2003

Annual Report

FOCUSSING ON PEOPLE

Eckert & Ziegler

2003

Ratios of the Eckert & Ziegler Group

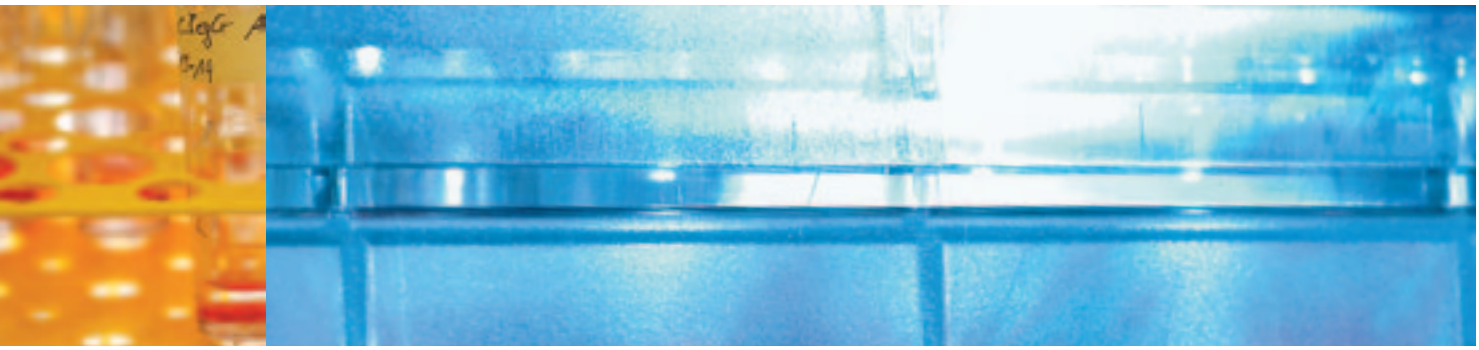
		2003	Change over 2002	2002	2001
Sales	Million EUR	**29.2**	- 6%	31.2	32.8
Return on sales before tax[1]	%	**6.4**	118%	2.9	15.8
Return on sales after tax[1]	%	**2.8**	156%	1.1	9.9
Gross earnings	Million EUR	**13.5**	- 12%	15.3	14.0
Operating income	Million EUR	**2.2**	10%	2.0	2.0
EBITDA	Million EUR	**5.8**	9%	5.4	9.1
EBIT	Million EUR	**2.2**	97%	1.1	5.2
EBT	Million EUR	**1.9**	104%	0.9	5.2
EBITDA margin	%	**20.0**	17%	17.2	27.7
EBIT margin	%	**7.4**	111%	3.5	15.9
Net income from continuing operations[1]	Million EUR	**0.8**	140%	0.3	3.2
Earnings per share[1]	EUR	**0.28**	153%	0.11	1.00
Fully diluted earnings per share[1]	EUR	**0.28**	153%	0.11	1.00
Group net income / loss (-)[2]	Million EUR	**- 1.3**	- 466%	0.3	3.2
Cash flow from operating activities	Million EUR	**4.2**	- 41%	7.0	9.2
Operational cash flow per share	EUR	**1.39**	- 36%	2.16	2.84
Effective tax rate	%	**56**	- 11%	62	38
Equity	Million EUR	**28.8**	- 12%	32.9	35.8
Equity ratio	%	**63**	- 5%	66	67
Return on equity (ROE)[1]	%	**2.9**	174%	1.1	9.1
Total assets	Million EUR	**45.7**	- 8%	49.7	53.1
Book value per share (31.12.)	EUR	**9.82**	- 3%	10.13	11.02
Investments in tangible fixed assets	Million EUR	**1.3**	- 33%	2.3	7.1
Depreciation and amortization (net)	Million EUR	**2.4**	- 20%	3.0	3.9
Employees (31.12.)	Persons	**197**	- 1%	199	214
Number of shares (31.12.) (without own shares)	Item	**2,935,503**	- 10%	3,250,000	3,250,000
Dividends	EUR	**0.00**[3]	- 100%	0.45	0.00

1) The key data above refer to net income from continuing operations

2) After minority interests and adjustments arising from the initial application of SFAS 143

3) Proposed dividend

Contents



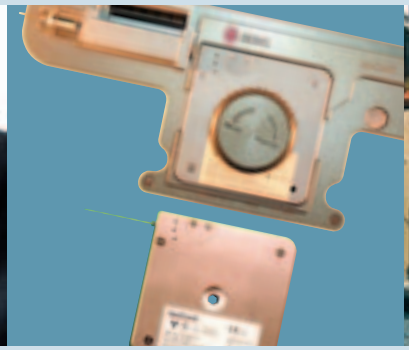
Notes to the English version:

Eckert & Ziegler AG provides an English translation of its annual report for information purposes only. The relevant version is in all cases the German original.

Furthermore, as anyone knows who has read, for example, a multilingual instruction for use, translations sometimes sound awkward. Grammatical structures impose their influence, as do cultural notions of courtesy, style or political correctness, and legally mandated declarations. In literary works, these variances can be mitigated by artistic adaptations. In technical documents like an annual report this is rarely possible. We tried to eliminate as much as possible all clumsy sentences, graceless metaphors, and other impediments to easy reading, but apologize, in particular to native English speakers, if we have failed to do so completely.

2003 Milestones






2003

January

At the third Berlin MedTech Day, an investor conference for companies in the medical technology business, Eckert & Ziegler makes a presentation to international investors and analysts.

February

Acceptance of the Eckert & Ziegler share in the Prime Standard category on the Frankfurt Stock Exchange

Sale of a production line for prostate implants to an American seed manufacturer

Start of a share buy-back program

March

Eckert & Ziegler is nominated by the Department for Economic Affairs, Labor and Women of the Berlin Senate for the "Oscar award for SMEs".

April

The new internet site www.bebig.de is launched with comprehensive information on seed implantation for prostate cancer.

May


Introduction of IsoCord® on to the market, a stranded seed for the treatment of prostate cancer

Announcement of a new brachytherapy source for the treatment of gynecological cancer at the Congress of the American Brachytherapy Society

Professor Nikolaus Fuchs is appointed to the Supervisory Board.

June

Successful conclusion of the NEMOD biodistribution study on the systemic application of PankoMab™, a therapeutic antibody for cancer treatment

2003 Milestones



June

Market launch of Perflexion™, an innovative flood source for the calibration of SPECT and gamma cameras, at the annual conference of the American Society for Nuclear Medicine

September

The Californian subsidiary, Isotope Products Laboratories Inc. (IPL), is accredited by the German Calibration Office as a technical isotope calibrating laboratory.

Dr. Andreas Eckert is nominated for the prize of "Entrepreneur of the Year 2003" and reaches the final. By this action, the international firm of accountants, Ernst & Young, give recognition to the outstanding achievements of the entire Group.

September

NEMOD Immuntherapie GmbH hives off its business activities into the newly founded NEMOD Biotherapeutics GmbH & Co. KG

October

Cost reimbursement for seed implantation by the German statutory health insurance funds. Inclusion of "seed brachytherapy" in the "Regulation for the flat-rate reimbursement system for hospital cases in 2004"

NEMOD successfully concludes a biodistribution study for systemic applications of its development product KaroMab™.

October

NEMOD demonstrates lasting cancer-inhibiting effects through animal testing for its lead product PankoMab™, a therapeutic antibody.

November

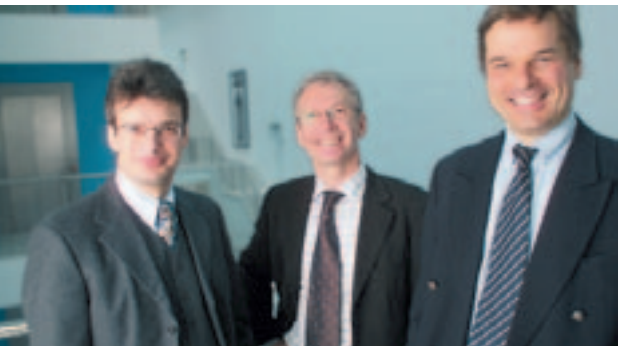
BEBIG successfully stages the first Berlin Men's Health Day. www.maennergesundheitstag-berlin.de

Delivery and acceptance of the first major contract for the construction of production facilities.

Eckert & Ziegler obtains an option for the takeover of the "afterloader" business of CIS bio international, France.

Eckert & Ziegler wins a major contract for the supply of processing facilities for medical radioactive components.

2003



Dear Shareholder,

A glance at the financial statements and analysis confirms: 2003 was another successful year for the company. For the fifth time in a row since the stock exchange flotation the company has earned profits; compared to 2002, the key marker, earnings per share, has more than doubled (ignoring changes in accounting rules). Cash and cash equivalents including readily realizable securities have grown once more, despite repayment of debt and the share buy-back program; the share price has risen noticeably, not only in absolute terms, but also in comparison with the index and many competitors. In spite of ambitious biotechnology projects, the financial statements are not susceptible to large-scale depreciation; the equity ratio is at the same high level as in prior years.

This development is all the more remarkable, in that at the beginning of the year the company had still to pay off burdensome mortgages. In 2002 our American marketing partner for prostate implants went into liquidation, and customers for cardiovascular radiation source material announced a drastic paring down in their purchase volumes. These two factors together pointed to revenue decreases of an order of magnitude of millions. They were exacerbated through a falling dollar rate, which affects about two-thirds of Eckert & Ziegler AG's sales; these in turn were made to appear lower than in prior periods purely as a result of the exchange rate. The falling dollar rate resulted also in a loss in value of inter-company loans, creating heavy book losses (which, admittedly, are in substance of lesser importance), but in terms of presentation to the outside world, weighs just as heavily as a downturn in nominal sales.

The crisis surrounding the American implant distributor was defused by repositioning the subsidiary company, BEBIG Isotopen- und Medizintechnik GmbH, as an equipment manufacturer, a business which it had founded some years previously by supplying cardiovascular radiation source components. Instead of engaging in a costly race to catch up better positioned local manufacturers in the mature American market with little prospect of success, BEBIG now offered to supply selected competitors, as part of an orderly withdrawal, with highly automated production plant for the manufacture of medical implants and, for a transition period, to supply them directly with products. The strategy worked out. For its manufacturing technology, recognized as world-class, BEBIG (and its fellow subsidiary EUROTOPE) was able in 2003 from a standing start to win two major orders for plant, which have already made a notable contribution to the year's profit. For 2004 management is in discussions with further interested parties, and hopes to expand this business.

Furthermore, a series of product developments that had been initiated in previous years came to fruition in 2003 and were launched on the market. These included the excellently received stranded implant for the treatment of prostate cancer (IsoCord®), and Perflexion™, greeted in specialist circles as a new generation of flood sources. The latter was developed at our Californian subsidiary, Isotope Products Laboratories (IPL). It was here that a family of radiation sources emerged for new imaging applications (MicroPet™). These innovations seem to have struck a chord with customers. Together with an increasing European demand for implants for prostate cancer treatment, new products and equipment sales were sufficient for sales volumes to

Preface by the Executive Board



From left:
Dr. Andreas Eckert,
Dr. Edgar Löffler,
Gerald Pohland

approach the level of the previous year. The downturn in sales that had loomed at the beginning of the year did not materialize, in spite of massive declines in cardiovascular radiation sources and American exports of implants.

However, the year under review was not just one of high spots. The continuing weakness of European stock exchanges made it difficult to find partners for the further financing of our immunological development projects. Many pharmaceutical partners experienced a notable falling off in investment in projects in their early phases. Many venture capitalists, especially in Germany, concentrated their resources in the further financing of existing holdings, and were reluctant to make new commitments. In spite of outstanding pre-clinical results and initial strategic alliances, the management team failed to attract sufficient funds for further clinical development. Financing these activities internally through cash flow, on the other hand, was out of the question. EZAG's resources are not sufficient for a stand-alone clinical development of pharmaceutical agents.

In 2003 the management team hence had to look for growth elsewhere. Acquisitions were an obvious candidate. In preparation for an expansion the company reshuffled responsibilities up to the Executive Board and added capacity for Business Development. A first result of these efforts was the acquisition of the low-dose sealed source business of CIS bio international, announced at the end of the year, and completed in early 2004. The acquisition added afterloaders and Iridium brachytherapy wires to the portfolio of EZAG's subsidiary BEBIG Isotopen- und Medizintechnik.

