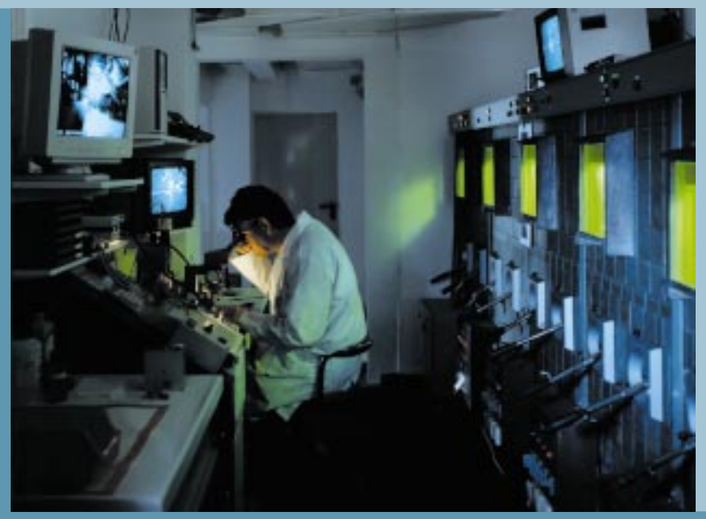
ECKERT & ZIEGLER AG

STRAHLEN- UND MEDIZINTECHNIK

ANNUAL REPORT 1999

Eckert & Ziegler
A worldwide radioactive isotope specialist



Eckert & Ziegler is one of the market leaders in the development and production of low radioactive sources. Cancer and cardiovascular diseases are treated with these components of only a few millimeters in diameter, so-called seeds. Current areas of application are prostate cancer, eye cancer, and arteriosclerosis. Considerable successes in treatment as compared with conventional methods are achieved in these cases with short-term, weak radiation, so-called brachytherapy. The minimally invasive intervention reduces side-effects and treatment costs.

Eckert & Ziegler supplies medical equipment manufacturers, with whose systems the miniaturized radiation sources are applied directly into the diseased tissue. At their order, Eckert & Ziegler carries out the development, testing, manufacturing, and market introduction of new products.

For this, Eckert & Ziegler has access to many years of know-how in isotope technology and the most modern production technologies. In addition to medical components, Eckert & Ziegler AG also internationally offers radioactive sources for use in specialized measuring devices or for scientific applications.

Eckert & Ziegler

DEAR SHAREHOLDERS,

1999 was a record year for the Eckert & Ziegler Group. Sales increased by 480% to 9.9 million EUR. Profits from regular business activity increased by 3060% to 1.2 million EUR. The number of employees grew by 162% to 139. The acquisition of the California-based Isotope Products Laboratories (IPL) has created a strategic foothold in the important American market, and listing on the stock market clearly expands the financial playing field. Our new company is gradually becoming an established, innovative enterprise.

As expected, the growth of the past fiscal year has brought with it enormous internal challenges. The conversion of the partially manual individual production to mass production has forced us to take certain measures and make changes in the organization of the process. Space was scarce. The integration of the many new employees, the inclusion of the California subsidiary, the requirements of a reporting procedure suitable for the stock market and the Control and Transparency Law (KonTraG), building activities, and similar result of growth have kept everyone in suspense.

There will be no let-up in the foreseeable future. This is good, because production lines already planned or under construction will further challenge the business organization and the growth management, and new applications for miniaturized radioactive components are opening new business fields. The possibilities resulting from the innovative application of isotope technology are by no means exhausted. In many areas and regions, the actual leap in growth is yet to come.

The Eckert & Ziegler AG, having risen from the ruins of the former East German isotope research, has decided to become the best developer and manufacturer of radioactive components in the world. In the past fiscal year, we moved a step closer to this goal. With outstanding employees, a flexible organization, commitment, and a love of innovation, we will proceed on this path and convert the immense potential of this company into profit and growth.

We thank you, dear shareholders, for the trust you have placed in us.

Dr. Andreas Eckert
Chairman of the Management Board

(From left to right): Gerald Pohland, Jürgen Ziegler, Dr. Andreas Eckert

January
Eckert & Ziegler acquires Isotope Products Laboratories, Inc., California, and thus accelerates its strategic entry into the US market.

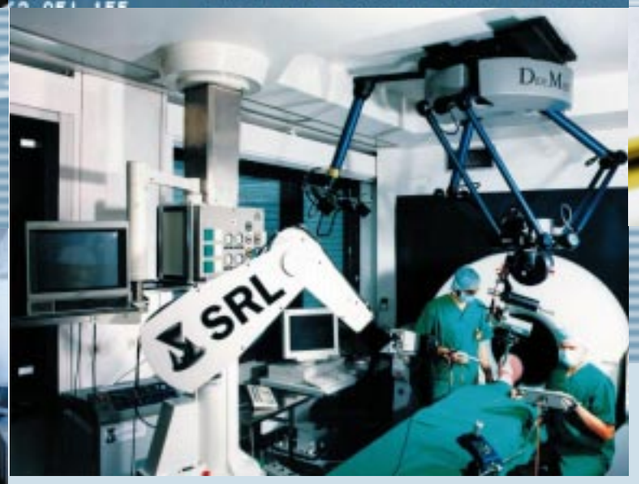
February
Eckert & Ziegler forms its bank consortium for the planned listing on the stock market: Concord Effekten AG, Gontard & Metallbank AG, Deutsche Apotheker- und Ärztebank eG.

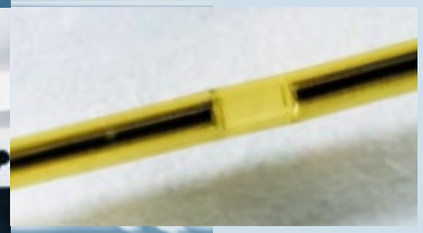
May
On May 25, 1999 Eckert & Ziegler is listed on the New Market in Frankfurt. The share is clearly oversubscribed and is issued at 23 Euros. The majority of the employees took the opportunity to acquire shares in their company.

June
The iodine seeds against prostate cancer receive the approval by the American Food and Drug Administration (501K). A new production line for radioactive iodine implants is put into operation. A long-term basic contract for the development and production of radioactive components is signed with a well-known medical equipment manufacturer. The volume amounts to 45 million Euros. Gerald Pohland is named as Chief Financial Officer. Dr. André Hess becomes business manager of the Eurotope Entwicklungsgesellschaft für Isotopentechnologien mbH.

July
The iodine seeds against prostate cancer receive CE approval for the European market. With the founding of Jojumarie Intelligent Instruments GmbH, Eckert & Ziegler expands its international production chain. The company is to develop and produce intelligent instruments for the application of miniaturized radiation sources.

August
Eckert & Ziegler signs a contract for a long-term development partnership with the California medical equipment manufacturer Radiance Medical Systems, for the production and market introduction of a new balloon catheter.





September
Groundbreaking for a 3,000 square meter production and management building in Berlin. Eckert & Ziegler signs a long-term basic contract for the development and production of radioactive components with an European manufacturer of radiation equipment. The volume amounts to 12 million Euros.

October
Eckert & Ziegler introduces a stock option program for management employees. Isotope Products Laboratories, California, dedicates a new distribution and sales office for its medical radiation sources.

November
Eckert & Ziegler obtains a large order for iridium sources from the California Varian Corporation and the Johnson & Johnson subsidiary Cordis. The long-term agreement includes the construction and operation of production lines for producing low radioactive components for heart treatment.

December
Together with a Berlin venture-capital company, Eckert & Ziegler acquires shares of a local biotechnology company.

Sales growth in 1999
reached 480 percent.

MANAGEMENT REPORT

Ruthenium applicators for treating eye cancer

MANAGEMENT REPORT OF THE GROUP

A POSITIVE FISCAL YEAR

The past fiscal year was the most successful year for the Eckert & Ziegler Group in the still-brief history of the company. It was possible to achieve significant increases in almost all of the parameters important for the presentation of the economic position of the company group, including sales (9,896 thousand EUR / 1,714 thousand EUR = +480%), cash flow from business activity (2,523 thousand EUR / 1,567 thousand EUR = +60%), profit from regular business activity (1,162 thousand EUR / 37 thousand EUR) and equity (12,855 thousand EUR / 2,830 thousand EUR = +350%).
The equity ratio (53% / 27%) and the total return on capital before taxes and extraordinary expenses (6.9% / 2.0%) have clearly improved. It is to be noted here that the Isotope Products Laboratories (IPL) acquired in January are not included in the prior year's figures indicated. Prior-year figures including IPL can be found in the notes on consolidated financial statements. As a result of the successful stock market listing in May 1999, the company was able to make a quantum leap in its organizational development. The net loss for the year, amounting to –509 thousand EUR, can be attributed to the cost of the market listing (1.2 million EUR).

ABOVE-AVERAGE INTERNAL GROWTH

The encouraging aspect of the development was that the successes can be attributed not only to the acquisition of IPL, but also to internal growth. The California subsidiary did indeed contribute a major share of the jump in sales,with 7.2 million EUR (a 14% increase, as opposed to its 1997/98 fiscal year) and its predominantly industrial and metrological components, but the Berlin parent operations, with their concentration on cancer and heart remedies, grew significantly more rapidly in 1999. As opposed to the prior year, the companies at the Berlin location were able to almost double their sales revenue (3,040 thousand EUR / 1,714 thousand EUR). In the case of the profit from regular business activity, the Berlin companies also show an above-average growth in comparison with the combined group. You will find a detailed segment report in the notes on group financial statements.

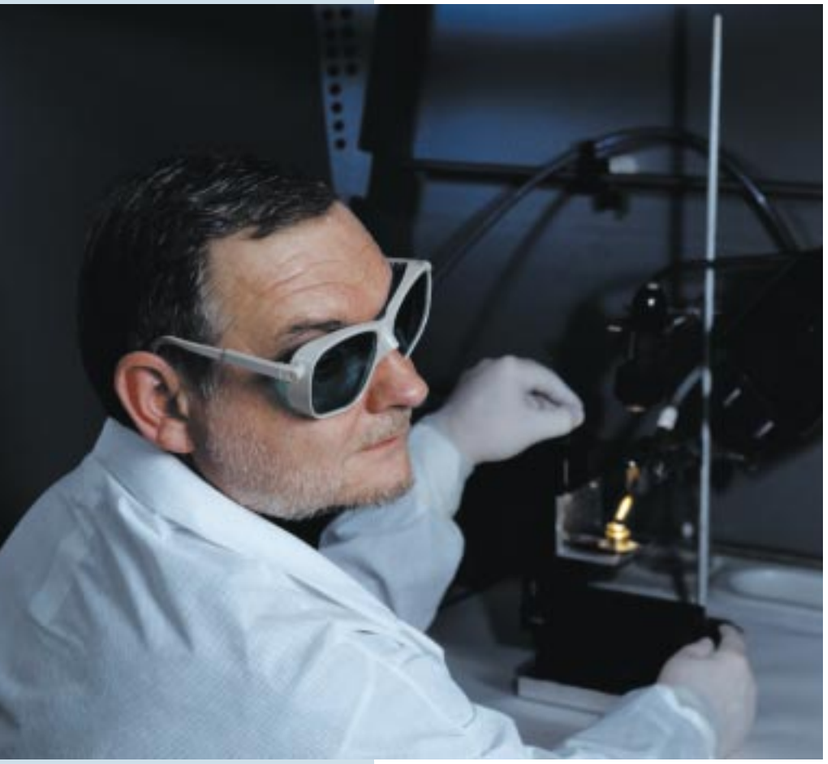
(Above): Strontium seeds against restenosis

(Left): Iodine seeds against prostate cancer with packaging container

RISING DEMAND IN THE THERAPEUTIC AREA

The background of this development is the rising demand for low radioactive components for therapeutic purposes and the strong strategic position of the Eckert & Ziegler Group as a developer and manufacturer of such products. The demand is the result of several factors. The most significant is wide-ranging improvements in diagnostic methods by means of new molecular medical processes. In recent decades, they have, for many types of cancer, led to tumors being detected significantly earlier, and thus in smaller form. The smaller the tumor center, the more likely it is that surgery can be avoided. The use of miniaturized radiation sources is more economical and gentle in such a situation – which is why radioactive implants, so-called "seeds," are being used increasingly, in particular in the case of the treatment of prostate cancer. This trend will continue, and will also spread to Europe, a major reason being demographic developments, which are leading to ever higher tumor indications and thus also to increasing interest in more economical methods of treatment.

