



06 August 2008

Institutional Equity Research

Company

Flash

Eckert & Ziegler

Rating

Buy (unchanged)

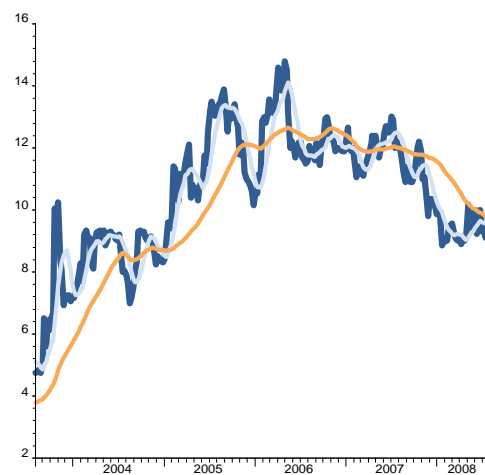
Good Q2 for all segments

- Consolidation of Brachytherapy segments proving successful ▶
- Nuclear Medicine & Industry segment shows good order buffer for H2 2008 ▶
- Radiopharmacy doubles revenues; earnings close to breaking even ▶
- Buy with a price target of EUR 13.00 ▶



— 38D Moving Average
— 200D Moving Average

Source: Thomson Datastream



— 38D Moving Average
— 200D Moving Average

Source: Thomson Datastream

For disclaimer and important disclosures please see Appendix-1



Buy

Target price: € 13,00

Price: € 9.49

08/06/08

14:00 h

Last rating/Target price:

Buy /€ 14.00

Last analysis:

02/27/2008

S&P rating: n.a.

Medical Technology

Number of shares:

3.3 m

Market capitalisation:

€ 31.2 m

Index: Tech All Share

Index weight: 0.07 %

Beta: 1.50

Accounting:

IFRS

Calendar: Q3 interim report on 11/4/20087

2008e dividend: € 0.35

2008e div. yield:

3.69 %

ISIN: DE0005659700

Bloomberg: EUZ GY

Reuters: EUZG.DE

Dr. Karl-Heinz Scheunemann

Ph D, Investment Analyst.

Tel. +49 711 127-42102

Karl-Heinz.Scheunemann@LBBW.de

Equity Research

Landesbank Baden-Württemberg
Am Hauptbahnhof 2
70173 Stuttgart

www.LBBW.de

Eckert & Ziegler

Topic: Comment on the Q2/H1 financial figures, adjustment to our model and price target

Good first half year/second quarter at Eckert & Ziegler

With the second quarter report of the current fiscal year, Eckert & Ziegler has reported the first full quarter following the consolidation of the Belgian company IBt and thus the merging of the respective Brachytherapy segments. The earnings figures for Q2 already show the initial success. We are confirming our Buy recommendation of the Eckert & Ziegler share; we have adjusted the price target and our P&L model.

Company Data	Revenues m €	EBITDA m €	EBIT m €	EBIT-Margin	Net Profit m €
2007	54,4	9,7	6,0	11,0%	1,9
2008e	66,6	12,0	8,0	12,0%	3,3
2009e	76,6	13,6	9,0	11,7%	3,7
2010e	86,6	15,1	10,3	11,9%	4,3

Share Data	EPS current €	EPS previous €	PSR	EV/EBITDA	PER
2007	0,62	0,62	0,6	4,0	15,5
2008e	1,06	1,01	0,5	4,0	9,1
2009e	1,19	1,07	0,4	3,6	8,1
2010e	1,38	-	0,3	3,2	6,9

- The Therapy segment is benefiting from the consolidation of IBt as the result of clearly visible synergy effects. The company has solidified its market position as Europe's leading company in brachytherapy for prostate cancer.
- The Nuclear Medicine and Industry segment has generated almost half of the group's overall revenues and has a strong order buffer for the second half year. The weak dollar has only proved a slight strain on growth.
- The company was easily able to digest the acquisition of MC Pharma in the Radiopharmacy segment. Revenues were doubled thanks to solid, organic growth.
- We believe the acquisitions and the consolidation of IBt have promoted Eckert & Ziegler in its strategic orientation and intensified its profile as a user of radioisotopes in industry, diagnostics and therapy.