Both products lines nicely complement the existing range of radiation therapy devices. They also strengthen the company's prospects in the oncology market, as is the case with the decision of the German health insurance funds, announced in October, to include low-level radioactive permanent prostate implants (seeds) into the catalogue of reimbursable items. Management is therefore optimistic that it can achieve increased sales in the oncology market, and will continue to further search here for acquisitions and other growth opportunities. The same is the case in the nuclear imaging sub-market and the industrial segment, for which IPL is responsible.

By means of such activities and the growing European demand for implants for the treatment of prostate cancer, we are confident that, following the sales plateaus of the last two financial years, in 2004 we can again start to see more rapid rates of growth and the sustained expansion in the value of the enterprise.

I am certain that this also lies in your interest, and I would therefore be happy if you continued to offer Eckert & Ziegler AG your loyal support.

Yours truly

Dr. Andreas Eckert
Chairman of the Executive Board

Small dimensions,
big impact:
A life-size IsoSeed®

Seeds against prostate cancer

In Germany, prostate cancer is the most frequent type of cancer in men. 32,000 new patients fall ill from it every year. Fortunately their chances of recovery are high, particularly if the disease is detected early. Even the fear of the side effects of an operation, especially of impotence and incontinence, as well as a long stay in hospital, is in many cases unfounded.

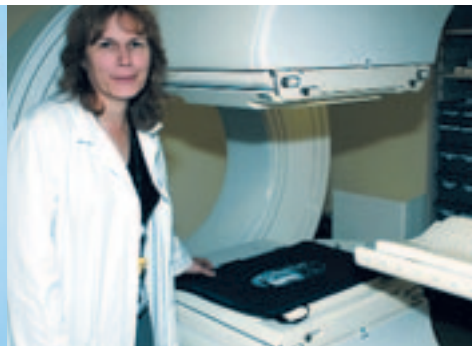
Prostate cancer can be cured today without the surgeon's knife, as an out-patient, and by and large free from side-effects – with low-level radioactive seeds from BEBIG, a leading European producer of prostate implants and a subsidiary of Eckert & Ziegler AG.

With seed implantation, low-level radioactive seeds are implanted permanently into the prostate. The seeds radiate within a range of only a few millimeters, so that the surrounding organs are spared. They remain in the prostate, and over a period of around ten months they emit enough energy to destroy the tumor.

Compared with the surgical removal of the prostate (prostatectomy), seed implantation, which can be carried out on an out-patient basis, has noticeably lower side-effects: the rate of incontinence is less than 1 per cent (with surgical prostate removal 5–30 per cent), the impotence rate only at 15–25 per cent (with surgical prostate removal 50–100 per cent). No lengthy stay in a hospital is involved – the treatment can normally be completed within a few hours.

Clinical data from the US, which now go back more than 12 years and cover over 100,000 patients, show that the chances of recovery are just as good as with radical prostatectomy. Already today in the US every third prostate cancer patient decides on this method. In Germany, the treatment is now reimbursable by the statutory health insurance funds to in-patients as from January 1, 2004.

www.bebig.de.



The handy Perflexion™ flood source facilitates the routine calibration of SPECT and gamma cameras.

Perflexion™ – the revolutionary improvement to an everyday product

Nothing is more laborious than improving those very everyday products which many have already tried to refine. Therefore, the new Perflexion™ flood source for the calibration of SPECT and gamma cameras with its epoch making design provides a prime example of the creativity of Eckert & Ziegler Group staff. Through individual customer surveys, detailed application knowledge and a supreme mastery of the technical possibilities the development team succeeded with a revolutionary innovative design in setting new standards for user-friendly calibration sources, and to decisively improve an industry standard that had stood for decades.

The flexible Cobalt-57 flood source Perflexion™ is used for the calibration of SPECT and gamma cameras. It is the first flood source in the world that can be rolled up and packed into a handy storage cylinder. Completely packed in rollable transport containers, Perflexion weighs only one-third of traditional, bulky flood sources. Its shielding is based on the new tungsten composite materials technology (Wolfguard™) which affords an up to ten times higher degree of radiation protection and dispenses with lead completely. This means the shielding-weight ratio can be optimized and the toxicity caused by lead avoided.

Its simple handling, compact size and improved radiation protection have met with an enthusiastic response from customers. “Whoever has once worked with the new Perflexion™ sources”, reports Dennis Chapman, Director of Nuclear Medicine at the S. Mark Taper Foundation Imaging Center of the Cedars-Sinai Hospital in Los Angeles, “will never want to go back again to the old bulky sources”.

www.isotopeproducts.com

The analyzer for determining the lead content in paints is equipped with a radioactive measurement source.

Rapid and sure detection of heavy metals

In the manufacture of paints and varnishes, it is often, unfortunately, not possible to do without poisonous heavy metals if particular characteristics, such as durability, are desired. This can cause problems if, for instance, lead from paint gets into the food chain unintentionally and from there into the organs. Even the smallest doses are sufficient to bring about long-lasting damage in children. In many situations it is therefore important to detect the lead and heavy metal content of paints in an economical and reliable manner.

NITON Corporation, a leading manufacturer of specialist measuring equipment based on x-ray fluorescence spectroscopy, markets a portable instrument for the rapid and cost-effective detection of the lead content in paint. At the heart of the NITON XRF detector is a Cadmium-109 radioisotope source which emits characteristic x-rays and gamma rays. For many years Isotope Products Laboratories Inc. (IPL) has been a key supplier of Cadmium-109 radioisotope sources for these analyzers.

Mr. David Morse, General Manager of NITON, values this close collaboration. He says: “It is of crucial importance that we have a reliable supplier like IPL for the critical components of our handheld XRF analyzer. IPL consistently delivers first-class quality, often at short notice.
I am sure that we would not be where we are today without the successful partnership that we have developed with IPL. We can’t make the impossible happen for our customers without having our vendors make the impossible happen for us. IPL has done so time and time again for us. NITON values this exemplary customer service.”

www.isotopeproducts.com

In Germany prostate cancer is the most common form of cancer in men. More and more men are therefore choosing low side-effect seed implantation with low-level radioactive seeds from BEBIG. Because they want to carry on enjoying life afterwards.

Corporate Governance

The objective of the German Corporate Governance Code, first introduced by the Government Commission in February 2002, is to foster confidence of investors and the public in the management and supervision of German listed public companies. Corporate governance within the meaning of this Code means responsible and transparent corporate management which is directed towards long-term added value.

Eckert & Ziegler AG welcomes the content and aims of the German Corporate Governance Code. Already from its founding in 1997 the behavior of the Executive and Supervisory Boards of Eckert & Ziegler AG has been governed by the principles of responsible and accountable corporate management.

Except for a few non-conformities, the recommendations of the current provisions of the German Corporate Governance Code are largely complied with. Departures from the recommendations are permissible for reasons specific to the industry or enterprise; however, these have to be disclosed in the annual declaration of compliance to be made under Section 161 AktG (German Companies Act).

Executive and Supervisory Boards made their first declaration of compliance in the 2002 financial year. For 2003, the following declaration of compliance was issued on December 3, 2003:

Declaration under the German Corporate Governance Code in accordance with Section 161 AktG

Executive Board and Supervisory Board of Eckert & Ziegler Strahlen- und Medizintechnik AG hereby declare in accordance with Section 161 AktG:

Eckert & Ziegler AG Strahlen- und Medizintechnik AG complies with the recommendations of the Government Commission's German Corporate Governance Code, as published in the electronic Federal Gazette of June 30, 2003, with the following qualifications:

with reference to 3.8: The Directors & Officers insurance policy taken out by the company on behalf of the members of its Executive and Supervisory Boards does not provide for any self-insured element.

with reference to 4.2.3: Regarding stock options for the Executive Board, no limitation (cap) has been agreed with the Supervisory Board to cover extraordinary, unforeseen eventualities. The disclosure of remuneration of members of the Executive Board in the notes to the Group financial statements is not on an individual basis.

with reference to 5.3.2: The Supervisory Board has not established an audit committee.

with reference to 5.4.5: The members of the Supervisory Board do not receive any profit-related element in addition to a fixed emolument.

Since the declaration of compliance of December 3, 2002, Eckert & Ziegler Strahlen- und Medizintechnik AG has complied with the recommendations of the "Government Commission's German Corporate Governance Code" as published electronically in the Federal Gazette of August 30, 2002, subject to the qualifications notified in the declaration of compliance.

Moreover, following a resolution on January 21, 2003, the Supervisory Board had already established a staff committee, which meant that the departure from the recommendation to establish Supervisory Board committees no longer applied. Furthermore, since the new version of the recommendations was issued electronically in the Federal Gazette of November 14, 2002, no further departures have taken place with regard to the disclosure of stock dealing by members of the Executive and Supervisory Boards.

Berlin, December 3, 2003

Executive Board:

Dr. Andreas Eckert

Dr. Edgar Löffler

Gerald Pohland

For the Supervisory Board:

Professor Dr. Wolfgang Maennig

The Executive Board makes the following statement on the qualifications notified in the declaration of compliance of December 3, 2003 (also on behalf of the Supervisory Board):

With reference to 3.8:
No self-insured element with D&O insurance

As agreeing to a self-insured element for members of company boards would not lead to a reduction in premium, the agreement to a self-insured element was dispensed with. Further, we are not aware of any generally recognized principles for the reasonableness of such a self-insured element.

With reference to 4.2.3: No limitation (cap) for stock options for the Executive Board; no disclosure of remuneration for individual members of the Executive Board

By means of the profit targets, grant and exercise periods, and qualifying periods set down in the stock option plan, sufficient safeguards against the abuse of extraordinary, unforeseen eventualities exist, in the opinion of the Executive and Supervisory Boards. A further cap on stock options solely for members of the Executive Board is not considered at present by the Supervisory Board to be urgent, as it lacks practical relevance.

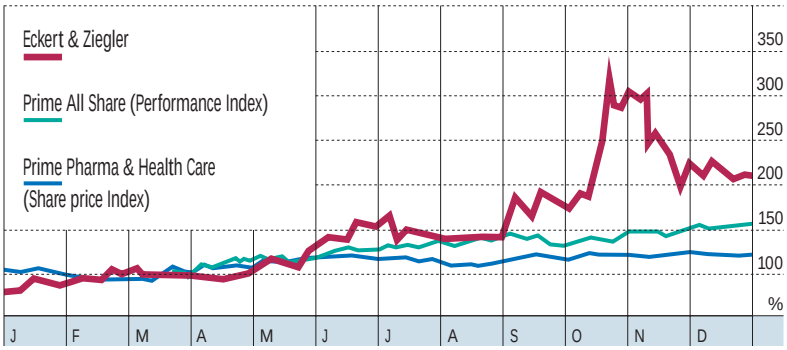
The disclosure of remuneration of members of the Executive Board in the notes to the Group financial statements is not on an individual basis, but is combined for the Executive Board as a whole. This approach seems to the Executive and Supervisory Boards justifiable, when one takes into account the small number of members of the Executive Board, as well as the fact that these persons are accountable to the shareholders in particular as colleagues in the same enterprise. This serves the shareholders' interest in information on the amount of Executive Board remuneration, to the same extent that the interest of members of the Executive Board is served by keeping details of their personal income confidential.

With reference to 5.3.2: No establishment of an audit committee by the Supervisory Board

By reason of their central importance, the duties conferred on an audit committee have been exercised hitherto by the Supervisory Board itself. The necessity to form an audit committee is not therefore seen as a matter of priority by the Supervisory Board, but this matter is regularly subject to review in the context of effectiveness.

With reference to 5.4.5: No profit-related remuneration for members of the Supervisory Board

Executive and Supervisory Board are of the opinion that remuneration linked to the profits of the enterprise is not compatible with the legally prescribed function of the Supervisory Board as an independent supervisory body, and with the essential neutrality of interests that goes with it.



The Share

Since their stock exchange flotation in May 1999 Eckert & Ziegler AG shares have been listed on the Frankfurt Stock Exchange as well as on all the German regional exchanges; in addition, they are traded electronically on the XETRA (Exchange Electronic Trading) system under the unique international 12-digit International Securities Identification Number (ISIN) DE0005659700. A number of German banks and savings banks also identify the share by means of the former WKN (Wertpapier-Kenn-Nummer) indicator 565970.

