7 December 2007

Equity Research Institutionals

Company Report

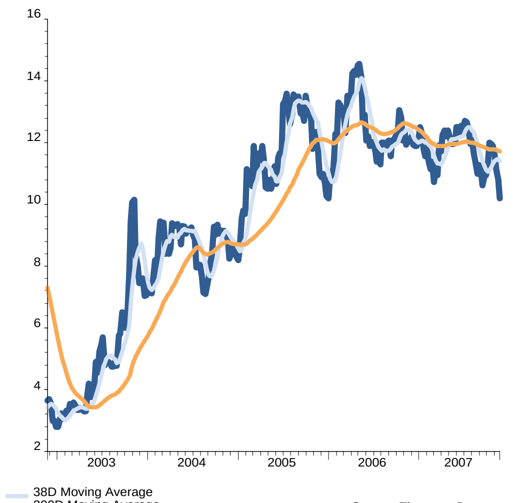
Eckert & Ziegler

Rating **Buy (unchanged)**

Radiant future potential

- EBIT margin for “Radiopharmacy” still slightly negative in 2007
- Share-price trigger: turnaround by Radiopharmacy in 2008
- For optimists: sights set on four growth drivers
- For pessimists: undervaluation in the conservative LBBW scenario

Source: Thomson Datastream



Source: Thomson Datastream

Buy

Target price: € 14.00
Price: € 10.35
12/06/07
18:00 h

Last rating/Target Pr.:
Buy /€ 17.00
Last analysis:
08/14/2007
S&P rating: n.a.
Medical Technology
Number of shares:
3.3 m
Market capitalisation:
€ 34.2 m
Index: Tech All Share
Index weight: 0.05 %
Beta: 1.60

Accounting:
IFRS
Calendar: 3/28/08
FY 2007
Dividend 2007e: 0.30 €

ISIN: DE0005659700
Bloomberg: EUZ GY
Reuters: EUZG.DE

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Eckert & Ziegler

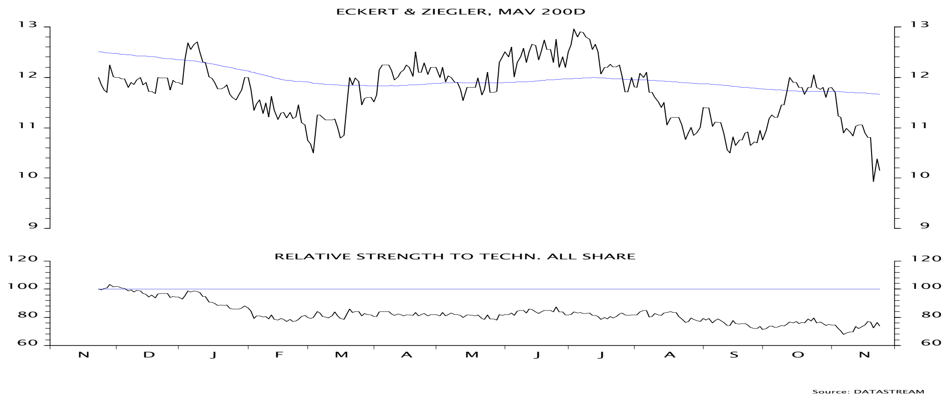
12/07/2007

Radiant future potential

Eckert & Ziegler is an established company in the niche markets for isotope technologies. Even our conservative basic scenario focusing on the core business of Nuclear Medicine & Industry produces upside potential. The EBIT margin for the previously problematic Radiopharmacy division is likely to be only slightly negative in fiscal 2007. One possible trigger for the share price is the turnaround in fiscal 2008. We reaffirm our Buy recommendation for Eckert & Ziegler with a target price of € 14.

Share ratio	Earnings per share		EV/Sales	EV/EBITDA	PER
	new	old			
	€	€			
2006	**0.71**	0.71	0.8	3.9	14.4
2007e	**0.66**	0.71	0.8	4.0	15.5
2008e	**1.01**	1.11	0.7	3.8	10.2
2009e	**1.07**	1.23	0.7	3.7	9.7

Company ratios	Sales	EBITDA	EBIT	EBIT-Margin	Net result
	m €	m €	m €		m €
2006	50.4	10.4	5.9	11.7 %	2.2
2007e	52.8	10.0	5.9	11.2 %	2.1
2008e	57.4	10.8	6.3	10.9%	3.2
2009e	58.5	11.0	6.4	11.0%	3.4



Highlights

+ Established isotope specialist
+ Double-digit growth rates
+ Core business as cash flow
+ Establishment of new forms of treatment

- Dependence on exchange rates
- Loss by Radiopharmaceuticals
- No refund for brachytherapy
- Negative tax effect in fiscal 2007

Please note the disclaimer on the last page of this study.

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Executive Summary

Company profile

Eckert & Ziegler is a globally active company operating in the field of isotope technology and a holding company for a number of specialist subsidiaries dealing with the processing of radioisotopes as well as the development, production and distribution of technical isotope components, medical instruments and related products. The products made by this Berlin-based company are used in the industrial and medical sectors. The current portfolio is divided into the Nuclear Medicine & Industry, Therapy and Radiopharmacy divisions.

Leading innovators in mature markets

Eckert & Ziegler holds a large share in niche markets. In these mature markets the Company is able to offer innovative product ideas. Furthermore, it is one of the market leaders in the establishment of new forms of treatment such as brachytherapy.

Paltry data

EBIT margins 2007e:

1. Industry & Nuclear Medicine 19%

2. Therapy 13%

3. Radiopharmacy -1%

The financial data published in the quarterly and annual financial statements at divisional level are scant. For instance, the income statement contains only figures for revenues and net income. As Eckert & Ziegler does not publish any EBIT margin, there is uncertainty in the market regarding whether these will end up deep in the red for the Radiopharmacy division in fiscal 2007. According to our forecast, this is not likely to be the case. We project an EBIT margin (EBT + interest) in the Radiopharmacy division of -1% in fiscal 2007. In fiscal 2008 we expect the turnaround with the margin improving to 3%. The Nuclear Medicine & Industry division is booming in 2007 with an estimated EBIT margin of 19%. We put the Therapy division's margin at 13%.

Scenario analyses based on DCF models

This study will analyze Eckert & Ziegler in its individual divisions in a best-case, worst-case and LBBW scenario. The actual valuation of the divisions is based on DCF models.

LBBW scenario:

fair value of € 14

The LBBW scenario produces a fair value of a good € 14 for the Eckert & Ziegler share. With a fair value of more than € 10, the Nuclear Medicine & Industry division is proving to be the cash flow generator and thus the mainstay of the portfolio. One risk factor here is the influence of the weak US dollar on revenues. In the LBBW scenario we have assumed an exchange rate of US$ 1.40/€. The Therapy division depends on the reimbursement regulations in the individual countries. Here we project moderate revenue growth rates, resulting in an overall fair value of at least € 6. For the Radiopharmacy division we put the fair value at just under € 2 while we project a negative figure of € 4 for the holding company in all the scenarios.

Best-case scenario:

fair value of € 20

The best-case scenario analyzes growth prospects in the Therapy and Radiopharmacy divisions. There might be potential in area of oncology, specifically in brachytherapy for treating prostate cancer in an early stage . We put the fair values in the Therapy division at € 10 and at a good € 4 for the Radiopharmacy division. Overall the best-case scenario results in a fair value of € 20.

Worst case:

fair value of € 7

In the worst-case scenario Eckert & Ziegler should fail to achieve the turnaround in Radiopharmacy and finally abandon this area of business. This would then result in possible writedown and restructuring costs of just under € 3 per share. For the Therapy division too, we assume declining revenues and decreasing margins. The overall result is a fair value of just under € 7.

Summary of scenario analysis

The following table summarizes the results of the individual analyses.

Base Industry & Nuclear Medicine: fair value € 10.30

		Worst Case fair value	LBBW-Scenario fair value	Best Case fair value
+	Therapy	€ 3.30	€ 6.30	€ 9.80
+	Radiopharmacy	€ - 2,80	€ 1.70	€ 4.30
+	Holding	€ - 4.00	€ - 4.00	€- 4.00
=	Company	€ 6,80	€ 14.30	€ 20.40

Source: LBBW Research

Market still unsettled for the moment

Eckert & Ziegler's performance has been at rather a standstill for some time now. The market is probably still unsettled, among other things due to the surprising exit from the Altmann SpondylAT development project against ankylosing spondylitis at the end of 2006 and concern regarding trends in the Radiopharmacy division. It had become evident at an earlier stage that entering new areas of business involved risks.

Target price € 14

Our forecasts in the LBBW scenario are based on moderate growth rates. We put the target price at the level of the fair value of € 14. As these are similar divisions with corresponding synergistic potential, we have not deducted a conglomerate discount.

SWOT profile

Strengths

- Internationally renowned and established isotope specialist
- Innovation
- Profitable company
- Sound core business in Nuclear Medicine & Industry
- Leading provider of brachytherapy in Europe
- Sound financial resources (equity ratio LBBWe 2007: 55%)

Weaknesses

- Growth in Nuclear Medicine & Industry only slight compared to GDP
- Still no general cost refund for the treatment of prostate cancer using brachytherapy in all European countries.
- Handling large orders (plant construction, tenders) may lead to revenue shifts and thus to uncertainty

Opportunities

- Increasing demand for cancer therapies due to ageing population
- Potential demand for PET diagnosis on the basis of wider indications
- In Europe, brachytherapy for the treatment of prostate cancer is only just beginning to become further established with growth potential
- Development and introduction of innovative products repeatedly opens up new customer and revenue potential in mature markets, too
- Ongoing acquisitions and their integration in the Group entail revenue and earnings potential
- Growth hopes: implants, afterloaders, contrast agents, ModularLab with double-digit growth rates

Threats

- Exchange-rate risk resulting from heavy dependence on the US dollar in the Nuclear Medicine & Industry division
- Absence of general reimbursement for brachytherapy and PET might prevent more widespread use of these forms of treatment
- Entering new areas of business involves risks, as shown, for example, by the exit from SponyIAT at the end of 2006
- Economic downturn

Company profile

Isotope specialist

Eckert & Ziegler (EZAG) is a Berlin-based specialist in isotopes. Its products are used for industrial and medical purposes, e.g. as a source of radiation for detection equipment as well as in therapeutic products for treating cancer.

Branches

With its 300 employees, it maintains branches in the US, the Czech Republic, France and Italy, among other countries. Eckert & Ziegler is listed in the Prime Standard. The free float comes to 52.1%. The CEO, Dr. Eckert, owns 37.9% of the shares via Eckert Consult.

