



QUARTERLY REPORT
III/2002

Dear Shareholder,

Following a less than satisfactory second quarter, in the third quarter Eckert & Ziegler AG succeeded in achieving one of the best quarterly results ever in the company's young history, with an operating income of nearly 1 million EUR.

While the result itself is satisfactory, the same cannot yet be said about the revenue level. The decline in sales of 8.6% compared to the third quarter of last year, and of 3.6% compared to the first nine months of last year, still disappoint expectations.

The cardiology segment showed strong growth once again, with a 45% increase over the first nine months of last year. Unfortunately, we do not expect the growth here to continue.

Bringing up the rear in sales development were the industrial and nuclear imaging segments, with results of -13% and -7%, respectively, over the first nine months of last year, although in both cases 4 percentage points are due to the negative development in the USD exchange rate. These segments showed a marked increase in sales within the quarter, however, so we may anticipate a considerably stronger fourth quarter.

For the oncology segment, development in the third quarter was varied. While European business continues on a growth curve, led by direct sales with an increase of 60% over the first nine months of last year, there were reductions in the US business. A price war is emerging here, also with respect to planned changes in reimbursement policies and an accompanying consolidation in the market over the coming months. On account of these conflicting developments in the first nine months, total growth for the oncology segment amounted to only 11% and thus remained considerably behind original expectations. To strengthen this segment, sales will now be placed directly under the responsibility of the executive board.

While total sales lay within planned figures that had been readjusted downwards at the half-year mark, profits developed better than expected. To address emerging sales developments, a cost reduction program was implemented in the industrial and nuclear imaging divisions, which is starting to show success. The new on-site management has not only succeeded in increasing efficiency, but also in considerably improving all of the quality parameters. We are therefore convinced that Eckert & Ziegler AG is positioned more strongly than ever in these segments.

Strict cost controls in the biotechnology segment represented another major contribution to the improved profit figures. Without compromising objectives, savings substantially exceeded original targets.

Not least of all, receipt of 1.5 million EUR in investment contributions, of which 440 thousand EUR were entered in the accounts affecting net income, played a considerable role in the development of the finance and revenue situation.

Thus approximately 6.4 million EUR of cash, cash equivalents, and short-term securities were available on September 30, around 150 thousand EUR more than at the same time last year.



Research and Development

In the immunology segment, third-quarter efforts concentrated on various pre-clinical milestones, including evaluating adjuvants for Pankopep™, producing antibody test charges in diverse formats, and establishing a quality control system for master cell and working cell banks. A reproducible way was found to couple radioactive yttrium and indium with various antibodies without a loss in bioactivity. In the dendritic cell field, stable immature dendritic cells were able to be produced in large volumes for the first time. Customers can mature them in suitable media and use them for various analytical purposes.

To support existing sales performance, the facilities construction department produced an improved filling and welding system for the cardiology division and a new dosage measurement system for strontium and ruthenium production. BEBIG received the CE label for a new "medical use seed".

Milestones

- Follow-on order for nickel sources used for bomb detection equipment in US airports as part of the Homeland Defense initiative
- Long-term contract with a leading medical equipment manufacturer for the delivery of calibration sources for PET scanners
- Joint project with Fresenius HemoCare in the immunology segment
- Record sales in the cardiology segment
- New brachytherapy source for medical/ophthalmological applications receives CE certification

Staff

Consolidating the personnel is an essential element in the restructuring and cost reduction measures undertaken in the current business year. The number of staff decreased by 14% to 201 in the period under report. The number of employees in the immunology division, however, rose by 12% to 34.

Outlook

Due to higher biotechnology expenses and lower revenues from subsidies in the fourth quarter, we continue to expect a loss for the year, but nevertheless of only 0.20 EUR per share. Continuing fluctuations in the exchange rate for the dollar, however, similar to those in the second quarter, could still exert an enormous influence on the result. Sales of approximately 32 million EUR are expected.



