio-pharmaceuticals, and chiefly produces contrast media for local customers for PET examinations. Through the capital increase and the acquisition of available shares Eckert & Ziegler AG holds 70 percent of the shares in the company.

The split of the purchase price which was paid in cash was based on the estimated market values of the assets, as follows.

(Amounts in thousands)	EUR
Purchase price	213
Net assets acquired	188
Difference	25
Intangible assets	
Production know-how FDG & Cholin (share)	41
Deferred tax on intangible assets	-16
	25

Along with the assets and liabilities as shown, cash and cash equivalents of EUR 77 thousand were also acquired.

On July 1, 2005 Eckert & Ziegler AG acquired a 51 percent holding in f-con Europe GmbH and its subsidiaries, f-con Pharma Deutschland GmbH and f-con Pharma Italia s.r.l., in both of which companies f-con Europe GmbH holds 99 percent of the shares. Following that, the companies were reincorporated as follows:

– f-con Europe GmbH into Eckert & Ziegler f-con Europe GmbH
– f-con Pharma Deutschland GmbH into Eckert & Ziegler f-con Deutschland GmbH
– f-con Pharma Italia s.r.l into Eckert & Ziegler f-con Pharma Italia s.r.l.

Through its subsidiaries in Germany and Italy, Eckert & Ziegler f-con Europe GmbH markets radioactive glucose (PET tracers) for cancer diagnosis with the aid of positron emission tomography (PET).

The transaction was accounted for under the purchase method in the consolidated financial statements, so that the results of the three companies are included therein as from the date of the takeover of a majority holding. The purchase price amounts to EUR 428 thousand, of which EUR 23 thousand (including acquisition costs) was settled in cash. The payment of the remainder of the purchase price depends on the acquired companies achieving certain profits, for which a provision has been set up in line with IFRS 3. The amount of the conditional purchase price was determined on the basis of budgeted figures which were subject to estimates and judgmental latitude. The total purchase price, including incidental costs of purchase, was spread over the assets acquired on the basis of market values (fair values) at the date of acquisition. The excess over market values is shown as goodwill. The split of the purchase price based on the estimated market values of the assets was carried out as follows:

(Amounts in thousands)	EUR
Purchase price	428
Net assets acquired	-464
Difference	892
Intangible assets	
Customer base (share)	360
Deferred tax on intangible assets	-133
Goodwill	665
	892

The acquisition also included cash and cash equivalents of EUR 29 thousand.

In August 2005, Isotope Products Laboratories Inc. (IPL) acquired 100 percent of the shares in Analytics Inc., Atlanta. USA. The purchase price totaled USD 4,613 million (approx. EUR 3.895 million) of which USD 113 thousand (approx. EUR 95 thousand) was paid in cash. The remaining purchase price of USD 4,500 million was financed by borrowings of which USD 224 thousand (approx. EUR 189 thousand) was repaid by the year-end.

Analytics Inc. manufactures products based on isotope technology for the monitoring of nuclear power plants and is recognized in the United States as market leader for caliber sources, a product category that Eckert & Ziegler AG already covers in nuclear medicine.

The transaction was accounted for under the purchase method in the consolidated financial statements, so that the company's results are included therein as from the date of the takeover. The purchase price, including incidental costs of purchase, was spread over the assets acquired on the basis of market values (fair values) at the date of acquisition. The excess over market value is shown as goodwill. The split of the purchase price based on the estimated market values of the assets was carried out as follows:

(Amounts in thousands)	EUR
Purchase price	3,895
Net assets acquired	568
Difference	3,327
Intangible assets	
Customer base	1,160
Competition ban	434
Unpatented technology	249
Deferred tax on intangible assets	-829
Goodwill	2,313
	3,327

The acquisition of Analytics, Inc. also included cash and cash equivalents of EUR 377 thousand.

In September 2005 Isotope Products Cesio s.r.o., Prague acquired 100 percent of the shares in SORAD spol s.r.o. The purchase price totaled CZK 4.046 million (approx. EUR 140 thousand).

The transaction was accounted for under the purchase method in the consolidated financial statements, so that the company's results are included therein as from the date of the takeover. The purchase price, including incidental costs of purchase, was spread over the assets acquired on the basis of market values (fair values) at the date of acquisition. The excess over market value is shown as goodwill. The split of the purchase price based on the estimated market values of the assets, was carried out as follows:

(Amounts in thousands)	EUR
Purchase price	140
Net assets acquired	80
Difference	60
Intangible assets	
Goodwill	60
	60

The acquisition of SORAD s.r.l. also included cash and cash equivalents of EUR 38 thousand.

Table 1

	Group financial statements Eckert & Ziegler AG	Profit/loss of new companies from Jan 1, 2005 to date of acquisition	Proforma Group financial statements Eckert & Ziegler AG
(Amounts in thousands)	EUR	EUR	EUR
Group sales revenue	41,792	3,351	45,143
Group profit/loss for the year	1,590	-275	1,315

b) Special Purpose Entity

On October 3, 2005 an agreement was signed with Altmann Therapie GmbH & Co. KG, Salzgitter (Altmann KG for short) for the purchase of know-how (documented by description of procedures) as well as the conditional permit for the manufacture of a drug. The sale of the conditional permit is subject to delay. At the same time an agreement was concluded that enables Eckert & Ziegler AG to acquire 75 percent of the shares in Altmann KG, having been transformed into a GmbH [German private limited company], in the event that the conditional permit for the drug is extended. In a further agreement with Altmann KG's main creditor, a loan granted to Altmann KG was taken over. As Eckert & Ziegler AG as most-favored company has control of Altmann KG from an economic viewpoint, under SIC 12 Altmann KG is to be consolidated as a special purpose entity despite the lack of voting rights.

c) Further information on the acquisitions

The following table gives an overview of the assets and liabilities of the main companies acquired in the year (refer to page 70, table 4):

The companies acquired contributed the following profits/losses to Eckert & Ziegler AG's consolidated profit in 2005 (refer to page 70, table 5):

The companies acquired in the financial year were only included in the consolidated financial statements as from the date of acquisition. If they had already been consolidated at the beginning of the financial year, the following effects on Group revenue and Group profit for the year would have arisen (refer to page 68, table 1):

38. Employee share scheme

On April 30, 1999, the annual general meeting authorized the Executive Board to set up a share option plan for employees and management of the company and its subsidiaries. The annual general meeting of May 20, 2003 made minor revisions to some details of the plan. The employee share scheme decided on by the Executive Board with the consent of the Supervisory Board provides for the granting of options to purchase a maximum of 300,000 shares from the authorized but unissued share capital, provided the company does not redeem the option rights by the transfer of its own shares or by making a cash payment. A single option entitles the holder to receive one share. The effective price for the initial tranche of options is equivalent to the share price fixed at the company's stock exchange flotation, while the effective price for subsequent tranches will be calculated from the average price of the Eckert & Ziegler's share on the last five trading days prior to the passing of the Executive Board resolution on the granting of options.