Portfolio consists of 5 main groups

The Company is divided into 3 divisions: Nuclear Medicine & Industry (50% of revenues, basis 2006), Therapy (40%) and Radiopharmacy (10%). In terms of the product groups, consolidated revenues come principally from five sub-segments (Industrial Components, Nuclear Medical Imaging, Implants, Tumor Radiation, Contrast Media), which together account for 80% of revenues.

Summary of products

The Nuclear Medicine & Industry division comprises radiation sources for medical imaging, calibration and reference sources, and components for applications in measuring technology and industry. The Therapy division includes implants for the treatment of prostate cancer and instruments for radiating tumours. The new Radiopharmacy division contains contrast media for positron emission tomography and radiopharmaceutical generics.

Eckert & Ziegler organization chart

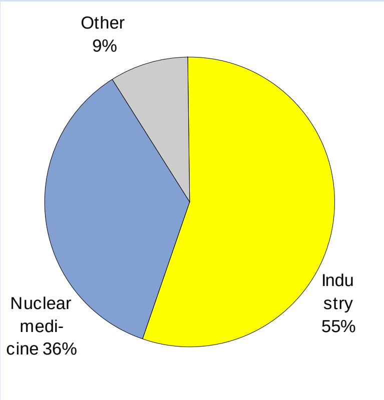
Segments	Subsegments	Growth
Nuclear Medicine & Industry € 25 m Sales in 2006	Other Industrial Components Medicial Imaging Standard	GDP GDP GDP GDP
Therapy € 20 m Sales in 2006	Implants Tumor Radiation Other	double digit double digit GDP
Radiopharmacy € 5 m Sales in 2006	Contrast Media Modularlab Other	double digit double digit GDP

Sources: LBBW Research, Eckert & Ziegler, GDP: average GDP Europe and USA (2-4% growth rate)

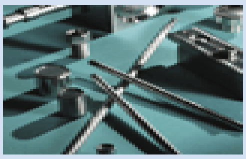
Core business: retreat to Nuclear Medicine & Industry

Nuclear Medicine & Industry

(Sales 2007e: € 25 million)



Source: LBBW, Eckert & Ziegler



Eckert & Ziegler's core business and cash flow generator is the Nuclear Medicine & Industry division. At a good € 25 million, this division will probably generate 47% of consolidated revenues in fiscal 2007.

Areas of application: Nuclear Medicine & Industry

- **Industry**: this is the area where the radioactive components produced by Eckert & Ziegler are used in measurement and testing technology. Many instrument manufacturers use radioactive sources in their special measuring instruments, with which they can measure thicknesses, densities and similar physical parameters, also under extreme conditions. The areas of application include the iron and steel industry, power supply, military and security technology, plant construction and the chemical industry. Radioactive components are also used in environmental protection, for example to measure the lead content of wall paints. In oil production radiometric measuring procedures are used to measure sediment density. In the construction industry neutron probes are employed to measure the moisture and density of concrete layers.
- **Nuclear Medicine**: nuclear medical imaging covers calibration and reference radiators for gamma cameras. These are components inside the camera to ensure quality.

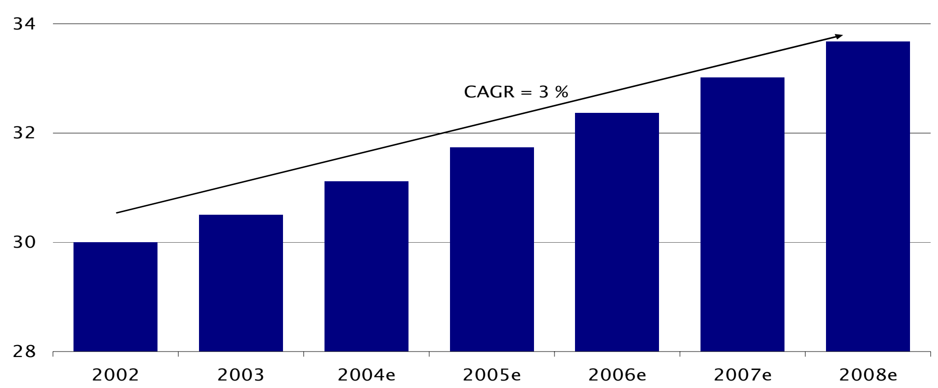
Market analysis: Nuclear Medicine & Industry

Cyclical effects

Consumables

The market for industrial radiation sources is a small specialist market exposed to cyclical influences. As these products are consumables that have to be replaced after some time (generally once or twice a year), the fluctuation range is limited. We estimate the current market for industrial radiation sources at € 33 million. Eckert & Ziegler probably holds a market share of around one third. The average growth lies in the range of the gross national product.

World market radiation sources for industrial applications



Source: LBBW Research

The market for nuclear medicine is also a mature one with average growth of 2-4%. Here too, Eckert & Ziegler has the advantage that this is consumables business, where radiation sources have to be replaced twice a year.

Strategy: Nuclear Medicine & Industry

Mature market

Product innovations

Smaller acquisitions

The Nuclear Medicine & Industry division of Eckert & Ziegler operates in mature markets, but with slow growth rates. Nevertheless, this core business has proved to be the cash cow in the portfolio. The Berlin-based Company has succeeded in making an additional impact with innovative products and by demonstrating new applications for existing technologies. For instance, since 11 September 2001 so-called "sniffer dogs" have been used for security checks of passengers and luggage at airports. Moreover, in the past there was talk of rounding off the portfolio. For example, in 2005 Analytics (with revenues of around US$ 3 million) was taken over. This company dealt in products for monitoring nuclear power plants and calibration sources for nuclear medicine. We believe the strategy to date has been successful, with the result that in the future, too, this division will be one of the Group's major mainstays.

Outlook: Nuclear Medicine & Industry

LBBW Base scenario: Nuclear Medicine & Industry

€ '000	2007e	2008e	2009e	2010e
Sales	25,000	25,500	26,000	26,500
Δ in %	0%	2%	2%	2%
EBIT	4,750	4,340	4,160	4,300
EBIT-margin in %	19%	17%	16%	16%

Source: LBBW Research

EBIT margin 07e: 19%

EBT margin 07e: 17%

- Eckert & Ziegler provides very little information on individual divisions in its quarterly and annual financial statements. On the basis of the income statement only revenues and net income before minority interests are published. We put the EBIT margin for the Nuclear Medicine & Industry division in fiscal 2007 at 19% and the EBT margin at 17%. This is thus above the Group's EBIT margin of just under 12% in fiscal 2006 and on the medium-term Group target of 15%. In the following years this figure is likely to deteriorate a little for cyclical reasons.

Business booming at the moment

- At the moment business in the Industry division is booming, which is reflected in a strong demand for raw isotopes for gas and oil exploration. Furthermore, there is a particular boom in the Industrial Components unit thanks to their use in "container x-rays" in ports. We expect this economic uptrend to continue in the areas of application in fiscal 2008.

Weak USD having negative effect

- Eckert & Ziegler generates a large proportion of revenues in this division outside the euro area, mostly in the USD area. The weak USD and accounting in euros result in risks from currency translation at revenue level, which have had a negative impact over the past few quarters.

Dollar forecast US$/€ 1.40 in line with LBBW scenario

- Eckert & Ziegler has adopted a guarded stance in its guidance for 2008 . If the dollar exchange rate stabilises at US$ 1.40/€, the Company projects strong nominal growth rates for Nuclear Medicine & Industry in fiscal 2008. We forecast revenue growth of 2%, while the Company's dollar projection is in line with the assumptions made by LBBW's economic research department.

Currency sensitivity in Nuclear Medicine & Industry:

the US dollar becomes 1 cents weaker =>

Sales/EBIT decrease by 1%

- Generally speaking, we estimate the currency effect as follows: if the US dollar becomes 1 cents weaker, dropping from US$ 1.40/€ to US$ 1.41/€, both revenues and EBIT are likely to decrease by 1%. The margin has the same level.

Estimated effect of the US dollar on revenues and EBIT

change in US$	Sales 2008 in thousand €	EBIT 2008 in thousand €	change in Sales-EBIT
LBBW Scenario	25,500	4,340	
weakening			
1 Cent to 1.41 US$/€	25,245	4297	- 1%
1 Cent to 1.50 US$/€	22,959	3906	- 10%
			-
recovery			-
1 Cent to 1.39 US$/€	25,755	4,383	+ 1%
10 Cents to 1.30 US$/€	28,050	4,774	+ 10%

Source: LBBW

Source: LBBW Research

Core business: evaluation of the basic scenario

Analysis of core business Nuclear Medicine & Industry

Below we have evaluated the core business and Nuclear Medicine & Industry separately within the framework of our LBBW scenario. In the case of the discounted cash flow analysis we make the following assumptions in the detailed planning period from 2007 - 2011:

Assumptions for detailed planning period

- We project growth in line with the average European and North American gross national product of 2%. Here we have placed ourselves at the lower end of the rage in order to allow for the potential negative impact of a weak US dollar on revenues.
- The EBIT margin is likely to decrease from 19% to 15% over the forecast period. This projection includes a conservative approach to cyclical

influences.

- We anticipate a tax rate of 34%.
- 80% of net debt (LBBWe 2007: € 7.5 million) is accounted for by the holding company. If the remaining debts are distributed over the individual divisions on a straight-line basis, we forecast a net debt of € 0.5 million for Nuclear Medicine & Industry.
- Minority interests with an effect on earnings are only to be found in the Nuclear Medicine & Industry division (LBBWe 2007: € 0.25 million).

For stage two, which covers the years 2012 to 2016, the free cash flows have been calculated on the basis of value drivers.

Value driver

Value driver	
Sales growth	2%
EBIT- margin	14%
Tax rate	**34%**
Amortisation rate	6%
Provision rate	8%
Capital expenditure	6%
Net working capital	25%
Terminal growth rate	0,5 %

Source: LBBW

DCF assumptions

Furthermore, we put the risk-free interest rate at 4.0% and the market-risk premium on shares at 5.2%. We have taken a conservative approach with a beta factor of 1.6.