Dr. Andreas Eckert,
Chairman of the Management Board



Gerald Pohland, Board Member



Dr. Edgar Löffler, Board Member

Berlin, October 31, 2002



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

	9-monthly report 01 – 09/2002	9-monthly report 01 – 09/2001
Cash flows from operating activities		
Net profit/loss	32	3,089
Adjustments for:		
Depreciation and amortization	2,761	4,268
Proceeds from grant, net	983	43
Deferred taxes	- 429	3
Accumulated other comprehensive income	880	- 329
Effect of exchange rates on operating cash flows	- 2	12
Long-term accruals, other long-term liabilities	- 212	415
Calculated interest and discounted debts	14	14
Gain (-)/loss from subsidiaries	2,103	-
Others, net	72	- 252
Changes in short-term assets and short-term liabilities:		
Accounts receivable	- 329	- 276
Inventories	- 153	- 1,539
Prepaid expenses and other current assets	- 354	- 467
Accounts payable and accounts payable to affiliates	- 575	618
Accrued income taxes	- 672	1,204
Other accrued liabilities	- 451	- 497
Deferred income	- 235	- 21
Other liabilities	212	118
Net cash provided by operating activities	3,645	6,403
Cash flows from investing activities		
Purchases and sales of property, plant and equipment	- 1,793	- 6,819
Investments in or sales of affiliates	- 1,995	- 128
Purchases and sales of available-for-sale securities	1,265	- 301
Others	- 41	1
Net cash used in investing activities	- 2,564	- 7,247
Cash flows from financing activities		
Dividends paid	- 1,463	-
Change in long-term borrowing	- 277	- 45
Change in short-term borrowing	329	45
Net cash provided by (used in) financing activities	- 1,411	0
Net effect of currency translation in cash and cash equivalents	- 13	- 87
Net increase (decrease) in cash and cash equivalents	- 343	- 931
Cash and cash equivalents at beginning of period	4,448	3,453
Cash and cash equivalents at end of period	4,105	2,522

Consolidated Income Statement – US GAAP (in thousand EUR)



	Quarterly report III/2002 07 – 09/2002	Quarterly report III/2001 07 – 09/2001	9-monthly report 01 – 09/2002	9-monthly report 01 – 09/2001
Revenues	7,782	8,492	23,771	24,655
Cost of Revenues	- 3,704	- 4,744	- 12,280	- 13,990
Gross profit/loss	4,078	3,748	11,491	10,665
Selling and Marketing expenses	- 905	- 611	- 2,435	- 1,894
General and administrative expenses	- 1,736	- 2,058	- 5,874	- 5,602
Research and development expenses	- 898	- 312	- 2,565	- 760
Other operating income expenses	449	342	413	342
Amortization (and impairment) of goodwill	-	- 149	-	- 448
Operating income/loss	988	960	1,030	2,303
Interest income and expenses	- 39	- 50	- 115	- 117
Foreign currency exchange gains/losses	1	- 151	- 693	- 108
Other income/expense	- 17	47	114	2,747
Result before income tax	933	806	336	4,825
Income tax	- 268	- 84	- 304	- 1,736
Net income/loss	665	722	32	3,089
Net earnings per share (basic)	0.20	0.22	0.01	0.95
Net earnings per share (diluted)	0.20	0.22	0.01	0.95
Weighted average shares outstanding (basic)	3,250	3,250	3,250	3,250
Weighted average shares outstanding (diluted)	3,250	3,250	3,250	3,250

Statement of Shareholders' Equity (in thousand EUR)

	Common Stock	Additional paid-in capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, January 01, 2001	3,250	26,926	1,195	902	32,273
Stock-based Compensation		- 289			- 289
Net Income			3,240		3,240
Changes in Other Comprehensive Income				622	622
Balance, December 31, 2001	3,250	26,637	4,435	1,524	35,846
Balance, January 01, 2002	3,250	26,637	4,435	1,524	35,846
Stock-based Compensation					0
Dividends paid			- 1,462		- 1,462
Net Income			32		32
Changes in Other Comprehensive Income				- 1,234	- 1,234
Balance, September 30, 2002	3,250	26,637	3,005	290	33,182

Consolidated Balance Sheet – US GAAP (in thousand EUR)



Assets	9-monthly report 01–09/2002	Annual report 01–12/2001
Current assets		
Cash and cash equivalents	4,105	4,448
Short-term investments/marketable securities	2,299	3,751
Trade accounts receivable	3,947	3,930
Accounts receivable due from related parties	799	772
Inventories	4,425	4,636
Deferred tax asset	499	261
Prepaid expenses and other current assets	687	303
Total current assets	16,761	18,101
Non current assets		
Property, plant and equipment	18,526	19,658
Intangible assets	5,214	6,180
Goodwill	7,605	8,371
Investments	152	202
Notes receivable/loans	68	68
Deferred taxes	51	5
Other assets	465	488
Total non current assets	32,081	34,972
Total assets	48,842	53,073
Liabilities and shareholders' equity		
	01–09/2002	01–12/2001
Current liabilities		
Current portion of capital lease obligation	52	58
Short-term debt and current portion of long-term debt	1,017	814
Trade accounts payable	1,062	1,790
Advance payments received	77	38
Accrued expenses	1,823	2,408
Deferred revenues	920	1,155
Income tax payable	963	1,663
Deferred taxes	-	38
Other current liabilities	776	434
Total current liabilities	6,690	8,398
Non current liabilities		
Long-term debt, less current portion	2,918	3,279
Capital lease obligations, less current portion	145	219
Deferred revenues	4,011	3,028
Deferred taxes	653	802
Pension accrual	96	92
Others	1,147	1,409
Total non current liabilities	8,970	8,829
Shareholders' equity		
Share capital	3,250	3,250
Additional paid-in capital	26,637	26,637
Retained earnings	3,005	4,435
Accumulated other comprehensive income/loss	290	1,524
Total shareholders' equity	33,182	35,846
Total liabilities and shareholders' equity	48,842	53,073