Valuation

Discounted cash flow valuation

We have accounted for our adjusted earnings estimates for Eckert & Ziegler in our DCF model. The years 2008 to 2010 are based on concrete cash flow forecasts. In the second phase (2011 to 2017) we have determined the cash flows based on value drivers. We have assumed a terminal growth rate of 1.0% for cash flows from 2018 onwards. The DCF model makes the following basic assumptions:

Value driver	
Sales growth	4,3%
EBIT-margin	10,0%
Tax rate	35,0%
Amortisation rate	6,5%
Provision rate	5,0%
Capital expenditure	6,5%
Net Working Capital	19,9%
Terminal growth rate	1,0%

Source: LBBW

DCF model - assumptions	
Risk free interest rate	4,4%
Market premium	5,2%
Beta factor	150,0%
Cost of equity	12,2%
Cost of debt (after tax)	4,2%
Equity ratio target	70,0%
WACC	9,8%
Terminal growth rate	1,0%

Source: LBBW

Free Cashflow (€m)	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e
Revenues	66,6	76,6	86,6	94,4	100,0	103,0	106,1	109,3	112,6	115,9	117,1
<i>Growth (yoy)</i>	<i>22 %</i>	<i>15 %</i>	<i>13 %</i>	<i>9 %</i>	<i>6 %</i>	<i>3 %</i>	<i>3 %</i>	<i>3 %</i>	<i>3 %</i>	<i>3 %</i>	<i>1 %</i>
EBIT	8,0	9,0	10,3	9,4	10,0	10,3	10,6	10,9	11,3	11,6	9,4
<i>EBIT margin</i>	<i>12 %</i>	<i>12 %</i>	<i>12 %</i>	<i>10 %</i>	<i>10 %</i>	<i>10 %</i>	<i>10 %</i>	<i>10 %</i>	<i>10 %</i>	<i>10 %</i>	<i>8 %</i>
Taxes	2,3	2,6	3,0	2,8	3,0	3,1	3,2	3,3	3,4	3,5	2,8
<i>Tax rate</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>	<i>35 %</i>
Depreciation/Amortisation	4,0	4,6	4,8	4,7	5,0	5,2	5,3	5,5	5,6	5,8	5,9
<i>to revenues</i>	<i>6 %</i>	<i>6 %</i>	<i>6 %</i>	<i>5 %</i>	<i>5 %</i>	<i>5 %</i>	<i>5 %</i>	<i>5 %</i>	<i>5 %</i>	<i>5 %</i>	<i>5 %</i>
Provisions	5,9	5,6	5,5	5,9	6,4	6,7	6,9	7,1	7,3	7,5	7,6
<i>to revenues</i>	<i>9 %</i>	<i>7 %</i>	<i>6 %</i>	<i>6 %</i>	<i>6 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>
Change	0,7	-0,3	-0,1	0,4	0,5	0,3	0,2	0,2	0,2	0,2	0,1
Cashflow from operating activities	10,3	10,6	12,0	11,8	12,5	12,7	12,9	13,3	13,7	14,1	12,5
Investments	4,9	1,6	1,7	6,1	6,5	6,7	6,9	7,1	7,3	7,5	7,6
<i>to revenues</i>	<i>7 %</i>	<i>2 %</i>	<i>2 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>	<i>7 %</i>
Working Capital	15,8	16,8	17,7	18,7	19,7	20,6	21,2	21,9	22,5	23,2	23,4
<i>to revenues</i>	<i>24 %</i>	<i>22 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>	<i>20 %</i>
Change	0,5	0,9	0,9	1,0	1,0	0,9	0,6	0,6	0,7	0,7	0,2
Free Cashflow	4,9	8,1	9,4	4,7	5,0	5,1	5,4	5,6	5,7	5,9	4,7