The rising demand for low radioactive components is also being nourished by reports of success in heart research. The indications that the feared restenosis after a balloon dilation can be effectively prevented by means of short-term local irradiation are growing increasingly stronger here. At the moment, most efforts in the cardiovascular area are concentrated on clinical tests. However, as soon as the different systems obtain the required approvals, the Eckert & Ziegler Group, as the development and production partner of large international medical equipment manufacturers, intends to profit from the demand to be expected then.



(Above):
Test unit for laser ceramic welding process

(Right):
Adjusting pH values for the development of balloon catheters

DEVELOPMENT AND INVESTMENT AT A HIGH LEVEL

The special features of the Eckert & Ziegler Group include the fact that it develops and builds its own product lines by means of customer contributions, and to some extent, public subsidies, so that high in-house investments on the one hand and development subsidies on the other appear on the balance-sheet. However, with the start-up of the first implant production lines and the purchase of IPL, this situation in the group has changed. The relative significance of revenue from development costs and investment subsidies is decreasing, and the value of the regular product sales is increasing. If the sum of company-manufactured capitalized items and other revenues is still approximately equally high as product sales, sales revenue amounted to the bulk of the operating performance in 1999, in spite of increasing development and investment expenses. Several production lines which are planned or under construction, which are to be operated together with already acquired strategic partners, make it possible to expect a further increase in sales revenues, and thus a relative decrease in company-manufactured capitalized items and other revenues.

Likewise, development and investment activity remains at a high level. It will even increase absolutely, since the Eckert & Ziegler Group was able to conclude strategic development and production alliances for oncological and cardio-vascular products with other medical equipment companies during the past year. These alliances almost always result in

ever increasing development and investment activities.

Five patents were granted during the reporting period:
– Highly radioactive miniaturized ceramic strontium-90 radiation sources and processes for the manufacturing thereof.
DE 198 48 312
– Process for the production of medical radioactive ruthenium radiation sources by means of electrolytic depositing of radioactive ruthenium on a carrier, radiation sources produced with this process, and electrolyte cells for producing radioactive ruthenium layers.
DE 198 15 568.
– Carrier material for radionuclides, processes for the production thereof, and miniaturized radiation source.
DE 198 07 604
– Radioactive palladium-103 radiation sources and injection molding sources for the production thereof.
DE 198 59 100
– Radioactive X-ray source and the use thereof for intracavitary and intravascular tissue irradiation
DE 198 25 397

OUTLOOK

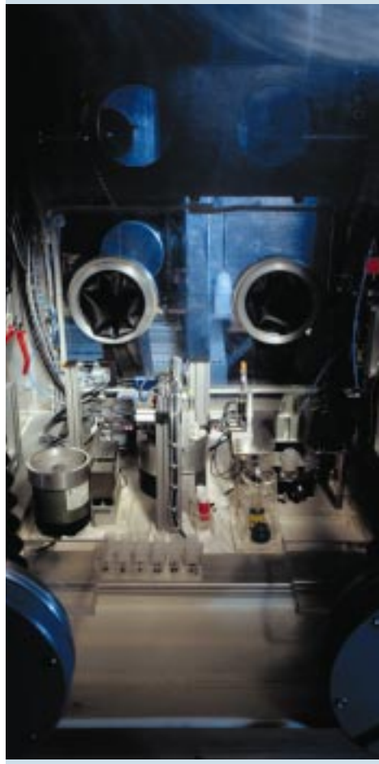
The expectations are increasing with the successes. In order to be able to protect the dynamics of the previous year, the Eckert & Ziegler Group first will increase production capacities in the oncological area. The products manufactured there can, unlike cardiological sales results, be put on the market relatively quickly, since they involve known therapies and effects. In addition, the market is growing vigorously, especially in Europe. Margin pressure is still low, in spite of the considerable international competition. However, the high degree of automation and efficiency of the production lines should keep the Eckert & Ziegler Group competitive, even with changed combinations of circumstances.

In addition to the structure of the existing market position, efforts are concentrated on the identification of new applications. The successes in the treatment of prostate carcinomas have inspired customers to use miniaturized radioactive components, also in the case of other indications. The Eckert & Ziegler Group will participate in the development of such alternatives and the identification of further value-creating opportunities. In its subsidiary Jojumarie Intelligente Instrumente GmbH, it is already promoting the development of positioning systems with which radioactive components can be brought to the point of effect even more precisely and simply. Thus new sales and profit sources are to be developed in the medium term for the distributors and partners of the Group and the Company itself.

In the cardiology area, the company is striving to expand its existing leadership position by means of further alliances with medical equipment companies and by means of the development of the next generation of radiation sources.
Although these efforts have a central strategic significance, they will become noticeable in sales and profits only in the medium term. Market introduction in the cardiovascular area faces extensive clinical testing almost everywhere. In the coming quarters, we are counting on only two additional licenses, which will lead to only gradual increases in product sales.

In the case of the demands for non-therapeutic radiation sources in the industrial and metrological area, we expect a slower, but still steady growth. To take better care of this segment, the Eckert & Ziegler Group reorganized this field of business under the management of IPL in spring 2000, and concentrated, within the framework of a restructuring, on the production at the Prague and Los Angeles locations. In addition, the Europe-wide marketing was transferred to the new subsidiary, ISOTOPEN DIENST® Blaseg GmbH.

Because of the long development and approval times for medical products, life science companies today must plan for the second decade of the 21st century. Since being listed the Eckert & Ziegler Group has been preparing to enter the



Production unit for classifying iodine seeds

molecular biology fields which offer technological and commercial synergies, especially in the sales area. Among other things, new cancer treatment methods as well as radioactive markings for tumor-specific diagnoses and therapeutics offer starting points. An initial step involved investing in a local biotechnology company at the end of 1999. This opened the possibility of connecting a number of patents and a group of experienced developers with the Eckert & Ziegler Group by means of the co-investment by a special partnership, and of financing it. Unfortunately, because of the refinancing difficulties of the co-investor, which appeared only after the balance-sheet date, this association cannot be implemented. Therefore, the Eckert & Ziegler Group is at present striving for alternatives.

For the current fiscal year 2000, we are counting on continuous positive development within the company group.

RISKS

Like all companies, the Eckert & Ziegler Group is exposed to a number of business risks, which cannot be covered by ordinary business insurance contracts. In comparison with other companies, of course, the Eckert & Ziegler Group enjoys the advantage of a certain distribution of its risks. This is based on the following special features:
a) the product range extends to the mutually independent markets segments oncology, cardiology, and industry/metrology;
b) sales are spread throughout several geographical regions (domestic, Europe, USA); and
c) the customer group is highly diverse, and dependence on individual key customers is small.

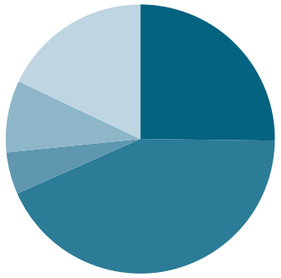
However, there are unforeseeable factors in all fields of business. Thus, product innovations by competitors complicate or prevent planned market penetrations; even if the group of competitors is small because of high market entry barriers, and because approval processes in the case of therapeutic products provide a time buffer before a penetration effect becomes effective. Furthermore, the high quality requirements for medical and isotope technology components require constant efforts in order to maintain high standards. Our quality management system according to ISO 9001 makes an important contribution to this, but not all risks can be eliminated completely.

Unforeseeable side-effects can limit the future use or marketability of radiation sources, especially in the case of new cardiovascular applications. Even the monitoring of the scientific discussion or the evaluation of technical information, to which the Eckert & Ziegler Group is obligated, among other things because of the provisions of the Medical Product Law, is no protection against this. Finally, internal risk factors include development time overruns or other time delays, since demands for compensation or shortfalls in sales can result. Providing for buffer periods in contracts and particular caution in the general process of drawing up contracts can of course largely preclude such problems. The Eckert & Ziegler Group has covered other risks, in particular those from normal business activity, by means of insurance policies within the framework usual in the industry. The early risk detection and management system, which we also will continue developing in the year 2000, supports the Management Board in detecting the risks threatening to the going concern of the company and other significant risks in timely manner, so that appropriate counter-measures can be taken.

EMPLOYEES

The number of employees increased by 162% to 139 as of the balance-sheet date. The personnel expenditure increased by 217% to just below 5 million EUR. Per capita expenses during the reporting period amounted to some 36,100 EUR.
The great increase in the number of employees is to be attributed to the acquisition of Isotope Products Laboratories and the growth at the Berlin location. The personnel increases there took place in particular in the areas of research and development, and production. 58 percent of employees are employed in Germany, another 42 percent in the USA.
The qualifications of the employees of the Eckert & Ziegler Group are higher than average; at the Berlin location alone, 64 percent of the employees have a professional college degree or higher. In the course of the listing on the stock market, the majority of the employees used the opportunity to buy shares in their company.

Employees, by department as per December 31, 1999



25.2%	R & D
43.2%	Production
5.0%	Quality management
8.6%	Sales
18.0%	Administration

STOCK OPTION PROGRAM FOR TOP PERFORMERS

In order to get employees more participated in the success of the company, the Eckert & Ziegler Group has set up a stock option program for top performers and the management. This gives this group of persons a possibility to profit from the future growth of the company, and thus connects the interests of management and shareholders.

A limited capital of 110,000 shares, initially distributed over three years, was reserved for the first stock option program (AOP 1) by the Supervisory Board at the proposal of the Management Board. During the past fiscal year, 15,750 options were distributed to a total of 17 employees and Management Board members. In the coming year, 45,000 and 47,500 additional options, respectively, are to be issued.

The Management Board thanks all employees for the work performed, and for their high personal commitment.

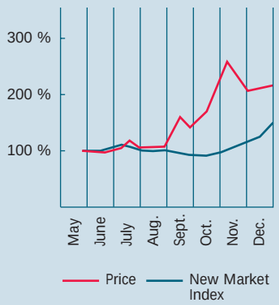
Mick®-magazine for packaging iodine seeds

Production line for producing iodine seeds

Shareholder structure as per December 31, 1999

Eckert Consult GmbH	42,97%
Jürgen Ziegler	28,53%
Concord Effekten AG	4,71%
Free-float	23,79%

Development of the price of Eckert & Ziegler shares



SHARE PRICE INCREASED BY 118%

On May 25, 1999 Eckert & Ziegler shares were first listed on the New Market in Frankfurt. The issue price of 23 Euros was at the upper end of the book building span of 20 to 23 Euros. The issue volume of 665,000 shares consists of:
220,000 shares which were sold by the former shareholders; and
445,000 shares from a capital increase of Eckert & Ziegler AG.
The share capital of our Company amounts to 3,000,000 Euros.

SHAREHOLDER STRUCTURE

The shareholders are the founders, with 71.5% and Concord Effekten AG with 4.71%. The free-float accounts for 23.79%.

DEVELOPMENT OF THE SHARE

After a market introduction in a difficult market environment, the price first moved laterally until it reached its first high of over 30 Euros in July. The New Market, dominated by random movements during the summer months, recovered visibly after the interest-rate decision of the FED. The Eckert & Ziegler share went up again, and in September noted a new high of just under 40 Euros. Positive half-year figures and an additional order for the development and production of radioactive components for cancer treatment were rewarded by the market: the doubling of the price within a very brief time showed that the potential of the company was now being increasingly understood. After a continuous upward movement in October and the announcement of a further order for development of iridium sources, the price reached its peak for the year at 63 Euros on November 9. The cautious market at the end of the year because of the Y2K bug resulted in no major price movements. The shares tended toward a level of between 47 and 55 Euros during the last segment. The year-end price of 50.20 Euros corresponded to a plus of 118%. The performance of the Eckert & Ziegler share has been above the New Market Index since August.