The earliest time when the options granted may be exercised is after a vesting period of two years, counting from the date of issue and only within specified exercise dates. In addition, exercise is dependent on reaching certain performance criteria. The increase in the company's share price in the period between the issue day and the first effective date must exceed the increase in the Neuer Markt Index (or after the termination of that index, the rise in the Technology All-Share Index) during the same period. Options must be exercised within five years of the vesting period. In the event of termination of employment, options not yet exercised lapse. If the performance criteria are met, the options granted in 2004 (6th tranche/tranche 2004) may be first exercised during the third quarter of 2006, while options granted in financial year 2005 (7th tranche/tranche 2005) may not be exercised until the third quarter of 2007, at the earliest.

In 2005 the vesting period for the options granted in 2003 (5th tranche/tranche 2003) expired. It was established in the financial year that the performance criteria were satisfied in relation to the options granted in 2003. Thus, the exercise of the options is possible in principle. The first period for exercising options commenced on August 9, 2005, with the last possible date being July 25, 2010.

In 2004 it was established that the performance criteria were satisfied in relation to the options granted in 2002 (4th tranche/tranche 2002). Thus, the exercise of the options in this tranche is possible in principle. The first period for exercising options commenced on August 28, 2004, with the last possible date being August 25, 2009.

For the tranches issued in the years 2000 (2nd tranche/tranche 2000) and 2001 (3rd tranche/tranche 2001) the performance criteria were not met; all options of these tranches have thus lapsed.

Table 2: Movements in outstanding options

	2005		2004	
	Options	Weighted average effective price	Options	Weighted average effective price
	Number	EUR	Number	EUR
Outstanding at start of year	119,150	**8,23**	88,350	8.28
Issued	32,500	**10,49**	50,000	7.84
Exercised	32,000	**5,17**	13,400	5.04
Lapsed	500	**5,17**	5,800	12.91
Outstanding at end of year	119,150	**9,69**	119,150	8.23

Table 3: Number of outstanding options

Tranche	Effective price	Outstanding options on December 31, 2005	Remaining exercise period
	EUR	Number	Years
1st Tranche/Tranche 1999	23.00	13,000	1.15
4th Tranche/Tranche 2002	5.04	12,400	3.66
5th Tranche/Tranche 2003	5.30	11,250	4.57
6th Tranche/Tranche 2004	7.84	50,000	5.65
7th Tranche/Tranche 2005	10.49	32,500	6.42
		119,150	

Table 4

	EURO-PET		f-con Gruppe		Analytics, Inc.	
	Market val.	Book values pre-acq.	Market val.	Book values pre-acq.	Market val.	Book values pre-acq.
(Amounts in thousands)	EUR	EUR	EUR	EUR	EUR	EUR
ASSETS						
Intangible assets	76	2	721	16	1,867	24
Non-current assets	4,391	4,391	885	885	37	37
Current assets	825	335	1,296	1,296	729	729
	5,292	4,728	2,902	2,197	2,633	790
LIABILITIES						
Non-current liabilities	3,295	4,193	376	117	829	0
Current liabilities	1,693	1,669	2,991	2,991	222	222
	4,988	5,862	3,367	3,108	1,051	222
Net assets	304	-1,134	-465	-901	1,582	568

Table 5

	EURO-PET	f-con	Analytics	SORAD	Altmann*
(Amounts in thousands)	EUR	EUR	EUR	EUR	EUR
Profit/loss for the year	-381	-583	165	-15	0

* Altmann's loss was EUR 193 thousand, but this did not affect Group profit because of its classification as minority interest shown under external borrowing.

It was established in the financial year 2002 that the performance criteria were satisfied in relation to the options granted in 1999 (1st tranche/tranche 1999). Thus, the exercise of the options is possible in principle. The first period for exercising options commenced on March 28, 2002, with the last possible date being February 25, 2007.

Movements in the number of outstanding share options in the last two financial years are as follows (refer to page 70, table 2):

The weighted average share price of the options exercised on the effective date in the year under review was EUR 12.34.

The following table gives an overview of the share options outstanding at December 31, 2005 (refer to page 70, table 3):

As of December 31, 2005 there were 36,650 exercisable options at a weighted average effective price of EUR 11.49.

In accounting for the employee share scheme the company applies the relevant standard for this, IFRS 2 (Share-based Payment). Under IFRS 2, share-based compensation payments that are made through equity instruments are to be measured at fair value. The fair value of each option exercised on the effective date is calculated by means of an option price model and recognized as staff costs over the vesting period. These staff costs entail an increase in capital reserve. In the financial years 2005 and 2004 staff costs arising from the application of IFRS 2 amounting to EUR 99 thousand and EUR 59 thousand respectively arose.

The option price for options granted in the respective financial years was calculated by means of a binomial model (2005) and by a Monte Carlo option price model (2004). The non-tradeable aspect was reflected in the binomial model by an option take-up factor representative of the relevant behavior of option plan participants in 2004 and 2005. Further, the conditions for exercising options were taken into account by a discount on the option price. The following assumptions were made in the calculation of option prices:

	2005	2004
Expected dividend income per share	**EUR 0.25**	EUR 0,00
Risk-free interest rate	**3.02%**	2.53%
Expected volatility	**38.15%**	58.70%
Expected lifetime	**2.00 years**	2.00 years
Market value (fair value)	**EUR 3.26**	EUR 2.18

39. Sundry financial commitments and contingent liabilities

a) Sundry financial commitments from rental and leasing agreements

The company has entered into capitalized leasing agreements (capital and finance leases) and non-capitalized leasing agreements (operating leases) relating to equipment, vehicles, and land and buildings. Rental and leasing expense amounted in the financial years ending December 31, 2005 and 2004 to EUR 767 thousand and EUR 720 thousand respectively.