DCF model - assumptions	
Risk free interest rate	4,0 %
Market premium	5,2 %
Beta factor	1,60
Cost of equity	12,8 %
Cost of debt (after tax)	4,3 %
Equity ratio target	60,0 %
WACC	9,4 %
Terminal growth rate	0,5 %

Source: LBBW

This results in the following free cash flow:

Free Cashflow (€m)	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Revenues	**25,0**	**25,5**	**26,0**	**26,5**	**27,1**	**27,6**	**28,2**	**28,7**	**29,3**	**29,9**
Grwoth (yoy)	*0,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*
EBIT	4,8	4,3	4,2	4,3	4,1	4,1	3,9	4,0	4,1	4,2
EBIT margin	*19,0 %*	*17,0 %*	*16,0 %*	*16,2 %*	*15,0 %*	*15,0 %*	*14,0 %*	*14,0 %*	*14,0 %*	*14,0 %*
Taxes	1,6	1,5	1,4	1,4	1,4	1,4	1,3	1,4	1,4	1,4
Tax rate	*34,0 %*	*34,0 %*	*34,3 %*	*34,3 %*	*34,0 %*	*34,2 %*	*34,4 %*	*34,0 %*	*34,0 %*	*34,0 %*
Depreciation/Amortisation	1,3	1,4	1,4	1,6	1,6	1,7	1,7	1,7	1,8	1,8
to revenues	*5,2 %*	*5,5 %*	*5,4 %*	*6,0 %*	*6,0 %*	*6,0 %*	*6,0 %*	*6,0 %*	*6,0 %*	*6,0 %*
Provisions	1,9	2,0	2,0	2,1	2,2	2,2	2,3	2,3	2,3	2,4
to revenues	*7,5 %*	*7,8 %*	*7,7 %*	*7,9 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*
Cashflow from operating activiti	**4,3**	**4,4**	**4,2**	**4,4**	**4,3**	**4,4**	**4,3**	**4,4**	**4,5**	**4,6**
Investments	1,3	1,4	1,5	1,6	1,6	1,7	1,7	1,7	1,8	1,8
to revenues	5,2 %	5,5 %	5,8 %	6,0 %	6,0 %	6,0 %	6,0 %	6,0 %	6,0 %	6,0 %
Working Capital	7,3	6,6	6,5	6,6	6,8	6,9	7,0	7,2	7,3	7,5
to revenues	29,2 %	25,9 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %
Change	-0,4	-0,7	-0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Free Cashflow	**3,4**	**3,6**	**2,8**	**2,7**	**2,6**	**2,6**	**2,5**	**2,6**	**2,6**	**2,7**

Source: LBBW

Our DCF model produces a fair value of € 10.30.

Calculation of share value (€mn)	
Present value planned Free Cashflows	20,2
Present value Terminal Value	13,0
Enterprise Value	**33,2**
Ratio Terminal Value to Enterprise Value	*39,3 %*
Net financial debt	0,5
Minorities	0,3
Provisions for pensions	0,0
Fair value	**32,3**
Number of shares (mn)	3,1
Fair value per share (€)	**10,28**

Source: LBBW

Preliminary conclusion

DCF valuation:
Nuclear Medicine & Industry
Fair value of € 10.30

The Nuclear Medicine & Industry division is likely to remain the key source of earnings for Eckert & Ziegler in the future. This cash cow has a fair value of € 10.30 in our LBBW scenario. We have not differentiated further in terms of a best and worst-case scenario. However, the Company does not depend only on this portfolio mainstay, but is also pinning its hopes on the Therapy and Radiopharmaceuticals divisions. Below we have analyzed the potential of both divisions more closely in different scenarios.

Opportunity 1: Brachytherapy and radiotherapy

Focus on prostate cancer

One of the most promising elements of Eckert & Ziegler's portfolio, the Therapy division primarily concentrates on developing radioactive sources for cardiology and oncology and launching them on the market. One key aspect of oncology is the treatment of prostate cancer by means of radioactive ion seeds. Other products entail low and high-dose-rate afterloaders. Sources or iridium radiation are combined in the Others division. The customers for products in the Therapy division are producers of medical products and clinics. With revenues of € 20 million in 2007, this division has accounted for 38% of consolidated revenues in 2007.

Forecast for prostate cancer

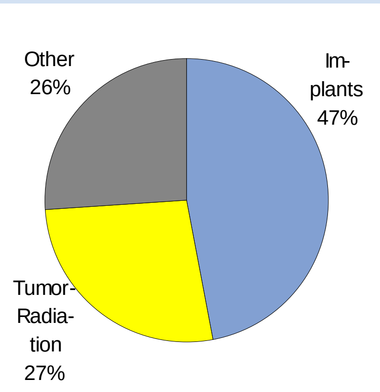
Background information on cancer

The sad fact is that the global oncology market had a volume of USD 47.6 billion in 2005, an increase of 16% over 2004. According to the WHO, 7.6 million (13%) mortalities are due to cancer, with this figure forecast to increase to 9 million in 2014 and 11.4 million in 2030. As cancer is a disease that tends to occur at an advanced age, the growing incidence is due to increasingly aging populations. Eckert & Ziegler specialises in treating early-stage prostate cancer.

Background information on using seed implantation to treat prostate cancer

Prostate cancer is one of the most frequent types of tumour in men and in Germany is primarily treated by surgery**.** According to the estimates of the Robert Koch Institute, around 44,800 men were diagnosed as having a malignant tumour of the prostate gland in Germany in 2005. With around 11,000 mortalities a year, prostate carcinoma is the second most frequent cancer-related cause of death. Studies conducted in the EU and the United States also reveal alarming statistics.

Therapy revenues (2007e: € 20 mn)



Source: LBBW

Forecast number of prostate cancer cases in 2006-2100 in selected countries

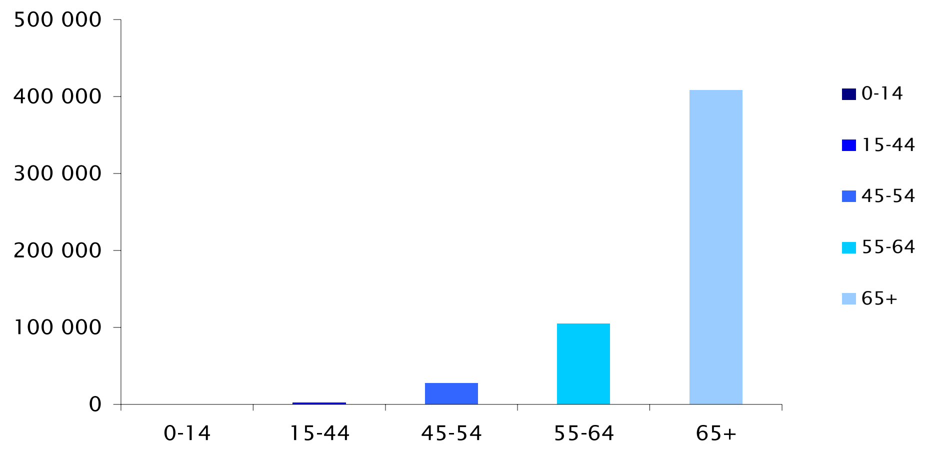
Country (in thousands)	2006	2007e	2008e	2009e	2010e	2011e
France						
Incidence	30,58	30,70	30,81	30,92	31,04	31,15
Prevalence	110,79	111,20	111,61	112,02	112,44	112,85
Germany						
Incidence	44,83	44,83	44,84	44,84	44,85	44,85
Prevalence	167,11	167,13	167,15	167,16	167,18	167,20
Italy						
Incidence	24,17	24,18	24,20	24,22	24,23	24,25
Prevalence	82,23	82,29	82,35	82,40	82,46	82,52
Spain						
Incidence	13,63	13,65	13,67	13,69	13,71	13,71
Prevalence	46,06	46,13	46,20	46,27	46,34	46,40
UK						
Incidence	28,40	28,48	28,56	28,64	28,74	28,80
Prevalence	83,83	84,06	84,30	84,54	84,77	85,02
EU5						
Incidence	141,61	141,84	142,08	142,31	142,55	142,79
Prevalence	490,02	490,81	491.60	492,39	493,19	493,98
US						
Incidence	260,34	262,73	265,15	267,59	270,05	272,50
Prevalence	1142,44	1152,95	1163,55	1174,26	1185,06	1195,80
Total						
Incidence	**419,02**	**421,66**	**424,32**	**427,00**	**429,71**	**432,40**
Prevalence	**1697,57**	**1708,90**	**1720,33**	**1731,86**	**1743,50**	**1755,06**

Sources: Business Insights, IARC 2005, EUROCARE 2005, SEER 2005

Reasons

The precise causes of prostate cancer are still not known. However, there are a number of factors heightening the risk of contracting prostate cancer. The most important indicators are age, race and family predisposition. Prostate cancer is typically an “old man’s” disease, with nine out of ten patients aged over 60 years upon being diagnosed and the mean age standing at over 65 years.

Frequency of prostate cancer by age group (global)



Sources: Globoscan, LBBW Research

Early diagnosis

The earlier the disease is diagnosed, the more effectively it can be treated. Simple diagnostic procedures are available such as digital examinations and PSA tests, for which a blood sample is required. In Germany, the blood test is not yet part of the statutory cancer early detection program. A biopsy is taken in the event of any suspicion.

Possible therapies

The appropriate method of treatment is selected on the basis of the extent to which the carcinoma has spread, its malignity, the patient's general condition and biological age as well as any other illnesses which he may have.

Seed implantation
Afterloader therapy
just one possibility

These factors are considered in selecting the therapy to be adopted. As a matter of principle, local treatment (e.g. operation, radiation) is preferred in the case of locally confined prostate carcinomas, systematic (general) treatment (e.g. hormone therapy) in the case of advanced conditions and chemotherapy with recurring incidences.

Treatment options

1	Radical prostatectomy	surgical removal of the entire prostate
2	Radiation therapy	
2.1	Seed implementation	implanting radioactive material a few milimeters in size directly into the prostate
2.2	External radiation	high-energy rays are aimed at the tumour from outside the body
2.3	Afterloading therapy	highly radioactive sources are temporarily inserted into the prostate
3	Hormone therapy	suppresses the effect of hormones
4	Chemotherapy	use of drugs that kill cancer cells or impede their growth
5	Watchful waiting	the tumor is not treated but closely watched at regular intervals

Source: Eckert & Ziegler AG

Curative forms of therapy (treatment with great chance of success) for locally confined prostate carcinomas include radical prostatectomy, external radiation and brachytherapy. A further alternative to these methods is proton therapy, which, like brachytherapy exhibits less pronounced side effects.