Source: LBBW

Determining value per share (€tsd)

Free Cash Flow Forecast years	40 266
+ Terminal Value	20 770
= Enterprise Value	61 036
<i>% TV of EV</i>	<i>34,0%</i>
- Net debt	10 478
- Minority interest	9310,0
- Pension provisions	117,6
+ Peripheral assets	0,0
= Market capitalization	41 130
= Fair Value per share (€)	13,09

Source: LBBW

Based on our assumptions our DCF valuation yields a fair value of EUR 13.09 per Eckert & Ziegler share.

Recommendation

We recommend the Eckert & Ziegler share with a price target of EUR 13.00.

We are assuming a further improvement in the company's profitability for this year and the next two years. The newly consolidated and acquired business should lead not only to higher revenues, but also to improved profitability. Even our new and increased EPS estimates, a PER (2009e) of ca. 10 (average historic PER of the last two years is approx. 12) would only be generated if our price target of EUR 13.00 were reached. We believe this creates a good buffer for the share, even for additional share price increases in the future. Some of the shares from the industry segments of Medical Equipment and Diagnostics

We expect a further rise in earnings

as well as Measurement and Control Technology are currently valued with higher PER multiples.

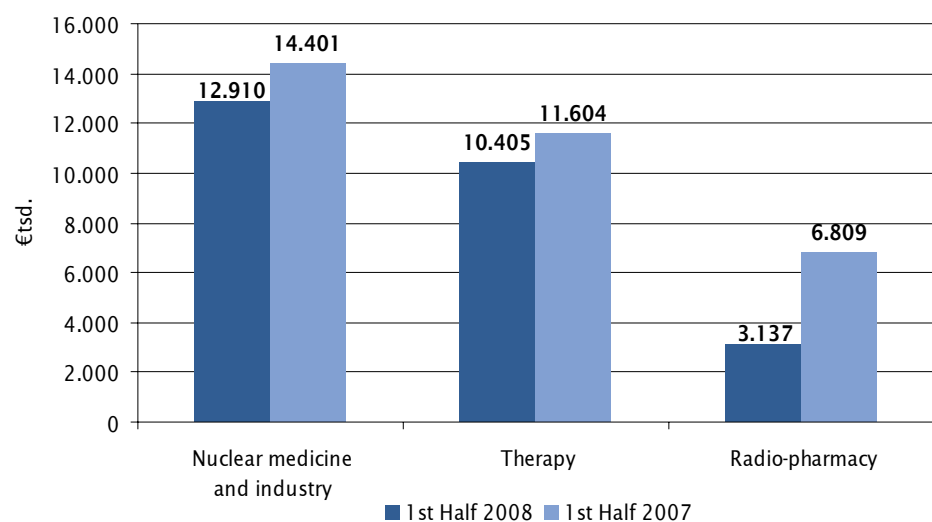
Development in the current business year

Eckert & Ziegler generated new record margins for revenues and earnings in the first half of the current fiscal year.

€m	1st Half 2008	1st Half 2007	Δ in %
Sales	32.814	26.458	24,0%
EBIT	4.243	2.896	46,5%
Net Profit	1.803	1.460	23,5%
EPS (€)	0,57	0,46	23,9%

In the company's three operating segments, both revenues and earnings were raised drastically in part over the same period of the previous year. The Nuclear Medicine and Industry segment stood out in particular by managing to show solid double-digit growth at 12% despite the fact that a major part of its revenues were in currencies pegged to the US dollar. Calculated in USD, the rise would have been even higher at 26%. The growth is first and foremost the result of the now fully operational business using radioisotopes measuring technology in the opening up and valuation of new crude oil drilling. As such, this segment can be expected to turn out a solid performance in the second half year and the near future.