The company has entered into a long-term operating lease in connection with the self-constructed administration and production building in Berlin. This lease results in annual payments of EUR 167 thousand, EUR 89 thousand of which, however, is offset against the construction costs of the building. The lease runs initially until December 31, 2014; on expiry of this period the company has the right to opt for an extension to the lease until the suspense account set up for the newly erected building has been cleared. This right can be exercised on several occasions and might only apply to parts of the building. The lease payments for all areas may not be increased before December 31, 2014; at this time the lease payments for newly created areas will be renegotiated.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2005 are as follows:

(Amounts in thousands)	Sundry rental and leasing agreements EUR	of which finance leases EUR
At the year-end (December 31) in each case		
2006	809	102
2007	782	105
2008	700	109
2009	675	113
2010	502	57
thereafter	1,153	0
Total minimum rental or lease payments	4,621	486

The finance leases are solely in respect of property, plant and equipment. The net book value of the assets on December 31, 2005 was EUR 483 thousand. In the year under review EUR 85 thousand was expensed in respect of finance leases. There are no conditional rental payments either in the year under review or in the future. Moreover, the leasing arrangements contain no sort of restrictions or obligations. Finance leases include those on two automobiles which may be bought after five years for EUR 8 thousand each.

b) Contingent liabilities

Before a participating interest had been taken in the company, Eckert & Ziegler f-con Deutschland GmbH had already given a guarantee to secure a lease of f-con Regensburg Betriebs GmbH in favor of Deutsche Leasing AG. f-con Pharma AG, Vienna and CTI (Siemens) are also jointly liable on this guarantee. The guarantee is for EUR 4.8 million. It is not envisaged that Eckert & Ziegler f-con Deutschland GmbH will have to honor this guarantee.

With a lawsuit issued on January 17, 2006 against Eckert & Ziegler AG, HEK GmbH of Lübeck is demanding the payment of the sum of EUR 709,752.63 and the transfer of 35,450 shares. This claim is chiefly based on an earn-out arranged in a purchase agreement dated March 15, 2004 involving Eckert & Ziegler MMI (formerly MCP Medical International GmbH). Eckert & Ziegler AG considers this claim to be unfounded, as the conditions for the payment of the earn-out have not arisen.

In addition, BEBIG GmbH was advised on January 24, 2006 of an action by Aramayo Ltd. With this action Aramayo Ltd. is demanding the payment of a purchase price of EUR 480,000 (actually EUR 266,454.00 because of counter-claims) for the sale of the 'patient positioning' business in accordance with the purchase agreement of March 3, 2004. BEBIG GmbH is convinced that this claim is without foundation as Aramayo has not yet fulfilled its side of the agreement. As a countermeasure, BEBIG is intending to get the court's authority to claim payments of commission due from Aramayo Ltd.

40. Segmental reporting

The Eckert & Ziegler Group has organized its business activities into three reporting units. These individual segments supply different products and are also separated organizationally by location.

The accounting principles applied to the individual segments are the same as those described in the summary of significant accounting policies (see Note 3). Segmental information is unconsolidated. This corresponds to the information used by the Executive Board as part of regular reporting. Intersegment transactions are accounted for at market prices.

The Nuclear Imaging and Industry segment manufactures and sells standards as well as radiation source materials for industrial and medical applications. Additionally, the new acquisitions in the area of radiopharmaceuticals have been incorporated into this segment. Standards are radioisotopes for calibrating purposes. They are generally sold to scientific institutions. Industrial radiation source materials are used in various kinds of control and instrumentation for industrial equipment and other radiometrical devices, such as safety installations at airports. They are sold to manufacturers of the equipment or their operators. The medical radiation source materials include radioactive sources for the calibration of gamma cameras. Radio-pharmaceutical products are particularly used in diagnosis using PET scans as well as in the treatment of Bechterew's disease. Customers for these are hospitals and the manufacturers of related equipment.

The Therapy segment has been mainly focused up to now on product development and market introduction of radioactive sources in the cardiological and oncological fields. The main priorities in oncology continue to be the treatment of prostate cancer with radioactive iodine seeds. New products include low and high-dose rate afterloaders, blood radiation equipment, iridium wire sources, and various therapy accessories. Customers for the Therapy segment's products are drug manufacturers and clinics.

Reconciliation to Group financial statements	**2005**	2004
(Amounts in thousands)	EUR	EUR
Profit from continuing operations		
Total segments	**1,491**	2,349
Elimination of inter-segmental gains (-)/losses	**0**	4
Consolidated profit from continuing operations	**1,491**	2,353
Segmental assets		
Total segments	**93,942**	63,973
Elimination of inter-segmental shares, equity investments and receivables	**-26,945**	-14,532
Consolidated total assets	**66,997**	49,441
Segmental liabilities		
Total segments	**49,065**	31,777
Elimination of inter-segmental liabilities	**-17,274**	-15,033
Consolidated liabilities	**31,791**	16,744

					Year 2005
	Nuclear Imaging and Industry	Therapy	Others	Total	
(Amounts in thousands)	EUR	EUR	EUR	EUR	
Sales to external customers	24,940	16,850	2	41,792	
Sales to other segments	430	157	645	1,232	
Total segmental sales	25,370	17,007	647	43,024	
Depreciation & amortization	-2,236	-1,548	-128	-3,912	
Non-cash income and expense	-637	-2,076	-77	-2,790	
Profit from continuing operations	994	630	-133	1,491	
Segmental assets	38,351	19,614	35,977	93,942	
Segmental liabilities	-25,376	-19,500	-4,189	-49,065	
Capital investment	1,019	2,344	311	3,674	

					Year 2004
	Nuclear Imaging and Industry	Therapy	Others	Total	Profit from NEMOD deconsolidation
(Amount in thousands)	EUR	EUR	EUR	EUR	
Sales to external customers	19,403	16,128	2	35,533	
Sales to other segments	1	133	607	741	
Total segmental sales	19,404	16,261	609	36,274	
Depreciation & amortization	-1,172	-2,453	-119	-3,744	
Non-cash income and expense	-125	-1,876	-598	-2,599	
Profit from continuing operations	1,113	773	463	2,349	1,086
Segmental assets	21,939	19,839	22,195	63,973	
Segmental liabilities	-10,142	-18,826	-2,809	-31,777	
Capital investment	1,104	1,774	8	2,886	

Total segmental sales to external customers agree to the consolidated amounts in each case.

Sales by geographical regions	**2005**		2004	
	EUR m.	%	EUR m.	%
North America	**18.6**	**45**	18.0	51
Europe	**20.4**	**49**	15.4	43
Asia-Pacific	**2.2**	**5**	1.8	5
Others	**0.6**	**1**	0.3	<1
Totals	**41.8**	**100**	35.5	100

The breakdown under geographical region is based on the location of the invoice recipient. Sales in North America relate almost exclusively to the US.

