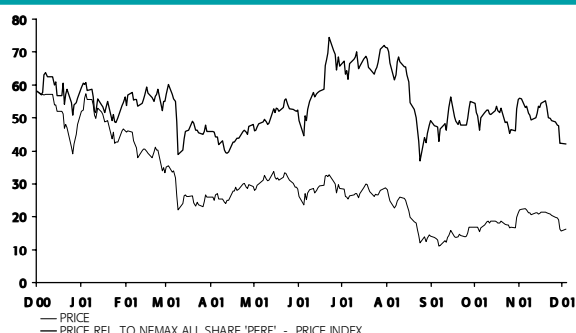


Medical technology · Germany

Underperformer

Market Performer

Price Chart



Key data · €

Price	16.2
Year Hi/Lo	58.7 / 10.3
Market Cap. (m)	52.7
Free Float (%)	32
LTG (%)	20
Reuters Code	EUZG
Bloomberg Code	EUZ

Financials · €

FY 31/12	00	01e	02e	03e
Sales (m)	23.6	29.8	38.0	46.3
EPS	0.40	1.00	0.35	0.67
(prev.)	0.40	1.00	1.10	1.40
Div	0.00	0.00	0.00	0.00
(prev.)	0.00	0.00	0.00	0.00

Valuation

FY 31/12	00	01e	02e	03e
MC / Sales	2.2	1.8	1.4	1.1
PE	40.5	16.2	46.3	24.2
PEG	2.0	0.8	2.3	1.2
Div.Yield (%)	0.0	0.0	0.0	0.0

Author

Name	Dr. Ralf Emmerich
Phone	+49(0)69 50951-463
e-Mail	ralf.emmerich@concord-ag.de
www	www.concord-research.de

Sales

Name	Martina Ort
Phone	+49(0)69 50951-230
e-Mail	martina.ort@concord-ag.de

EPS strongly burdened by risky investment in biotech company

- Eckert & Ziegler will invest € 10m in a small biotech company (NEMOD) in 02/03 and gain a 50% stake formerly belonging to Eckert Consulting, a company owned by Dr. Eckert, the CEO of Eckert & Ziegler
- We consider this investment as risky because NEMOD is financed (with these € 10m) only up to the end of 03
- NEMOD is engaged in the development of antibodies which is a highly competitive field
- We downgrade Eckert & Ziegler to Underperformer

Last Thursday (13/12/01), Eckert & Ziegler (EZAG) announced that it will invest € 10m in NEMOD, a small biotech company based in Berlin. EZAG will take a 50% share in NEMOD as a silent partner. Furthermore, it has an option to obtain further 25% for € 3m. These 75% formerly belonged to Eckert Consulting, a company owned by Dr. Eckert, the CEO of EZAG.

This investment will strongly burden EBIT in 02e (€ 1.9m) and 03e (€ 3.8m). EPS will drop from € 1.1 to € 0.35 in 02e and from € 1.4 to € 0.67 in 03e. These figures are a worst case scenario because the investment will be made in several steps and offers EZAG the possibility to stop its engagement if certain milestones will not be met. If, for example EZAG would stop its financing in 02, EPS 03e would rise again to € 1.4. Then, only about € 5m would be lost.

This investment ensures the financing of NEMOD only up to the end of 03. Thereafter, either payments from alliances with pharma/biotech partners or further investments are needed to finance the operating business of NEMOD. The company plans to operate in 02 and 03 on a cash burn basis of € 5.6m. We expect that this cash burn rate will increase after 03 if more and more antibodies would enter clinical trials.

NEMOD is engaged in the highly competitive field of antibody development. The staff of NEMOD is recruited from a research group of the Max Delbrück Center for Molecular Medicine in Berlin. Up to now it has exclusively licensed four patents from the Max Delbrück Center and submitted several further patents. Up to now, it does not possess own patents. The first product which should enter clinical trials is a vaccine against breast cancer. Start of phase I clinical trials is planned in 1H'02. Thereafter, an antibody labelled with a radioactive substance is planned to enter phase I trials in 2/3Q'02. Afterwards three further antibodies are planned to enter phase I trials from

4Q'02 to 1H'03. Currently NEMOD has no expertise in planning and implementation of clinical trials. A new board member who will be responsible for clinical studies will enter the company in 02 and then build up an in-house team.

We consider the investment in NEMOD as risky and more like Venture Capital financing because NEMOD is only financed to the end of 03 and is acting in a highly competitive field. We downgrade Eckert & Ziegler to Underperformer from Market Performer. A new investment in the company would be interesting when deals with biotech/pharma companies would be signed by NEMOD (presumably end of 02).