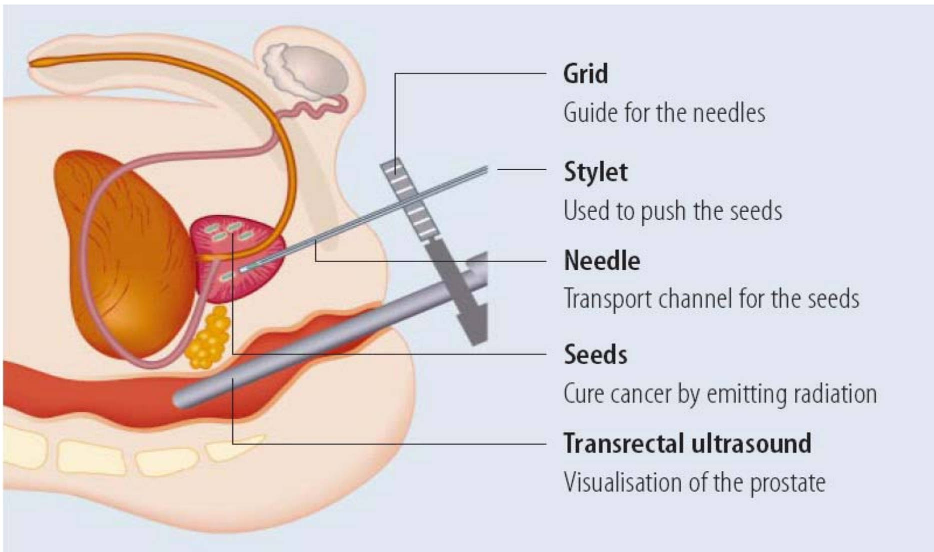
Brachytherapy possible at an early stage

Area of application: Brachytherapy

If a tumour is discovered early enough, it is generally possible for it to be treated using brachytherapy. This is the case if the tumour is of a confined size, there is not yet any intergrowth with the surrounding tissue and it has not yet metastasised. These are known as T1 and T2 tumours. In addition, the Gleason value must be < 7 (system for classifying the aggressiveness of cancer), the PSA value < 10 and the volume of the prostate < 50 ccm. If intergrowth or metastasation has already occurred (T3 and T4), the tumour can no longer be treated using brachytherapy.

Brachytherapy is a minimally invasive procedure that can be performed within an hour on an out-patient basis. It entails implanting between 50 and 80 small, weakly radio-active seeds in the prostate. They contain the short-lived radio nuclide iodine 125 with a half-life of 59.5 days. A seed is 4.5 mm long and has a diameter of 0.6 mm (see adjacent picture). Eckert & Ziegler is only active in the market for iodine seeds.

Diagram of a seed implantation



Source: Eckert & Ziegler

Long-term data (up to 15 years) shows that the treatment of an early prostate carcinoma using seed implantation achieves similar success rates as radical prostatectomy. However, side effects occur a good deal less frequently than with the surgical removal of the prostate: The incontinence rate is under 1% (5-30% in the case of prostatectomy) and the impotence rate only 15-25% (50-100% in the case of prostatectomy).

Cost analysis: brachytherapy vs. prostatectomy

Brachytherapy involves higher operation costs

Lower post-operative costs

Brachytherapy initially causes higher treatment costs than the full surgical removal of the prostate**.** This is reflected in a higher DRG billing factor of 2.145 compared with 1.174 for a prostatectomy**.** However, the financial advantages arise as a result of the lower post-operative expenses (rehab).

analysis of costs	Brachytherapy	prostate operation
DRG base relation (factor)	2145	1174
clinical DRG base value	2500	2500
= operation costs	5363	2935
therapy costs after the operation	445	-
reha costs		4200
sum	**5808**	**7135**

Source: Eckert & Ziegler

Preliminary conclusion: Brachytherapy is only an option for a limited group of patients. In terms of costs, the higher operation costs are offset by lower follow-up costs.

Afterloader

Area of application: Tumour radiation

In addition, Eckert & Ziegler produces afterloaders, i.e. radiotherapy devices for treating cancer in which a source of radioactive radiation is inserted into an organ such as the uterus by means of a thin catheter. After the conclusion of radiotherapy, the source of radiation is removed in the same way. The advantage of afterloading is that it can concentrate high rates of radiation on tumours without harming the surrounding tissue.

Market analysis: brachytherapy and tumor radiation

- **Seeds:** In the United States, very widespread use is made of seeds to treat early-stage prostate cancer. Roughly one third of the prostate carcinomas diagnosed in the United States are treated using seeds.

United States is the pioneer

Number of patients (US in thousand)	2002	2008e	CAGR
Prostatectomy	48,2	57,1	*2,9 %*
Brachytherapy	56,3	60,8	*1,3 %*
External beam radiation therapy	59,3	72,3	*3,4 %*
Cryosurgery	3,5	15,3	*27,8 %*
High-intensity focused ultrasound	0,0	2,3	-
Total	167,3	207,7	*3,7 %*

Source: Medtech Insight

United States:

- **Eckert & Ziegler not present**
- **Oncura market leader**
- **Market consolidation**
- **Low growth: 1.3% p.a.**
- **Falling prices: -0.9% p.a.**

With a volume of USD 250 million (source: Frost & Sullivan), the US iodine seed market is split up amongst the main operators Oncura (56%), Bard (30%), Mentor Corporation (6%) as well as smaller companies (8%). The US market has already begun to consolidate. The number of patients treated with seed implantation has reached a high level (annual growth of 1.3%), with potential for additional expansion limited or, at most, driven by demographic changes. At the same time, seed prices are declining. According to Frost & Sullivan, prices should drop from USD 23.2 per seed in 2003 to USD 21.8 in 2010 (CAGR: -0.9%).

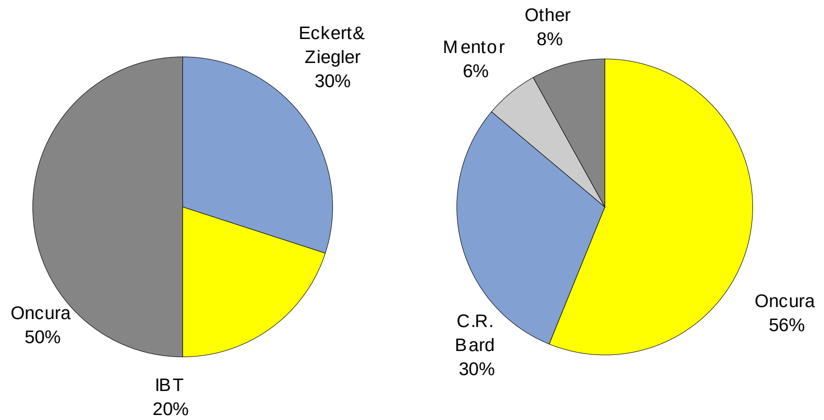
Europe:

- **Eckert & Ziegler 1/3 of the markets**
- **Eckert & Ziegler's revenues EUR 10 mn p.a.**
- **Oncura market leader**
- **So far no market consolidation**
- **Growth potential 9% p.a.**
- **Price erosion: -0.4 % p.a.**

In Europe, by contrast, seed implantation for treating prostate cancer has not progressed anywhere near as far. We assume that the European seed therapy (iodine) market is worth € 35 million. With an estimated 2,000 treatments a year and an average reimbursement of nearly € 5,400 per implantation, Eckert & Ziegler generates revenues of around € 10 million, translating into around one third of the market. In Germany, it has a somewhat smaller share of 20% of the market. According to Frost & Sullivan, the European market is set to grow by 9% p.a. The main competitors are its US peers Oncura (50%) and IBT (20%). Remarkably, Eckert & Ziegler is producing seeds for Bard and Nucletron for the European market. Eckert & Ziegler only offers its iodine seeds in Europe. The market is not yet showing any signs of consolidation.

Market participants

Market participants European seed market US seed market



Sources: US seed market: Frost & Sullivan, European seed market: Eckert & Ziegler

In Europe, seed prices are also eroding, albeit less drastically. According to Frost & Sullivan, the average selling price of an iodine seed is expected to drop from USD 29.2 in 2003 to USD 28.3 in 2010 (CAGR: -0.4%).

Afterloader market
€ 100 million
Eckert & Ziegler:
Revenues of € 12-13 mn p.a.
Production p.a. 40 units

- The afterloader market has an estimated global volume of € 100 million. We assume that Eckert & Ziegler’s share of this is worth € 12 - 13 million. We estimate that 2,000 – 3,000 afterloaders are currently in use. Eckert & Ziegler produces around 40 devices per year. Given an average useful life of 10 years, service contracts form a crucial aspect of this business. Eckert & Ziegler expect this sub-segment to grow at double digit rates.

Strategy: brachytherapy and tumor radiation

Eckert & Ziegler is clearly positioning this segment for growth and is seeking double-digit expansion rates, which it hopes to achieve on the basis of the following strategic building blocks:

Medical checkups

- **Greater awareness of the need for early detection:** As seed implantation can only be used to treat early-stage tumours, timely diagnosis plays a crucial role. In the United States, examinations for the early diagnosis of prostate cancer are very widespread. This may be due to the fact that the cost of the PSA blood test is refundable. Eckert & Ziegler is endeavouring to raise awareness of the importance of this issue and encouraging men to have regular medical checkups. This it does, for example, by attending men's health conferences. In Germany, the test costs € 20 and is only reimbursed by private health insurance companies.

Campaign to have the costs refundable

- **Campaign to have the costs refundable**: In Germany, brachytherapy is performed on an in-patient basis in accordance with the DRG billing code. However, one of the main advantages of brachytherapy is that it can be used on an out-patient basis. For this purpose, the refundability of the costs must be negotiated with the health insurance fund on an individual basis. Germany lags behind the rest of Europe with respect to the refundability of these costs. The situation in many other European countries such as Benelux, the UK and Spain is better.

Refundability in the individual countries

Country	Regelung
Belgium	Reimbursement of all costs
France	Reimbursement within the framework of fixed budgets in selected state-run cancer centers General reimbursement in private hospitals
Germany	Reimbursement within the framework of DRG and "Integrierte Versorgung"
Great Britain	Reimbursement by NHS (National Health Service) in selected hospitals
Italy	Reimbursement in several regions
Netherlands	Reimbursement of all costs within the framework of an authorised budget
Portugal	Reimbursement within the framework of the two state-run cancer centers' budgets
Switzerland	Reimbursement of a fixed amount

Source: Eckert & Ziegler AG

Although Eckert & Ziegler is lobbying the responsible authorities in an effort to have this form of therapy included in the general refund catalogue, this decision ultimately lies in the hands of the health insurance committees.

Partnership venture

- **Seed production for competitors:** Eckert & Ziegler is collaborating with its US competitors Bard and Nucletron in the European market by producing seeds for them. This ensures improved capacity utilization resulting in economies of scale. In 2003, it also announced that it had signed a partnership contract with US company Theragenics, which primarily produces and distributes palladium implants for brachytherapy. The contract entailed the construction of a production line for iodine seeds. Eckert & Ziegler agreed to leave US business to Theragenics in this segment, receiving in return the distribution rights for Theragenics products in Europe. In this way, the palladium implants extend Eckert & Ziegler's range in Europe.

Distribution system

- **Reinforcement of distribution system:** With the greater focus on treating oncological conditions by means of permanent radioactive implants, the distribution system has additionally grown in importance.

New indications

- **Additional indications**: With its afterloaders, Eckert & Ziegler has been able to offer therapies for further indications. In this connection, a distinction is drawn between low dose rate (LDR) and high dose rate (HDR) brachytherapy.