Assets, liabilities & investment by geographical regions

			Year 2005
(Amounts in thousands)	EUR	EUR	EUR
	Assets	Liabilities	Investment
North America	26,147	10,506	478
Europe	40,850	21,285	3,196
Totals	66,997	31,791	3,674

Major customers

In the segment "Nuclear Imaging and Industry" approximately 2.1 million EUR of sales were to one major customer (equates to approximately 5% of the consolidated Group sales).

Transactions with related parties

Under IAS 24, transactions with persons or enterprises which Eckert & Ziegler AG controls or is controlled by are to be disclosed. In 2005 and 2004 transactions were engaged in with the following related third-parties:

– Eckert Consult Organisations- und Strategieberatung GmbH ("Eckert Consult") which holds 38.8 percent of the shares in Eckert & Ziegler AG and whose sole shareholder is Dr. Andreas Eckert, Chief Executive Officer of Eckert & Ziegler AG.

– NEMOD Verwaltungs GmbH, formerly: jojumarie Intelligente Instrumente GmbH ("jojumarie GmbH"), which was a 100 percent subsidiary of Eckert Consult from September 2001 to August 2003, has been a 100 percent subsidiary of Nemod Immuntherapie GmbH since August 2003. Dr. Eckert is one of the general managers of NEMOD Verwaltungs GmbH.

– NEMOD Immuntherapie GmbH, formerly: NEMOD Immuntherapie AG (previous to that NEMOD New Modalities Heilmittel GmbH) in which Eckert Consult has held 100 percent of the shares since January 2004. Dr. Eckert is one of the general managers of NEMOD Immuntherapie GmbH.

– Glycotope GmbH which is 66.4 percent owned by Eckert Consult. Dr. Steffen Goletz is general manager of Glycotope GmbH.

In 2004 Eckert & Ziegler AG granted the general managers of Cesio s.r.o., Mr. I. Simmer and Mr. J. Sadlo, loans of EUR 234 thousand each. The loans bear interest at 2 percent and are due to be repaid with interest on September 30, 2008.

The company has engaged Eckert Consult for the placing of advertisements in daily newspapers and other publications. Expenditure on this in the year under review was EUR 2 thousand. In the previous year services costing EUR 16 thousand were rendered.

An agreement for the lease of assets has existed between BEBIG GmbH and NEMOD Verwaltungs GmbH (formerly jojumarie GmbH) since June 1, 2003 for an annual sum of EUR 1.5 thousand.

Eckert & Ziegler AG provided certain administrative services in the year under review for Glycotope GmbH. For this, expenses of EUR 2.8 thousand were billed.

Since January 1, 2004 an agreement between Glycotope and BEBIG GmbH has been in force, whereby BEBIG GmbH renders IT and payroll services. The monthly fee is based on the actual costs incurred. In the year BEBIG GmbH received EUR 20 thousand for services rendered.

The company has expressed its willingness to take over and to maintain the pension rights granted by a subsidiary to Mr. Jürgen Ziegler, the former Executive Board member of Eckert & Ziegler AG. In the year under review BEBIG GmbH received EUR 0.1 thousand for services rendered in the form of repair work from rennesens GmbH whose general manager is Mr. Ziegler.

The balances which the Eckert & Ziegler Group has with related parties in respect of accounts receivable, loan receivables, accounts payable and loan payables as of December 31, 2005 and 2004, are as follows:

(Amount in thousands)	2005 EUR	2004 EUR
Trade accounts receivable from related parties	**13**	8
Loans receivable from related parties	**480**	470
Trade accounts payable to related parties	**0**	8
Loans payable to related parties	**0**	93
Other liabilities due to related parties	**465**	0

42. Post-balance sheet events

Effective February 27, 2006 Eckert & Ziegler f-con Europe GmbH increased its holding in Eckert & Ziegler f-con Deutschland GmbH to 100 percent through purchasing a 1 percent shareholding.

A judgment was given on January 11, 2006 in the legal dispute between EURO-PET Berlin Zyklotron GmbH and GE Capital Mietfinanz GmbH & Co. KG. On this basis a far-reaching settlement between the two parties was made which enables EURO-PET Berlin Zyklotron GmbH to restructure its manufacturer's finance into a smaller interest-bearing loan without additional costs.

Eckert & Ziegler AG has obtained a major contract for the supply of afterloaders from the Venezuelan Health Ministry through its distribution partner, Philips. The contract is worth around USD 4 million and includes servicing for the next five years alongside the supply of the equipment.

The Berlin Charité University Clinic and Eckert & Ziegler AG will extend their existing cooperation in the field of nuclear imaging, and in future will also collaborate closely in the production of short-lived radio-pharmaceuticals. To this end the Berlin-based isotope specialist operates Charité's cyclotron in Schumannstrasse as from February 1, and has amalgamated its facility in Adlershof into a combined Berlin cyclotron unit. An agreement to this effect with a term of five years has been signed by the Executive Board of Charité and the Eckert & Ziegler subsidiary, EURO-PET Berlin Zyklotron GmbH.

43. Risk management aims and practices

We refer to the Group management report for details of the company's risk management aims and practices.

Other disclosures required under HGB

44. Other operating income / expense

Other operating income/expense contains income and expense relating to other accounting periods of EUR 372 thousand and EUR 12 thousand respectively. The expense represents losses on the disposal of non-current assets; the income consists for the most part of the release of provisions and gains on the sale of non-current assets.

45. Executive Board and Supervisory Board

In the year 2005 the total remuneration paid by Eckert & Ziegler AG to the members of the Executive Board was EUR 762 thousand plus 18,000 share options from the share option plan described in Note 12. This includes a profit-related element amounting to EUR 250 thousand, which is based on a certain percentage of Group profit for the year.

Members of the Supervisory Board receive annual remuneration of EUR 6 thousand for their efforts; the Chairman receives EUR 12 thousand and the Deputy Chairman EUR 9 thousand. The total remuneration for members of the Supervisory Board in 2005 came to EUR 47 thousand, including attendance allowances of EUR 2 thousand. No profit-related element was paid, nor were consultancy or arrangement fees.

Provisions for pensions for former members of company boards, netted against relevant fund assets, amount to EUR 128 thousand as of December 31, 2005.

As of December 31, 2005 no advances or loans were outstanding from the members of the Executive or Supervisory Boards of Eckert & Ziegler AG.

46. Employees

On average 247 persons were employed by Group companies during 2005. They were working in the following departments:

Production	103
R&D / equipment manufacture	30
Administration	39
Sales and marketing	54
Quality management	21
Total	247

Staff costs for the financial year 2005 consist of the following:

(Amounts in thousands)	2005 EUR
Wages and salaries	12,262
Social security contributions and expenditure on pensions and old-age support	1,748
– of which for pensions	36

47. Auditors' fees

In the financial year 2005 audit fees of EUR 144 thousand was charged in respect of the audit of the annual consolidated financial statements.

