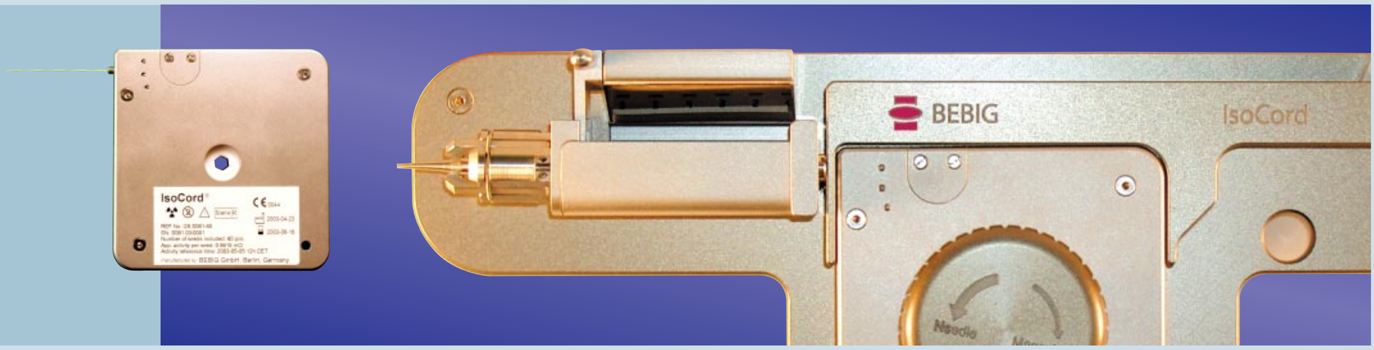
2003

Quarterly Report II



Eckert & Ziegler

Dear Shareholder,

Eckert & Ziegler AG has concluded the first half of 2003 as planned with a pre-tax profit of 224,000 EUR, which corresponds to about 0.07 EUR per share. The same period of the previous year showed a result of -597,000 EUR. If we add non-realized book losses (185,000 EUR) for the first half of the year arising from the group-internal loan extended to the American subsidiary Isotope Products Laboratories Inc., which is a purely structural effect, 2003 pre-tax profits exceed 400,000 EUR or 0.12 EUR per share.

Liquid funds and short-term securities also showed considerable growth compared to the same period of last year, up from 5.5 to 8.1 million EUR. A look at the cash flow statement also reveals that the company's internal financing strength extends beyond these figures for the first half of the year, enabling a reduction in loan liabilities by 750,000 EUR as well as a share repurchasing program of 1.072 million EUR. The market value of the repurchased shares on June 30 was 1.696 million EUR.

While pre-tax profits and the financing strength showed a positive development, the sales trajectory was not satisfactory. Although the decline in sales (adjusted for the consolidation rate) of 1.3 million EUR compared to the first half of last year can be ascribed in full to the cardiology segment (-1.4 million EUR), results for the industrial and nuclear imaging segments lagged behind expectations. The weakening American economy had a major effect here in the second quarter. As expected in the oncology sector, we are witnessing two opposing tendencies. While sales in the USA are around 30% below last year's results following the sale of this division, direct sales in Europe are growing by approximately the same rate. Thanks to the new product developments that have been successfully concluded (see the Milestones section), we anticipate a sustained stimulus over the coming months for rising sales in the oncology and nuclear imaging segments.

Concerning the tax load in the second quarter, the May 16 changes to the tax legislation have made their effects felt. These changes mean that losses of 959,000 EUR from the immunology activities are no longer tax-deductible. Also, deferred tax credits of 210 thousand EUR from last year must be rescinded, which in turn lowers the result. The management board is working intensively on a solution which would extend tax-deductible status retroactively back to January 1, 2003. The tax load for the first half of the year would then be reduced by about 460,000 EUR. Because this solution was not in effect by June 30, however, we have chosen a conservative balance for this date.

Research and Development

In the oncology segment, the IsoCord® development project was concluded and the product was introduced in May. The Facility Acceptance Test for the production facilities sold to Theragenics Corp. was successfully passed. In the immunology segment, development focussed on continuing pre-clinical tests as well as on starting effectiveness studies on tumors in animals. Initial results show an inhibition of tumor growth. In the dendritic cell field, preparations began for GMP production.