Device	Brachytherapy	Indication (cancer)
Curietron	LDR	Cervix
MultiSource	HDR	Bladder, Breast, Uterus, Cervix, Brain, Neck, Lung, Prostate, Throat, Tongue

Source: Eckert & Ziegler AG

Acquisitions

- **Acquisition strategy - forward integration:** After acquiring afterloaders from Schering and HEK, the primary task was to centralise production, administration and distribution to improve the profitability of its therapy business. By using sources of radiation with a longer half time (cobalt emitters), it is possible to sell the equipment in countries with less favourable logistic conditions. At the same time, it permits forward integration as new customers can be included in the Group. This means that through the acquisition of afterloaders it is possible to distribute not only the equipment but also the necessary consumables, such as the radioactive material.

Preliminary conclusion

Strategy successful so far

We consider the strategy the company has being pursuing on the European market to date to be successful. That said, Eckert & Ziegler has not yet had to contend with any massive US competition. Its US peers have far larger

Moderate revenue growth in 2007 und 2008

Conservative revenue forecast as of 2009

EBIT margin LBBWe: 13%
EBT margin LBBWe: 8%
Tax rate: 37%

Net debt: € 0.5 mn

production volumes in their home market and presumably also lower unit costs. So far, approval-related obstacles, high transportation costs and complicated logistics have prevented them from seeking to put their economies of scale to use in Europe. However, if the European seed market picks up momentum, this stance could easily change, resulting in heightened competition.

Opportunity 1: Valuation on a stand-alone basis

Eckert & Ziegler views this division as a key element of the future development its portfolio and thinks that it is capable of growing at double-digit rates. The following scenario analysis illuminates this division from various angles.

- **LBBW scenario: Therapy**

LBBW Scenario Therapy

in thousands €	2007e	2008e	2009e	2010e
Sales	20,000	20,200	20,600	21.,00
Δ in %	1%	1%	2%	2%
EBIT	2,500	2,626	2,678	2,732
EBIT margin in %	13%	13%	13%	13%

Our cash flow analysis is again based on the specific forecasts for 2007 through 2011:

- We project only moderate top-line growth of 1% in 2007 and 2008 as in contrast to the previous two years no major new contracts for radiotherapy devices were signed. Moreover, the euro's ascent against the US dollar and the yen is not only exerting pressure on sales volumes for therapeutical products but also reducing the volume of revenues invoiced in dollars in purely notional terms.

- Generally speaking, trends in this division depend on the reimbursement arrangements in the individual European countries. Our basic scenario assumes annual revenue growth of 2% as of 2009, i.e. well short of the Company's forecast of double-digit growth and organic market growth of 9% (see page 19). Our conservative forecasts factor in the possible entry of US operators into the European market. We assume that there will be no change in the current situation with respect to reimbursements of medical costs and thus expect to see further improvements in margins.

- We project an EBIT margin of a constant 13% and a tax rate of 37%.

- We forecast net debt of € 0.5 million on the assumption that 80% of net debt (LBBWE: € 7.5 million) is allocated to the holding company, with the balance spread evenly over the individual divisions.

No minorities

- As the only minority interests are in the Nuclear Medicine and Industry division, we have allowed for minorities of € 0 million here.

For stage two, which covers the years 2012 to 2016, our free cash flow calculations are based on value drivers. We have assumed a terminal growth rate of 0.5% for cash flows from 2017 onwards.

Value drivers

Value driver	
Sales growth	2%
EBIT-margin	13%
Tax rate	**37%**
Amortisation rate	10 %
Provision rate	8%
Capital expenditure	10%
Net working capital	25%
Terminal growth rate	0,5%

This results in the following free cash flow situation:

Cash flow

Free Cashflow (€m)	**2007e**	**2008e**	**2009e**	**2010e**	**2011e**	**2012e**	**2013e**	**2014e**	**2015e**	**2016e**
Revenues	**20,0**	**20,2**	**20,6**	**21,0**	**21,4**	**21,9**	**22,3**	**22,7**	**23,2**	**23,7**
Grwoth (yoy)	*1,0 %*	*1,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,1 %*
EBIT	2,5	2,6	2,7	2,7	2,8	2,8	2,9	3,0	3,0	3,1
EBIT margin	*12,5 %*	*13,0 %*	*13,0 %*	*13,0 %*	*13,0 %*	*13,0 %*	*13,0 %*	*13,0 %*	*13,0 %*	*13,0 %*
Taxes	0,6	0,7	0,8	0,8	0,8	1,0	1,1	1,2	1,3	1,3
Tax rate	*37,0 %*	*37,0 %*	*37,2 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*
Depreciation/Amortisation	2,0	2,0	2,0	2,0	2,1	2,1	2,2	2,2	2,3	2,3
to revenues	*10,0 %*	*10,1 %*	*9,7 %*	*9,5 %*	*9,8 %*	*9,6 %*	*9,9 %*	*9,7 %*	*10,1 %*	*9,7 %*
Provisions	1,5	1,6	1,6	1,7	1,7	1,7	1,8	1,8	1,9	1,9
to revenues	*7,5 %*	*7,9 %*	*8,0 %*	*8,0 %*	*8,1 %*	*7,8 %*	*8,1 %*	*7,9 %*	*8,2 %*	*8,0 %*
Cashflow from operating activiti	**3,4**	**4,1**	**4,0**	**3,9**	**3,9**	**3,9**	**4,1**	**4,1**	**4,4**	**4,2**
Investments	2,0	2,0	2,0	2,0	2,1	2,1	2,1	2,2	2,3	2,3
to revenues	10,0 %	10,1 %	9,7 %	9,5 %	9,8 %	9,6 %	9,6 %	9,7 %	10,1 %	9,7 %
Working Capital	5,0	5,0	5,2	5,3	5,4	5,5	5,6	5,7	5,8	5,9
to revenues	25,0 %	24,8 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %
Change	0,0	0,0	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Free Cashflow	**1,4**	**2,0**	**1,8**	**1,7**	**1,7**	**1,6**	**1,8**	**1,7**	**1,9**	**1,7**

Source: LBBW

Our DCF model produces a fair value of € 6.30.

LBBW scenario for the Therapy division

Fair value € 6.30

Calculation of share value (€mn)	
Present value planned Free Cashflows	11,4
Present value Terminal Value	9,0
Enterprise Value	**20,4**
Ratio Terminal Value to Enterprise Value	*44,1 %*
Net financial debt	0,5
Minorities	0,0
Provisions for pensions	0,0
Fair value	**19,8**
Number of shares (mn)	3,1
Fair value per share (€)	**6,31**

Source: LBBW

Preliminary conclusion

LBBW scenario for the Therapy division

Preliminary conclusion

The LBBW scenario for the Therapy segment is based on conservative assumptions with moderate growth well below the company's own forecasts. Even this scenario produces a fair value of € 6.30.

Worst-case scenario for the Therapy division

Worst-case scenario for the Therapy division

€ '000	2007e	2008e	2009e	2010e
Sales	20,000	19,600	19,200	18,800
Δ in %	1%	-2%	-2%	-2%
EBIT	2,500	1,900	1,700	1,400
EBIT-margin in %	13%	10%	9%	7%

Source: LBBW

Worst-case scenario for the Therapy division

Fair value € 3.30

We project a decline in sales of 2% both in the detailed planning phase and in the long term (assumption for 2007), with the EBIT margin also shrinking from 12% to 7%. This worst case scenario yields a fair value of € 3.30 based on growth of 0% in the perpetual annuity.

Calculation of share value (€mn)	
Present value planned Free Cashflows	7,0
Present value Terminal Value	4,1
Enterprise Value	**11,1**
Ratio Terminal Value to Enterprise Value	*36,8 %*
Net financial debt	0,5
Minorities	0,0
Provisions for pensions	0,0
Fair value	**10,5**
Number of shares (mn)	3,1
Fair value per share (€)	**3,34**

Source: LBBW

Best-case scenario: Therapy

Best-case scenario: Therapy

in Tsd. €	2007e	2008e	2009e	2010e
Sales	20,000	20,200	21,200	22,300
Δ in %	1%	1%	5%	5%
EBIT	2,500	2,800	3,200	3,300
EBIT-margin in %	13%	14%	15%	15%

Quelle: LBBW

Fair value for the Therapy division

Best case scenario: € 9.80

This scenario assumes an improvement in the reimbursement arrangements, e.g. in Germany. In addition, Eckert & Ziegler should be able to gradually extend its market share, resulting in top-line growth of 5% in Phase and Phase 2. The EBIT margin should widen to 15% in the detailed planning phase, coming to 16% later on. The best case scenario yields a fair value of € 9.80

Calculation of share value (€mn)	
Present value planned Free Cashflows	15,6
Present value Terminal Value	15,7
Enterprise Value	**31,3**
Ratio Terminal Value to Enterprise Value	*50,2 %*
Net financial debt	0,5
Minorities	0,0
Provisions for pensions	0,0
Fair value	**30,8**
Number of shares (mn)	3,1
Fair value per share (€)	**9,79**

Source: LBBW

As a result, the fair value in this scenario comes close to the figure for the Industry and Nuclear Medicine division on a stand-alone basis. The two divisions have now evolved into two equal business units.

Interim conclusion:

Summary for Therapy (rounded)			
in €	Worst Case fair value	LBBW-Scenario fair value	Best Case fair value
Therapy	€ 3.30	€ 6.30	€ 9.80

Source: LBBW

Obstacles set to continue exerting pressure

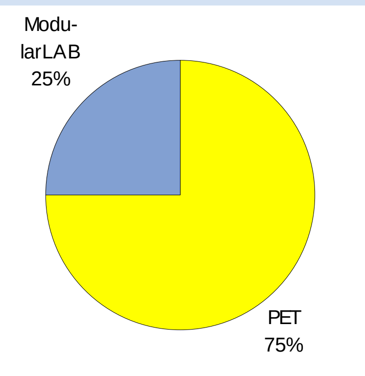
Eckert & Ziegler is pinning its hopes to brachytherapy (seed implantation) in Europe, particularly Germany. However, there are still obstacles which are based on methods, personal motivation and political factors. Seed implantation is only viable in T1/T2-stage cancer and can thus only be used in early stages. As preventive checkups are not as widespread in Europe as in the United States, there are limits to brachytherapy business. This may be due to the fact that the cost of the PSA blood test is not reimbursed in many countries. What is more, many doctors and decision-makers at the health insurance funds still have to be convinced of the advantages of this therapy over conventional prostatectomy. Our basic scenario assumes only moderate growth of 2% and no improvement in margins, making us a good deal more conservative than management.

Opportunity 2: Radiopharmacy

LBBW scenario assumes no

Radiopharmacy:

Sales 07e: (€ 7.8 million)



Source: LBBW

more than modest progress

In fiscal 2006 the new Radiopharmacy division was spin off from the Nuclear Medicine and Industry division. With its products and services the new division focuses on radiopharmaceutical applications in the nuclear medicine segment. Operating from production sites in Germany and Italy, the division provides radioactive contrast mediums for positron emission tomography (PET), radiopharmaceutical generics and the plants for their production, so-called systems modules (ModularLab). The Radiopharmacy division contributes nearly 15% to consolidated revenues.