48. Other information

Eckert & Ziegler BEBIG GmbH avails itself of the exempting clause of Section 264 para. 3 HGB under which an audit of the financial statements required by Section 316 HGB may be dispensed with.

49. Movements in Group non-current assets in the financial year from january 1 to december 31, 2005

(See Group non-current assets movement schedule on pages 80–81)

Statement by the Executive Board

The Executive Board 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 Executive Board 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 International Financial Reporting Standards (IFRS) 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. The Supervisory Board discussed all of these with the Executive Board and the auditors.

It acknowledged its agreement with the findings of the audit and has approved the annual and consolidated financial statements presented to it.

Berlin, March 29, 2006

Eckert & Ziegler
Strahlen- und Medizintechnik AG

Dr. Andreas Eckert

Dr. Edgar Löffler

Dr. Andreas Hey

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement, the notes to the financial statements as well as the Group management report prepared by Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin, for the business year from 1 January 2005 to 31 December 2005. Preparation of the consolidated financial statements and the Group management report in accordance with the IFRS as they are to be applied in the EU, and supplementing this in accordance with the commercial law regulations of § 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on these consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with §317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Auditors' Institute (Institut der Wirtschaftsprüfer – IDW). These standards require that we plan and perform the audit such that misstatements and infringements materially affecting the presentation of the net assets, financial position, and results of operations reported in the consolidated financial statements and in the Group management report in accordance with the applicable accounting regulations are detected with reasonable assurance. 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 effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit comprises assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used, and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Berlin, March 29, 2006
KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kronner
Wirtschaftprüfer

Pfaff
Wirtschaftsprüfer

The Supervisory Board was kept regularly and fully informed in the financial year 2005 about the course of business and the business policies of Eckert & Ziegler Strahlen- und Medizintechnik AG and of the enterprises in which it holds equity investments. Moreover, the Executive Board has reported in detail on the established system of risk assurance. In total, five meetings of the Supervisory Board were held during the course of the year under review. Outside of the meetings, the Supervisory Board was kept constantly updated both orally and in writing.

The Supervisory Board was directly involved in all decisions of key importance to the business. The Supervisory Board thereby duly discharged the duties of advising the Executive Board and monitoring its activities incumbent on it by law and the company's articles of incorporation.

During 2005 the following topics were at the top of the agenda:

– the Group's strategies for growth
– majority acquisition of EURO-PET Berlin Zyklotron GmbH
– majority acquisition of the f-con Group
– takeover of Analytics Inc. by Isotope Products Laboratories Inc. (IPL)
– expansion of the Group's involvement in the radio-pharmaceutical sector
– implementation of the enhanced German Corporate Governance Code

The annual financial statements of Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated financial statements of the Eckert & Ziegler Group, the management report for Eckert & Ziegler Strahlen- und Medizintechnik AG and the management report for the Eckert & Ziegler Group, together with the Executive Board's proposal to the annual general meeting for the appropriation of the net income for the year, and the reports of the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Berlin, have been submitted to the Supervisory Board, which has been supplied with copies of all these documents.

Representatives of the auditors have taken part at the Supervisory Board's meeting on the financial statements on March 29, 2006 where they reported on the main audit findings. The auditors confirmed in their report that all legal requirements had been complied with and have issued their unqualified opinion. The Supervisory Board acknowledged its agreement with the findings of the audit.

Following the conclusive results of its own examination, the Supervisory Board had no reservations in respect of the audited financial statements or any of the other documents submitted. Accordingly, it approved the annual and consolidated financial statements as presented.

The Supervisory Board thanks the Executive Board, senior management and all staff of the companies belonging to the Eckert & Ziegler Group for the work they have done during the year under review.

Berlin, March 2006
The Supervisory Board

Professor Wolfgang Maennig
Chairman

Movements in Group non-current Assets

In the financial Year from January 1 to December 31, 2005 (refer to point 49, page 76)

Non-current asset movement schedule as of December 31, 2005

	Costs									
	US-GAAP 1-1-2005	Conversion factors IFRS	IFRS 1-1-2005	Additions	Additions by acquis.	Disposals	Transfers	Currency translation	Adjustment to Net book value Asset Retirement Obligation	Balance 12-31-2005
(Amounts in thousands)	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Non-current assets										
I. Intangible assets										
1. Goodwill	7,661	-	7,661	-	3,154	-	762	935	-	12,512
2. Concessions, patents, trade marks and licenses	7,751	21	7,772	897	2,583	2	-678	605	-	11,177
3. Advance payments on intangible assets	100	-	100	151	-	-	-100	-	-	151
	15,512	21	15,533	1,048	5,737	2	-16	1,540	-	23,840
II. Property, plant and equipment										
1. Buildings on third-party land	6,054	-	6,054	171	2,866	89	-	424	-	9,426
2. Plant and machinery	20,616	-	20,616	974	3,447	4,968	872	468	-	21,409
3. Other plant and equipment, fixtures and fittings	2,484	-	2,484	420	878	17	-	117	1	3,883
4. Payments on account and assets under construction	673	-	673	1,037	-	106	-872	39	-	771
5. Asset retirement obligation	1,691	1,309	3,000	24	-	145	-	172	-1,126	1,925
	31,518	1,309	32,827	2,626	7,191	5,325	-	1,220	-1,125	37,414
III. Long-term investments										
1. Equity investments	68	-	68	-	-	-	-	-	-	68
2. Other long-term investments	361	-	361	3	18	334	-	5	-	53
	429	-	429	3	18	334	-	5	-	121
	47,459	1,330	48,789	3,677	12,946	5,661	-16	2,765	-1,125	61,375

Depreciation and amortization										Net book values	
US-GAAP 1-1-2005	Conversion factors IFRS	IFRS 1-1-2005	Additions	Additions by acquis.	Disposals	Transfers	Currency translation	Adjustment to Net book value Asset Retirement Obligation	Balance 12-31-2005	Balance 1-1-2005	Balance 12-31-2005
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
739	-	739	-	-	-	-16	108	-	831	6,922	11,681
3,231	2	3,233	801	15	-8	-	276	-	4,333	4,539	6,844
-	-	-	-	-	-	-	-	-	-	100	151
3,970	2	3,972	801	15	-8	-16	384	-	5,164	11,561	18,676
1,350	50	1,400	392	365	-	-	87	-	2,244	4,654	7,182
14,070	-	14,070	2,313	775	4,811	-	302	-	12,649	6,546	8,760
2,019	-	2,019	349	616	15	-	99	1	3,069	465	814
106	-	106	-	-	106	-	-	-	-	567	771
1,220	764	1,984	57	3	52	-	75	-1,116	951	1,016	974
18,765	814	19,579	3,111	1,759	4,984	-	563	-1,115	18,913	13,248	18,501
-	-	-	-	-	-	-	-	-	-	68	68
21	-	21	-	-	23	-	2	-	-	340	53
21	-	21	-	-	23	-	2	-	-	408	121
22,756	816	23,572	3,912	1,774	4,999	-16	949	-1,115	24,077	25,217	37,298