Change to the Prime Standard of the Deutsche Börse

Because of the discontinuation of the Neuer Markt by the Deutsche Börse (German Stock Exchange), Eckert & Ziegler AG shares moved to the newly created Prime Standard on February 20, 2003. This segment is subject to particularly high transparency standards, even exceeding those of the prescribed publicity requirements.

As in previous years, all the investments in property, plant and equipment and product innovations were entirely financed from cash flow. There was no need to call on the capital markets for further finance.

Since June 2, 2000, the date of the last increase of capital, the nominal share capital of the company has remained unchanged at 3,250,000 EUR.

Movements in the share price

At the turn of the year 2002/2003 Eckert & Ziegler AG's share price reached its historical lowest point at 2.80 EUR. After that, it rose continuously, and by summer it had more or less doubled.

The announcements in October on the reimbursement of the cost of seed implantation by the German statutory health insurance funds, and the progress in developing the PankoMab™ and KaroMab™ antibody products, led to a further surge in the share price, resulting in the highest daily closing price in 2003 for the Eckert & Ziegler share of 11.60 EUR on October 22. In the subsequent period, the share fluctuated between 7 and 8.50 EUR, and finished the year on 7.10 EUR.

This means that for practically the whole year the share price had outstripped the relevant indices.

Shareholder structure

The shareholding of the founding shareholder, Eckert Consult GmbH, has not changed in absolute value compared to the previous year. However, since Eckert & Ziegler AG acquired around 315,000 of its own shares as part of a share buyback program, the proportion of the shares in circulation held by Eckert Consult increased slightly. On the other hand, the holding of the other founding shareholder, Jürgen Ziegler, fell to around 10% in the year under review. The proportion of shares available to the public (free float) stayed relatively constant at 42%.

Investor Relations

In order to give shareholders, analysts and the press up-to-date and comprehensive information on developments in Eckert & Ziegler AG's business, we held five press and analysts' conferences in 2003, and informed financial analysts by means of regular teleconferences about the outlook and potential developments

Shareholder structure 12-31-2003

for the business. Events included the third MedTech Day on January 29, 2003 in Berlin and the German Equity Capital Forum organized by the Deutsche Börse on November 26 and 27, 2003 in Frankfurt am Main. Besides these conferences we have kept people regularly informed in individual discussions and corporate presentations concerning the situation and strategy of the Group.

Our internet presence also continues to play an important role. Under www.ezag.de investors find current share prices, ad-hoc and press announcements, analyses, information on corporate governance, analysts' presentations, the financial calendar and annual general meeting. Interested investors can also subscribe here for an electronic news service about the company.

Key data on the Eckert & Ziegler share

German Security Identification Number (WKN)
565 970

International Securities Identification Number (ISIN)
DE0005659700

Stock exchange symbols
EUZ (Deutsche Börse)
EUZ (Bloomberg)
EUZG (Reuters)

Stock exchange sector
(as from 2-20-2003)
Prime Standard, Frankfurt

All Share Indices
(as from 3-24-2003)
Prime All Share
Technology All Share

Industry-specific index
(as from 3-24-2003)
Prime sector: Pharma & Healthcare
Industry group: Medical Technology

Nominal share capital (12-31-2003)
3,250,000 EUR

Owner bearer shares (12-31-2003)
3,250,000 units

Share price (12-31-2003)
7.10 EUR

Market capitalization (12-31-2003)
23.08 million EUR

Highest/lowest price in 2003
11.60 EUR / 2.80 EUR

Business Philosophy

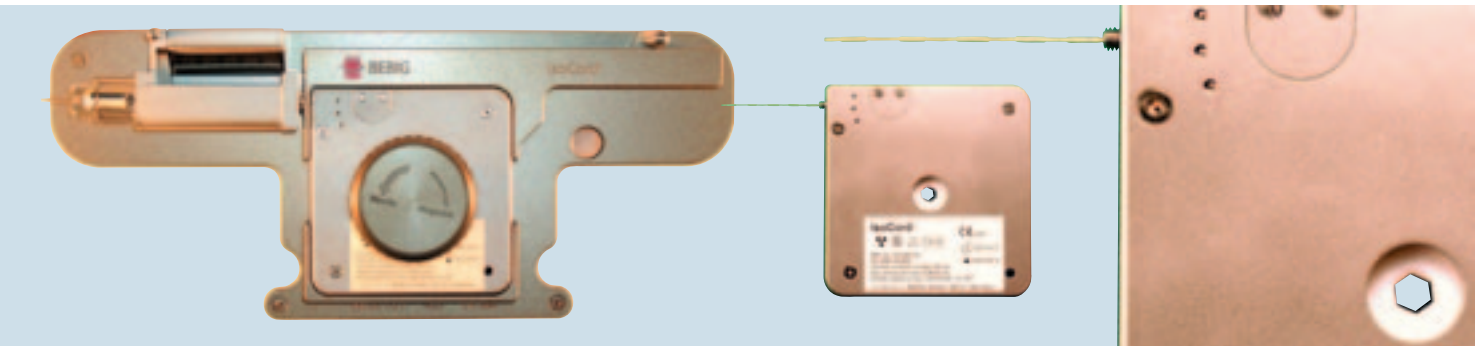
Eckert & Ziegler sees itself as a global specialist in technical applications using radioisotopes, and perceives sufficient opportunities for profitable growth in this field, particularly in the areas of radiotherapy and nuclear imaging.

Executive and Supervisory Boards regard themselves committed to such expansion without reservation. However, in the event of a conflict of interest, they would give priority to the maintenance of liquidity and earning power over increases in sales. Thus, the Group only involves itself in new areas of business having calculated the risks, and apart from that takes care to ensure that financial and staffing resources are adequate for the maintenance and safeguarding of the core liquidity-generating business.

Moreover, in order to spread risk Eckert & Ziegler AG attaches importance to market niches, which, whilst having close thematic and technological associations, do not in other respects have an interrelation with customers, product applications and competitors.

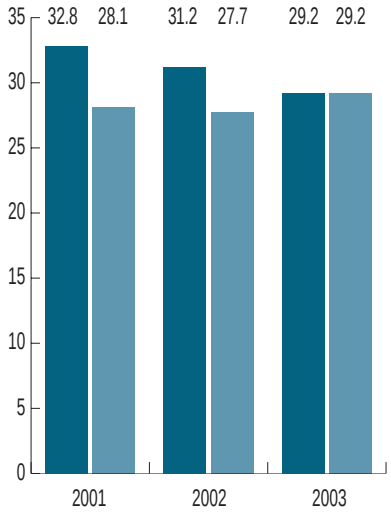
Children in particular suffer from a rare eye disease where the retina is affected by a tumor. Low-level radioactive eye applicators from BEBIG can save the sight of children worldwide who are afflicted by this.

India has the highest incidence in the world of cancer of the neck of the womb. Every year this affects more than 125,000 women there. With the Curietron™ C Remote Afterloading System from BEBIG the tumor can be healed with minimally invasive, low side-effect brachytherapy.



The market launch of IsoCord®, a stranded seed against prostate cancer, led to an increase in sales in Oncology.

Movements in sales 2001 – 2003



nominal sales
pro forma at exchange rate for 2003 used in the consolidation
(in million EUR)

Development of the business

Eckert & Ziegler AG achieved Group sales of 29.2 million EUR in the financial year, which was slightly down on last year (31.2 million EUR).

Behind this result there are several partly conflicting factors that can be divided between growth and contraction processes.

Factors leading to a decrease in sales compared to the previous year:

– the decline in the exchange rate of the US dollar relative to the euro, the reporting currency
– decreases in the segment for cardiovascular radiation sources
– the cessation of implant exports to the US

Factors leading to a rise in sales compared to 2002:

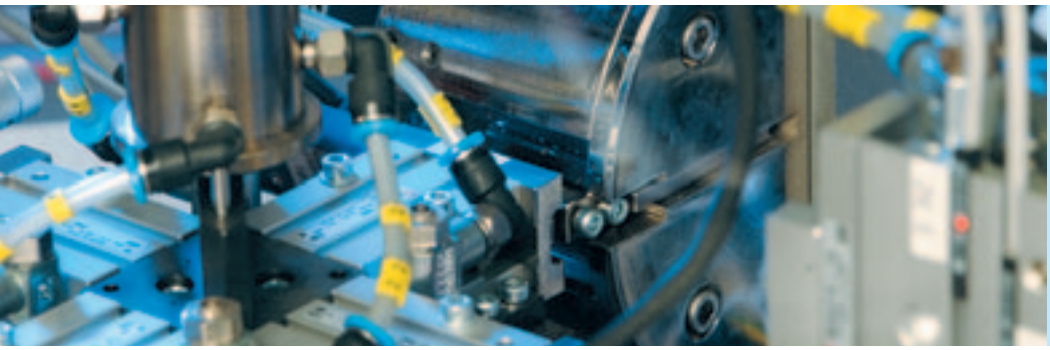
– successes in production line sale
– growth in oncological products in Europe

More details on these factors:

Dollar exchange rate: The fall of the dollar had a considerable impact on the growth of sales, as around two-thirds of Group sales were invoiced in American currency, and therefore compared to previous years lost value when translated into euro. Whereas the average rate at which sales are incorporated into the Group financial statements was still 0.897 US$/1 EUR in 2001, by 2002 this had risen to 0.947, and by 2003 it had reached 1.141. The chart below, in which the rate of exchange for the last two financial years is restated at the level for 2003, illustrates this impact (see graph).

Cardiovascular radiation sources: The downturn in sales in the cardiology division, caused by the emergence of non-radioactive products from competitors, has already been mentioned in previous annual reports. As expected, only the contractually agreed minimum level of sales of 900 thousand EUR could be realized in 2003, after almost 4 million EUR in 2002.

US implant exports: The Executive Board of Eckert & Ziegler AG had already resolved in the previous year to abandon this area of the business. The reason for this lay mainly in the increasing saturation of the US market, which after years of steady growth finally led to overcapacity and price wars. How great



Growth in Oncology was Eckert & Ziegler's reward for returning to the traditional construction of facilities for radioactive components.

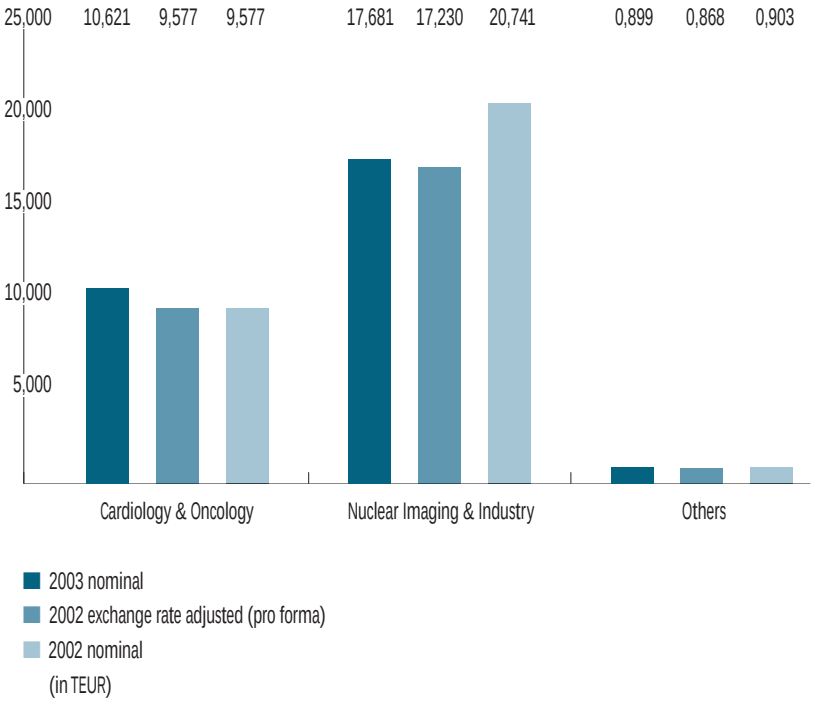
these effects were is shown by the figures from some former competitors who had to bear sharp inroads into their sales and earnings. In retrospect, their fiasco confirmed the decision not to direct Eckert & Ziegler AG's resources on an unprofitable chase to catch up better placed competitors, but instead to reposition itself as an equipment manufacturer and a vendor of parts derived from its highly automated production technology.