INVESTOR RELATIONS

The goal of our IR activities is an open, timely, and thorough communication with shareholders and the financial world. With a total of eleven ad-hoc reports since going onto the market, the public has been informed regularly about processes influencing the price. In numerous presentations and individual and group discussions, the management board has explained the strategy and the current status of the development of the company to institutional investors and analysts, and thus has contributed to an increase in recognition on the capital market, and confidence in the company.
The shareholders have access to current company information via our website (http://www.ezag.de).

RISK MANAGEMENT

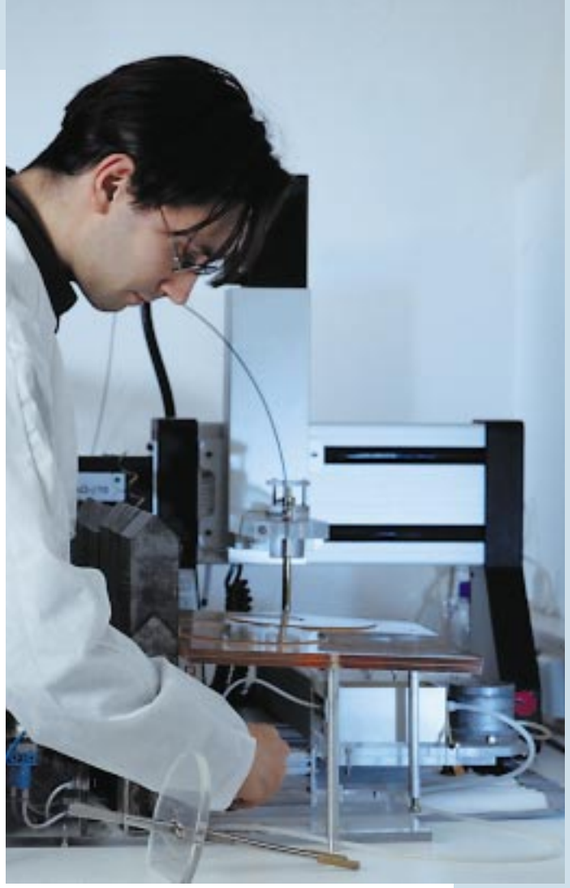
The law for Control and Transparency in the Corporate Sector (KonTraG) which went into effect as of May 1, 1998 demands the introduction of a risk early detection system. Business-endangering risks were identified systematically, and measures were established for avoiding them, or for their early detection, respectively. We have obtained insurance policies for possible losses and liability risks, which guarantee that financial consequences of potential risks are kept within limits.

ENVIRONMENTAL PROTECTION AND SAFETY

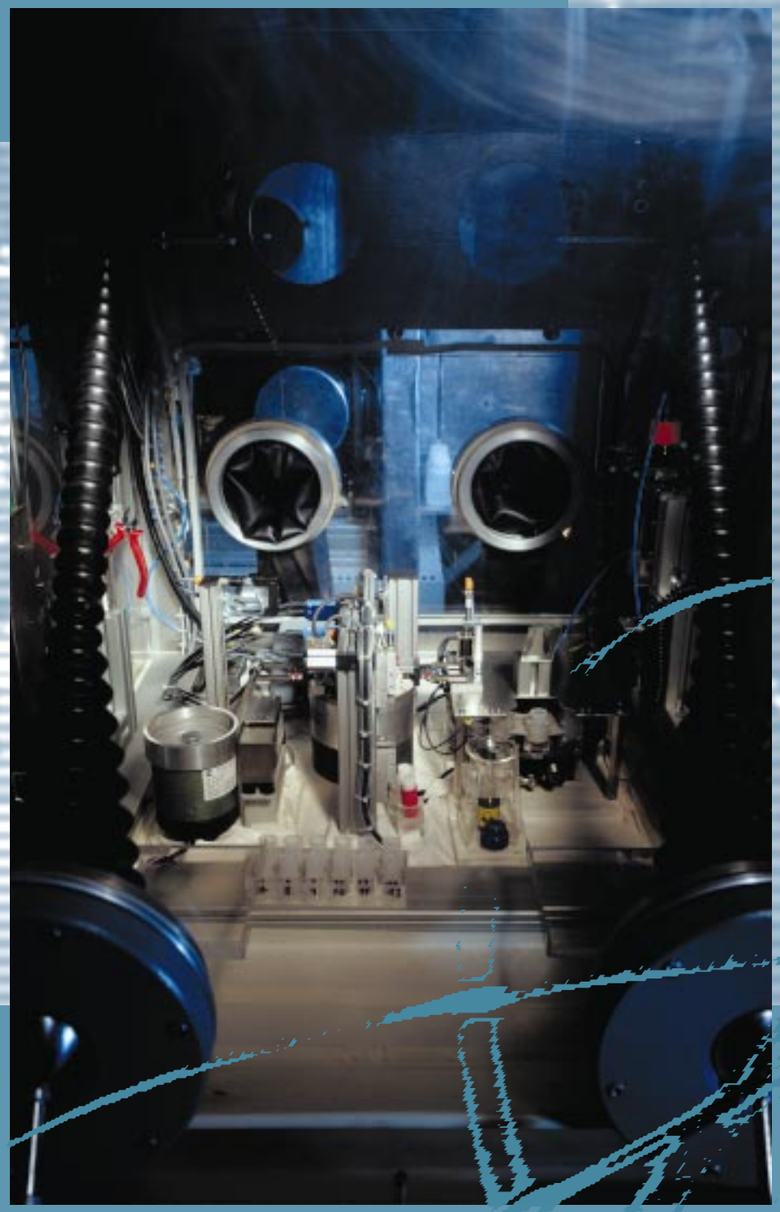
Safety of our employees and protection of the environment are among the essential business goals of the corporation. Dealing with radioactivity requires responsible handling, which characterizes all of our projects. All our R&D and production activities are subject to legal radiation protection regulations, which are maintained strictly.
Plants and production processes are monitored by the Technical Monitoring Association (TÜV) and other outside testing bodies. In this way, we are creating the basis for high occupational and plant safety.
Strict safety criteria for dealing with radioactive substances also apply to emission values, which are monitored around the clock and also monitored regularly by the State Office for Occupational Safety, Health Protection, and Technical Safety. We are always clearly below the permissible limit values.
We also offer our customers the possibility of returning radiation sources. This measure is a further element of our environmental policy. Comprehensive training programs for employees and a continuous improvement of our procedures are further important aspects of our safety concept. Altogether, 283,000 Euros were spent for radiation protection in the reporting year.

QUALITY MANAGEMENT

Production and development are certified according to DIN ISO 9001.
Our medical devices are subject to the European guidelines for medical products RL 93/42 EWG and RL 90/385 EWG, as well as the safety requirements of the US Food and Drug Administration (FDA – 510K). The ruthenium eye applicators have the CE label. Also, our iodine and strontium seeds were CE certified in the reporting year. Moreover, the iodine seeds obtained approval by the FDA (510K). These certifications prove that our products correspond to the high international quality standards and can be marketed. Our program for constant quality improvement guarantees comprehensive quality control of the technical, organizational, and financial aspects of our company.



Quality control of strontium seeds



Profits from
regular business activity
increased by 3,060 percent.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1999 – ASSETS

ASSETS	1999	1998
	EUR	EUR
Long-term Assets		
Intangible assets		
Franchises, industrial property rights and similar rights and values as well as licenses to such rights and values	841,462.20	4,158.85
Goodwill	1,349,225.46	0.00
Down payments made	0.00	43,520.65
	2,190,687.66	47,679.50
Tangible assests		
Real Estate, rights equivalent to real property and buildings including buildings on land belonging to others	2,164,733.80	470,773.53
Technical equipment and machinery	4,863,547.76	3,347,703.25
Other equipment, furniture and fixtures	271,377.13	127,119.43
Down payments made and plants under construction	1,661,301.70	668,910.39
	8,960,960.39	4,614,506.60
Financial assets		
Shares in affiliated companies	24,649.29	23,559.60
Loans to affiliated companies	137,942.72	98,988.97
Investments in associated companies	358,993.22	1,176.90
Other investments	83,243.78	0.00
Other loans	177,226.74	0.00
	782,055.75	123,725.47
	11,933,703.80	4,785,911.57
Current Assets		
Inventories		
Raw materials and inventories	1,011,069.95	280,267.20
Unfinished products	317,247.74	43,585.59
Finished products and merchandise	572,362.26	18,039.12
Down payments made	73,066.53	79,105.19
	1,973,746.48	420,997.10
Accounts receivable and other assets		
Accounts receivable – trade	1,484,235.43	260,386.19
Accounts receivable from affiliated companies	76,919.76	64,522.30
Accounts receivable from enterprises in which participations are held	142,343.66	0.00
Accounts receivable from associated companies	0.00	249.10
Other assests	761,717.78	277,954.30
	2,465,216.63	603,111.89
Securities		
Other securities	5,706,396.45	0.00
Checks, cash on hand, postal account deposits, deposits with banks	1,043,612.94	4,809,504.68
	11,188,972.50	5,833,613.67
Prepaid expenses	821,902.53	10,635.58
Deferred taxes	138,672.25	0.00
	24,083,251.08	10,630,160.82

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1999 – LIABILITIES

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
	EUR	EUR
Shareholders' Equity		
Subscribed capital	3,000,000.00	57,448.75
Capital reserves	9,791,471.23	2,499,022.47
Retained Earnings / Accumulated Loss (–)	–233,954.85	273,472.51
Currency Translation Differences	289,519.99	0.00
Minority Interest	7,947.84	0.00
	12,854,984.21	2,829,943.73
Special items for investment subsidies	2,474,618.86	2,390,899.00
Accruals		
Accruals for pensions and similar liabilities	143,381.00	122,789.81
Tax accruals	160,827.84	9,228.31
Accruals for deferred taxes	58,454.29	202,141.29
Other accruals	1,432,206.15	522,584.81
	1,794,869.28	856,744.22
Accounts payable		
Accounts payable to banks	58,129.41	153,771.71
Down payments received on orders	477,627.72	105,002.66
Accounts payable trade	877,718.45	297,358.20
Accounts payable to affiliated companies	40,685.55	39,393.89
Accounts payable to associated companies	0.00	17,792.95
Other liabilities	4,986,204.09	3,939,254.45
– thereof for taxes: EUR K51 (previous year EUR 25,313.01)		
– thereof for social security: EUR 77,790.28 (previous year EUR 26,216.53)		
	6,440,365.22	4,552,573.87
Deferred Income	518,413.51	0.00
	24,083,251.08	10,630,160.82

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE FISCAL YEAR FROM JANUARY 1,1999 TO DECEMBER 31, 1999

	1999	1998
	EUR	EUR
Sales	9,896,197.09	1,714,161.56
Increase / reduction (–) of inventory of finished and unfinished products	500,158.68	–31,120.30
Own work capitalized	2,386,638.91	2,460,848.01
Other operating income	1,717,287.70	1,148,963.80
	14,500,282.38	5,292,853.07
Cost of materials		
Cost of raw materials and supplies and of purchased merchandise	–3,135,920.58	–1,525,535.88
Cost of purchased services	–395,448.71	–141,560.28
	–3,531,369.29	–1,667,096.16
Personnel expenses		
Wages and salaries	–4,437,191.76	–1,331,027.86
Social security contributions and expenditures for old-age benefits and support	–549,209.05	–242,209.74
– including for old-age pensions EUR 20,591.79 (previous year: EUR23,042.96)		
	–4,986,400.81	–1,573,237.60
Depreciation of intangible fixed assets, and tangible assets	–1,636,709.33	–645,602.41
Other operating expenses	–2,916,025.01	–1,246,179.36
Equity earnings	3,700.18	–233.66
Income from long-term loans and other investments	11,042.31	12,971.55
– including from affiliated companies: EUR 11,042.31 (previous year: EUR 12,971.55)		
Other interest and similar income	223,455.53	38,931.90
Interest and similar expenses	–505,767.41	–175,643.02
Result from ordinary activities	1,162,208.55	36,764.31
Extraordinary expenses	–1,479,998.31	0.00
Taxes on income	–177,338.60	0.00
Other taxes	–14,577.00	0.00
Net income / loss (–) for the year	–509,705.36	36,764.31
Minority interest	2,278.00	0.00
Retained earnings brought forward	273,472.51	236,708.20
Retaines earnings / Accumulated Loss (–)	–233,954.85	273,472.51