Balance Sheets (Parent Company)

Assets of Eckert & Ziegler Aktiengesellschaft as of December 31

	2005	2004
(Amounts in thousands)	EUR	EUR
ASSETS		
A. Non-current assets		
I. Intangible assets		
Patents, licenses, trade marks and similar rights and software	**1,348**	1,251
II. Property, plant and equipment		
Other plant and equipment, fixtures and fittings	**13**	15
III. Long-term investments		
1. Shares in affiliates	**11,886**	11,626
2. Loans to affiliates	**5,488**	5,419
	17,374	17,045
Total non-current assets	**18,735**	18,311
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	**2**	4
2. Amounts due from affiliates	**12,884**	11,373
3. Other assets	**1,248**	766
	14,134	12,143
II. Securities		
1. Own shares	**434**	542
2. Other securities	**2,372**	1,582
	2,806	2,124
III. Cash at bank	**199**	2,839
Total current assets	**17,139**	17,106
C. Prepaid and deferred expenses	**9**	2
D. Deferred tax	**82**	91
Total assets	**35,965**	35,510

Balance Sheets (Parent Company)

Liabilities and Shareholders' equity of Eckert & Ziegler Aktiengesellschaft as of December 31

	2005	2004
(Amounts in thousands)	EUR	EUR
LIABILITIES AND SHAREHOLDERS' EQUITY		
A. Shareholders' equity		
I. Common stock	**3,250**	3,250
Nominal amount of authorized but unissued common stock EUR 300.000,00		
II. Additional paid-in capital	**27,166**	27,166
III. Retained earnings		
1. Treasury stock	**434**	542
2. Other retained earnings	**643**	207
	1,077	749
IV. Unappropriated retained earnings/losses (-)	**510**	1,210
Total shareholders' equity	**32,003**	32,375
B. Deferred income from government grants	**254**	302
C. Reserves		
1. Pension reserves	**311**	292
2. Other reserves and accruals	**496**	412
Total reserves and accruals	**807**	704
D. Liabilities		
1. Bank borrowings	**700**	0
2. Trade accounts payable	**76**	13
3. Amounts due to affiliates	**33**	2
4. Other liabilities	**2,092**	2,114
(of which for taxes EUR 72 thousand; 2004: EUR 17 thousand)		
(of which for social security EUR 13 thousand; 2004: EUR 11 thousand)		
Total liabilities	**2,901**	2,129
Total liabilities and shareholders' equity	**35,965**	35,510

Income Statements (Parent Company)

of Eckert & Ziegler Aktiengesellschaft for the years ended December 31

	2005	2004
(Amounts in thousands)	EUR	EUR
1. Net sales	**648**	621
2. Other operating income	**550**	1.042
	1.198	1.663
3. Cost of materials		
bought-in services	**0**	-2
4. Staff costs		
a) Wages and salaries	**-1.253**	-1.084
b) Social security and old-age provision	**-101**	-121
– of which for pensions	**-18**	-39
	-1.354	-1.205
5. Depreciation of property, plant and equipment and amortization of intangible assets	**-216**	-205
6. Other operating expense	**-837**	-2.383
7. Income from equity investments	**77**	1.736
8. Income arising from profit or loss takeover agreements	**1.004**	292
9. Income from other securities and from loans included under long-term investments	**421**	354
10. Interest receivable and similar income	**1.180**	1.053
11. Write-downs on long-term investments and on marketable securities	**0**	-424
12. Expense from absorption of losses	**-724**	0
13. Interest payable and similar expense	**-246**	-242
14. Net income / loss (-) from ordinary activities	**502**	637
15. Income tax expense	**-99**	94
16. Net income / loss (-) for the year	**403**	731
17. Losses carried forward from prior year	**0**	-33
18. Release of treasury stock	**107**	512
19. Unappropriated retained earnings / losses (-)	**510**	1.210

Executive Board and Supervisory Board Dec 31, 2005

		Stock	Stock options	Transactions according to § 15a WpHG
Dr. Andreas Eckert	Executive Board	3010	18.500	
(Eckert Consult GmbH)		(1.260.446)	(0)	
Dr. Andreas Hey	Executive Board	0	6.000	
Dr. Edgar Löffler	Executive Board	10.250	16.000	
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0	
Prof. Dr. Ronald Frohne	Supervisory Board	19.549	0	Sale of Stock (refer to www.ezag.com)
Hans-Jörg Hinke	Supervisory Board	0	0	
Ralf Hennig	Supervisory Board	141	0	
Frank Perschmann	Supervisory Board	1.000	0	
Prof. Dr. Nikolaus Fuchs	Supervisory Board	0	0	

Glossary

Afterloading therapy
Short-term radiation in cancer treatment, in which a mostly wire-bonded radioactive source is propelled electrically for a brief period into the target tumor area by means of a tube-like catheter or by cannulas. Usually several sessions are necessary.

Ankylosing spondylitis
Chronic rheumatic inflammatory disease of the axial skeleton, especially the spine, which can become completely stiff.

Beta radiation
Ionizing radiation which is used to treat tumors due to the high levels of energy it carries. Beta particles penetrate a few millimeters into soft tissue.

Blood radiation equipment
BIOBEAM blood radiation equipment works by means of gamma rays directed on to blood, blood components and biological materials. Its application is particularly suitable in immune hematology, transfusion medicine and radio-biological research.

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.

Cobalt sources
Radionuclide of the element cobalt, which is very well suited for radiating the surface of tumors. The MultiSource® cancer radiation system uses cobalt sources.

D&O insurance (directors' and officers' liability insurance): Third-party liability insurance for management; in this context, the members of the Executive and Supervisory Boards of a public company. It is invoked if claims for compensation arise through management's failure to exercise the duty of care expected from a duly conscientious businessman.

Emitter
Here: device for emitting radioactive fields.

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

Glossary

Flood source
Emission source with extended emission range (Perflexion™).