Revenue trend of the segments



Source: Eckert&Ziegler, LBBW

Revenues in the Radiopharmacy segment were more than doubled. The factors that determined the success of radiodiagnostic imaging (especially for the positron emission tomography) as well as modules for marking isotopes (module labs) were both the organic growth and acquisitions. Earnings are about to turn around towards black figures and would already have been reached following H1 2008. However, Eckert & Ziegler has set aside a provision of EUR 0.4 m in order to safeguard itself from any delivery problems with cyclotron in Milan (this will have to be shut down for a few weeks in H2

Weak dollar can only have a slightly negative impact on the good performance

Strong demand from the oil industry

Net income for the Radiopharmacy segment just about to break even

Brachytherapy activities benefit from the IBt consolidation

Approx. one-third of revenues stem from regions sensitive to the dollar

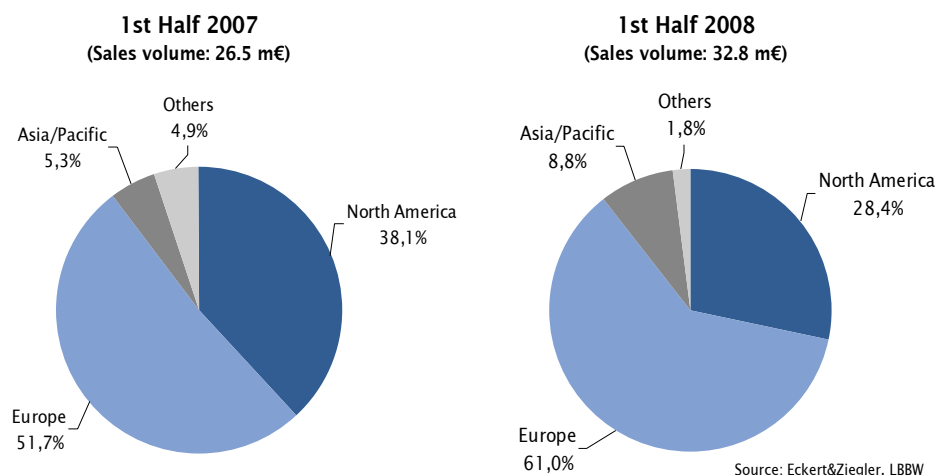
Solid outlook for 2008 confirmed

2009 – First signs of another good year?

due to construction workings in the neighbourhood).

The Therapy segment includes the classic Eckert & Ziegler activities in brachytherapy. Following the successful consolidation of the Belgian company IBt, this has now increased its presence in Europe as one of the market and technology leaders. Revenues in this sub-segment alone were increased by 68% over the first half year. Earnings after the half year only came close to the level of the period from the previous year. As for H2, the good unit sales of implants should continue (including the improved earnings thanks to synergies from the merging of production, marketing and sales of Bebig (Eckert & Ziegler's Brachytherapy segment) and IBt). The problems with tumour radiation equipment are also believed to have come to an end, seeing as how several orders from Eastern Europe for example should be delivered in the near future. This should also improve this segment's profitability further.

The focus of the regional revenue split was shifted towards Europe following the consolidation of IBt. This had been expected. However, North America and increasingly Asia/Pacific continue to generate noteworthy proportions (due to strong demand from the oil well drilling and gas extraction industries among others).



Outlook

The Executive Board still expects net income of more than EUR 3 m for 2008 (excluding extraordinary effects from the IBt consolidation). The target revenue figure of ca. EUR 70 m was confirmed in Tuesday's telephone conference. Given the stable performance of demand across all segments, the first cautious estimate has been given for net earnings per share (after minority interests) for the year to come. According to this, a further improvement is expected, which we interpret as earnings of ca. EUR 1.20 (in line with a rise of more than 10%). The third quarter report should be followed by concrete estimates for 2009.