Staff

The total number of staff throughout the corporate group was 187 as of June 30. An additional 25 are employed in the immunological area.

Outlook

Developments in the company's sales, liquidity, and profits will depend in large part on the delivery of a production line that has thus far been proceeding without delay and for which the final accounts are expected in the fourth quarter. Due to the importance of this contract, figures for the first half of the year can be extrapolated only on a conditional basis. Another atypical feature of the first half of the year is the high tax load. As soon as the tax load can be corrected as indicated above, and assuming that the large-scale contract can be fulfilled as planned, the management board anticipates a clearly positive result for the financial year. Another factor is the positive response thus far received by a number of new products.

Dr. Andreas Eckert
Chairman of the Management Board

Gerald Pohland
Board Member

Dr. Edgar Löffler
Board Member

Berlin, July 30, 2003

Milestones

- IsoCord®, a seed chain for non-invasive treatment of prostate cancer, was successfully introduced to the market.
- Development was concluded on an innovative X-ray fluorescence radiation source to determine lead contamination in paint.
- Presentation at the convention of the American Brachytherapy Society of a new brachytherapy radiation source to treat uterine cancer.
- Professor Nikolaus Fuchs appointed to the supervisory board of Eckert & Ziegler AG.
- Professor Dietmar H. Blohm joined the supervisory board of NEMOD Immuntherapie AG.
- Perflexion®, an innovative surface source, was introduced to the market at the annual meeting of the American Society of Nuclear Medicine.

Accounting and Valuation Methods

See also the information in the 2002 annual report on the accounting and valuation methods.

According to the latest developments in German tax legislation, credit is no longer granted for losses from the biotech holding as of January 1, 2003, and deferred tax credit from the previous year has been rescinded. If the previous regulations were still in effect, the tax load would be about 460,000 EUR lower.

According to the new GAAP regulations in the USA, this holding must be included in the full consolidation as of July 1, 2003. This does not change the present results. As before, total losses for the holding are shown for Eckert & Ziegler AG without indicating the shares held by third parties. In the initial consolidation, however, an additional loss of 1.2 million EUR must be shown as a result of changes to the accounting regulations. In terms of content, this refers to the value of negative equity ascribed to the holding company before participation by Eckert & Ziegler AG. However, Eckert & Ziegler AG is not required to make compensation for these losses.

As of January 1, 2003, the company has been applying the new regulations contained in the Statement of Financial Accounting Standards No. 143, entitled "Accounting for Asset Retirement Obligations". According to these regulations, disposal provisions must be set up to cover all the requirements for decontaminating facilities that have been radioactively contaminated. A new consideration here is the requirement that disposal costs must be calculated as if an unaffiliated third party were commissioned today to do the work. Previous calculations had been based on much of the work being performed under our own direction in the course of normal operations—as in the past. This corresponds to standard practice and is of course considerably less expensive.

Changes that arise from applying this regulation for the first time are listed under "One-time adjustments from the first application of SFAS 143".

Stock and stock options

Management Board and Supervisory Board			**June 30, 2003**
		Stocks	Stock options
Dr. Andreas Eckert	Management Board	10	10,000
(Eckert Consult GmbH)		(1,260,446)	(0)
Dr. Edgar Löffler	Management Board	0	17,500
Gerald Pohland	Management Board	4,750	19,000
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0
Prof. Dr. Ronald Frohne	Supervisory Board	75,000	0
Prof. Dr. Detlev Ganten	Supervisory Board	0	0
Ralf Hennig	Supervisory Board	141	0
Margit Jatzke	Supervisory Board	385	0
Frank Perschmann	Supervisory Board	1,000	0

Consolidated Statement of Cash Flows – US GAAP (in thousand EUR)