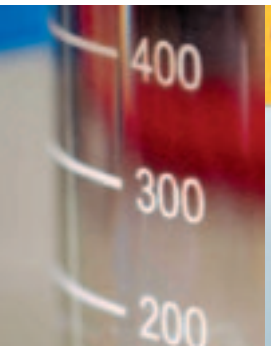
Success as an equipment manufacturer: As long as Eckert & Ziegler AG supplied doctors and clinics in the US directly with implants, it did not make sense to offer competitors special equipment that it had developed itself for the more efficient processing of radioactive components. With the cessation of implant exports the situation changed. The return to its traditional business of equipment manufacturing proved to be successful and yielded large volume contracts, which already in the year under review partly compensated for the loss of sales and earnings from stopping the export of implants. For 2004 around 2.2 million US$ worth of sales have already been contractually secured in this area, and a number of additional inquiries in this field have been made.

Growth in oncological products in Europe: The trends are set out in the following paragraph "Oncology and Cardiology".

Oncology and Cardiology: Alongside the sharp fall in sales as a result of the dropping off of implant exports to the US and the return to equipment manufacture, 2003 was notable as far as the oncological field is concerned for the market launch of IsoCord®, a stranded seed, as well as for the introduction of cost reimbursement for the in-patient treatment of prostate implants in Germany.

Trends in individual business divisions





The market launch of Perflexion™, an innovative and particularly flexible and light flood source, was responsible for a growth in sales in Nuclear Imaging.

The newly introduced stranded seeds represent another means of "administering" implants in the treatment of prostate cancer. It is particularly widespread in Germany. Through this expansion in the product portfolio it will be possible in the future to address a broader client base than was hitherto the case just with loose seeds.

The cost reimbursement for inpatient treatment with prostate implants only applies in Germany at present, admittedly, to hospitals, but signals the possibility for the take-up in other catalogs of products that can be reimbursed. Up to now patients had to bear the costs of treatment themselves, or in some cases they had to go through time-consuming negotiations with the health insurance fund. In the year under review the effects of both reimbursement decision and the introduction of IsoCord® were still small. Thus, the driver for sales in the cardiology and oncology divisions was mainly a growth in the European direct marketing of oncological products and the return to equipment manufacture as depicted above. Both were sufficient to compensate the massive drop in sales in the cardiology division, so that, in total, growth can be reported for this division.

Nuclear Imaging & Industry: This division which invoices predominantly in US dollars achieved increases of about 3% in original currency compared to the previous year. Unfortunately the dependency of this area on the economy as a whole prevented a more noticeable rise in sales in the first quarters of the year. In addition, several core products underwent increasing pressure on prices during the course of the year, which impacted on gross margins. In the fourth quarter the market launch of a new, particularly flexible and light flood source (Perflexion™) heralded the first signs of relief. This innovative product is applied in nuclear-medical diagnosis for the calibration of SPECT and gamma cameras. The new flood source was very well received by customers, in particular its easy handling. There are expectations that through this product advantage the price pressure on an important sales area can be partly deflected in future.

In 2003 the budget for US "Homeland Defense" did not result in the impetus for the Industry Division that was originally expected. In this difficult environment it succeeded, however, in slightly exceeding the level of sales of the previous year, mainly thanks to quality improvements.

Immunology: Pre-clinical development ran to schedule and was successful, especially for the radioactively marked antibody, PankoMab™. In animal testing it showed favorable accumulation rates in the tumor and could even arrest the spread of cancer in mice with injected cancer cells. Notwithstanding this succes, no license agreement for PankoMab™ or the other antibodies has as yet been signed. Neither up to now could the change in company form of NEMOD AG into a more investor-friendly GmbH & Co. KG bring about a significant breakthrough in the search for co-investors. However, the deductibility of losses for corporation tax purposes that had lapsed as a result of the legislation passed in May could once more be established. Immunological projects had a more adverse effect on the Group's results than originally forecast, with a loss of 1.5 million EUR before tax, although costs in the face of the failure of income to materialise had been permanently reduced (the previous year's loss still amounted to 2.6 million EUR).

An international team successfully assembled in Atlanta a production line for prostate implants .

Development and Technology

Development and technology play a key role at Eckert & Ziegler Group. Its activities impact not only on the products themselves (product innovations), but also on manufacturing technology (process innovations), and pervade all segments of the business.

In the oncology division the focus in 2003 was on the development and market introduction of IsoCord®, a new means of "administering" permanent implants. Its basic idea is that instead of delivering the seeds by hand to the tumor, it is simpler for doctors to propel individually several of them into the tumor tissue at once through a thin tube of bioabsorbent material. So that the user is not affected by stray radiation, the IsoCord® seed strand is kept protected against radiation in a magazine before use. There, by means of a practical device, it can be modified to the required length and introduced via implantation cannulas. The "cannula loading station" enables a prompt handling of the stranded radiation particles to take place on the spot, i.e. in the clinic, meeting radiation protection requirements and replacing the hitherto customary manual fabrication of these kinds of products. IsoCord® was well received by customers on its market introduction.

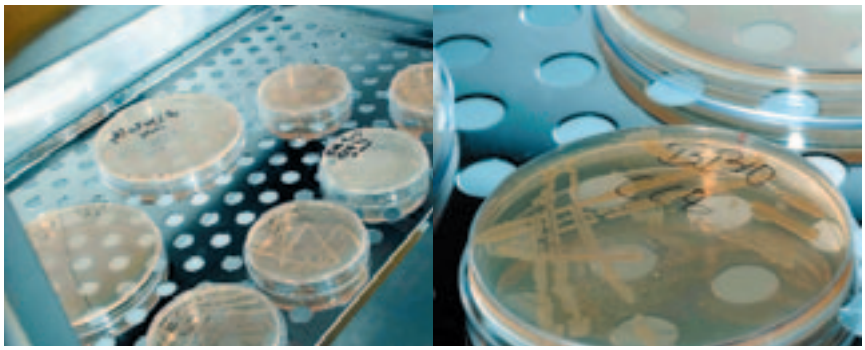
Other development activities in the oncological division included the setting up of a highly automated production plant for prostate implants. In the year under review the transfer of the line to the US was completed, together with all significant acceptance testing. A further focus of activity in the field of plant construction lay in the completion of the company's own production facility for the manufacture of IsoCord® stranded radiation particles.

The American subsidiary, Isotope Products Laboratories Inc. (IPL), has developed sources for application in imaging processes and in industry; for example, an innovative flood source for calibrating SPECT and gamma cameras, X-ray fluorescent radiation sources for tracing evidence of lead impurities in paints, and brachytherapy radiation sources for the treatment of gynecological cancer.

Where possible, efforts were made to follow the business practice of protecting all results of development through patent applications. On November 27, 2003 the patent, "Equipment and method for the loading of implantation cannulas with radiation source strands for the interstitial brachytherapy of tissue" was issued in Germany. In addition, a method patent with the title "Highly radioactive miniaturized ceramic strontium 90 radiation sources and method for the production thereof" was issued in the US on September 2, 2003.

The objective set for the development activities in 2003 in the immunology division, which are grouped together in NEMOD Biotherapeutics GmbH & Co. KG ("NEMOD" for short), an equity investment, was to substantially complete the pre-testing on animals for the most promising products (termed "pre-clinical tests").

In the area of therapeutic antibodies, the leading product, PankoMab™, successfully showed long-lasting anti-tumor effects in pre-clinical testing. With the therapeutic antibody KaroMab™ it was also demonstrated that, with systemic application, this antibody is enriched in large quantities specifically in artificially induced bowel and breast cancers.



In Biotechnology, pre-clinical tests for the two antibodies, PankoMab™ and KaroMab™ were concluded with excellent results.

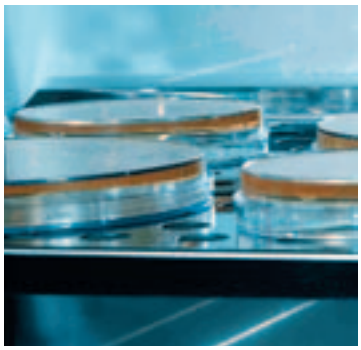
Together with the highly specific antibody against the Lewis-Y antigen, which is still at the pre-clinical development stage, NEMOD now possesses a portfolio of therapeutic antibodies for application in cancer therapy. The next target for this area is the granting of licenses to strategic partners with expertise in clinical development. Further financing of pre-clinical activities is not intended.

With the first commercially viable dendritic cell line in the world, NemodDC™, NEMOD has access to the basic technology for the development of a new generation of tumor vaccines. The wide therapeutic applicability of this technology in the killing off of cancer cells was borne out in pre-clinical in vitro tests. For further developments in this area we refer to the sections "Post-balance sheet date events" and "Outlook".

Net assets, liquidity and earnings position

Preface: A comparison of the net assets, liquidity and earnings position with the previous year is impaired by a number of circumstances. These include the previously mentioned severe devaluation of the US dollar against the euro, which has impacted particularly on the translation of the annual financial statements of the American subsidiary IPL. For its income statement, the average devaluation compared with the 2002 figures amounts to about 20.5%, for the items in the balance sheet 20.2%.

A further factor that makes comparability difficult is the full consolidation of NEMOD, prescribed as from July 1, 2003 in which the immunological activities are concentrated. NEMOD's entire loss for the year was already taken up in the consolidated financial statements in 2002, but only shown as an item within research and development expense. This presentation was retained for the losses of the first half-year of 2003, but the loss for the second half-year is now spread over all items in the income statement as a result of full consolidation.



Earnings position

In order to eliminate at least the effect of the exchange rate used for consolidation, the following pro forma account has been adopted for the sake of better comparability; in this the figures for the American subsidiary for 2002 have been consolidated at the same exchange rate as for 2003:

Whereas from this viewpoint sales show an increase of as much as 6%, it is noticeable that the gross profit on sales (gross margin) has remained virtually static, or even fallen away slightly. The effect of the reclassification of two cost centers accounting for 1,122 thousand EUR is shown here. In 2002 these cost centers were still classified as general and administrative expenses, whereas now they are allocated to cost of goods sold. Adjusted for this effect, the gross margin rose from approx. 49.2% to 49.9%. The notable downturn in the high-margin cardiology division as well as the previously mentioned price pressure in Nuclear Imaging could therefore be compensated for through cost savings and the sale of a production line.

	2003	2002 pro forma
	TEUR	TEUR
Sales	**29,201**	27,605
Cost of goods sold	**- 15,745**	- 14,036
Gross profit on sales	**13,456**	13,569
Selling expenses	**- 3,033**	- 3,479
General and administrative expenses	**- 6,271**	- 6,793
Research and development expense	**- 2,163**	- 2,903
of which immunology	**- 1,475**	- 2,461
Other operating income and expense	**207**	1,434
Operating income	**2,196**	1,828
Interest income and expense, net	**- 289**	- 287
Gains / losses on currency exchange, net	**- 314**	- 999
Other income / expenses, net	**273**	124
Income before tax	**1,866**	666
Income tax expense	**- 1,037**	- 474
Net income from continuing operations	**829**	192

The savings in selling expenses were achieved predominantly in the personnel area through direct selling in Europe. General and administrative costs, restated by the reclassification of 1,122 thousand EUR as cost of goods sold, rose by around 600 thousand EUR. About 160 thousand EUR arise from the full consolidation of NEMOD. Of the remaining 440 thousand EUR, more than a half is attributable to profit-sharing by management and staff of susidiaries, and also to expenditure on stock options not yet due to be paid out. The noticeably reduced R&D expense results from savings in immunology. The R&D expense in the core business rose, on the other hand, which reflects the intensified efforts in new product development that have led in 2003 to the two market debuts of IsoCord® and Perflexion™.

Experts in radioactive components: the IPL sales team

The high level of other operating income in the previous year was a result of government grants for the German subsidiaries for 2001 and 2000 amounting to 3.2 million EUR that were granted in 2002. Of the total amount, 1.5 million EUR, being the portion of the grant relating to depreciation already charged in the previous year on the relevant non-current asset items, was immediately passed through the income statement. In 2003 no further subsidies were granted, so that in 2004 it is expected that payments will be made for two years, although to a much lesser extent than in 2002.