Radiopharmaceuticals as area of application

The most important imaging procedures include ultrasound, X-ray technologies, magnetic resonance or core spin tomography and positron emission tomography (PET). PET is a radiology procedure involving imaging which allows the diagnosis of organ and tissue diseases. However, instead of using radionuclides that emit gamma rays, PET uses positron-emitting isotopes. To this end, it is necessary for the patient to take radiopharmaceuticals before the examination. PET is particularly well suited for presenting metabolistic

Radiopharmacy new segment since 2006

Opportunities provided by PET

processes. This fact is of interest because tumours show increased sugar consumption. One positive aspect of the procedure is that it allows the entire body to be checked for tumours. On the other hand, one drawback of the procedure is the limited resolution of approx. 2.5 mm, which makes it difficult to determine the precise location in the body of small metastases. By contrast, computer tomography (CT) can establish the precise location of a tumour, while metabolisation (e.g. changes in enzyme activity) cannot always be diagnosed. The solution lies in so-called hybrid systems which combine the benefits of PET with those of CT scans. Given the drawbacks of the individual systems, hybrid systems are thought to have substantial growth potential over the next few years. Eckert & Ziegler provides radioactive contrast mediums for PET and hybrid diagnosis.

Market analysis for radiopharmaceuticals

PET small submarket of diagnostic radiopharmaceuticals

Diagnostic radiopharmaceuticals include radionuclides that are used either in gamma cameras or in PET scanners. According to a study by Frost and Sullivan, their market in 2007 should reach a volume of US$ 466 million, increasing at an annual growth rate of 6.8% to US$ 567 million by 2010. Conventional radiopharmaceuticals (gamma cameras) have only limited growth rates, as the market is saturated. By contrast, although PET radiopharmaceuticals account for no more than a small percentage of the overall market, their growth rates are high. According to a study carried out by Bio-Tech Systems Inc, PET grew by 13% in 2005. A survey conducted by EAMN found that 163 PET and 166 PET/CT scanners were in operation in the EU in 2006.

High growth rates according to Eckert&Ziegler

According to Eckert & Ziegler, the US PET market probably has a volume of US$ 250 million. The Berlin-based company thinks that a similar size can be reached by Europe in the future, albeit with a time lag of 10 years.

Market potential of US$ 250 million

GE Healthcare dominates the radiopharmaceuticals market in Europe with a market share of 32%. The numbers two and three on the market are Tyco Healthcare (27%) and Schering (Bayer, 24%). Bristol-Myers Squibb lags far behind with 10%, while the 7% left is accounted for by the remaining companies. In fully automated drug production (ModularLab), GE Healthcare is Eckert & Ziegler's main rival.

Strategy: Radiopharmacy

Eckert & Ziegler is yet to set a course in this young, independent business field. The strategic components aimed at achieving this are as follows:

Build-up of know how

- **Know how concerning approval procedures and statutory provisions:** In many European countries, PET is reimbursed only by private health insurance companies and/or following a case-by-case decision. In Germany, too, the statutory health insurance companies still refuse to pay for this treatment in most indications. One positive example is the use of PET for the detection of a non-small cell lung carcinoma. This indication was recognised as a hospital service in Germany back in 2005. In April of this year, it was approved as a state health insurance service in outpatient SHI-accredited physician services. However, the number of office-based physicians with a PET system is likely to be very small. In the United States, PET is a success story. While costs for the diagnosis of metastases in cancer patients have been reimbursed for a long time, the reimbursement of costs has now been extended to include Alzheimer's disease. Eckert & Ziegler is seeking to exert its influence to extend the reimbursement to other areas.

User friendliness

- **Increasing user friendliness:** The development of synthetic modules for fully automated drug production (ModularLab) facilitates the everyday work of specialised staff. Eckert & Ziegler launched this system as recently as Q4/06 and is still recording start-up losses. It is now up to its sales and distribution unit to lead ModularLab to success.

Risk for new indications

Setbacks

- **New indications:** alongside new product groups such as ModularLab, the Berlin-based company is steadily seeking to extend indications. Such an approach can, however, easily prove to be a mistake. Thus Eckert & Ziegler decided, in December 2006, to abandon the clinical development of rheumatism drug SpondylAT and to withdraw from the project completely. It was only in December 2005 that Eckert & Ziegler announced the takeover of radiochloride therapy for the treatment of Ankylosing Spondylitis ("SpondylAT"). The procedure had received contingent approval by the BfArM (German Federal Institute for Drugs and Medical Devices) in 2000. The approval was contingent on the drafting of a systematic efficiency study, which still remained outstanding despite the widespread and diverse use of this kind of therapy.

Expansion

- **Expansion of the business area:** in September of this year the radiopharmaceuticals group MC Pharma GmbH was acquired. Included in this acquisition was a cyclotron for the production of radioactive contrast media. Eckert & Ziegler operates its own cyclotrons in Berlin and Milan.

Reorganisation

- **Reorganisation:** a new management team for the Radiopharmacy division was introduced at the end of September. Management board member Dr. Hey is leaving the Group.

The strategy in the Radiopharmacy division is yet to prove itself. Following the failure of SpondylAT, we remain sceptical for the time being. We still see this business as a risky investment.

Consolidation effect: 2008e revenues: € 11.7 million (up 50%)

EBIT margin 2007: -1%

Writedowns on ModularLab will exert strain in the future

Opportunity 2: evaluation on stand-alone basis

Eckert & Ziegler consider this area also to be a future growth area with double-digit growth rates. The following scenario analysis looks at this business area from different perspectives:

- **LBBW scenario: Radiopharmacy**

LBBW Scenario Radiopharmacy				
'000 €	**2007e**	**2008e**	**2009e**	**2010e**
Sales	7,800	11,700	11,900	12,200
Δ in %	45%	50%	2%	2%
EBIT	-100	300	500	600
EBIT margin (%)	-1%	3%	4%	5%

- Following the consolidation of new subsidiary Eckert & Ziegler EURO PET Köln/Bonn GmbH, management estimates 2008 revenues at more than € 12 million. Our forecast of € 11.7 million is marginally below this figure.

Source: LBBW

- The performance of the Radiopharmacy division so far in 2007 has been disappointing. Since only revenues and net profit for the year before minorities are published by division, no information on the trend of margins is available. We project an EBIT margin of –1% in 2007, which we expect to improve to 3% in 2008.

- In the following 5-8 years, writedowns on the expenditure incurred in connection with the development of ModularLab are expected to result in charges totalling € 300,000 to € 400,000.

For stage two, which covers the years 2012 to 2016, we worked out our forecast of free cash flow on the basis of value drivers. We put the EBIT margin at 7% and the tax rate at 30% (starting in 2008).

Value driver	
Sales growth	2%
EBIT-margin	7%
Tax rate	**30%**
Amortisation rate	10%
Provision rate	8%
Captial expenditure	10%
Net Working Capital	25%
Terminal growth rate	0,5%

Source: LBBW

LBBW scenario: fair value of € 1.70

The projection of free cash flows produces the following picture:

Free Cashflow (€m)	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Revenues	**7,8**	**11,7**	**11,9**	**12,2**	**12,4**	**12,7**	**12,9**	**13,1**	**13,4**	**13,7**
Grwoth (yoy)	*45,0 %*	*50,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*
EBIT	-0,1	0,3	0,5	0,6	0,8	0,8	0,9	0,9	1,0	1,0
EBIT margin	*-1,3 %*	*2,6 %*	*4,2 %*	*4,9 %*	*6,4 %*	*6,3 %*	*7,0 %*	*7,0 %*	*7,5 %*	*7,0 %*
Taxes	-0,4	-0,2	0,0	0,1	0,2	0,1	0,2	0,3	0,3	0,3
Tax rate	*< 0%*	*< 0%*	*30,0 %*	*30,0 %*	*30,0 %*	*30,0 %*	*30,0 %*	*30,0 %*	*30,0 %*	*30,0 %*
Depreciation/Amortisation	0,8	1,2	1,2	1,2	1,2	1,3	1,3	1,3	1,3	1,4
to revenues	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*	*10,0 %*
Provisions	0,6	0,9	1,0	1,0	1,0	1,0	1,0	1,1	1,1	1,1
to revenues	*7,5 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,4 %*	*8,0 %*	*8,0 %*
Cashflow from operating activiti	**1,3**	**2,0**	**1,7**	**1,7**	**1,8**	**2,0**	**2,0**	**2,0**	**2,0**	**2,1**
Investments	0,8	1,1	1,2	1,2	1,3	1,3	1,3	1,3	1,3	1,4
to revenues	10,3 %	9,4 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %	10,0 %
Working Capital	2,1	2,8	2,9	3,0	3,1	3,2	3,2	3,3	3,3	3,4
to revenues	26,9 %	23,9 %	24,3 %	25,0 %	25,0 %	25,3 %	25,0 %	25,0 %	25,0 %	25,0 %
Change	0,5	0,7	0,1	0,1	0,1	0,1	0,0	0,1	0,0	0,1
Free Cashflow	**0,0**	**0,2**	**0,4**	**0,4**	**0,4**	**0,6**	**0,7**	**0,6**	**0,6**	**0,6**

Source: LBBW

Calculation of share value (€mn)	
Present value planned Free Cashflows	2,6
Present value Terminal Value	3,3
Enterprise Value	**5,9**
Ratio Terminal Value to Enterprise Value	*55,2 %*
Net financial debt	0,5
Minorities	0,0
Provisions for pensions	0,0
Fair value	**5,3**
Number of shares (mn)	3,1
Fair value per share (€)	**1,70**

Source: LBBW

Preliminary conclusion: the LBBW scenario produces a fair value of € 1.70.

Worst case Radiopharmacy Fair value: € -2.80

■ Worst-case scenario: Radiopharmacy

In this scenario we assume that Eckert & Ziegler will be unable to turn round this business and will dispose of it in 2009. Based on a staff of 31 and average redundancy payments of € 40,000 per employee, the restructuring expenditure would total € 1.24 million (€ -0.40 per share). Furthermore, in this scenario we are projecting € 4 million in depreciation and amortisation charges on fixed assets and € 3.5 million in intangible assets. This is equivalent to € -2.40 per share. According to this rough calculation, the worst-case scenario works out to a fair value of € -2.80.