	6-monthly report 01 – 06/2003	6-monthly report 01 – 06/2002 previous year
Net profit/loss	- 1,163	- 633
Adjustments for:		
Depreciation and amortization	1,782	2,009
Proceeds from grants, net	- 645	273
Deferred taxes	- 173	- 197
Unrealized foreign currency gains (-)/losses	185	905
Long-term accruals, other long-term liabilities	1,263	- 308
Gains (-)/losses on holding of investments	959	1,360
Others, net	67	- 67
Changes in short-term assets and short-term liabilities:		
Accounts receivable	286	245
Inventories	- 616	191
Prepaid expenses and other current assets	- 42	52
Accounts payable and accounts payable to affiliates	837	- 568
Tax reserves	368	- 706
Other liabilities	- 146	- 732
Cash flows from operating activities	**2,962**	**1,824**
Purchases and sales of property, plant and equipment	- 603	- 1,346
Investments in or sales of affiliates	- 920	- 1,150
Purchases and sales of available-for-sale-securities	- 735	1,573
Other	- 7	- 20
Cash flows from investing activities	**- 2,265**	**- 943**
Dividends paid	-	- 1,463
Change in long-term borrowing	- 57	- 156
Change in short-term borrowing	- 699	- 357
Purchase of treasury stock	- 1,072	-
Cash flows from financing activities	**- 1,828**	**- 1,976**
Effect of exchange rates on cash and cash equivalents	- 29	- 19
Net increase (decrease) in cash and cash equivalents	- 1,160	- 1,114
Cash and cash equivalents at beginning period	6,138	4,448
Cash and cash equivalents at end period	4,978	3,334
+ Short term investments	3,104	2,177
= Cash and short term investments at the end of period	8,082	5,511

Consolidated Income Statement – US GAAP (in thousand EUR)

	Quarterly report II/2003 04 – 06/2003	Quarterly report II/2002 04 – 06/2002 previous year	6-monthly report 01 – 06/2003	6-monthly report 01 – 06/2002 previous year
Revenues	6,113	7,868	12,946	15,988
Cost of Revenues	- 3,474	- 4,206	- 7,318	- 8,575
Gross profit/loss	**2,639**	**3,662**	**5,628**	**7,413**
Selling and Marketing expenses	- 753	- 792	- 1,531	- 1,530
General and administrative expenses	- 1,439	- 2,056	- 3,038	- 4,138
Research an development expenses	- 602	- 840	- 1,210	- 1,667
Other operating income and expenses	- 5	- 140	682	- 36
Operating income/loss	**- 160**	**- 166**	**531**	**42**
Interest income and expenses	- 63	- 38	- 129	- 76
Foreign currency exchange gains/losses	- 222	- 792	- 285	- 694
Other income/expenses	46	35	107	131
Result before income tax	**- 399**	**- 961**	**224**	**- 597**
Income tax	- 253	228	- 701	- 36
Net income/loss from continuing operations	**- 652**	**- 733**	**- 477**	**- 633**
Earnings per share (basic)	- 0.22	- 0.23	- 0.16	- 0.19
Earnings per share (diluted)	- 0.22	- 0.23	- 0.16	- 0.19
Cumulative effect of change in accounting principle (SFAS 143)	6	-	- 686	-
Net income/loss	- 646	- 733	- 1,163	- 633
Net earnings per share after SFAS 143 (basic)	- 0.22	- 0.23	- 0.38	- 0.19
Net earnings per share after SFAS 143 (diluted)	- 0.22	- 0.23	- 0.38	- 0.19
Weighted average shares outstanding (basic)	2,930	3,250	3,034	3,250
Weighted average shares outstanding (diluted)	2,930	3,250	3,034	3,250

Statement of Shareholders' Equity (in thousand EUR)

	Common Stock	Additional paid-in capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
Balance, January 01, 2002	3,250	26,637	4,435	1,524	0	35,846
Dividends paid			- 1,462			- 1,462
Net income			346			346
Changes in Other Comprehensive Income				- 1,803		- 1,803
Balance, December 31, 2002	3,250	26,637	3,319	- 279	0	32,927
Balance, January 01, 2003	3,250	26,637	3,319	- 279	0	32,927
Purchase of capital stock					- 1,072	- 1,072
Stock-based compensation		5				5
Net Income			- 1,163			- 1,163
Changes in Other Comprehensive Income				- 955		- 955
Balance, June 30, 2003	3,250	26,642	2,156	- 1,234	- 1,072	29,742

Consolidated Balance Sheet– US GAAP (in thousand EUR)