In total, operating income was 0.4 million EUR above the pro forma value of the previous year. Of that, approx. 1 million EUR can be attributed to the improved results from immunology, which were, however, not achieved as hoped for through additional income, but only through cost savings. On the other hand, operating income for the core business was around 0.6 million EUR down on 2002. However, if one takes into account the prior year item of income from investment grants, as mentioned above, which contributed around 1.5 million EUR to operating income in 2002, then operating income for the core business also improved by around 0.9 million EUR in 2003.

In the currency area, the loss was once again a result of financing the US subsidiary via a US dollar loan from the German parent. Half of this is hedged, the other half is mainly responsible for these book losses. In view of the fact that the term is 15 years it is not yet possible to ascertain whether these losses will ever have to be actually realized.

In total, net income from continuing activities after tax according to this pro forma account was more than doubled by around 637 thousand EUR, or by around 483 thousand EUR to 829 thousand EUR in real terms.

Losses from changes to accounting standards

A change in the method of accounting arising from new US financial reporting standards affected the first-time full consolidation of NEMOD as of July 1, 2003 and led to an additional loss of 1.3 million EUR. This loss has arisen from a purely technical accounting procedure, under which Group shareholders' equity was reduced by the negative shareholders' equity of NEMOD, with the corresponding amount being charged to the income statement. In fact, the Group will never have to bear this loss, and on disposal of the investment this amount would be recredited to income as part of the deconsolidation.

Further losses from changes in accounting standards resulted from new US-GAAP rules on the creation of provisions for environmental restoration. These now have to be set up as if a binding contract for decontaminating or restoring the radioactively contaminated production plant and sites had already been awarded to third parties as of today. Compared to the existing practice, where the calculation is based on work being carried out by the company and on the rate of

The German Calibration Service accredited IPL Inc. as a calibration laboratory based on isotope technology, thereby endorsing the high precision and quality of its production processes.

decay over the half-life, the expense virtually doubles. This is reflected in the losses from changes to accounting standards.

Net assets

The new rules also result in two significant changes in the balance sheet: compared to the previous year, other non-current liabilities are increased by the 1.8 million EUR provisions for asset retirement obligations, and, on the other side, an additional asset of 0.6 million EUR is shown under property, plant and equipment.

The increase in long-term loans stems from the first-time consolidation of NEMOD which is showing a subordinated loan of 1.4 million EUR in its balance sheet.

The other major differences arise principally from the change in the consolidation exchange rate for the US subsidiary's balance sheet.

Liquidity

The balance of cash and cash equivalents and marketable securities has once more moved in a positive direction, and has grown in 2003 by 1.3 million EUR to 9.8 million EUR. This total does not include approx. 315,000 own shares which had been repurchased in February and March 2003 at an average rate of 3.35 EUR. They represented a market value of a further 2.2 million EUR as of December 31, 2003. An examination of operating cash flow will likewise reveal an accounting change. Whereas in 2002 the funds outflow for immunology (NEMOD) was shown under investments as an acquisition of a participatory interest, it now reduces operating cash flow (approx. 0.6 million EUR) in the second half-year as a result of full consolidation. The largest part of the decline in operating cash flow is attributable to the fact, however, that in 2002 there was a cash inflow of 3.2 million EUR from investment subsidies for 2000 and 2001, whereas in 2003 no such funds were received.

Risk management reporting

General: Eckert & Ziegler attempts to handle its business risks using a range of instruments. In the context of the risk management system, annual interviews of technical managers and leading executives are carried out, where, besides the identification of new and existing risks, their ranking with regard to probability of occurrence and possible effects on the company are discussed. Preventive measures are taken as far as possible to counter those risks which might damage the company, contingency plans drawn up and regular evaluations of these risk factors organized. These include regular market and competitor surveys, the evaluation of scientific literature, the analysis of customer complaints, cost and sales statistics, and similar data.

For the purposes of this reporting process, the Executive Board holds regular meetings at which the main risks to the assets and net income of the Group and its subsidiaries are presented and discussed.

Risk management also includes detailed annual sales and cost planning. These allow managers to identify the variables well in advance

Eckert & Ziegler and its subsidiaries exhibit annually at more than 30 specialized and general trade fairs.

that are critical to the earnings position and to simulate the financial consequences of various eventualities. The Supervisory Board, to which all the main decisions are presented, explained, and submitted for approval, and which is kept regularly informed about economic developments, acts as a further element in the safeguard against risks.

Business environment and industry risks: As a specialist in radioactive components Eckert & Ziegler AG is not a one-product business. Its different fields of business may be closely related technologically, but vary considerably in respect of their customer and market structures. Alongside innovative products, the product portfolio contains many mature products in late phases of the product life-cycle. Normally, this diversification will reduce the risk that competitors might destroy the basis of the company's business through new and better products. Despite this, the possibility cannot be entirely excluded that improved processes and efforts on the part of competitors might cause important markets to be lost, and thus endanger the business.

To counter this threat, Eckert & Ziegler puts effort into developing new products and identifying and setting up new fields of business. The risk exists, however, that such efforts remain unsuccessful and that new fields of business can only be developed too late, or inadequately, or not at all.

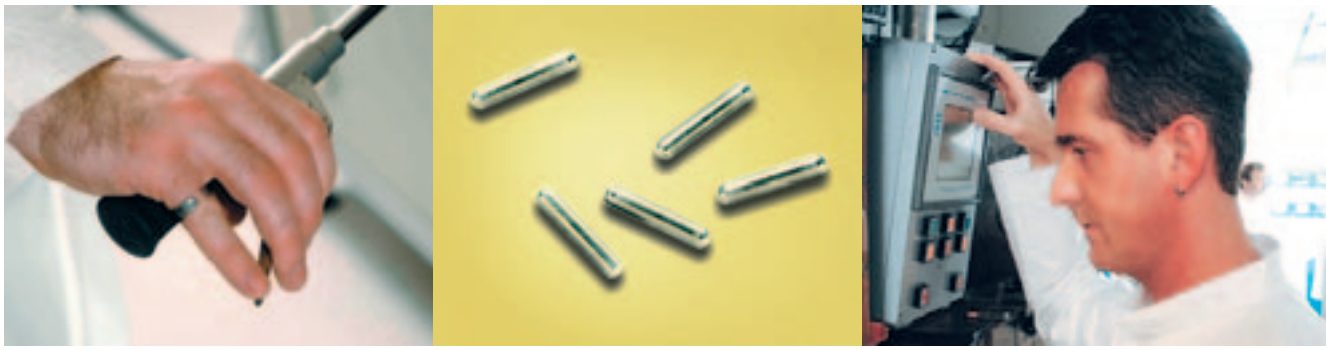
Sales risks: As the phasing out of cardiological products will be completed within the next few years, the greatest risks to sales and earnings lie in the development of the European market for permanent implants for the treatment of prostate cancer. This new method of treatment is still in an introductory phase in European countries. Of the most important markets, the reimbursement of the costs of implants has only been regulated in Germany, and even here only for in-patients. There is a risk that cost reimbursements will not be introduced as planned, that for other reasons the market fails to develop in the way that the Executive Board has foreseen, or that competitors become more successful with better products or product marketing strategies.

A considerable portion of the sales in the oncological division is, moreover, achieved through distributors. That they might change suppliers cannot be excluded, and this would put large parts of sales and earnings at risk.

In many sub-segments of the nuclear-medical and industrial markets there are oligopolistic market structures in which the loss of major customers can have perceptible implications for the earnings and sales position. Eckert & Ziegler AG is endeavoring to hedge the sales risks by means of medium and long-term supply contracts, but cannot guarantee that it will always continue to be successful in the future.

Liability risks: Both radioactivity as well as its use as a medical product involve special product liability risks. Eckert & Ziegler AG counters these risks by submitting to very strict quality criteria. Its operational facilities are ISO-certified and the functionality of QM systems is regularly checked by internal and external audits.

In order to avoid internal accidents that affect staff, cause environmental damage, or could lead to the shutdown of production facilities by regulatory authorities, staff undergo regular training. Safety at work and



The Berlin plant produces low-level radioactive implants for the mild treatment of prostate cancer.

radiation protection receive special attention. Thus internal limits for radiation exposure are considerably below the official ones.

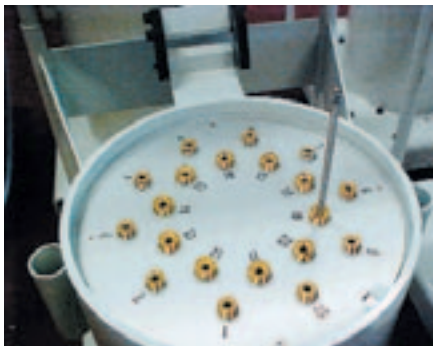
For liability risks appropriate insurances were effected as far as possible. Despite all these steps, the possibility that events giving rise to liability will occur and lead to damage to the company cannot be ruled out.

Personnel risks: Eckert & Ziegler AG is highly dependent in many areas of its business on the specialist knowledge of its staff. Particularly in the building up of new fields of business, but also in development and in sales, it needs the knowledge and technical competence of a small number of highly qualified key employees.

In order to minimize the risk of the loss of talented staff, the company endeavors to provide adequate remuneration, a pleasant working atmosphere, suitable work and radiation protection, modern production and office facilities, and flexible working hours. The company has also introduced a share option program in order to increase long-term loyalty. In spite of these measures, Eckert & Ziegler AG cannot guarantee that these employees will remain with the company and demonstrate the necessary kind of commitment.

Financial risks: The monitoring and control methods used to avoid financial risks include the use of such instruments as the annual financial budget with revisions during the year, and a painstaking analysis of variances from budget. This allows possible risks to be recognized at an early stage and the appropriate countermeasures to be initiated. Because of the high proportion of US sales there is a certain level of dependence on the US dollar exchange rate. However, as the sales of the US subsidiary company, which is responsible for most of these, are made in US dollars but are matched by US dollar costs, there are hardly any margin problems when exchange rates fluctuate. These exchange movements only impact on the translation of US dollar income as part of the consolidation, and thus on Group earnings. Sales by the German companies denominated in foreign currency are hedged to about 50% by forward exchange contracts and simple put options.

Other risks: Other risks faced by Eckert & Ziegler AG are similar to those faced by other manufacturing companies. These include the risk of being unable to buy in all the raw materials and consumables at the right time and in the necessary quantities. This risk can be reduced by holding inventory and establishing alternative procurement sources, but it can never be eliminated altogether. With products being dispatched all over the world, in many cases as hazardous materials, Eckert & Ziegler AG is dependent on specialist service providers. There can be no guarantee that these services will be sustained in their existing form. Official licenses and permits are necessary for the production and dispatch of many products, and Eckert & Ziegler AG can only exert an indirect influence when these are issued or renewed.



Eckert & Ziegler widens its portfolio with afterloaders for the treatment of cancer of the neck of the womb.

Subsequent events

The first months of the 2004 financial year were marked by several acquisitions that were largely already in preparation in the 2003 reporting year:

Acquisition of the radiation equipment division of CIS bio International, France: With the agreement of the Executive and Supervisory Boards of Eckert & Ziegler AG, the management of BEBIG Isotopen- und Medizintechnik GmbH (BEBIG) exercised an option to purchase the radiation equipment division of the French company, CIS bio international. With this decision, BEBIG widens its product range for oncological radiation therapists with afterloaders and iridium sources.

Acquisition of Isotope Products Europe Blaseg GmbH (IPE), Waldburg: With the agreement of the Supervisory Board, the Executive Board has exercised an option that entitled Eckert & Ziegler AG to acquire a further 49.8% of the shares in IPE. It now holds 74.9% in the company that up to now has mainly sold Eckert & Ziegler Group products. The new sole general manager of IPE is Dr. Andreas Hey. It is planned to relocate some of the operations to Berlin and to merge these into the existing sales organization.

Acquisition of CNL Scientific Resources International, USA: The American subsidiary company, Isotope Products Laboratories, Burbank, USA (IPL), has acquired all the shares in CNL Scientific Resources International Inc. of San Francisco. This raw material broker possesses the exclusive American marketing rights for a number of strategic radioisotopes, including palladium-103 and iodine-125, and has also supplied IPL in the past.