Best case

Fair value: € 4.20

Best-case scenario: Radiopharmacy

Best-case scenario Radiopharmacy				
'000 €	2007e	2008e	2009e	2010e
Sales	7,800	11,700	12,300	12,900
Δ in %	45%	50%	5%	5%
EBIT	-100	300	700	1,200
EBIT margin in %	-1%	3%	6%	9%

In 2007, due to the impact of the consolidation of the Eckert & Ziegler Euro PET Köln/Bonn GmbH subsidiary, sales will surge by 50% to EUR 11.7 million. We project annual revenue growth of 5% during the detailed planning period (2009 onwards). The EBIT margin should rise steadily, finally reaching 12% in the phase between 2012 and 2017.

Calculation of share value (€mn)	
Present value planned Free Cashflows	5,4
Present value Terminal Value	8,6
Enterprise Value	**14,0**
Ratio Terminal Value to Enterprise Value	*61,7 %*
Net financial debt	0,5
Minorities	0,0
Provisions for pensions	0,0
Fair value	**13,4**
Number of shares (mn)	3,1
Fair value per share (€)	**4,27**

Source: LBBW

Radiopharmacy

Preliminary conclusion Radiopharmacy

Summary Radiopharmaceuticals

in €	Worst Case fair value	LBBW-Scenario fair value	Best Case fair value
Radiopharmacy	€ - 2.80	€ 1.70	€ 4.30

Source: LBBW

The performance of the Radiopharmacy division is still facing further obstacles.

In our basic scenario we side with the conservatives and project no more than a gradual recovery. A pleasant surprise could be provided if this business unit were to pick up speed.

Holding company

Assumed holding-company costs:

€ -4 per share

The revenues reported under this heading include management fees, travel and I+R costs. We put EBIT at a loss figure of € -1.3 million in 2007 and expect it to stabilise to a loss of € -1.0 million over the following years. Based on our forecasts for 2008, with an assumed multiple of 7 and net financial liabilities totalling € -6 million, the fair value for the holding company works out to € -13 million, equivalent to a good € -4 per share.

Valuation

Multiple-based valuation

Only a small number of competitors at international level

On many of the markets in which Eckert & Ziegler operates, the number of competitors at international level is very small. In most cases, the competition occupies individual niches, which means that the Group has in the past not had a direct competitor on account of the breadth of its product range. For instance, the small listed Belgian company IBT (International Brachytherapy) focuses only on prostate implants (revenues of € 10 million). North American Scientific (NAS) is active in industrial and nuclear imaging, but its product portfolio does not include implants. IBA is a Belgian company that operates in the radiopharmaceuticals segment.

Lack of comparable data

Due to the lack of a suitable peer group and the incomplete set of data, we have therefore carried out a multiple-based comparison at sector level in order to validate the DCF results. To this end, we have compiled a mixture of international companies operating in the medical technology sector.

	PE		EV/EBITDA		EV/Sales	
Company	2008e	2009e	2008e	2009e	2008e	2009e
IBA	20,9	15,8	25,8	18,5	1,5	1,2
Variant	20,9	21,1	k.A.	k.A.	k.A.	k.A:
Eckert & Ziegler	10,2	9,7	3,8	3,7	0,7	0,7
International Medtec	19,6	17,1	15,3	12,8	2,9	2,6

Sources: JCF, LBBW

This limited comparison underscores the fact that Eckert & Ziegler is trading at low multiples.

Financials

Review Q3/07

Q3/07:
revenues slightly down
Operations in line

The third quarter of 2007 showed a mixed picture. While revenues at € 12.8 million fell short of our projection of € 13.2 million, operating earnings came to € 15.55 million, thus doing modestly better than expected. The financial result was weighed down by negative exchange-rate effects totalling € -0.247 million to a greater than expected extent. As expected, net profit for the year declined on account of the revaluation of deferred tax liabilities and deferred tax assets. All told, the non-cash non-recurring fiscal expenditure booked in Q3 came to € 0.8 million (€ 0.27 per share).

Eckert & Ziegler Q3 2007

in € million	Q3/07	Q3/06	Δ in %	LBBWe	consensus
Sales	12,8	12,7	+1,0	13,2	n/a
EBIT	1,6	1,7	-8,0	1,5	n/a
Net profit	-0,18	0,7		-0,1	n/a
EPS	-0,06	0,22		-0,03	n/a

Sources: LBBW Research, Eckert & Ziegler, EBIT by Eckert & Ziegler's definition of operating earnings

Performance of Radiopharmaceuticals division in Q3/07

Radiopharmacy Q3/07:
encouraging revenues: +83%
no breakeven as yet
LBBWe: EBIT margin: - 3 %

Revenues in this division increased by 48% to € 5.4 million in the first nine months and in Q3/07 by 83% to € 2.264 million. Nevertheless, during the past quarter a net loss before minorities totalling € -187,000 had to be reported. EBIT was once again weighed down by the ModularLAB development expenditure. We estimate the EBIT margin of the Radiopharmacy division in Q3/07 at –3%; according to the information relayed in the conference call this corresponds to a substantial improvement in comparison with the weak Q2/07.

Nuclear Medicine and Industry division

Nuclear Medicine & Industry:
decline in revenues
USD exchange rate is exerting strain
LBBWe: EBIT margin: 18%

In the first 9 months revenues were increased by nearly 1% to € 19.1 million (+10% on an adjusted basis). Looking at the Q3 figures in isolation, this is equivalent to a modest y-o-y decline. The adverse trend of the USD/EUR exchange rate had a negative impact in this respect. Consolidated earnings before minorities were also modestly below last year's level. We are projecting an EBIT margin of 18% in Q3/07.

Therapy

Therapy Q3/07:
LBBWe: EBIT margin: 10%

Revenues in the first 9 months were up 8% to € 14.8 million. Sales of implants for the treatment of prostate cancer reported an increase, illustrating that the stepped-up sales and distribution activities in Eastern Europe are paying off. We estimate the EBIT margin in Q3 at 10%, which means that it is likely to be slightly below the level seen in the past two quarters.

Outlook for 2008

Encouraging sales performance

EPS growth of 10%

- In the Radiopharmacy division the consolidation of subsidiary Eckert & Ziegler EURO PET Köln/Bonn GmbH is expected to exert a positive impact, producing an increase in revenues to more than € 12 million (LBBWe: € 11.7 million). Based on a USD/EUR exchange rate of 1.40, Eckert & Ziegler is projecting stronger revenue growth in the Nuclear Medicine and Industry division. No more than muted revenue growth is projected for the Therapy division, as major projects for tumour irradiation systems have been acquired over the past two years.
- Based on an assumed USD/EUR exchange rate of 1.40, earnings per share should increase by at least 10% to € 1. This figure matches our own estimate of € 1.01.

Recommendation

LBBW scenario: € 14

What does the future hold for Eckert & Ziegler? The analysis has outlined various aspects of an LBBW, a best-case and a worst-case scenario in order to take account of the underlying statutory conditions of cost reimbursement and of the scarcity of available data.

Best-case scenario: € 20

Our base-case scenario focuses mainly on the core business in the Nuclear Medicine & Industry division and assumes no more than modest growth in the Therapy division. The Radiopharmacy division will be able to turn round in 2008. The LBBW scenario produces a fair value of € 14.

Worst-case scenario: € 7

The growth prospects are analysed in the best-case scenario. Potential might be found in oncology, particularly in brachytherapy for the treatment of early-stage prostate cancer. We put the fair value of the Therapy division at € 10 and that of the Radiopharmacy division at € 14. All told, the fair value in the best-case scenario totals € 20.

In the worst-case scenario, Eckert & Ziegler will be unable to turn round the Radiopharmacy division and will ultimately have to sell this business. This would lead to potential writedown and restructuring expenditure of just under € -3. In the Therapy division, too, we forecast declining revenues and falling margins in this scenario.

Summary of the scenario analysis

Base Industry & Nuclear Medicine: fair value € 10.30			
	Worst Case fair value	LBBW-Scenario fair value	Best Case fair value
+ Therapy	€ 3.30	€ 6.30	€ 9.80
+ Radiopharmacy	€ - 2,80	€ 1.70	€ 4.30
+ Holding	€ - 4.00	€ - 4.00	€- 4.00
= Company	€ 6,80	€ 14.30	€ 20.40

Source: LBBW Research

Target price € 14

Our forecasts in the LBBW scenario are based on modest growth assumptions. We put the target price at the level of the fair value, i.e. € 14. Since the areas of business are similar, we do not apply a conglomerate discount. We maintain our Buy recommendation for Eckert & Ziegler for risk-aware investors.

Annex

Profit & Loss Account €mn	2006	2007e	2008e	2009e	2010e	2011e
Revenues	**50,4**	**52,8**	**57,4**	**58,5**	**59,7**	**60,9**
Cost of Sales	-26,5	-26,5	-28,8	-29,4	-29,9	-30,6
Gross Profit	**23,9**	**26,3**	**28,6**	**29,2**	**29,8**	**30,3**
Margin	47,5%	49,8%	49,8%	49,8%	49,9%	49,8%
R&D Expenses	-0,3	-0,2	-0,4	-0,4	-0,4	-0,4
G&A Expenses	-19,0	-20,2	-22,0	-22,0	-22,4	-22,8
Other Income	1,3	0,0	0,0	0,0	0,0	0,0
EBITDA	**10,4**	**10,0**	**10,8**	**11,0**	**11,4**	**11,6**
Margin	0,2	0,2	0,2	0,2	0,2	0,2
Depreciation and Amortisation	-4,5	-4,1	-4,5	-4,6	-4,8	-4,9
EBIT	**5,9**	**5,9**	**6,3**	**6,4**	**6,6**	**6,7**
Margin	11,7%	11,2%	10,9%	11,0%	11,1%	11,0%
Net Financial Income/Expense	-1,1	-1,0	-0,8	-0,7	-0,6	-0,5
EBT	**4,7**	**4,9**	**5,5**	**5,7**	**6,0**	**6,2**
Margin	0,1	0,1	0,1	0,1	0,1	0,1
Income Taxes	-1,6	-1,8	-2,0	-2,1	-2,2	-2,3
EAT	**3,1**	**3,1**	**3,4**	**3,6**	**3,8**	**3,9**
Margin	0,1	0,1	0,1	0,1	0,1	0,1
Extraordinaries	-0,6	-0,8	0,0	0,0	0,0	0,0
Minorities	-0,3	-0,3	-0,3	-0,3	-0,3	-0,3
Net Profit	**2,2**	**2,1**	**3,2**	**3,4**	**3,5**	**3,7**
Margin	4,4%	3,9%	5,6%	5,7%	5,9%	6,0%
Earnings per share before extraordinaries (€)	**0,90**	**0,91**	**1,01**	**1,07**	**1,12**	**1,16**
Earnings per share before minorities(€)	**0,81**	**0,74**	**1,09**	**1,15**	**1,20**	**1,24**
Earnings per share before extraordinaries and minorities (€)	**1,00**	**0,99**	**1,09**	**1,15**	**1,20**	**1,24**
Earnings per share (€)	**0,71**	**0,66**	**1,01**	**1,07**	**1,12**	**1,16**