Assets

	6-monthly report 1 – 06/2003	Annual report 1 – 12/2002
Current assets		
Cash and cash equivalents	4,978	6,138
Short-term investments/marketable securities	3,104	2,326
Trade accounts receivable	2,744	3,277
Accounts receivable due from related parties	853	865
Inventories	4,020	3,634
Deferred tax asset	823	867
Prepaid expenses and other current assets	499	519
Total current assets	17,021	17,626
Non current assets		
Property, plant and equipment	16,893	17,693
Intangible assets	2,115	4,788
Goodwill	8,679	7,165
Investments	357	396
Notes receivable/loans	50	59
Deferred taxes	1,463	1,257
Other assets	1,158	744
Total non current assets	30,715	32,102
Total assets	47,736	49,728

Liabilities and Shareholders' Equity

	6-monthly report 1 – 06/2003	Annual report 1 – 12/2002
Current liabilities		
Short-term dept and current portion of long-term dept and capital lease obligations	263	1,055
Trade accounts payable	1,114	1,233
Advance payments received	928	40
Accrued expenses	1,655	1,735
Deferred revenues	1,415	1,423
Income tax payable	617	214
Deferred taxes	171	145
Other curent liabilities	679	803
Total current liabilities	6,842	6,648
Non current liabilities		
Long-term dept, less current portion and capital lease obligations	2,790	2,948
Deferred revenues	3,837	4,483
Deferred taxes	1,159	1,245
Pension accrual	135	127
Others	3,231	1,350
Total non current liabilities	11,152	10,153
Shareholders' equity		
Share capital	3,250	3,250
Additional paid-in capital	26,642	26,637
Retained earnings	2,156	3,319
Accumulated other comprehensive income/loss	- 1,234	- 279
Treasury stock	- 1,072	-
Total shareholders' equity	29,742	32,927
Total liabilities and shareholders' equity	47,736	49,728

Operating segments (in thousand EUR)

01 – 06/2003

	Industry & Nucl. Imaging	Cardiology & Oncology	Immunology	Others	Consoli-dation	Totals
Total segment sales	9,224	3,488		1,102	- 868	12,946
Depreciation and amortization	- 541	- 1,157		- 85	1	- 1,782
Interest income	13	38		835	- 795	91
Interest expenses	- 408	- 454		- 160	802	- 220
Net income from continuing operations	387	133	- 1,170	129	44	- 477
Income tax	- 281	- 95	- 211	- 88	- 26	- 701
Segment assets	20,991	15,465		32,462	- 21,182	47,736
Segment liabilities	- 7,523	- 8,595		- 620	14,821	- 1,917
Equity investments		68		289		357
Additions to fixed assets (without financial investments)	143	451		2		596

01 – 06/2002 (previous year)

	Industry & Nucl. Imaging	Cardiology & Oncology	Immunology	Others	Consoli-dation	Totals
Total segment sales	10,768	5,171		1,005	- 956	15,988
Depreciation and amortization	- 779	- 1,019		- 211		- 2,009
Interest income	29	74		1,063	- 955	211
Interest expenses	- 563	- 484		- 202	962	- 287
Net income from continuing operations	349	202	- 1,101	- 144	- 39	- 633
Income tax	- 428	- 109	359	124	18	- 36
Segment assets	25,825	16,365		33,803	- 29,048	46,945
Equity investments		76		227		303
Additions to fixed assets (without financial investments)	69	28				97

Sales by geographic areas 01 – 06/2003	million EUR	%
North America	8.7	67
Europe	3.7	29
Asia/Pacific	0.5	4
	12.9	100

Financial calendar

August 12, 2003
Quarterly Report II/2003

November 11, 2003
Quarterly Report III/2003

November 26, 2003
Company presentation at
Deutsches Eigenkapitalforum Frankfurt

January 28, 2004
Company presentation at the
4th Berlin MedTech Day

March 29, 2004
Annual Report 2003

March 29, 2004
Balance press conference in Berlin

March 30, 2004
Analyst presentation in Frankfurt

May 11, 2004
Quarterly Report I/2004

May 25, 2004
Annual general meeting in Berlin

August 10, 2004
Quarterly Report II/2004

November 09, 2004
Quarterly Report III/2004

Eckert & Ziegler
Strahlen- und Medizintechnik AG

Robert-Rössle-Str. 10
D-13125 Berlin
www.ezag.de

Telephone +49 (0) 30 94 10 84 - 0
Telefax +49 (0) 30 94 10 84 - 112
e-mail info@ezag.de

WKN 565 970
ISIN DE 0005659700