Apart from the completion of these acquisitions, the management of BEBIG succeeded in January 2004, against strong competition, in concluding a long-term supply agreement worth nearly 2 million EUR with the Paris-based Institut Curie, a key customer in the French market for prostate implants.

In the immunological division the Executive Board of Eckert & Ziegler, in agreement with the Supervisory Board, resolved to advance to NEMOD Biotherapeutics GmbH & Co. KG no further funds for pre-clinical development beyond the tranches already released, and to aim for an agreement to disengage itself and to terminate all joint development work. This principle decision limits the maximum outflow of liquidity arising from the commitment to about 300,000 EUR for 2004. In addition, extraordinary income from the deconsolidation of NEMOD of about 1.3 million EUR is expected.



Outlook

For 2004 the Executive Board anticipates an impetus to sales from the recent acquisitions and the improving European market environment for permanent implants for the treatment of prostate cancer. At a constant dollar rate this expansion in sales should well exceed 10%. In order to secure future growth the Executive Board is in discussions with further acquisition candidates.

On the earnings side an increase over the result for 2003 is also expected, based on a contraction in expenditure on immunological development. The relocation to Berlin of the administration and sales activities at present located in IPE, and the expansion of the European market position in the nuclear division should also contribute to these savings. In the area of specialized plant manufacture for oncological applications, efforts will be concentrated on expanding the market position and on stabilizing the volume of orders.

Staff

As of December 31, 2003, 197 (2002: 199) persons were employed worldwide in the Eckert & Ziegler Group and the affiliated biotech-company NEMOD, including 6 trainees (at the Berlin site). Eckert & Ziegler AG's staff costs amounted to 10.1 million EUR (2002: 11.4 million EUR), and the cost per head 55 thousand EUR (2002: 57 thousand EUR). Around 40 thousand EUR was spent in the year under review on external training and further education.

Our staff participate financially in the success of the company. The second tranche of 30,000 shares, relating to the stock option program running over three years (AOP2), was issued to 36 high performers and senior management. Included in the tranche are 8,250 options to members of the Executive Board.

The Executive Board thanks all staff for the work they have carried out and the high level of personal commitment.

Only through the expertise, creativity and commitment of its staff can Eckert & Ziegler perform at its best in all areas.

Staff by function

- R&D 27%
- Production 26%
- Quality management 14%
- Sales 19%
- Administration 14%

Thanks to its elasticity, the flexible flood source Perflexion™ can simply be rolled up and stored in a light cylinder-shaped container under ideal conditions for radiation protection.

Safety and environment play an important part not only in the production processes, but also with finished products. For example, throughout the entire process of developing IsoCord®, a new stranded seed product for the treatment of prostate cancer, a great deal of importance was attached to a particularly high level of radiation protection. The "multimodal marker", which achieves an extremely high degree of precision on nuclear medical tests, is, under international specifications, an enclosed radiation source whose guaranteed period of reuse without risk of contamination amounts to two years. As a high performance calibration and flexible flood source, Perflexion™, thanks to its elasticity, can be simply rolled together and preserved in a light cylinder-shaped container under ideal radiation protection conditions.

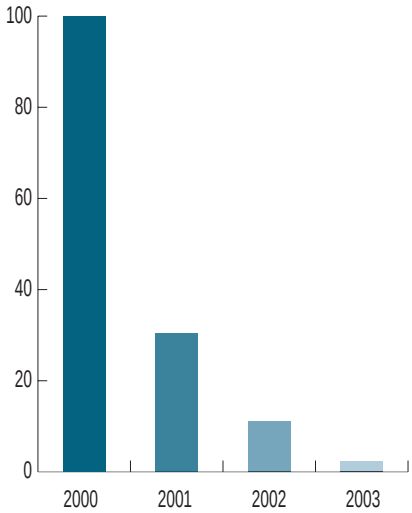
BEBIG was also able to achieve notable improvements in production processes in the period under review. At the same relative volume of output, production reject could be reduced by around 45% compared to the same period in the previous year. This not only denotes a considerable saving in cost, but also represents a significant contribution to environmental protection and to sustainable development.

Our standards in the handling of radioactive materials go way beyond the mere compliance with statutory provisions. The concentration of radioactive materials in exhaust air was so substantially reduced that the annual mean value in 2003 at the Berlin site, for example, only amounted to approximately 1% of the legal limit.

Furthermore, we have been able to continuously reduce the effects of radiation on employees exposed to it in their job. In all production lines in the Oncology and Cardiology Divisions, the reduction in the mean yearly dose (dose to the whole body) amounted to 58%, and for dose to the hand as much as 76%, by reference to the corresponding values in the previous year.

The whole of the operational processes are being continually monitored and evaluated. In order to implement high international and self-imposed standards we are constantly working in confidence and in close agreement with all responsible authorities in all the above-mentioned areas, as we are also doing with the certification bodies.

Reduction in concentration of I-125 in exhaust air

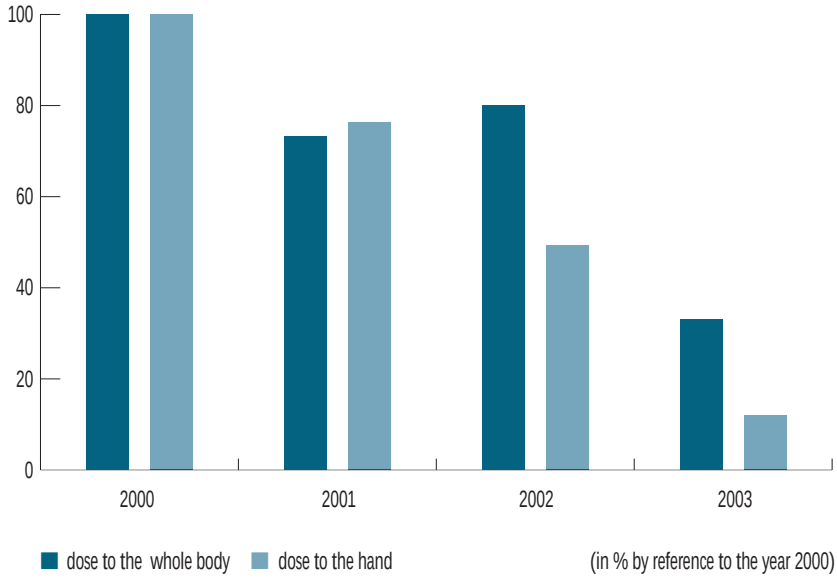


(in % by reference to the year 2000)

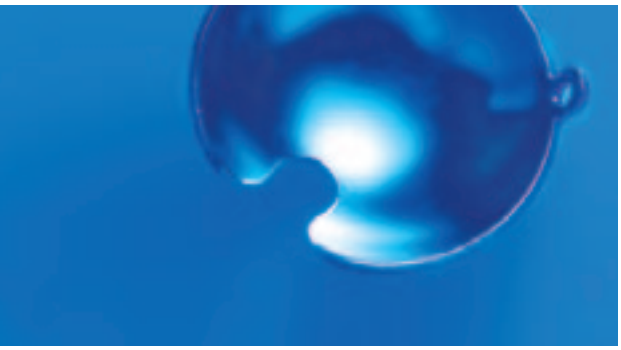
On the highly automated production line at the Berlin plant low-level radioactive prostate implants are produced for clinics right across Europe.

The success to date in terms of the radiation and environmental protection, safety at work and quality management system is a source of great pride. They are for all our staff at the same time an incentive and obligation not only to maintain what has been accomplished, but to use all their endeavors in building on this and achieving permanent improvement. The optimization of all operational processes is to the benefit of all participants: our customers or users of our products and services, our suppliers and other external partners, as well as our staff and shareholders.

Reduction in the mean yearly dose



Quality Management



Ruthenium plaque for the treatment of eye tumours

We would like to offer our business partners and users high-value quality products and services. In order to meet this objective we are continuously optimizing all the processes within our group of companies. From the time of its founding, Eckert & Ziegler has always invested considerable resources in the latest standards of quality management systems. The certification of these systems and their implementation at all levels is a critical element in assuring the future of our enterprise.

BEBIG Isotopen- und Medizintechnik GmbH, the nucleus of the Group, has operated a certified quality management system from 1998, and has since then received regular accreditation under the standards prevailing at the time. Following the confirmation of its successful recertification under DIN EN ISO 9001:2000, it also received accreditation under the current standard for medical products, DIN EN ISO 13485 on December 12, 2003.

These certificates give official recognition to the fact that, under current applicable international standard requirements for quality management as well as European and national statutory provisions for medical product law, BEBIG GmbH is equipped to manage effectively the numerous interlinked processes in the business. From the time of BEBIG GmbH's initial accreditation up to the present day, the authorities concerned have occasionally raised uncritical points that, together with suggestions from the body in question, have ensured that legal and other standard requirements are constantly complied with.

Following on from the certification in 2002 under DIN EN ISO 9001:2000 of the subsidiary company, Isotope Products Europe Blaseg GmbH (IPE) in Waldburg, our production site, Isotope Products Cesio s.r.o. in Prague, also received this award in December 2003 for the development, manufacture and marketing of radioactive source materials.

The implementation of the efficiency and quality improvement program, started in January 2002 at the Californian subsidiary, Isotope Products Laboratories (IPL), had an extraordinarily successful outcome in the year under review: on August 28, 2003 IPL received accreditation from the German Calibration Service as a technical isotope calibrating laboratory. With this distinction, only rarely awarded, the highest German authority based in Braunschweig at the Federal Physical-Technical Institute confirmed the company's high level of precision and quality in the field of calibration.

Even holiday travelers are profiting from enhanced airport safety. The strengthening of passenger and baggage protection through detectors of explosives equipped with radioactive nickel sources from IPL gives air passengers a safe feeling.

Light, safe and comfortable.
A medical radiology technician who regularly checks if gamma cameras are operating correctly appreciates the advantages of Perflexion™ handy calibration sources from IPL in her daily work.

Consolidated Statements of Income

Years ended December 31

(Amounts in thousand EUR except for per share data)	2003 TEUR	2002 TEUR
Net sales	**29,201**	31,221
Cost of goods sold	**- 15,745**	- 15,955
Gross profit on sales	**13,456**	15,266
Selling expenses	**- 3,033**	- 3,351
General and administrative expenses	**- 6,271**	- 7,916
Research and development expenses	**- 2,163**	- 3,428
Other operating income and expense, net	**207**	1,422
Operating income	**2,196**	1,993
Interest income and expense, net	**- 289**	- 176
Gains/losses on currency exchange, net	**- 314**	- 920
Other income/expenses, net	**273**	18
Income before tax	**1,866**	915
Income tax expense	**- 1,037**	- 569
Net income from continuing operations	**829**	346
Adjustments from the first-time application of SFAS 143 and FIN 46	**- 2,003**	0
Group net income before minority interests	**- 1,174**	346
Minority interests	**- 91**	0
Net income / loss (-) for the Group	**- 1,265**	346
Earnings per share		
Continuing operations		
Basic	**0.28**	0.11
Diluted	**0.28**	0.11
SFAS 143 and FIN 46 adjustments		
Basic	**- 0.67**	0.00
Diluted	**- 0.67**	0.00
Group net income		
Basic	**- 0.42**	0.11
Diluted	**- 0.42**	0.11
Average number of shares outstanding (basic) in thousands	**2,983**	3,250
Average number of shares outstanding (diluted) in thousands	**2,984**	3,250

The accompanying Notes are an integral part of these financial statements.