CONSOLIDATED CASH FLOW STATEMENT FOR FISCAL YEAR 1999

	1999	1998
	EUR	EUR
Operating activity		
Net income / loss for the year (–)	–509,710.36	36,764.31
Depreciation	1,636,709.33	645,602.41
Increase in special items, net	83,719.86	871,802.25
Net increase in long-term accruals	121,215.10	40,762.23
Increase in asset value of reinsurance	–21,922.16	–21,101.10
Cancellation of the difference from the capital consolidation	0.00	–7,232.71
Profit/ loss of associated companies	–3,700.18	233.66
Currency Translation Differences	–28,192.00	0.00
Costs of initial public offering of shares	1,244,391.31	0.00
Cash Flow	2,522,510.90	1,566,831.05
Increase in the current assets	–2,184,080.51	–101,934.95
Increase in the current liabilities	2,831,754.05	446,586.01
	647,673.54	344,651.06
Cash flow from operations	3,170,184.44	1,911,482.11
Investing activity		
Payments for investments in intangible assets and tangible assets	–4,760,615.37	–3,319,926.23
Net loss from the disposal of fixed assets	5,545.17	0.51
IPL acquisition	–3,820,812.64	0.00
Expenditures for financial investments	–560,918.64	–9,336.74
Expenditures for construction of third party property (prepaid expenses)	–761,621.76	0.00
Cash Flow for investing activities	–9,898,423.24	–3,329,262.45
Financing activity		
Payments received from capital increase, minus one-time costs of the market listing	8,990,608.69	2,505,342.04
Payments received from long term debt	91,218.36	3,540,835.88
Long-term interest obligation on IKB loan	302,173.50	0.00
Payments on long-term loans	–722,033.10	–109,063.77
Extinguishment of a loan	–276,746.96	0.00
Currency translation differences balance	289,519.99	0.00
Cash flow from investing activities	8,674,740.48	5,937,114.14
Changes in cash and cash equivalents for the year	1,946,501.68	4,519,333.80
Cash and cash equivalents at the beginning of the fiscal year	4,803,502.60	284,168.80
Cash and cash equivalents at the end of the fiscal year	6,750,004.28	4,803,502.60
Thereof:		
Other securities	5,706,396.45	0.00
Cash and bank deposits	1,043,612.94	4,809,504.68
Short term bank overdrafts	–5.11	–6,002.08

DEVELOPMENT OF LONG-TERM ASSETS IN THE FISCAL YEAR FROM JANUARY 1, 1999 TO DECEMBER 31, 1999

	Acquisition and production costs					
	Status 1 Jan 1999 EUR	Accession Purchase IPL EUR	Accessions EUR	Fiscal charges EUR	Book transfers EUR	Status 31 Dec 1999 EUR
Intangible assets						
Franchises, industrial property rights and similar rights and values as well as licenses for such rights and values	6,158.51	974,722.98	15,524.51	0.00	43,282.00	1,039,688.00
Goodwill	0.00	1,445,597.46	0.00	0.00	0.00	1,445,597.46
Down payments made	43,520.65	0.00	0.00	238.65	–43,282.00	0.00
	49,679.16	2,420,320.44	15,524.51	238.65	0.00	2,485,285.46
Tangible assests						
Real estate, rights equivalent to real property and buildings including buildings on land belonging to others	784,142.53	388,330.57	1,651,575.71	0.00	0.00	2,824,048.81
Technical equipment and machinery	4,510,980.62	1,095,106.40	1,919,415.24	115,868.91	0.00	7,409,633.35
Other equipment, furniture and fixtures	306,503.57	208,047.85	180,309.23	0.00	0.00	694,860.65
Down payments made and plants under construction	668,910.39	0.00	993,790.68	1,399.37	0.00	1,661,301.70
	6,270,537.11	1,691,484.82	4,745,090.86	117,268.28	0.00	12,589,844.50
Financial assets						
Shares in affiliated companies	23,559.60	0.00	1,089.69	0.00	0.00	24,649.29
Loans to affiliated companies	98,988.97	0.00	72,397.34	33,443.59	0.00	137,942.72
Investments in associated companies	24,542.01	0.00	659,871.83	302,055.51	0.00	382,358.33
Other investments	3,730.18	0.00	83,243.78	0.00	0.00	86,973.96
Other loans	0.00	97,411.64	79,815.10	0.00	0.00	177,226.74
	150,820.76	97,411.64	896,417.74	335,499.10	0.00	809,151.05
	6,471,037.03	4,209,216.90	5,657,033.11	453,006.03	0.00	15,884,281.01

	Depreciation					Net book value	
	Status 1 Jan 1999 EUR	Accession Purchase IPL EUR	Accessions EUR	Fiscal charges EUR	Status 31 Dec 1999 EUR	Status 31 Dec 1999 EUR	Status 31 Dec 1999 EUR
Intangible assets							
Franchises, industrial property rights and similar rights and values as well as licenses for such rights and values	1,999.66	0.00	196,226.14	0.00	198,225.80	841,462.20	4,158.85
Goodwill	0.00	0.00	96,372.00	0.00	96,372.00	1,349,225.46	0.00
Down payments made	0.00	0.00	0.00	0.00	0.00	0.00	43,520.65
	1,999.66	0.00	292,598.14	0.00	294,597.80	2,190,687.66	47,679.50
Tangible assests							
Real estate, rights equivalent to real property and buildings including buildings on land belonging to others	313,368.99	216,982.96	128,963.05	0.00	659,315.00	2,164,733.80	470,773.53
Technical equipment and machinery	1,163,277.37	414,023.25	1,080,746.73	111,961.76	2,546,085.59	4,863,547.76	3,347,703.25
Other equipment, furniture and fixtures	179,384.14	109,697.97	134,401.41	0.00	423,483.52	271,377.13	127,119.43
Down payments made and plants under construction	0.00	0.00	0.00	0.00	0.00	1,661,301.70	668,910.39
	1,656,030.50	740,704.18	1,344,111.19	111,961.76	3,628,884.11	8,960,960.39	4,614,506.60
Financial assets							
Shares in affiliated companies	0.00	0.00	0.00	0.00	0.00	24,649.29	23,559.60
Loans to affiliated companies	0.00	0.00	0.00	0.00	0.00	137,942.72	98,988.97
Investments in associated companies	23,365.11	0.00	0.00	0.00	23,365.11	358,993.22	1,176.90
Other investments	3,730.18	0.00	0.00	0.00	3,730.18	83,243.78	0.00
Other loans	0.00	0.00	0.00	0.00	0.00	177,226.74	0.00
	27,095.29	0.00	0.00	0.00	27,095.29	782,055.75	123,725.47
	1,685,125.46	740,704.18	1,636,709.33	111,961.76	3,950,577.21	11,933,703.80	4,785,911.57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM JANUARY 1, 1999 TO DECEMBER 31, 1999

I. General information

Legal foundations

The consolidated financial statements as of December 31, 1999 of Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin (hereinafter called "Eckert & Ziegler AG" or "the Company"), was drawn up on the basis of the requirements as per § 290 GERMAN COMMERCIAL CODE in connection with § 293 Section 5 GERMAN COMMERCIAL CODE according to the provisions of the GERMAN COMMERCIAL CODE and the German generally accepted accounting principles.

The type of expenditure format according to § 275 Section 2 GERMAN COMMERCIAL CODE was used for the presentation of the profit/loss statement.

The information, breakdowns and explanations made below refer to the balance-sheet and profit/loss statement of the Eckert & Ziegler Corporate Group (hereinafter "the Corporate Group").

Eckert & Ziegler AG was a subsidiary of the Eckert Consult Organisations- und Strategieberatung GmbH, Berlin, at the time of the initial public offering of shares. Eckert Consult GmbH, Berlin, does not issue consolidated financial statements. The Management Board of Eckert & Ziegler AG has drafted a dependence report for the period from January 1 to May 25, 1999.

The fiscal year of the Corporate Group and the companies included is the calendar year.

II. Consolidated Group

The following companies were included in the consolidated financial statements according to the book value method:

– Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin, Capital stock: EUR 3,000,000.00;

its 100 % subsidiaries:

– BEBIG Isotopentechnik und Umweltdiagnostik GmbH (hereinafter called "BEBIG GmbH"), Berlin, share capital: DM 50,000;

– EUROTOPE Entwicklungsgesellschaft für Isotopentechnologien mbH (hereinafter called "EUROTOPE GmbH" for short, Berlin, share capital: DM 100,000;

– Iso-Science Laboratories, Inc., operating under the company Isotope Products Laboratories (hereinafter called "IPL"), Burbank, USA, capital: US$ 50;

as well as the subsidiaries of BEBIG GmbH:

– Jojumarie Intelligente Instrumente GmbH (formerly Emich Ultraschall GmbH; hereinafter "Jojumarie GmbH"), Berlin, share capital: DM 100,000, share 80 %.

And according to the equity method as per § 312 Section 1 No. 2 GERMAN COMMERCIAL CODE:

– BEBIG Trade GmbH, Berlin, share capital: DM 100,000, share 100 %;

– G.O.T. Gesellschaft für Therapieoptimierung und Targeting Entwicklungs mbH (hereinafter called "G.O.T. mbH"), Berlin, share capital: DM 50,000, share 35 %.

Two further subsidiaries of BEBIG, which are presented under the shares of associated companies, were not included.

– CESIO spol. s r.o., Prague, Czech Republic, share capital: Kc 100,000, share 100 %;

– BEBIG Trade, Inc., Chicago, USA, capital: US$ 25,000, share 100 %;

and participations by Eckert & Ziegler AG in:

– ISOTOPEN DIENST Blaseg GmbH, Waldburg, Germany, share capital: EUR 26,100, share 25.1 %.

The CESIO spol. s r.o. data can be obtained only with great delay, and only insignificantly influences the presentation of assets, financial, and profit positions of the Corporate Group. The sales are predominantly to BEBIG GmbH.

BEBIG Trade, Inc., Chicago, USA, was acquired by BEBIG GmbH as of December 18, 1998. It had sales only up to January 31, 1999 and this exclusively to BEBIG GmbH and Eckert & Ziegler AG. Since then, its operations have been assumed by IPL. The assets are less than US$ 10,000.

For the above-mentioned reasons these two companies are not indicated as associated companies in the consolidated financial statements.

ISOTOPEN DIENST Blaseg GmbH is an independent marketing company, which is to market products of IPL and CESIO spol. s r. o. intensively in the future. It is not subject to any decisive influence of Eckert & Ziegler AG, or of any of the companies controlled by the latter.

In addition, BEBIG GmbH holds a 20% share of the Ritvers Company, a corporation of open type, St. Petersburg, Russia, which, however, already had been written off in 1997 because of lack of value. It, too, is not included.

III. Consolidation Principles

The point in time of affiliation with the Corporate Group, not the time of first inclusion in the consolidated financial statements, was chosen as the basis for the capital consolidation. In the cases of BEBIG Trade GmbH, EUROTOPE GmbH, and BEBIG GmbH, the time of affiliation corresponds to the time of foundation. The book value of the shares shown with the parent company and the respective shareholders' equity of the subsidiaries corresponded at this point in time. All profits or losses incurred since the founding of the subsidiary are included in the retained earnings / accumulated loss brought forward and are not included in the capital consolidation.

IPL was purchased effective January 1, 1999. The purchase price exceeding the shareholders' equity of IPL at that time was allocated to tangible and intangible capital assets within the framework of a revaluation, and the remainder of EUR 1,445,597.46 recorded as goodwill. The latter is to be written off over the expected useful life of 15 years. IPL maintains its balance-sheet in US dollars. The translation to EURO was made for the balance-sheet items with the ECB reference exchange rate of December 31, 1999. A weighted average exchange rate calculated from the average interbank exchange rates of each month and weighted with the relative profit/loss share for that month, was applied for the profit/loss statement items. Differences which result from the use of these different exchange rates for the balance-sheet and profit/loss statement of the IPL are indicated under "currency translation differences" in the shareholders' equity. The differences in debt consolidation resulting from the use of different conversion rates for transactions between companies in the area maintaining balance sheets in Euros, and IPL are also listed there. Currency differences from expense and profit consolidation are indicated under "other operating income."