Ga-68
Positron emitter with a half-life of 68 minutes. Ga-68 is used for PET diagnostic procedures. In contrast to the conventional fluor-18, it is not generated in cyclotrons but rather can be produced by radionuclide generators.

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

Gamma radiation
Energy-rich electromagnetic radiation, used in medical nuclear imaging and in radiation therapy in particular because of its high penetrative capability.

HTA report
(Health Technology Assessment) Scientific evaluation of medical processes and technologies. The current example is a joint scientific assessment by the German Medical Association (Bundesärztekammer) and the National Association of Statutory Health Insurance Physicians (Kassenärztliche Bundesvereinigung) that confirms seed implantation as a fully adequate alternative to conventional surgical operations for prostate cancer.

Immunological products
Therapeutic drugs, e.g. antibodies, which when applied work via passive or active immune mechanisms.

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.

Interstitial
Lying between tissues (Interstitium).

Iridium source
Iridium-192 is a radioactive isotope for medical source materials whose main characteristic is that a high dosage can be concentrated in a small volume. These kinds of sources are therefore used predominantly as a short-term implant in afterloading.

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

Minimally invasive
As gentle as possible.

Multimodal Marker
Marking where different medical imaging processes are to be combined.

Nuclear imaging
Image processing for nuclear medical 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.

Patient fixation
The exact positioning and secure fixation of the part of the body to be examined (e.g. the head) by means of thermoplastic material, in order to obtain the greatest possible precision in imaging or radiation.

Permanent implants
Implants that are meant to remain permanently in the organism/body.

PET tracers
Radioactively marked substances introduced into living organisms to diagnose cancer by means of PET imaging systems.

PET scanner
Device used for Positron Emission Tomography, a specialized imaging process in nuclear medicine.

Positron emission tomography (PET)
Nuclear medicinal examination for creating sectional images using the photons created by positron decay.

Prostate
Chestnut-sized, course gland situated around the neck of a man's bladder.

Prostatectomy
Surgical removal of the prostate gland.

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.

Radiodiagnostics
Diagnostic radiopharmaceuticals. See also radiopharmaceuticals.

Radiometry
Scientific field that focuses on quantitative measurement of radiation intensity, especially high-energy gamma radiation, using detectors.

Radiopharmaceuticals
Radioactively marked pharmaceutical preparations for nuclear medical applications. They can be used for both diagnostics and therapy.

Radio-isotope
See Radio nuclide.

Radio nuclide
Radioactive isotope.

Radio-oncology (also radiotherapy)
A sub-division of medicine, dealing with the treatment of malignant tumors by means of ionizing rays.

Radio-pharmaceuticals
Medicaments containing radioactive substances whose radioactivity is used for diagnostic or therapeutic purposes.

Radium-224
Radioactive isotope which the rheumatism drug SpondylAT® contains in highly pure form as radium-224 chloride, and which is used to treat ankylosing spondylitis effectively and with few side effects.

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.

SPECT
Abbreviation for Single Photon Emission Computer Tomography. See also: Positron Emission Tomography.

Spectroscopy
Technique for the analysis of oscillations of electromagnetic waves in a certain frequency range.

Stranded radiation particles Seeds constructed in a chain-like formation to improve seed localization.

Stranded seed implant
See Stranded seeds.

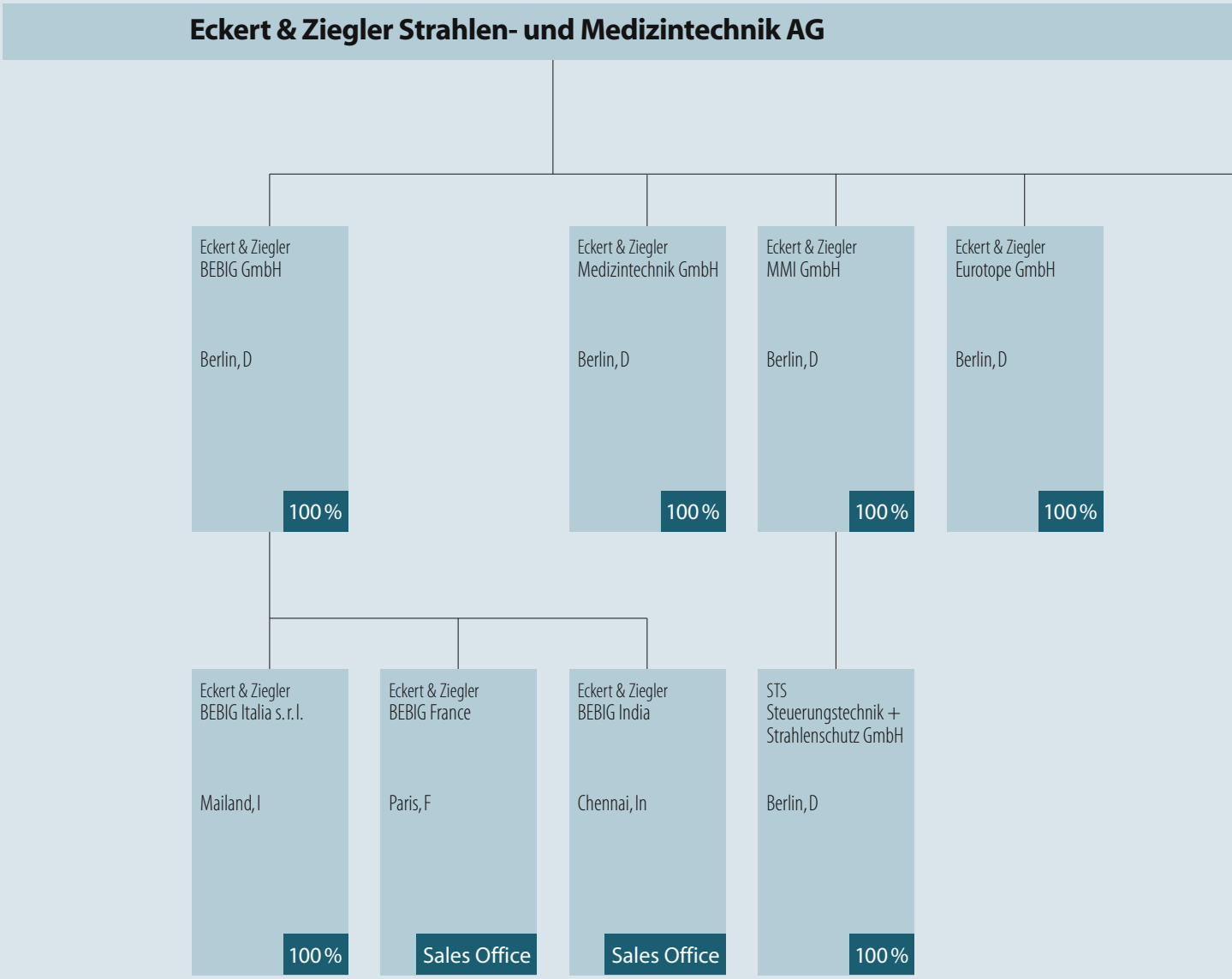
Stranded seeds
Seeds connected lengthways to each other.