Supplementary disclosures
(refer to Consolidated Statements of Cash Flows, page 39)

	2003 TEUR	2002 TEUR
Interest payments, net of amounts capitalized	**337**	324
Taxes paid	**1,254**	911

The accompanying Notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Years ended December 31

	2003	2002
	TEUR	TEUR
Cash flows from operating activities:		
Net income / loss (-) for the year	**- 1,265**	346
Adjustments for:		
Depreciation and amortizaion	**3,685**	4,261
Proceeds from grants less release of deferred income from grants	**- 2,075**	1,965
Deferred tax	**57**	- 1,245
Effect on income of stock option plan	**71**	-
Unrealized foreign currency losses	**455**	473
Effect of foreign currency rate changes on operating cash flows	**- 50**	- 84
Long-term reserves, other long-term liabilities	**1,583**	507
Losses on the first-time consolidation of NEMOD	**1,313**	-
Losses on participatory investments	**954**	2,352
Losses on the disposal of non-current assets	**151**	12
Gains (-) / losses on the sale of securities	**- 93**	27
Release of accruals for interest	**27**	19
Other items, net	**- 154**	134
Changes in current assets and liabilities:		
Accounts receivable	**1**	91
Inventories	**223**	437
Prepaid expenses and other current assets	**- 2**	- 259
Trade accounts payable and accounts payable to affiliates	- 243	- 366
Tax reserves	**- 423**	- 1,377
Other reserves and accruals	**- 186**	- 452
Deferred income	**- 19**	- 243
Other liabilities	**144**	417
Cash flows from operating activities:	**4,154**	7,015
Cash flows from investing activities:		
Additions to intangibel assets and property, plant and equipment	**- 1,534**	- 2,702
Sale of property, plant and equipment	**1,167**	207
Acquisition of consolidated enterprises	**- 1,036**	- 2,601
Sale of equity investments	**5**	55
Purchase of securities	**- 1,785**	- 3,531
Sale of securities	**3,542**	4,810
Other items	**- 12**	- 40
Cash flows from investing activities:	**347**	- 3,802
Cash flows from financing activities:		
Dividends paid	**-**	- 1,462
Acquisition of treasury stock	**- 1,010**	-
Receipts from the take-up of long-term borrowings	**64**	-
Repayments of long-term borrowings	**- 209**	- 306
Change in short-term borrowings	**- 475**	314
Cash flows from financing activities:	**- 1,630**	**- 1,454**
Effect of exchange rates on cash and cash equivalents	- 67	- 69
Net increase in cash and cash equivalents	**2,804**	1,690
Cash and cash equivalents at beginning of period	**6,138**	4,448
Cash and cash equivalents at end of period	**8,942**	6,138

The accompanying Notes are an integral part of these financial statements.

Consolidated Balance Sheets

Assets December 31

	2003	2002
	TEUR	TEUR
Assets		
Current assets		
Cash and cash equivalents	**8,942**	6,138
Marketable securities	**832**	2,326
Trade accounts receivable, less allowance for doubtful accounts	**2,811**	3,277
Receivables from related parties	**882**	865
Inventories	**2,965**	3,634
Deferred taxes	**1,011**	867
Prepaid expenses and other current assets	**997**	519
Total current assets	**18,440**	17,626
Non-current assets		
Property, plant and equipment	**14,876**	17,693
Intangible assets	**3,688**	4,788
Goodwill	**6,004**	7,165
Equity investments	**109**	396
Notes receivable, related parties	**21**	59
Other loans	**362**	441
Deferred taxes	**1,134**	1,257
Other long-term assets	**1,072**	303
Total non-current assets	**27,266**	32,102
Total assets	**45,706**	49,728

The accompanying Notes are an integral part of these financial statements.

Consolidated Balance Sheets

Liabilities and Shareholders' Equity December 31

	2003	2002
	TEUR	TEUR
Liabilities and Shareholders' Equity		
Current liabilities		
Current portion of long-term finance lease obligations	**41**	49
Short-term loans and current portion of long-term debt	**387**	1,006
Trade accounts payable	**677**	1,233
Prepayments received	**346**	40
Reserves	**1,849**	1,735
Deferred income from grants and other deferred income	**1,148**	1,423
Income taxes payable	**11**	214
Deferred taxes	**210**	145
Other current liabilities	**1,151**	803
Total current liabilities	**5,820**	6,648
Non-current liabilities		
Long-term debt, less current portion	**3,806**	2,821
Long-term finance lease obligations, less current portion	**55**	127
Deferred income from grants and other deferred income	**2,864**	4,483
Deferred taxes	**1,163**	1,245
Pension reserves	**131**	127
Other non-current liabilities	**2,903**	1,350
Minority interests	**150**	-
Total non-current liabilities	**11,072**	10,153
Shareholders' equity		
Common stock	**3,250**	3,250
Additional paid-in capital	**26,752**	26,637
Retained earnings	**2,054**	3,319
Cumulative other comprehensive income	**- 2,188**	- 279
Treasury stock	**- 1,054**	-
Total shareholders' equity	**28,814**	32,927
Total liabilities and shareholders' equity	**45,706**	49,728

The accompanying Notes are an integral part of these financial statements.

Consolidated Statements of Shareholders' Equity

December 31, 2003 and 2002

	Common stock						
	Shares	Nominal value	Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Total share-holders' equity
(Amounts in thousand EUR except for per share data)							
Balance as of December 31, 2002	3,250,000	3,250	26,637	3,319	- 279	0	32,927
Cost of stock option plan			71				71
Acquisition of treasury stock						- 1,072	- 1,072
Sale of treasury stock			44			18	62
Net income / loss (-) for the year				- 1,265			
Other comprehensive income:							
Unrealized gains and losses on marketable securities							
Unrealized holding losses as of the balance sheet date (net of taxes of TEUR 3)					5		
Less: reversal of unrealized holding losses at the previous balance sheet date					11		
Foreign currency translation adjustments					- 1,925		
Total comprehensive income							- 3,174
Balance as of December 31, 2003	**3,250,000**	**3,250**	**26,752**	**2,054**	**- 2,188**	**- 1,054**	**28,814**

The accompanying Notes are an integral part of these financial statements.

(Amounts in thousand EUR except for per share data)	Common stock Shares	Common stock Nominal value	Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Total share-holders' equity
Balance as of December 31, 2001	3,250,000	3,250	26,637	4,435	1,524	35,846
Dividends paid				- 1,462		- 1,462
Net income for the year				346		
Other comprehensive income:						
Unrealized gains and losses from marketable securities:						
Unrealized holding losses as of the balance sheet date (net of taxes of TEUR -7)					- 11	
Less: reversal of unrealized holding losses at previous balance sheet date					26	
Foreign currency translation adjustments					- 1,818	
Total comprehensive income						- 1,457
Balance as of December 31, 2002	**3,250,000**	**3,250**	**26,637**	**3,319**	**- 279**	**32,927**

The accompanying Notes are an integral part of these financial statements.

Notes to the Group Financial Statements

as of December 31, 2003 and 2002

1. Organization and description of business activities

Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin (referred to below as "Eckert & Ziegler AG" or "the company") operates worldwide in the field of isotope technology and acts as a holding company for a number of subsidiaries that are involved in the processing of radioisotopes and in the development, manufacture and marketing of components using isotope technology or related products. The main areas of application for Group products are in medical technology, particularly in cancer therapy, as well as in nuclear imaging and industrial metrology. In these areas, the products of Eckert & Ziegler and its subsidiaries are aimed at radiation therapists, radio-oncologists and medical nuclear specialists, among others.

The company operates in a market characterized by rapid technological progress, heavy research expenditure, and constant new scientific discoveries. This market is subject to supervision by Federal, State, and local authorities. These responsible authorities include, at State level, the Office for Work Protection, Health and Safety in Berlin, CETECOM in Essen, and the State Technical Monitoring Agency in Essen, along with the corresponding American institutions, such as the Food and Drug Administration (FDA) and the Nuclear Regulatory Commission (NRC). The company is therefore directly affected by changes in technology and in products used in cancer treatment, by government regulations related to the industry in which it operates, and by the general business environment within healthcare.

2. Reporting principles

These accompanying consolidated financial statements of Eckert & Ziegler AG were prepared in accordance with the accounting principles generally accepted in the United States (US GAAP), as is permitted under Section 292a HGB (German Commercial Code) for companies that are listed on an organized market within the meaning of Section 2 para. 5 of the German Securities Trading Law.

In order to comply with the exempting provisions of Section 292a HGB, the consolidated financial statements presented under US GAAP have been supplemented by a Group management report and additional disclosures within these Notes. Therefore, the consolidated financial statements, which have to be filed with the Commercial Register and published in the Federal Gazette, comply with the Fourth and Seventh Accounting Directives of the European Union. We have based our interpretation of these guidelines on Reporting Standard No. 1 (DRS 1), issued by the German Accounting Standards Committee (DRSC), and approved and disseminated by the German Federal Ministry of Justice.

Deviations from German GAAP relate to the following areas:

- capitalization of patent costs in accordance with APB 17
- capitalization of financing costs (interest) relating to the period of manufacture of self-constructed assets in accordance with SFAS No. 34
- capitalization of leased assets in connection with finance leasing as under SFAS 13
- foreign currency translation in accordance with SFAS 52
- valuation of marketable securities (available-for-sale securities) in accordance with SFAS No. 115
- spreading of additional fees on the IKB loan over its term
- calculation of deferred tax under the liability method in accordance with SFAS 109
- accounting treatment of deferred tax on loss carry-forwards as under SFAS 109
- offsetting of costs incurred in connection with the issue of equity capital against additional paid-in capital in accordance with SAB Topic 5a
- application of APB Opinion No. 25 to the stock option program
- accounting for pension obligations in accordance with SFAS No. 87
- accounting for derivatives as under SFAS 133
- accounting for goodwill and other intangibles as under SFAS 142
- accounting for asset retirement obligations in accordance with FASB 143
- application of FIN 46 for the consolidation of companies in which another company holds a majority of the voting rights
- recognizing profits on long-term contracts under the percentage-of-completion method
- accounting for treasury stock in accordance with ARB 43
- separate disclosure of minority interests in net income for the year and in shareholders' equity

The consolidated financial statements and the Group management report as of December 31, 2003, prepared in accordance with Section 292a HGB and filed with the Commercial Register at Berlin-Charlottenburg under the number HRB 64 997, will be provided willingly to shareholders on request.

The consolidated financial statements include the financial statements of the company and its subsidiaries, unless control over these is temporary. The subsidiaries included in the consolidated financial statements are: BEBIG Isotopen- und Medizintechnik GmbH ("BEBIG GmbH"), Berlin; EUROTOPE Entwicklungsgesellschaft für Isotopentechnologien mbH, Berlin; Iso-Science Laboratories, Inc., trading under Isotope Products Laboratories, Burbank, USA (IPL); Isotope Products CESIO s. r. o., Prague, Czech Republic and BEBIG Italia s. r. l., Milan, Italy. As from July 1, 2003 100% of Eckert & Ziegler AG's silent investment in NEMOD Biotherapeutics GmbH & Co. KG (NEMOD) has also been included in the consolidated financial statements in accordance with FIN 46. Eckert & Ziegler AG's 25.1% equity investment in Isotope Products Europe Blaseg GmbH (IPE), Waldburg is included in the accompanying consolidated financial statements using the equity method of accounting. The book value of this equity investment amounted to TEUR 83 both as of December 31, 2002 and 2003; the at-equity value is TEUR 42 as of December 31, 2003 and TEUR 76 as of December 31, 2002.

All significant inter-company receivables, payables and other transactions have been eliminated on consolidation. The companies included in the Group financial statements are consolidated in accordance with US GAAP using the purchase method or the equity method of accounting. Initial and final consolidation date back to the date of acquisition or sale of the companies concerned.

3. Summary of significant accounting policies

Revenue recognition – In accordance with SAB 101, revenue from product sales is recognized when performance is complete (generally upon shipment), provided a contractual agreement exists, at a fixed and determinable price, and payment by the customer can be expected. No guarantees or rights of return are granted to the customer beyond his statutory rights. Licensing fees are recognized in the period to which they relate. A large contract on the sale of a production line is accounted for as follows: in accordance with the rules of SAB 101 sales are only recognized in the income statement up to the amount of milestone payments received in 2003. The calculation of the gross margin realized is based on the proportion that forecast total proceeds bears to forecast total costs of the project. This percentage is applied in order to calculate the cost of sales to be recognized in the 2003 financial year. The difference to the costs actually incurred for the project up to December 31, 2003, is treated as deferred costs and shown in the balance sheet under other assets.

Advertising – Expenditure on advertising and other sales-related expenses are charged to expense as incurred. In the financial year 2003 advertising expense amounted to approx. TEUR 435, in 2002 to approx. TEUR 451.