Jojumarie GmbH (formerly Emich Ultraschall GmbH) was acquired as of December 31, 1997. The purchase price was DM 1, the shareholders' equity according to the annual financial statements of December 31, 1997 amounted to DM 14,146.96. There was no revaluation of the assets within the framework of the preparation of the HB II. The difference of DM 14,145.96 is indicated in the 1997 consolidated financial statements under the item "difference from capital consolidation," and had been released, increasing the profit in fiscal year 1998, as per § 309 Section 2 No. 1 GERMAN COMMERCIAL CODE. On July 2, 1999, the share capital was increased by DM 50,000 to DM 100,000. Of the newly created shares, two shares with a nominal value of DM 10,000 each were sold for DM 1. The new partners' share of the share capital and of the annual profit/loss statement is indicated in correspondingly designated, separate items of the consolidated balance-sheet and the consolidated financial statements.

Sixty percent of the shares of BEBIG Trade GmbH originally belonged to outside third parties, or to associated companies not included in the consolidated financial statements. In December 1999, these shares were reacquired with the intention of reselling this company as a whole, which also took place in January 2000. For reasons of simplicity, the inclusion according to the equity method was retained. The share value still indicated in the Consolidated Balance-sheet as of December 31, 1999 under "participations in associated companies" corresponds to the total shareholders' equity of BEBIG Trade GmbH at that point in time. The difference between the buy-back price and the share value of the investment is included in "other assets", in so far as it can be realized by means of the planned sale of the company.

G.O.T. mbH also is consolidated according to the equity method. The shareholders' equity of this company was negative both at the time of acquisition and at the time of closing. The share value of investment thus is zero as of December 31, 1999. The purchase price is treated as goodwill and will be written off according to plan over 15 years from fiscal year 2000. The value of the participation and the goodwill are indicated jointly under "investments in associated companies."

Because of events which occurred after the balance-sheet date, to which reference is made in the annual report, it is assumed that the acquisition of the shares of G.O.T. will be settled in fiscal year 2000.

Intercompany profits realized during the reporting period were eliminated.

Within the framework of the debt consolidation, accounts receivable and accounts payable were netted without gains or losses, with the exception of the above-mentioned exchange rate differences.

Valuation differences between the individual accounts and the HB II occurred in the area of self constructed assets and unfinished and finished products, respectively. These were revalued for the consolidated balance-sheet with the Group manufacturing costs.

The costs for starting and expanding the business operation were not transferred from the individual account of Eckert & Ziegler AG to the consolidated account. The associated deferred taxes and their variation were eliminated.

Special tax depreciation under the Development Area Law, which BEBIG GmbH includes in a special item, also were not transferred from the individual accounts.

IV. Accounting policies and valuation methods

The depreciable long-term assets are valued at acquisition and manufacturing costs of the Corporate Group, reduced by normal depreciations. The half-year depreciation method is used in determining depreciation expense, when permitted by tax laws. The complete annual depreciation is calculated for the tangible fixed assets purchased in the first half of the fiscal year, half the annual depreciation is calculated for the fixed assets purchased in the second half. The straight-line depreciation method is used. The depreciation period is determined according to the expected useful life. In the case of intangible assets, a depreciation period of 2—10 years is set, for technical assets and machines, 5—8 years, and 4—10 years for other plant, operating and business equipment. The leasehold improvements indicated on property belonging to others are depreciated over 10 years. The acquisition costs for a prohibition to compete agreed to with the previous owners of IPL are depreciated over a period of 5 years. Tangible assets with acquisition costs up to DM 800 are written off immediately in the year of acquisition.

Shares in affiliated companies are entered on the balance-sheet at purchase cost, or with the lower market value. Loans to affiliated companies are stated at nominal value. Participations in associated companies are indicated with the proportionate shareholders' equity of these companies apportioned to Eckert & Ziegler AG ("equity method"), the book value method (§ 312 Section 1 No. 1 GERMAN COMMERCIAL CODE) being used and applied from the moment of acquisition.

Raw materials and inventories are valued at acquisition costs or at lower replacement costs. The stock of radioactive material is determined by means of the activity balance to be prepared for the approving authorities. In the case of the valuation, the first-in-first-out consumption sequence is assumed, which corresponds to actual consumption habits.

Self-created assets as well as unfinished and finished products are evaluated at production cost, which include direct and indirect labor and material costs, as well as appropriate parts of the costs of administration and management, but no marketing or financing costs. Limitations on their future usability are taken into account, with appropriate provisions.

The self constructed assets are entered onto the balance-sheet in gross, i.e., in the case of self constructed assets, purchased and in-house services are capitalized jointly via these items. The self constructed assets primarily involve the construction of production facilities

The valuation of the unfinished radiation sources present in the production lines on the balance-sheet date is performed by means of the actual degree of preparation and the average production costs of the last three months of the Fiscal Year.

The payments already made in foreign currency in the previous year were valued at the lower exchange rate valid on December 31, 1998.

The accounts receivable and other assets are valued at the nominal amount. Risks with respect to their collectibility are taken into account with individual valuation adjustments. The claims from a life insurance policy contained in the other assets for covering an employer's pension commitment are valued with the premium reserve determined according to actuarial valuation methods.

The other securities are valued at their acquisition costs plus proportionate interest income. Rates which have dropped below this value as of the balance-sheet date are accounted for by undertaking the corresponding write-offs.

Checks, bank deposits, postal bank accounts, and deposits in banks are valued at the nominal amount. Subsidies which the companies obtain from public or private grantors are transferred to the special item for participations grants without affecting the income statement. In the previous year, the investment grants obtained had been indicated in the income statement under "other operating income," the transfer to the special item for investment grants under "other business costs." In the present consolidated financial statements, the figures of the preceding year were adapted to the changed accounting principle.

The reversal of special items to income is made corresponding to the depreciation of the subsidized assets. The reversal of special items to income applicable to the fiscal year is indicated separately in the profit/loss statement under "other operating income."

Investment grants (tax free) are recognized as income immediately in the year of submission of the application.

The reserves for pensions and similar liabilities are calculated according to mathematical insurance principles, as per § 6a, Income Tax Law. Dr. Klaus Heubeck's standard mortality tables were the basis of the calculation.

The tax reserves and the other reserves take into account all risks and contingencies. They were valued at the amount of their expected utilization.

For differences due to different accounting policies and valuation methods between the individual accounts and the HB II, as well as because of consolidation measures, deferred taxes are recognized. In addition, the deferred taxes indicated in individual accounts are transferred to the consolidated financial statements, if they are formed in agreement with the balance-sheet and evaluation methods used in the Corporate Group.

Because of the loss indicated in the reporting period, no deferred taxes were recorded.

Liabilities and shareholders' equity are stated at the amounts due to repayment.

Foreign currency bank deposits are valued at the foreign exchange rate as of the balance-sheet date. Foreign currency accounts receivable are assessed according to the lowest-value principle, either at the exchange rate on the day of acquisition, or, if lower, at the exchange rate of the balance-sheet date. Foreign currency accounts payable and reserves were valued according to the highest value principle for acquisition costs, or the higher balance date rate (foreign currency selling rate of the balance-sheet date). For accounts receivable and accounts payable from previous years, the balance-sheet value of the previous balance-sheet date was used instead of the acquisition costs.

V. Comparative figures of the previous year

The previous year's information shown in the profit/loss statement and in the previous year's Notes refer to the amounts indicated in Deutsche Marks in the annual financial statements as of December 31, 1998, which were converted at the officially established conversion rate of 1.95583 Deutsche Marks per 1 Euro, for the purpose of better comparability with the corresponding information of the present annual financial statements.

Nevertheless, the previous year's figures are only conditionally comparable, since the IPL has recently been added to the Consolidated Group. Additional comparative figures for the previous year are given in Section VI of the Consolidated Financial Statements for essentially affected items of the Consolidated Balance-sheet and the Consolidated Profit and Loss Statement, as they would have resulted if the inclusion of IPL in the Consolidated Group had already taken place as of January 1, 1998 (as-if consolidation). The unchecked IPL financial statements as of October 31, 1998 were used to ascertain the comparative figures, since as of December 31, 1998 only a short fiscal year was reported. In the case of the currency translation of this IPL financial statements, the balance-sheet date of December 31, 1998 was used as the basis (1.1663 US$/EUR).

VI. Explanations of individual items in the consolidated financial statements

Consolidated balance-sheet

Long-term assets

The development of the long-term assets of the Corporate Group is shown in the appended consolidated fixed-asset movement schedule as of December 31, 1999. The long-term assets added as a result of the expansion of the Consolidated Group to include IPL are indicated in separate columns with their purchase and production costs as well as the cumulative depreciations, in each case as of January 1, 1999.

With the inclusion of IPL, the following values apply for the previous year:

	EUR
Franchises, industrial property rights, and similar rights and values, as well as licenses for such rights and values	978,881.83
Goodwill	1,445,597.46
Real estate, rights equivalent to real property, and buildings including those on land belonging to others	633,792.38
Equipments and machinery	3,964,786.03
Other equipment, furniture and fixtures	271,165.52
Other loans	76,742.90

Inventory

With the inclusion of IPL, for the previous year there are raw materials and inventories amounting to EUR 912,100.96, unfinished products amounting to EUR 159,187.06, and finished products and fixed assets amounting to EUR 66,484.50.

Accounts receivable and other assets

The accounts receivable from affiliated companies are to be assigned to the accounts receivable from trade (EUR 22,133.83) and the other assets (EUR 54,785.93). The accounts receivable from companies with which there is an participations relationship contain accounts receivable excluding other assets.

EUR 119,345.53 of the accounts receivable from companies with which there is an participations relationship and EUR 95,950.48 of the other assets have a time to maturity of more than one year.

With the inclusion of IPL, accounts receivable from trade for the previous year amount to EUR 1,132,972.68.

Prepaid expenses

The essential part of this is due to building costs for a new building of BEBIG GmbH. The ownership of the building to be completed by mid-2000 will fall to the lessor, because of the special legal conditions on the research campus in Berlin-Buch. The building costs are to be charged to the lease obligations beginning after completion.

In addition to this, it contains a discount amounting to EUR 152,82. With the inclusion of IPL there are prepaid expenses of EUR 41,685.36 for the previous year.

Deferred tax assets

The deferred tax assets (previous year with IPL: EUR 68,020.29) were transferred from the individual account of the IPL. They were formed there on the basis of time differences between the commercial balance-sheet and the tax balance-sheet with respect to the expense recording for vacation reserves, for reserves for supply costs, and for franchise tax expenditures.

Liabilities

Subscribed capital

The capital stock of Eckert & Ziegler AG amounts to EUR 3,000,000.00. It is divided into 3,000,000 no-par-value shares payable to bearer.

The General Meeting on March 30, 1999 decided to cancel the approved capital of DM 22,640 created in the previous year and not yet used. In addition, the Management Board was authorized to increase the capital stock of the Company one time or several times by issuing new shares payable to the bearer for non-cash or cash contributions by up to a total of EUR 1,500,000.00 (approved capital) up to March 31, 2004, and with the agreement of the Supervisory Board. Common shares and/or non-voting preferred shares may be issued in each case. The Management Board was further authorized to exclude the subscription rights of the shareholders with agreement of the Supervisory Board in so far as the capital increase is made for non-cash contributions for the purpose of acquiring an investment or for placing the shares on a securities exchange.

In addition, the company was authorized according to § 71 Section 1 No. 8, Stock-Market Law to acquire its own shares.

On April 30, 1999 the general meeting decided to increase the capital stock of the Company by up to EUR 300,000.00 by issuing new individual share certificates payable to bearer (authorized but unissued capital). The conditional increase of capital stock may be carried out only in so far as the holders of stock options make use of their subscription right to shares of the Company. As of the balance-sheet date, options for purchase of 15,750 shares of the Company were issued to employees and Management Board members of the Company. Further information concerning the employee participation program is found in Section VII of the Consolidated Financial Statements.