(Accounting Policies refer to the following page)

Operating segments (in thousand EUR)

Accounting and Valuation Methods

See also the information in the 2001 annual report on the accounting and valuation methods.

A new item in 2002 is the accounting procedure for the atypical silent partnership in NEMOD Immuntherapie AG. Signed on 22 March 2002, the holding agreement stipulates that Eckert & Ziegler AG will provide a total of 9 million EUR as venture capital to NEMOD over the next two years, provided that specified milestones are attained and that the supervisory boards grant their respective authorizations. Eckert & Ziegler AG will participate in the profits and losses of NEMOD AG in proportion to the capital that it actually provides. A subordination declaration was made in connection with claims resulting from this holding.

The overall result for NEMOD AG is listed as a research and development investment in the Eckert & Ziegler AG annual report, independent of the assigned level of profit or loss as stipulated in the contract. The holding is not listed on the balance sheet; instead, an active or passive compensatory item will be formed for the difference between the capital actually provided and the R&D investment reported. For September 30, the sum of 60 thousand EUR was listed for this purpose under additional short-term liabilities.

The result from this area will be listed separately under the immunology heading in the segment reports.

01-09/2002						
	Industry & Nucl. Imaging	Cardiology & Oncology	Immunology	Others	Consolidation	Totals
Sales to external customers	15,648	7,479		644		23,771
Sales to other segments	130	604		969	- 1,703	
Total segment sales	15,778	8,083		1,613	- 1,703	23,771
Depreciation and amortization	873	1,574		314		2,761
Interest income	34	117		1,518	- 1,384	285
Interest expenses	- 822	- 706		- 254	1,382	- 400
Net income from continuing operations	605	794	- 1,548	245	- 64	32
Income tax	- 588	- 450	555	140	39	- 304
Segment assets	25,009	16,570		33,325	- 26,062	48,842
Equity investments	189	1,618			2	1,809

01-09/2001						
	Industry & Nucl. Imaging	Cardiology & Oncology	Immunology	Others	Consolidation	Totals
Sales to external customers	17,250	6,455		950		24,655
Sales to other segments	199	97		996	- 1,292	
Total segment sales	17,449	6,552		1,946	- 1,292	24,655
Depreciation and amortization	- 1,467	- 2,418		- 383		- 4,268
Interest income	99	23		1,447	- 1,427	142
Interest expenses	- 895	- 492		- 318	1,446	- 259
Net income from continuing operations	891	1,466		399	333	3,089
Income tax	- 803	- 860		- 73		- 1,736
Segment assets	28,294	18,281		37,156	- 30,140	53,591

Sales by geographic areas 01-09/2002	million EUR	%
North America	17,439	73
Europe	5,638	23
Asia/Pacific	638	3
Others	56	< 1
	23,771	100

Financial calendar

November 12, 2002	Quarterly Report III/2002
January 29, 2003	3 rd Berlin MedTech Day
March 27, 2003	Annual Report
March 27, 2003	Balance press conference
March 28, 2003	Analyst presentation
May 20, 2003	Shareholders' meeting

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Stocks and stock options

Management Board and Supervisory Board		September 30, 2002	
		Stocks	Stock options
Dr. Andreas Eckert	Management Board	10	10,000
(Eckert Consult GmbH)		(1,260,446)	(0)
Gerald Pohland	Management Board	4,750	21,500
Dr. Edgar Löffler	Management Board	0	17,500
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0
Margit Jatzke	Supervisory Board	385	0
Ralf Hennig	Supervisory Board	141	0
Prof. Dr. Ronald Frohne	Supervisory Board	0	0
Frank Perschmann	Supervisory Board	1,000	0
Prof. Dr. Detlev Ganten	Supervisory Board	0	0