Appendix

Profit & Loss Account	2007	2008e	2009e	2010e
€mn				
Revenues	54,4	66,6	76,6	86,6
Cost of Sales	-27,6	-32,6	-37,0	-41,7
Gross Profit	26,9	34,0	39,6	44,9
<i>Margin</i>	<i>49,3%</i>	<i>51,0%</i>	<i>51,7%</i>	<i>51,9%</i>
R&D Expenses	-0,3	-1,3	-1,5	-1,7
G&A Expenses	-20,7	-26,3	-29,1	-32,9
Other Income	0,1	1,7	0,0	0,0
EBITDA	9,7	12,0	13,6	15,1
<i>Margin</i>	<i>20,7%</i>	<i>17,8%</i>	<i>18,0%</i>	<i>19,7%</i>
Depreciation and Amortisation	-3,7	-4,0	-4,6	-4,8
EBIT	6,0	8,0	9,0	10,3
<i>Margin</i>	<i>11,0%</i>	<i>12,0%</i>	<i>11,7%</i>	<i>11,9%</i>
Net Financial Income/Expense	-1,1	-1,3	-1,5	-1,7
EBT	4,9	6,7	7,4	8,5
<i>Margin</i>	<i>9,0%</i>	<i>10,0%</i>	<i>9,7%</i>	<i>9,9%</i>
Income Taxes	-2,8	-2,3	-2,6	-3,0
EAT	2,2	4,3	4,8	5,5
<i>Margin</i>	<i>3,9%</i>	<i>6,5%</i>	<i>6,3%</i>	<i>6,4%</i>
Minorities	-0,2	-1,0	-1,1	-1,2
Net Profit	1,9	3,3	3,7	4,3
<i>Margin</i>	<i>3,6%</i>	<i>5,0%</i>	<i>4,9%</i>	<i>5,0%</i>
Earnings per share (€)	0,62	1,06	1,19	1,38

Source: Eckert & Ziegler AG, LBBW

Balance sheet	2007	2008e	2009e	2010e
€mn				
Assets	67,6	92,1	96,5	100,4
Goodwill	9,9	15,5	15,8	16,1
Other intangible assets	8,3	13,7	14,0	14,3
Tangible assets	17,7	22,7	24,3	26,0
Financial assets	0,1	0,1	0,1	0,1
Other fixed assets	4,7	10,5	10,4	10,3
Fixed assets	40,8	62,5	64,6	66,8
Inventories	7,7	9,1	9,3	9,6
Trade receivables	11,5	13,3	14,2	15,2
Other receivables and assets	3,2	2,8	3,2	2,1
Cash	4,4	4,5	5,2	6,7
Current assets	26,8	29,6	32,0	33,6
Liabilities	67,6	92,1	96,5	100,4
Equity	36,1	43,9	47,7	50,2
Minority interests	0,4	9,3	9,3	9,3
Pension provisions	0,1	0,1	0,1	0,2
Other provisions	5,1	5,8	5,5	5,3
Financial liabilities	12,2	15,4	17,6	18,7
Trade payables	3,9	6,5	6,8	7,2
Other liabilities	9,8	11,1	9,5	9,5

Source: Eckert & Ziegler AG, LBBW

Appendix-1

Please Note

This research report and the information contained in this research report must not be distributed or reproduced, in whole or in part, in any form without the prior consent of Landesbank Baden-Württemberg ("LBBW") and LBBW Securities LLC and only in accordance with the applicable laws in the relevant jurisdiction. Persons who gain access to this information must inform themselves about such applicable laws and have to comply with them.

This research report and the information contained therein is furnished and has been prepared solely for information purposes. It is not intended to be an inducement to engage in investment activity. It is furnished for your private information with the express understanding, which recipient acknowledges, that it is not an offer, recommendation or solicitation to buy, hold or sell, an invitation to subscribe for or purchase, or a means by which any security may be offered or sold.