Capital reserve

The capital reserve amounted to EUR 2,498,981.69 (with IPL: EUR 2,499,022.47) as of December 31, 1998. In fiscal year 1999, EUR 2,497,551.24 in capital reserves were converted into capital stock in the course of a capital increase from Company funds. The share premium account amounting to EUR 9,790,000.00 achieved within the framework of placing EUR 445,000 on the Frankfurt New Market on the basis of a capital increase approved in fiscal year 1999 was transferred to the capital reserves.

Accumulated loss

The accumulated loss was offset against the profit brought forward from the previous year, amounting to EUR 273.472,51.

Minority Interest to shareholders' equity

This concerns that share of the shareholders' equity represented by the 20% of the shares of Jojumarie GmbH which are not in the possession of a Corporate Group company.

Reserves

Tax reserves

The tax reserves (previous year with IPL: EUR 180,474.13) concern the current US Income Taxes of IPL. For the German group companies, there was, essentially, no tax debt for 1999, as a result of the accumulated loss caused by the costs of the initial public offering of shares.

Reserves for deferred taxes

The reserves for deferred taxes already transferred in 1997 result from the fact that the special depreciation allowances made in the individual accounts of this year and the previous year had been canceled in the consolidated financial statements according to the Development Area Law. The following tax rates were used to calculate the deferred taxes:

Business profits tax:	5 % and 390 % rates of assessment
Corporate income tax:	40 %
Solidarity surcharge:	5.5 %

The transfer of this item takes place corresponding to the transfer of the special item for special appreciation allowances, as per the Development Area Law in the individual accounts.

Other reserves

The other reserves (previous year with IPL: EUR 891.048,43) contain reserves for the following essential items:

	EUR
disposal, decontamination	412,621.67
customer funds repayment risk	300,000.00
outstanding invoices for services and contributions 1999	285,951.50
personnel costs	191,693.97
repayment of subsidies	130,962.16
other	110,976.85
	1,432,206.15

The reserves for disposal and decontamination concern leased premises and production facilities, and are built up over the course of the current lease contract, or the lifespan of the facilities, respectively. The amount of the reserve was determined on the basis of internal estimates.

The item "customer funds repayment risk" indicates customer payments for services already performed, which are to be repaid, if the plant construction financed with it cannot be successfully concluded.

Liabilities

The following maturities pertained in the case of the liabilities: (Table page 31)

A partial amount of the amounts owed to banks, totalling EUR 30,677.50, is secured by a trust receipt on the fixed assets of the long-term assets acquired within the context of the financed investment project, a further amount of EUR 12,782 29 by list trust receipts for long-term assets, and EUR 14,664.51 by a guaranty of Eckert & Ziegler AG.

The financial statements of the previous year contained an item of EUR 99,650.00, which is indicated as of December 31, 1999 under the payments received in the other liabilities. The statement of the previous years was adjusted accordingly.

The amounts owed to affiliated companies involve accounts payable for trade.

The loan with profit participation in the amount of DM 5,500,000.00 (EUR 2,812,105.35) contained in the other liabilities has a repayment period of 10 years, and is to be fully repaid on June 30, 2008 at the latest. An early repayment is possible with payment of a cancellation fee. In case of insolvency, the postponement of the loan receivable was agreed to.

With the inclusion of IPL, for the previous year there are amounts owed to banks of EUR 522,406.91, payments received of EUR 127,152.20, accounts payable – trade of EUR 746,129.49 and other liabilities of EUR 7,868,200.16.

Contingent liabilities and other financial commitments

In the reporting period Eckert & Ziegler AG transferred a guaranty limited in amount of DM 37,300.20 to the Berliner Sparkasse for a loan of the affiliated company Jojumarie GmbH. The remaining loan debt amounted to DM 28,681.33 on December 31,1999.

As of December 31, 1999, there were other financial obligations from rental and leasing contracts, amounting to EUR 2,706,000.

Profit and loss statement

Sales

Regional distribution of the sales:	
North America	68 %
EU-area (without Germany)	13 %
Germany	11 %
Asia/Pacific	6 %
Europe without EU	2 %
Other	<1 %
	100 %
The breakdown of sales by business area:	
Medical products	56 %
Industrial products	25 %
Standards	15 %
Research and development	2 %
Trade	2 %
	100 %

	Time to maturity			31 Dec. 1999	31 Dec. 1998
	up to 1 year	1 to 5 years	over 5 years	Total	Total
	EUR	EUR	EUR	EUR	EUR
Amounts owed to banks	58,129.41	0.00	0.00	58,129.41	153,771.71
Payments received for orders	477,627.72	0.00	0.00	477,627.72	105,002.67
Accounts payable – trade	877,718.45	0.00	0.00	877,718.45	297,358.20
Amounts owed to affiliated companies	40,685.55	0.00	0.00	40,685.55	39,393.89
Amounts owed to associated companies	0.00	0.00	0.00	0.00	17,792.96
Other liabilities	1,871,925.24	0.00	3,114,278.85	4,986,204.09	3,939,254.45
	3,326,086.37	0.00	3,114,278.85	6,440,365.22	4,552,573.88

Corporate obligations

In the previous year, EUR 37,454.68 in revenues from license fees were indicated under "other business revenues." However, since these are revenues form the principle business of the Corporate Group, in the present reporting period, the item is entered under "sales revenues" (EUR 455,186.03). The statement of the previous year was adjusted.

With the inclusion of IPL, for the previous year there were sales of EUR 7,736,675.36.

Inventory changes

With the inclusion of IPL, for the previous year there were inventory increases of EUR 31,319.47.

Other operating income

The other operating income contain as essential items, in addition to revenues from the transfer of the special item for investment subsidies (EUR 521,005.72), other private and public grants (EUR 436,836.96) and revenue from exchange rate differences (EUR 156,090.32), as well as revenues unrelated to the accounting period, totaling EUR 242,421.09. The latter concerned mainly the investment subsidy for 1998 received during the reporting period.

Material expense

With the inclusion of IPL for the previous year, there were costs for raw materials and inventories, and for purchased merchandise in the amount of EUR 3,098,644.31, and for purchased services in the amount of EUR 257,115.83.

Personnel expenses

With the inclusion of IPL for the previous year, there were wage and salary costs of EUR 3,360,27.01, and social contributions and costs of retirement benefits and for support of EUR 399,505.07.

Depreciation of intangible and tangible fixed assets

The breakdown of the depreciations of the fiscal year corresponding to the breakdown of the capital assets is given in the appended fixed asset movement schedule.

The depreciations of the fiscal year contain EUR 3,587.61 of unbudgeted depreciations for tangible assets.

With the inclusion of IPL, for the previous year there are depreciations of EUR 1,225,751.91.

Other operating expenses

The other operating expenses contain as essential items business needs, tools, and small equipment items (EUR 384,848.87), room costs (EUR 351,166.04), sales provisions (EUR 326,777.51), advertising and travel costs (EUR 293,782.80), outgoing freight (EUR 221,045.13), costs of exchange rate losses (EUR 192,186.52), costs of licenses and patents (EUR 109,804.79), as well as legal and consultation fees and costs of other external services (EUR 215,646.48).

The other operating costs contain aperiodic costs in the amount of EUR 40,616.49.

With the inclusion of IPL for the previous year, there are other operating costs of EUR 2,738,597.49.

Interest and similar costs

With the inclusion of IPL there are interest costs of EUR 255,471.91 for the previous year.

Extraordinary expenditures

The extraordinary expenditures consist of the following items:

	1999 EUR
Costs of exchange rate differences	235,607.00
Costs of the initial public offering of shares	
Bank fees	511,750.00
Supplemental compensation for IKB loan with profit participation	482,659.53
Brochure and advertising costs	115,718.26
Continuing charges to consortium leader	49,497.15
Other costs of the initial public offering of shares	84,766.37
	1,479,998.31

The extraordinary expenditures from exchange rate differences result essentially from the increase in the exchange rate of the US dollar in relation to the Euro during the period between the acquisition of the shares of IPL and the payment of the purchase price. The early payment of the purchase price originally to be paid within six years had been agreed upon contractually, if a listing on the stock exchange should take effect.

Income taxes / other taxes

The income tax expense concerns the profit incurred by IPL within the framework of the regular fiscal year. The revenues from the transfer of the reserves for deferred taxes were retroactively effective.

With the inclusion of the IPL for the previous year, there were income taxes of EUR 196,159.93 and other taxes of 19,706.35.

Profit for the previous year

With the inclusion of the IPL for the previous year, there is a profit for the year of EUR 112,387.31. This is mainly to be attributed to the additional depreciations resulting from the purchase price allocation.

Minority Interest in the accumulated loss

The amount indicated concerns the portion of the accumulated loss which is incurred by other principles of Jojumarie Intelligente Instrumente GmbH, Berlin.

VII. Segment Reporting

Segment formation

For 1999, the business of the companies of Eckert & Ziegler AG can be broken down into two relevant areas: The business of Isotope Products Laboratories in Burbank, California, and the activities of the Berlin companies BEBIG GmbH, EUROTOPE GmbH, Jojumarie GmbH, G.O.T. GmbH and Eckert & Ziegler AG. The business has been carried out in this form up to now, and the internal reporting is carried out correspondingly.

It is to be expected that in future years, Jojumarie GmbH with the robotics business segment, will be reported separately. However, for 1999 there were no activities of relevant scope here.

The segments are presented unconsolidated, i.e., accounts receivable and accounts payable with respect to both revenues and expenditures from delivery and service relationships with the other segment are in each case not eliminated. In the segment of the Berlin companies, IPL is entered on the balance-sheet at purchase cost. The corresponding consolidations concerning the income statement also are indicated as additional costs and revenues resulting from the distribution of the purchase price for IPL to different assets within the framework of the transfer of the segment income statement to the Corporate Group income statement.

Isotope Products Laboratories

IPL has been involved in the area of the production of radioactive sources since 1964. As of December 31, 1999, 58 employees were employed there. IPL has three large product lines:

– Standards: Standards are radioisotopes which are used for calibration purposes. For the most part, the customers are scientific institutions.

– Industry: These sources are used for different measurement devices in industrial facilities. Customers are either the manufacturers of the facilities or their operators

– Medicine: The medical product line includes calibration sources which are used in nuclear medicine. Hospitals and the manufacturers of nuclear imaging devices form the customer group of these products.

The sales in the individual areas were as follows:

Product group	US$		EUR	
	1999	1997/98	1999	1997/98
Standards	1.6 Mil.	1.3 Mil.	1.4 Mil.	1.1 Mil.
Industry	2.3 Mil.	2.2 Mil.	2.1 Mil.	1.9 Mil.
Medicine	3.9 Mil.	3.4 Mil.	3.5 Mil.	2.9 Mil.
Other	0.2 Mil.	0.2 Mil.	0.2 Mil.	0.2 Mil.
Total	8.0 Mil.	7.1 Mil.	7.2 Mil.	6.1 Mil.

The profit/loss statement of the individual account is shown below. The values of the last complete fiscal year, which ended on October 31, 1998, are used as comparative data. From November 1, 1998 to December 31, 1998, a short fiscal year had been used.

IPL profit and loss statement:

	US$		EUR	
	1999	1997/98	1999	1997/98
Sales	8,022,729	7,053,955	7,230,080	6,048,148
Inventory changes	300,704	72,823	270,995	62,440
Self constructed assets	13,674	0	12,323	0
Other operating revenue	5,308	0	4,784	0
Material expense	– 2,276,636	– 2,008,104	– 2,051,704	– 1,721,773
Gross profit	6,065,779	5,118,675	5,466,478	4,388,815
Personnel expense	– 2,893,402	– 2,550,160	– 2,607,533	– 2,186,539
Depreciations	– 298,491	– 227,636	– 269,000	– 195,178
Other operating costs	– 1,877,789	– 1,673,244	– 1,692,263	– 1,434,660
Financial result	– 157,367	– 76,879	– 141,819	– 65,917
Result from ordinary activities	838,730	590,756	755,863	506,522
Extraordinary profit/loss	11,621	0	10,473	0
Profit/loss before taxes	850,351	590,756	766,336	506,522
Income taxes	– 356,229	– 228,781	– 321,033	– 196,160
Other taxes	– 16,175	– 22,984	– 14,577	– 19,706
Net profit for the year of the segment	477,947	338,991	430,726	290,655

Although the business fields of IPL are in rather stable markets, the management succeeded in increasing the sales by 14% as compared with the comparison period. Of this, sales with companies of the Corporate Group amounted to only US$ 10,000. On the other hand, they are contrasted with US$ 360,000 in received services and US$104,000 in interest payments to Corporate Group companies.