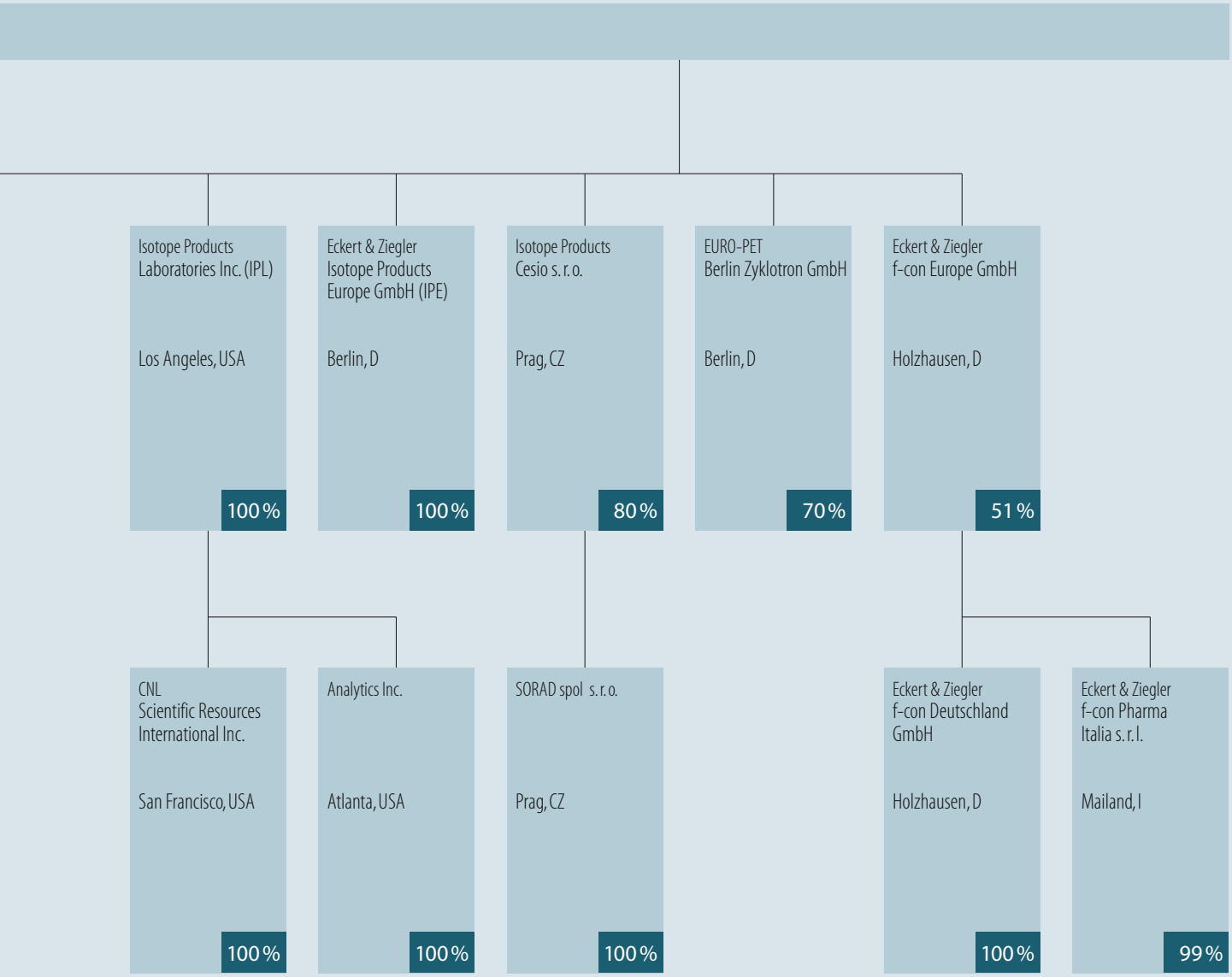
Synthesis systems
Modular equipment system of the brand name ModularLabTM for synthesizing radiopharmaceutical and radiochemical products. Featuring universal application and flexible configuration, it is used for automated and remote-controlled production of radioactive contrast media for Positron Emissions Tomography (PET).

Therapy accessories
Microprocessor-controlled devices used in conjunction with therapies that employ radioactive material, such as block and compensator cutting systems or alloy melters.

Corporate Structure

(as of December 31, 2005)




Isotope Products Laboratories Inc. (IPL)
Los Angeles, USA
100 %
Eckert & Ziegler Isotope Products Europe GmbH (IPE)
Berlin, D
100 %
Isotope Products Cesio s. r. o.
Prag, CZ
80 %
EURO-PET Berlin Zyklotron GmbH
Berlin, D
70 %
Eckert & Ziegler f-con Europe GmbH
Holzhausen, D
51 %
CNL Scientific Resources International Inc.
San Francisco, USA
100 %
Analytics Inc.
Atlanta, USA
100 %
SORAD spol s. r. o.
Prag, CZ
100 %
Eckert & Ziegler f-con Deutschland GmbH
Holzhausen, D
100 %
Eckert & Ziegler f-con Pharma Italia s. r. l.
Mailand, I
99 %

Financial Calendar

03-31-2006:
Annual report 2005

03-31-2006:
Balance press conference in Berlin

04-04-2006:
Analyst presentation
and MedTech Day 2006 in Frankfurt

05-09-2006:
Quarterly Report I/2006

05-30-2006:
Annual general meeting in Berlin

08-08-2006:
Quarterly Report II/2006

11-07-2006:
Quarterly Report III/2006

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Sabine Gatzemeier,

Application Specialist, Eckert & Ziegler BEBIG GmbH, Berlin, Germany

"People say that the only woman that men listen to is the voice on the navigation system. But in my work that definitely is not the case. Doctors are as a rule overjoyed when we guide them through the handling of the complex planning software and give them tips and advice for their everyday operations. This is of course understandable: hardly anybody is as familiar with the finer points of the system as our sales and application specialists who have had occasion to introduce the procedure in dozens of hospitals across Europe, and also work closely with users in their everyday clinical work."