LBBW and LBBW Securities LLC do not accept any liability for the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. The information in this report has been obtained from sources believed to be reliable. LBBW and LBBW Securities LLC can not verify such information, however, and because of the possibility of human or mechanical error by the sources, LBBW or others, no representation is made that the information contained in this report is accurate in all material respects or complete. The statements contained herein are statements of our non-binding opinion, not statement of fact or recommendations to buy hold or sell any securities. Changes to assumptions may have a material impact on any performance detailed. Historic information on performance is not indicative of future performance. LBBW and LBBW Securities LLC may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and LBBW and LBBW Securities LLC are under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. This report is intended only for and directed to persons sufficiently expert to understand the risks involved, namely market professionals. This publication does not replace personal consultancy. Prior to taking any investment decision you should contact your independent investment adviser for further and more up-to-date information on specific investment opportunities and for individual investment advice, regarding the appropriateness of investing in any securities or investment strategies discussed in this report.

Any security referred to herein may involve a high degree of risk, which may include principal, interest rate, index, currency, credit, political, liquidity, time value, commodity and market risk and is not suitable for all investors. The securities may experience sudden and large falls in their value causing losses equal to the original investment when that investment is realized. Any transaction entered into is in reliance only upon your judgment as to both financial, suitability and risk criteria. LBBW and LBBW Securities LLC do not hold themselves out to be an advisor in these circumstances, nor does any of their staff have the authority to do so.

United Kingdom

This document is issued in the United Kingdom by LBBW, London Branch. LBBW is authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (the "BaFin") and regulated by the Financial Services Authority for the conduct of UK

business.

This document and the information contained in it constitutes a financial promotion for the purposes of the Financial Services and Markets Act 2000 and the rules of the Financial Services Authority (the "FSA"). To the extent that this document is issued in the United Kingdom, it is directed exclusively at persons who are professional clients or eligible counterparties for the purposes of the FSA's Handbook of Rules and Guidance. The products and investment services to which this document relate are only available to the persons referred to above and other persons should not act or rely on it. Moreover, any investment or service to which this document relates is not intended for retail clients and will not be made available to retail clients.

This document is impartial investment research. This document has no regard to the specific investment objectives, financial need or situation or needs of any specific recipient and the investments discussed in this document may not be suitable for all recipients.

LBBW, London Branch has effective organisational and administrative arrangements set up for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers. In accordance with the rules of the Financial Services Authority, a copy of LBBW's investment research and conflict of interest policy is available on request from www.lbbw.de/lbbwde/1000005283-en.html

USA

IMPORTANT NOTICE

This research report is prepared by LANDESBANK BADEN-WUERTEMBERG ("LBBW") and distributed in the United States by LBBW Securities, LLC ("LBBW Securities"). LBBW Securities accepts responsibility for the content of this report. Any US Person receiving this report and wishing to effect any transaction in any security discussed in this report should contact LBBW Securities at +1-212-338-8840.

Analyst's Certification

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding Eckert & Ziegler. No part of analyst compensation was, is or will be, directly or indirectly related to the specific recommendations or views expressed in this research report.

Disclosures

Please note:

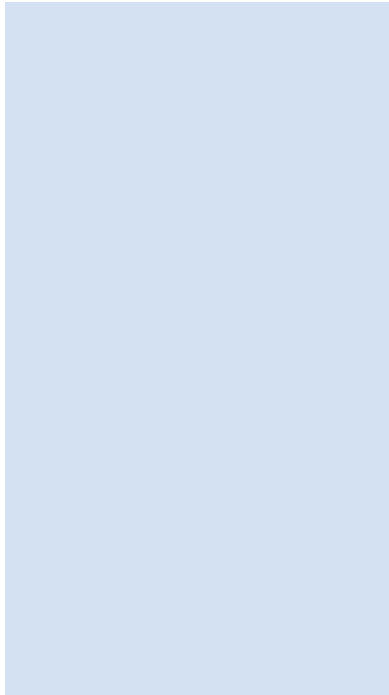
LBBW together with its affiliates is making a market in Eckert & Ziegler's securities.

United Kingdom

Disclosures

Please note that LBBW or an associated enterprise of LBBW

- supports the company in the market by entering buy or sell orders



- has made an agreement on the production of financial analyses relating to the issuer or its financial instruments