In the balance, the greatest changes result from the sale of the laboratory building of the old owners for US$ 1.5 million; this was financed by a loan from Eckert & Ziegler AG. Altogether, as of December 31, 1999, the balance-sheet contained US$ 1,665,977.68 in loans from Eckert & Ziegler AG.

IPL balance:

	US$		EUR	
	31 Dec. 1999	31 Oct. 1998	31 Dec. 1999	31 Oct. 1998
ASSETS				
Tangible assets	2,318,711	614,687	2,308,045	527,040
Financial assets	178,046	89,505	177,227	76,743
Sum of long-term assets	2,496,757	704,192	2,485,272	603,783
Inventories	1,291,120	928,236	1,285,181	795,881
Accounts receivable	1,133,453	1,059,405	1,128,240	908,347
Liquid cash s	142,512	4,325	141,857	3,708
Sum of current assets	2,567,085	1,991,966	2,555,277	1,707,936
Prepaid expenses	28,931	36,213	28,798	31,050
Deferred taxes	139,313	79,332	138,672	68,020
SUM OF ASSETS	5,232,086	2,811,703	5,208,019	2,410,789
LIABILITIES				
Subscribed capital	50	50	50	43
Capital reserves	4,950	4,950	4,927	4,244
Profit brought forward	1,205,707	906,086	1,200,161	776,889
Retained earnings for the year	477,947	187,388	475,749	160,669
Sum of shareholders' equity	1,688,654	1,098,474	1,680,887	941,845
Reserves	713,472	629,463	710,190	908,173
Accounts payable	2,829,960	1,083,766	2,816,942	560,771
SUM OF LIABILITIES	5,232,086	2,811,703	5,208,019	2,410,789

Berlin Company Group

The Berlin companies include BEBIG GmbH, EUROTOPE GmbH, Eckert & Ziegler AG, Jojumarie GmbH (full consolidation in each case) as well as BEBIG Trade GmbH and G.O.T. GmbH (in each case at equity).

The sales in the individual areas
area as follows:

	1999 1000 EUR	1998 1000 EUR
Oncology	1,026	555
Cardiology	1,050	242
Industry sources	476	652
R&D	266	199
Other medicine	46	63
Others	176	3
	3,040	1,714

The focal point of the activity at the Berlin location was the development of new business fields, in particular in the areas of oncology, (prostate treatment) and cardiology (restenosis prevention). This is expressed more in the customer grants (EUR 879,000) and the self constructed assets (EUR 2.4 million), which are connected with these new product fields, than in the sales figures.

The customer structure differs clearly from that of the IPL, since here, there are predominantly large basic contracts with medical equipment manufacturers, and deliveries are made directly to the final customers only in the traditional areas of industrial sources and eye applicators.

Profit and loss statements
of the Berlin companies (EUR):
(Table page 35, top)

If the costs of the initial public offering of shares, which are indicated under extraordinary expenditures, are discounted, there is a clearly positive profit statement in the regular business activity area, in spite of the large growth and investment phase.

Sales amounted to EUR 365,000, including IPL; EUR 99,000 of the interest revenues came from IPL. The material expense include deliveries by IPL with a value of EUR 10,000.

Balance-sheet of the Berlin Companies (EUR):
(Table page 35, bottom)

Reconciliation of the Profits/ Losses of each Segment with the Consolidated Profit/Loss Statement for fiscal year 1999

Reconciliation of Profit/Loss Statements of the Segments:

IPL profit/loss	477,947 US$
Translation to EUR (0,9012 US$/ EUR)	430,726 EUR
Write-off of goodwill and other effects on the purchase-price allocation	– 377,748 EUR
IPL share of profit/loss	52,978 EUR
Berlin companies' profit/loss	– 544,493 EUR
Elimination of intermediate profit	– 15,912 EUR
Total profit/loss	– 507,427 EUR

Conversion of Segment profit/loss Accounts for 1999:
(Table page 36, top)

VIII. Supplementary Information

Information concerning the employees

The average number of employees in fiscal year 1999 was 114.

Employee participation program

In the Extraordinary General Meeting of Eckert & Ziegler AG of April 30, 1999, it was decided to authorize the Management Board to carry out a stock option plan for the employees and the management of the Company itself and its subsidiaries. According to the stock option plan, a maximum total of 300,000 options are to be issued, distributed over the fiscal year.

As of December 31, 1999 the Management Board, with the agreement of the Supervisory Board, had approved issue of 23,250 options for the year 1999. Of these 15,750 had been issued to the employees and Management Board members before the balance-sheet date. The options may be exercised at the earliest after a waiting period of two years after issue. The exercise is limited to specific exercise periods. An exercise is possible only if the value development of a share of Eckert & Ziegler AG between the date of issue and the beginning of the first exercise period for the option corresponds to at least the value development of the NEMAX-All-Shares rate index in the same time period. The exercise price for the first portion amounts to EUR 23.00.

	1999	1998
Sales	3,040,742	1,714,161
Inventory changes	229,164	– 31,120
Self constructed assets	2,374,316	2,460,848
Other operating revenue	1,684,312	1,148,963
Material expense	– 1,651,086	– 1,667,096
Gross profit	5,677,448	3,625,756
Personnel expense	– 2,378,868	– 1,573,238
Depreciations	– 982,738	– 645,602
Other operating costs	– 1,401,641	– 1,246,179
Profit/loss from financial transactions	– 124,669	– 123,973
Result from ordinary activities	789,532	36,764
Extraordinary profit/loss	– 1,479,998	0
Profit/loss before taxes	– 690,466	36,764
Income taxes	143,695	0
Retained earningsfor the year	– 546,771	36,764
Minority Interest of the Retained earnings (–)	2,278	0
Consolidated profit/loss (–) of the segment	– 544,493	36,764

Profit and loss statement of the Berlin companies (EUR)

	31 Dec. 1999	31 Dec. 1998
ASSETS		
Intangible assets	50,771	47,680
Tangible assets	6,360,375	4,614,507
Financial assets	4,463,082	123,725
Sum of long-term assets	10,874,228	4,785,912
Inventories	706,141	420,997
Accounts receivable	3,263,669	603,112
Liquid assets	6,608,152	4,809,505
Sum of current assets	10,577,962	5,833,614
Prepaid expenses	793,104	10,635
SUM OF ASSETS	22,245,294	10,630,161
LIABILITIES		
Subscribed capital	3,000,000	57,449
Capital reserves	9,791,471	2,499,023
Profit brought forward	273,472	236,708
Net profit for the year	– 544,493	36,764
Minority Interest to the shareholders' equity	7,948	0
Sum of shareholders' equity	12,528,398	2,829,944
Special items for investment grants	2,474,619	2,390,899
Reserves	1,084,679	856,744
Accounts payable	5,639,185	4,552,574
Prepaid expenses	518,413	0
SUM OF LIABILITIES	22,245,294	10,630,161

Balance-sheet of the Berlin companies (EUR)

in EUR	Berlin companies	IPL	purchase price allocation	consolid.	corporation value
Sales	3,040,742	7,230,080	0	– 374,625	9,896,197
Inventory changes	229,164	270,995	0	0	500,159
Own-work capitalized assets	2,374,316	12,323	0	0	2,386,639
Other operating income	1,684,312	4,784	0	28,192	1,717,288
Costs of materials	– 1,651,086	– 2,051,704	0	171,420	– 3,531,370
Gross profit	5,677,448	5,466,478	0	– 175,013	10,968,913
Personnel expense	– 2,378,868	– 2,607,533	0	0	– 4,986,401
Depreciations	– 982,738	– 269,000	– 384,972	0	– 1,636,710
Other operating expenses	– 1,401,641	– 1,692,263	13,145	164,734	– 2,916,025
Profit/loss from financial transactions	– 124,669	– 141,819	4,552	– 5,633	– 267,569
Result from ordinary activities	789,532	755,863	– 367,275	– 15,912	1,162,208
Extraordinary profit/ loss	– 1,479,998	10,473	– 10,473	0	– 1,479,998
Profit/ loss before taxes	– 690,466	766,336	– 377,748	– 15,912	– 317,790
Income taxes	143,695	– 321,033	0	0	– 177,338
Other taxes	0	– 14,577	0	0	– 14,577
Retained earnings/accumulated loss(–)	– 546,771	430,726	– 377,748	– 15,912	– 509,705
Share of third party in the net loss of the year	2,278	0	0	0	2,278
Consolidated profit/ loss	– 544,493	430,726	– 377,748	– 15,912	– 507,427

Transfer segment income 1999

	share in capital	book value 31 December 1999	shareholders' equity 31 December 1999	net profit/loss (-) for year 1999 before profit and loss conversion
	%	EUR	EUR	EUR
ISOTOPEN DIENST Blaseg GmbH, Waldburg, Germany	25.1	83,243.78	– 52,869.44	– 18,931.18
CESIO spol. s r.o., Prague, Czech Rep.	100.0	3,440.90	– 66,487.45	– 24,613.42
BEBIG Trade, Inc., Chicago, USA	100.0	21,208.39	No commercialy regular annual report existed	
Ritvers, Corporation of Open Type, St. Petersburg, Russia	20.0	0.00	16,262.31	9,623.06

Executive bodies of the company

Management Board

Dr. Andreas Eckert, Zepernick
Chairman of the Management Board

Jürgen Ziegler, Berlin, Engineer
Member of the Management Board

Gerald Pohland, Berlin, Engineer
Member of the Management Board (since June 1, 1999)

Supervisory Board

During fiscal year 1999, the Supervisory Board of the Company still consisted of the following members:

Prof. Dr. Wolfgang Maennig, Berlin, Chairman of the Supervisory Board, Professor at the University of Hamburg

Margit Jatzke, Berlin,
Vice-Chairwoman of the Supervisory Board

Prof. Dr. Detlev Ganten, Berlin,
Director of the Max-Delbrück Center for Molecular Medecine

Ralf Hennig, MBA, Berlin, Department Chief IKB
Deutsche Industriebank AG

Elke Middelstaedt, Zepernick, Bank Clerk

Dr. Marlene Ziebig, Berlin, Patent Attorney

Total remuneration of the Supervisory Board and the Management Board

In the past fiscal year 1999, the total remuneration of the members of the Supervisory Board amounted to EUR 19,720.20 and the total remuneration of the members of the Management Board amounted to EUR 337,689.34.

Share ownership

Information according to § 313 Section 2 No. 4 GERMAN COMMERCIAL CODE concerning the companies not included in the consolidated financial statements:

For reasons of simplification, the conversion of the shareholders' equity and the annual profit/ loss statement of the businesses which do not keep their books in Euros and which were not included in the consolidated financial statements of the business, were made at the exchange rate pertaining on December 31, 1999.

Cash flow calculation

In fiscal year 1999, the previous year, the amounts of long-term loan liabilities becoming due in the short-term were not included in the financial assets. The statement of the previous year was adjusted accordingly in the cash flow account.

With the inclusion of IPL in the previous year' s consolidated financial statements, the change in the financial assets would be higher by EUR 30,500.

Berlin, March 10, 2000
Eckert & Ziegler Strahlen- und Medizintechnik AG

The Management Board

Dr. Andreas Eckert

Jürgen Ziegler

Gerald Pohland

Auditor's Report

We have audited the consolidated financial statements and the Group management report of the Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin, for the fiscal year from January 1 to December 31, 1999. The preparation of the consolidated financial statements and Group management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the 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 HGB and the generally accepted standards for the audit of financial statements promulgated by the German Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the group management report 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 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 includes assessing the annual financial statements of the companies included in the consolidated financial statements, the accounting and consolidating principles used and significant estimates made by management, 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.

In our opinion, the consolidated financial statements give a true and complete view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole, the Group management report provides a suitable understanding of the Group's position, and suitably presents the risks of future development.