Source: Eckert & Ziegler AG, LBBW

Balance sheet	**2006**	**2007e**	**2008e**	**2009e**	**2010e**
€mn					
Assets	**64,2**	**64,5**	**67,1**	**69,1**	**69,7**
Goodwill	10,8	10,2	10,2	10,2	10,2
Other intangible assets	7,2	8,0	7,7	7,0	7,0
Tangible assets	15,9	17,2	17,6	17,8	17,8
Financial assets	0,1	0,1	0,1	0,1	0,1
Other fixed assets	6,2	5,0	6,4	6,9	6,8
Fixed assets	**40,2**	**40,4**	**42,0**	**42,0**	**41,9**
Inventories	5,9	7,4	6,4	6,5	6,8
Trade receivables	11,1	10,2	11,5	12,3	12,5
Other receivables and assets	2,3	2,8	3,2	3,2	3,2
Cash	4,7	3,6	4,0	5,1	5,3
Current assets	**24,0**	**24,1**	**25,1**	**27,1**	**27,8**
Liabilities	**64,2**	**64,5**	**67,1**	**69,1**	**69,7**
Equity	35,9	35,5	38,8	41,5	42,2
Minority interests	0,4	0,3	0,3	0,3	0,2
Pension provisions	0,1	0,1	0,2	0,2	0,2
Other provisions	4,0	4,0	4,5	4,6	4,8
Financial liabilities	10,7	12,2	11,0	9,8	9,4
Trade payables	3,9	3,2	3,5	3,9	4,0
Other liabilities	9,2	9,2	8,7	8,9	8,9

Source: Eckert & Ziegler AG, LBBW

Segment overview	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Sales	**52,8**	**57,4**	**58,5**	**59,7**	**60,9**	**62,1**	**63,4**	**64,6**	**65,9**	**67,2**
growth y-o-y	*5 %*	*9 %*	*2 %*	*2 %*	*2 %*	*2 %*	*2 %*	*2 %*	*2 %*	*2 %*
Industry	25	25,5	26,0	26,5	27,1	27,6	28,2	28,7	29,3	29,9
growth y-o-y	*0%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Therapy	20	20,2	20,6	21,0	21,4	21,9	22,3	22,7	23,2	23,7
growth y-o-y	*1%*	*1%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Radiopharmay	7,8	11,7	11,9	12,2	12,4	12,7	12,9	13,2	13,4	13,7
growth y-o-y	45%	50%	2%	2%	2%	2%	2%	2%	2%	2%
Holding	0	0	0	0	0	0	0	0	0	0
EBIT	**5,9**	**6,3**	**6,4**	**6,6**	**6,7**	**6,7**	**6,7**	**6,9**	**7,1**	**7,3**
EBIT-marign	*11 %*	*11 %*	*11 %*	*11 %*	*11 %*	*11 %*	*11 %*	*11 %*	*11 %*	*11 %*
Industry	4,8	4,3	4,2	4,3	4,1	4,1	3,9	4,0	4,1	4,2
EBIT-marign	*19%*	*17%*	*16%*	*16%*	*15%*	*15%*	*14%*	*14%*	*14%*	*14%*
Therapy	2,5	2,6	2,7	2,7	2,8	2,8	2,9	3,0	3,0	3,1
EBIT marin	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*	*13%*
Radiopharmay	-0,1	0,3	0,5	0,6	0,8	0,8	0,9	0,9	1,0	1,0
EBIT margin	*-1%*	*3%*	*4%*	*5%*	*6%*	*7%*	*7%*	*7%*	*7%*	*7%*
Steuer	**1,8**	**2,0**	**2,1**	**2,2**	**2,3**	**2,5**	**2,6**	**2,9**	**3,0**	**3,0**
tax rate in %	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*	*37 %*
Industry	1,6	1,5	1,4	1,4	1,4	1,4	1,3	1,4	1,4	1,4
tax rate in %	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*
Therapy	0,6	0,7	0,8	0,8	0,8	1,0	1,1	1,2	1,3	1,3
tax rate in %	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*	*37%*
Radiopharmay	-0,4	-0,2	0,0	0,1	0,2	0,1	0,2	0,3	0,3	0,3
tax rate in %	*< 0*	*< 0*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*	*30%*
Depreciations	**4,1**	**4,5**	**4,6**	**4,8**	**4,9**	**5,0**	**5,2**	**5,2**	**5,5**	**5,5**
% of Sales	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*
Industry	1,3	1,4	1,4	1,6	1,6	1,7	1,7	1,7	1,8	1,8
% of Sales	*5%*	*5%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Therapy	2,0	2,0	2,0	2,0	2,1	2,1	2,2	2,2	2,3	2,3
% of Sales	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Radiopharmay	0,8	1,2	1,2	1,2	1,2	1,3	1,3	1,3	1,3	1,4
% of Sales	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Provisions	**4,0**	**4,5**	**4,6**	**4,8**	**4,9**	**5,0**	**5,1**	**5,2**	**5,3**	**5,4**
% of Sales	*7,5 %*	*7,8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*	*8 %*
Industry	1,9	2,0	2,0	2,1	2,2	2,2	2,3	2,3	2,3	2,4
% of Sales	*7,5%*	*7,8%*	*7,5%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*
Therapy	1,5	1,6	1,6	1,7	1,7	1,7	1,8	1,8	1,9	1,9
% of Sales	*7,5%*	*7,8%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*
Radiopharmay	0,6	0,9	1,0	1,0	1,0	1,0	1,0	1,1	1,1	1,1
% of Sales	*7,5%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*	*8,0%*
Capital expenditure	**4,1**	**4,5**	**4,7**	**4,8**	**4,9**	**5,0**	**5,1**	**5,2**	**5,3**	**5,4**
% of Sales	*7,7 %*	*7,8 %*	*8,0 %*	*8,1 %*	*8,0 %*	*8,1 %*	*8,0 %*	*8,1 %*	*8,1 %*	*8,1 %*
Industry	1,3	1,4	1,5	1,6	1,6	1,7	1,7	1,7	1,8	1,8
% of Sales	*5%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Therapy	2,0	2,0	2,0	2,0	2,1	2,1	2,1	2,2	2,3	2,3
% of Sales	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*9%*	*10%*	*10%*	*10%*
Radiopharmay	0,8	1,1	1,2	1,2	1,3	1,3	1,3	1,3	1,3	1,4
% of Sales	*10%*	*9%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Working Capital	**14,4**	**14,4**	**14,6**	**14,9**	**15,3**	**15,6**	**15,8**	**16,2**	**16,5**	**16,8**
% of Sales	*27,3 %*	*25,1 %*	*25,0 %*	*25,0 %*	*25,0 %*	*25,1 %*	*24,9 %*	*25,1 %*	*25,0 %*	*25,0 %*
Industry	7,3	6,6	6,5	6,6	6,8	6,9	7,0	7,2	7,3	7,5
% of Sales	*29%*	*26%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Therapy	5,0	5,0	5,2	5,3	5,4	5,5	5,6	5,7	5,8	5,9
% of Sales	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
Radiopharmay	2,1	2,8	2,9	3,0	3,1	3,2	3,2	3,3	3,3	3,4
% of Sales	*27%*	*24%*	*24%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*

Source: LBBW

DCF-Model Eckert & Ziegler

Free Cashflow (€m)	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	2016e
Revenues	**52,8**	**57,4**	**58,5**	**59,7**	**60,9**	**62,1**	**63,4**	**64,6**	**65,9**	**67,2**
Grwoth (yoy)	*4,8 %*	*8,7 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*2,0 %*	*1,9 %*
EBIT	5,9	6,3	6,4	6,6	6,7	6,7	6,7	6,9	7,1	7,3
EBIT margin	*11,2 %*	*10,9 %*	*10,9 %*	*11,1 %*	*11,0 %*	*10,9 %*	*10,6 %*	*10,7 %*	*10,8 %*	*10,8 %*
Taxes	1,8	2,0	2,1	2,2	2,3	2,5	2,6	2,9	3,0	3,0
Tax rate	*36,5 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*	*37,0 %*
Depreciation/Amortisation	4,1	4,5	4,6	4,8	4,9	5,0	5,2	5,2	5,5	5,5
to revenues	*7,8 %*	*7,8 %*	*7,9 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,2 %*	*8,0 %*	*8,3 %*	*8,2 %*
Provisions	4,0	4,5	4,6	4,8	4,9	5,0	5,1	5,2	5,3	5,4
to revenues	*7,6 %*	*7,8 %*	*7,9 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*	*8,0 %*
Change	0,0	0,5	0,1	0,2	0,1	0,1	0,1	0,1	0,1	0,1
Cashflow from operating activiti	**8,2**	**9,2**	**9,0**	**9,4**	**9,4**	**9,3**	**9,4**	**9,3**	**9,7**	**9,8**
Investments	4,1	4,5	4,7	4,8	4,9	5,0	5,1	5,2	5,3	5,4
to revenues	7,8 %	7,8 %	8,0 %	8,0 %	8,0 %	8,0 %	8,0 %	8,0 %	8,0 %	8,0 %
Working Capital	14,4	14,4	14,6	14,9	15,3	15,6	15,8	16,2	16,5	16,8
to revenues	27,3 %	25,1 %	24,9 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %	25,0 %
Change	-0,4	0,0	0,2	0,3	0,4	0,3	0,2	0,3	0,3	0,3
Free Cashflow	**4,5**	**4,7**	**4,1**	**4,3**	**4,1**	**4,0**	**4,1**	**3,8**	**4,1**	**4,1**

Source: LBBW

DCF model - assumptions	
Risk free interest rate	4,0 %
Market premium	5,2 %
Beta factor	1,60
Cost of equity	12,3 %
Cost of debt (after tax)	4,1 %
Equity ratio target	60,0 %
WACC	9,0 %
Terminal growth rate	1,0 %

Source: LBBW

Calculation of share value (€mn)	
Present value planned Free Cashflows	29,4
Present value Terminal Value	23,4
Enterprise Value	**52,8**
Ratio Terminal Value to Enterprise Value	*44,4 %*
Net financial debt	7,5
Minorities	0,3
Provisions for pensions	0,1
Fair value	**44,9**
Number of shares (mn)	3,1
Fair value per share (€)	**14,27**

Source: LBBW

Financial calender

Date	Financial calender
03/28/2008	Annual report 2007
03/28/2008	Balance press conference
04/15/2008	Medtech Day in Frankfurt
05/06/2008	Quarterly report Q1/08
06/11/2008	General meeting in Berlin
08/05/2008	Quarterly report Q2/08
11/04/2008	Quarterly report Q3/08
11/13/2008	"Eigenkapital Forum" in Frankfurt

Source: Eckert & Ziegler AG, LBBW

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Date	Rating
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