Berlin, March 10, 2000

A. Slotta, Wirtschaftsprüfer

N. Karrass, Wirtschaftsprüfer

RECONCILIATION TO US-GAAP

The consolidated income statement of Eckert & Ziegler AG has been created according to §§ 290 ff. German Commercial Code and the commercial principles of orderly accounting. These accounting and valuation principles deviate in various aspects from the accounting principles generally accepted in the USA ("US-GAAP"). The differences between the valuations in the consolidated income statement according to German Commercial Code/ commercial principles of orderly accounting, and according to US-GAAP summarized below for Eckert & Ziegler AG, show only the essential differences. Moreover, the reconciliation does not deal with differences which could result from the different requirements for the statement in the balance-sheet, the profit/ loss statement, the capital flow statement, or the corporate addendum.

The essential differences between the German consolidated financial statements and financial statements according to US-GAAP, as well as the change in the valuations which effect the profit/ loss statement are described briefly below

Changes in the balance-sheet:

Franchises, industrial property rights, licenses, etc . . .404,000 EUR
Previous year: 29,000 EUR

In addition to the patent applications from the preceding years, altogether two new patents were applied for in 1999. The external costs for the patent attorneys are capitalized according to US-GAAP. Four patents were granted in 1999, these are to be written off over the customary period of 20 years.

The assets capitalized with the so-called Purchase Accounting according to US-GAAP in the case of IPL were increased by the deferred taxes carried as liability (tax shield gross-up).

Goodwill . . . . . 186,000 EUR
Previous year: 0 EUR

In the case of the distribution of the purchase price for IPL according to US-GAAP, additional intangible assets and liabilities such as "Assembled Workforce" and "Customer Relation" were formed, and therefore the goodwill capitalized according to the German Commercial Code was correspondingly reduced.

The assets capitalized with the so-called Purchase Accounting according to US-GAAP in the case of IPL were increased by the deferred taxes carried as a liability (tax shield gross-up).

Real estate including buildings on land belonging
to others . . . . . .19,000 EUR
Previous year: 0 EUR

The assets capitalized with the so-called Purchase Accounting according to US-GAAP in the case of IPL were increased by the deferred taxes carried as a liability (tax shield gross-up).

Technical equipment and machinery . . . . . .– 408,000 EUR
Previous year: – 347,000 EUR

In the case of the capitalization of own-work assets, according to US-GAAP, lower costing rates were used for the employment and material overhead, since general administrative and management expenses cannot be capitalized.

In addition, finance charges (interest) which arose in connection with the construction of the plants were capitalized. The mean interest rate was used for long-term capital from outside sources.

Lower depreciations in the following years result from lower manufacturing costs. The depreciation periods were not changed. Also, the half-year rule for the depreciation in the year of purchase or manufacture was maintained.

The assets capitalized with the so-called Purchase Accounting according to US-GAAP in the case of IPL were increased by the deferred taxes carried as a liability (tax shield gross-up).

Other fixed assets, furniture and fixtures . . . . . .8,000 EUR
Previous year: 0 EUR

The assets capitalized with the so-called Purchase Accounting according to US-GAAP in the case of IPL were increased by the deferred taxes carried as a liability (tax shield gross-up).

Cash payments, fixed assets under construction . .– 192,000 EUR
Previous year: – 93,000 EUR

These are essentially own-work assets under construction, with lower costing rates for the employment and material overhead being used for the calculation of the production costs according to US-GAAP, since general administrative and management expenses cannot be capitalized.

Inventory valuation . . . . . .– 3,000 EUR
Previous year: 2,000 EUR

Under US-GAAP, unlike the German principles of orderly accounting, no general administrative and management expenses can be capitalized. Therefore the cost/overhead rates for employment and material expenses are to be reduced.

In addition, the item contains a payment made in US$, which was valued at the market price on reporting date.

Foreign currency valuation . . . . . .6,000 EUR
Previous year: 37,000 EUR

According to US-GAAP, foreign currency accounts receivable and payable are calculated standardized to the market price on the reporting date and not according to the principle of lowest or highest value, respectively, or to the exchange rate on the date of purchase. The difference increases the exchange profit.

– Increase in accounts receivable	6,000 EUR
– Decrease in accounts payable	0 EUR
	6,000 EUR

Other securities. . . . . 296,000 EUR
Previous year: 0 EUR

This item contains securities which are to be classed in the category "available for sale." According to US-GAAP, these securities are to be valued according to their Fair Value. Profits or losses, respectively, not realized in the case of these securities were put into their own item under shareholders' equity, according to FASB 115.

Deferrals of the investment subsidy . . . . . .– 302,000 EUR
Previous year: – 193,000 EUR

The investment subsidy according to the investment subsidy law is to be capitalized according to the US-GAAP and to be distributed with the costs for the commodity over the planned lifespan of the subsidized merchandise.

Debt Discount. . . . . 262,000 EUR
Previous year: 0 EUR

According to the German Commercial Code, the extra fee for the IKB loans occurring in connection with the initial public offering of shares was to be recorded with immediate effect. According to US-GAAP, this expense was accrued in this item over the time of the loan. The remaining amount was accrued in this item.

Pension reserves . . . . . 10,000 EUR
Previous year: 2,000 EUR

The basis was expert calculations of the pension reserves according to FAS 87.

Deferred taxes . . . . . – 309,000 EUR
Previous year: 296,000 EUR

The calculation of the deferred taxes was made according to US-GAAP according to the so-called "liability method," according to which the balance-sheet amounts for assets and debts of each fiscal year are compared with the values in the tax account. Deferred taxes are to be formed for differences which are reversed over the course of time. Moreover, according to US-GAAP, the potential tax credit is to be capitalized on the basis of tax losses brought forward, if it is to be claimed.

The calculation of the tax credits is to be made separately for the individual types of taxes with the following rates:

Corporation tax:	40.00%
Solidarity surcharge:	5.50%
Business profit tax:	16.32%

A tax rate of 51.63% is used as the basis for the other calculations.

Further changes in the income statement

Cost of initial public offering of shares . . . . . .762,000 EUR
Previous year: 0 EUR

According to US-GAAP, the one-time costs arising in connection with the raising of shareholders' equity are not to be included as period expense, but rather offset against the surcharge obtained which has been calculated to the capital reserve in the shareholders' equity. By contrast, under US GAAP, the recording of the corresponding active deferred tax accruals on the basis of the loss brought forward arising in the tax balance-sheet, is made in favor of the shareholders' equity.

Conversion of the shareholders' equity of the Corporate Group

	31 Dec. 99	31 Dec. 98*
shareholders' equity as per consol. balance-sheet (HGB)	12.855,000 EUR	2.830,000 EUR
Increase(decrease) by corporate		
ndustrial property rts. etc.	404,000 EUR	29,000 EUR
goodwill	186,000 EUR	0 EUR
real estate including buildings on land of others	19,000 EUR	0 EUR
technical equipment and machinery	– 408,000 EUR	– 347,000 EUR
other fixed assets and equipment	8,000 EUR	0 EUR
cash payments, fixed assets under construction	– 192,000 EUR	– 93,000 EUR
inventory valuation	– 3,000 EUR	2,000 EUR
foreign currency valuation	6,000 EUR	37,000 EUR
valuation of securities	296,000 EUR	0 EUR
deferrals of the investment grant	– 302,000 EUR	– 193,000 EUR
prepaid expenses, debt discount	262,000 EUR	0 EUR
pension reserve	– 10,000 EUR	– 2,000 EUR
	266,000 EUR	– 567,000 EUR
deferred taxes	– 309,000 EUR	296,000 EUR
shareholders' equity according to US-GAAP	12,812,000 EUR	2,559,000 EUR

*comparison of 1998 figures without IPL

Conversion of the annual profit/loss statement of the Corporate Group

	31 Dec. 99	31 Dec. 98*
after-tax profit, corporate group profit/loss statement	– 507,000 EUR	37,000 EUR
increase (decrease) by:		
inventory valuation	– 17,000 EUR	2,000 EUR
own-work capitalized assets	– 335,000 EUR	– 256,000 EUR
capitalization of patent costs	67,000 EUR	29,000 EUR
pension reserve	– 8,000 EUR	– 5,000 EUR
depreciations	– 119,000 EUR	46,000 EUR
capitalization of investment subsidy	– 109,000 EUR	– 154,000 EUR
foreign currency valuation	– 20,000 EUR	34,000 EUR
expense reserve	0 EUR	– 35,000 EUR
costs of initial public offering of shares	762,000 EUR	0 EUR
other costs	6,000 EUR	0 EUR
capitalization debt discount	262,000 EUR	0 EUR
	489,000 EUR	– 339,000 EUR
deferred taxes	– 37,000 EUR	176,000 EUR
after-tax profit according to US-GAAP	–55,000 EUR	– 126,000 EUR

*comparison of 1998 figures without IPL

Auditor's Review Report

We have assessed the plausibility of the Reconciliation of the shareholders' equity as of December 31, 1999 of Eckert & Ziegler Strahlen- und Medizintechnik AG as well as the consolidated profit/loss for the fiscal year 1999 to Accounting Principles Generally Accepted in the United States of America (US-GAAP). This US-GAAP reconciliation is supplementary to the consolidated financial statements in accordance with German national accounting standards. This US-GAAP reconciliation for shareholders' equity and consolidated net income / loss for the Fiscal year 1999 are the responsibility of the Management Board of the company. Our responsibility is to assess the plausibility of the US-GAAP reconciliation based on our review. The US-GAAP reconciliation does not report on differences that are due to different disclosure requirements in the balance sheets, profit and loss statements, movement of shareholders' equity, cash flow statements and notes to the consolidated financial statements according to US-GAAP.

Our work included:

– A The review of the US-GAAP reconciliation as at December 31, 1999 and an analysis of the major accounting differences as identified by management and the respective explanations;
– A review of the underlying computations for major items; and
– A broad analysis of the deferred taxes calculated based on the US-GAAP differences.

Our review does not represent and audit of the US-GAAP reconciliation. Accordingly, we do not express an opinion thereon.

Based on our review, we did not note any matters that would lead to the assessment that the US-GAAP reconciliation would not be plausible.

Berlin, March 10, 2000

A. Slotta, Wirtschaftsprüfer

N. Karrass, Wirtschaftsprüfer

The Supervisory Board has regularly monitored and advised the operation of the Management Board in fiscal year 1999. The Supervisory Board has been thoroughly informed in meetings by the Management Board report concerning the course of the business, the situation of the Company, the strategic Company planning, as well as other basic matters of Company policy. Matters which require the agreement of the Supervisory Board were examined and discussed with the Management Board in detail.

The consultations concentrated on:
– listing on the stock exchange
– increasing the capital stock
– basic contracts with customers
– building investments
– founding of Jojoumarie Intelligente Instrumente
– employee stock option program
– acquisition of shares of the G.O.T. Gesellschaft für Therapieoptimierung und Targeting

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, the Group management report for the Eckert & Ziegler Group, the dependence report of Eckert & Ziegler Strahlen- und Medizintechnik AG, as well as the proposal of the Management Board for the use of the net loss for the year have been submitted and delivered to the Supervisory Board, together with the audit reports of the balance-sheet auditor.

The Supervisory Board for its part also has audited the above-mentioned statements and documents.

The qualified auditor signing the auditor's certificates for the annual financial statements of Eckert & Ziegler Strahlen- und Medizintechnik AG and the dependence report of Eckert & Ziegler Strahlen- und Medizintechnik AG, as well as for the consolidated financial statements of the Eckert & Ziegler Group, also participated in the balance-sheet meeting of the Supervisory Board concerning the relevant item on the agenda and reported on the essential results of his audits. The Supervisory Board approved the audit results of the balance-sheet auditor.

After the final result of his audit, the Supervisory Board has no objections to make with respect to the audited statements and documents. It has approved the annual financial statements and the management report of Eckert & Ziegler Strahlen- und Medizintechnik AG, the dependence report of Eckert & Ziegler Strahlen- und Medizintechnik AG, prepared by the Management Board, as well as the reports submitted by the auditor. It declares itself in agreement with the proposal for the use of the net loss for the year and, also in the name of the Management Board, thanks all employees for their support.

Berlin, March 2000

The Supervisory Board

Prof. Dr. Wolfgang Maennig
Chairman