Research and development – Costs of research and development are recognized when incurred, and amounted to TEUR 2,163 and TEUR 3,428 for 2003 and 2002 respectively. In both cases this mainly relates to NEMOD.

Earnings per share – Earnings or loss per share is calculated by dividing net income for the year by the average number of shares in circulation during the financial year. Diluted earnings per share reflect the potential dilution that would occur if all options to acquire common stock were exercised at a price below the average share price during the period. It is computed by dividing net income for the year by the sum of the average number of shares in circulation during the financial year plus the diluted shares arising from the exercise of all the outstanding options (calculated by applying the treasury stock method).

Property, plant and equipment – Property, plant and equipment is valued at acquisition or manufacturing cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method. Property, plant and equipment acquired through leases that have to be capitalized (capital or finance leases), and which involve a transfer of ownership, are depreciated over the estimated useful life of the asset. Other property, plant and equipment and leasehold improvements acquired through finance leases are depreciated over the shorter of the lease term and the estimated useful life of the related asset. The manufacturing costs of self-constructed plant and facilities include all direct costs and attributable manufacturing overheads. Self-constructed assets mainly relate to production lines. Cost of the construction of long-lived assets include capitalized interest amortized over the estimated useful life of the related asset. Capitalized interest for the years 2003 and 2002 was TEUR 61 and TEUR 130 respectively. In total, interest paid was TEUR 446 for 2003 and TEUR 432 for 2002.

The depreciation period is determined according to the expected useful life. The following useful lives are assumed:

Buildings	39 to 45 years
Tenants' fixtures	10 to 15 years
Plant and machinery	4 to 10 years
Fixtures and fittings	3 to 12 years

Items of property, plant and equipment costing up to EUR 410 are written off in full in the year of acquisition. Assets costing more than EUR 410 are capitalized and depreciated over their expected useful lives. Upon scrapping or sale, the acquisition or manufacturing costs of the assets and the related accumulated depreciation are extinguished, and any resulting gain or loss is credited or charged to income.

A significant portion of the company's depreciable assets is used for the manufacture of its own products. Management regularly assesses the future usefulness of these assets, taking the current business environment into account. On the basis of this assessment, no special depreciation was necessary for 2003. The Executive Board believes that no impairment arises as of December 31, 2003. It is possible, however, that the Board's estimates concerning the utilization and realizability of the company's depreciable assets could change in the short term owing to changes in the technological and regulatory environment.

Intangible assets – Intangible assets consist primarily of patents, licenses, trademarks and goodwill. Purchased intangible assets, other than goodwill, are valued at acquisition cost and generally amortized over their respective useful lives (2 to 20 years) on a straight-line basis. Goodwill represents the excess of the aggregate purchase price of an enterprise, or part of one, over the fair value of net assets acquired. Under SFAS No. 142 "Goodwill and Other Intangible Assets", goodwill and intangible assets with indefinite lives are no longer amortized, but, as from 2002, subjected to an annual impairment test. These impairment tests for 2003 and 2002 showed that there was no need for a write-down.

Liquid funds – The company considers all highly liquid funds with a maturity of up to three months to be cash equivalents, to be shown under cash and cash equivalents. In view of their short-term nature the nominal value of these assets is taken as their fair value.

Long-term investments and marketable securities – Investments in marketable securities are classified as available-for-sale, in view of their prospective temporary use to the Group, and are reported at fair value based upon their quoted market prices on the balance sheet date. Unrealized gains and losses from available-for-sale securities, net of applicable deferred tax, are included in cumulative comprehensive income within shareholders' equity.

Equity investments, where the Group's participation is between 20 percent and 50 percent, are accounted for under the equity method.

Financial instruments – Derivative financial instruments such as currency futures or swaps are in principle only used for hedge purposes. The Berlin parent company will receive payments totaling approx. TUSD 6,836 up to the year 2015 from the scheduled repayment of several inter-company loans. In order to hedge a portion of these cash flows against exchange rate fluctuations, the company entered into an interest and currency swap agreement in 2001 with a term of 10 years. Under this arrangement the company has a financial obligation amounting to TUSD 3,496 at a fixed interest rate of 10.0% p.a. In return it receives TEUR 3,771 at a fixed interest rate of 8.77%. The market valuation of this swap transaction as of December 31, 2003 results in a receivable of TEUR 1,072 which is shown in the balance sheet under other long-term assets. The hedging costs arising from the difference in interest are expensed.

Liquid funds with restricted availability – As of December 31, 2003 and 2002 liquid funds with restricted availability amounting to TEUR 311 (TUSD 389) and TEUR 368 (TUSD 383) respectively were held for the future restoration and reconstruction of IPL plant and facilities (decontamination fund). These amounts are prescribed by law and are under state control. As of December 31, 2003 and 2002 such funds are shown under other loans.

Inventories – Inventories, consisting primarily of raw materials, work-in-process and finished goods, are stated at the lowest of acquisition or manufacturing cost, replacement cost (market price) and net realizable value. The cost of radioactive material, and of all other inventory, is determined using the "FIFO" (first in, first out) method which corresponds to the actual consumption pattern. Excepted from this are inventories located at IPL which are valued at average purchase price or average manufacturing cost. Write-offs for obsolete or excess inventory are made on the basis of an inventory analysis carried out by the Executive Board as well as future sales forecasts.

Pension reserves – The valuation of the liabilities for pensions is based upon the projected unit credit method in accordance with SFAS No. 87, "Employers' accounting for Pensions". Pension expense was not significant for 2003 and 2002.

Reserves for asset retirement obligations – Since January 1, 2003 the company has applied the new Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations".
The reserves for environmental restoration are based on statutory and civil obligations to decontaminate radioactively contaminated assets and buildings, to determine by measurement that they are free from contamination, and to allow them to be open to access and general use again without danger. Accordingly, the estimate of costs includes labor costs for the demolition of the facilities, for the preparation of waste so that it can be decontaminated, for the cleaning of rooms and for the disposal of waste by experts, as well as the costs for the disposal and decontamination of radioactive waste. In this, it is only the radioactive waste from the decontamination of assets that is taken into account. Waste that arises from normal production is regularly decontaminated, and the associated costs are shown as a separate item within cost of goods sold. Under SFAS No. 143 such environmental costs must be determined on the basis of fair value, i.e. on the assumption that the services as described above are carried out by third-parties. Previously the calculation has been based on the assumption that the work has been carried out by the company's own labor.

For some operating sites amounts have been paid into a fund with its use being restricted to future environmental restoration work. As of December 31, 2003 TEUR 311 had been paid into the fund.

Movements on the reserve for environmental restoration are as follows (Amounts in thousand EUR):

Balance as of 01-01-2003	3,096
Additions 2003	0
Utilization 2003	- 37
Interest compounded 2003	290
Currency translation	- 398
Balance as of 12-31-2003	2,951

Pro forma data (Amounts in thousand EUR):

Environmental restoration reserve under SFAS 143 per	
01-01-2002 pro forma	3,043
12-31-2002 pro forma	3,096
03-31-2003	2,951

Estimates – The preparation of the consolidated financial statements requires management to make estimates and assumptions affecting not only the reported amounts of assets and liabilities as of the balance sheet date and information on uncertain assets and liabilities in these Notes, but also the revenues and expenses shown for the period under review. Actual results may differ from these estimates and assumptions.

Income taxes – Deferred tax is provided under the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes". Under this method, deferred tax assets and liabilities are recognized in order to reflect future tax impacts attributable to differences between the carrying amounts of assets and liabilities in the financial statements and their respective values for tax purposes, as well as between reported net losses and tax loss carry-forwards. Deferred tax assets and liabilities are measured on the basis of statutory tax rates expected to apply to taxable income in the years in which these temporary timing differences are expected to be reversed. The effects of a change in tax rates on the deferred tax assets and liabilities are shown in the income statement for the financial year in which the legislative changes were approved. An allowance is made to reduce the carrying amounts of deferred tax assets if it is unlikely that these asset values will be realized, e.g. in loss situations.

Stock option program / employee share scheme – The Financial Accounting Standards board (FASB) has issued SFAS No. 123, "Accounting for Stock-Based Compensation", which permits legal entities to determine the market value (fair value) of all outstanding stock options at the time they were granted, and to spread this amount as staff costs over the period up to the first due date when the options can be exercised (known as the vesting period). SFAS No. 123 supersedes certain provisions of the Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and its related interpretations.

SFAS No. 123 also allows incorporated entities to measure the costs of their employee share schemes using the intrinsic value-based method under APB Opinion No. 25, and to provide details in the Notes to Group financial statements of the net income and earnings per share which would have arisen, if the fair value-based method defined in SFAS No. 123 had been applied (pro forma information). Under the intrinsic value-based method, the costs of the scheme are represented by the difference, if any, between the quot-

ed market price of the underlying stock and the exercise price that an employee must pay to acquire the stock. The critical date for the determination of the values in question is the "measurement date" as defined in APB Opinion No. 25. The staff costs are determined on the date the option is granted and at every further balance sheet date, and are recognized in the income statement. The company has decided to apply the provisions of APB Opinion No. 25, and to provide the pro forma data in the Notes as required by SFAS No. 123 for the stock options granted to employees.

Foreign currency translation – In translating the financial statements of its foreign subsidiaries into the reporting currency of the consolidated financial statements, the company applies the principles of SFAS No. 52, "Foreign currency Translation". The functional currency of foreign subsidiaries has been taken to be their respective national currency. Accordingly, the assets and liabilities of these subsidiaries have been translated at the exchange rate ruling on the balance sheet date. Revenue and expenses have been translated at average monthly exchange rates weighted by the monthly results of the Group. Gains and losses resulting from the translation of the subsidiaries' financial statements are shown as cumulative comprehensive income under shareholders' equity. Other gains and losses from foreign currency transactions are included in the determination of net income.

Investment and other grants – Funds that the company receives as grants from public or private sources are recorded as deferred income in the year of receipt, or – if they relate to specific expenses – used as a direct offset to such expenses in the period they are incurred. The deferred items mainly relate to grants received for the purchase of property, plant and equipment, and are released to income over the useful lives of the respective assets. In 2002 the company deferred income of TEUR 3,409 in relation to investment grants and allowances. In 2003, because some assets were sold, the conditions for receiving some of the grants were no longer met. The resultant obligation to make a refund amounting to TEUR 691 is included in the balance sheet under other current liabilities.

Comprehensive Income – SFAS No. 130, "Reporting Comprehensive Income", requires Group financial statements to be supplemented by reporting comprehensive income. Comprehensive income consists of two components: net income for the year and other comprehensive income, which comprises certain gains and losses not included in the income statement. For the financial years ended December 31, 2003 and 2002, other comprehensive income includes unrealized gains and losses on securities and the effects of the translation of foreign subsidiaries' financial statements into the Group reporting currency. A summary of the changes in cumulative other comprehensive income as of December 31, 2003 and 2002 is shown below:

	2003	2002
(Amounts in thousands)	EUR	EUR
Cumulative foreign currency translation differences at the beginning of the year	**- 268**	1,550
Changes in cumulative foreign currency translation differences during the year	**- 1,925**	- 1,818
	- 2,193	- 268
Cumulative unrealized gains and losses on marketable securities	**- 11**	- 26
Changes in unrealized gains and losses on marketable securities during the year	**16**	15
	5	- 11
Cumulative other comprehensive income	**- 2,188**	- 279

New accounting standards

In June 2001 the Financial Accounting Standards Board issued SFAS 143 "Accounting for Asset Retirement Obligations". On this subject we refer to the comments we have made above on reserves for asset retirement obligations.

In July 2001 the FASB issued SFAS 141 "Business Combinations" and SFAS 142 "Goodwill and Other Intangible Assets". SFAS 141 requires the purchase method of accounting to be applied for all business combinations initiated or completed after June 30, 2001. Under SFAS 142, goodwill and other intangible assets with indefinite useful lives are no longer to be amortized, but instead have to be reviewed for impairment at least annually in accordance with the provisions of SFAS 142. In the event of any impairment, special amortization has to be charged to income. Under SFAS 142, intangible assets with a limited useful life have to be written down to their estimated residual book value over their anticipated useful lives. At the time of initial implementation, a goodwill impairment review must be performed.

In the financial year 2001, Eckert & Ziegler AG made no acquisitions apart from the immaterial investment in BEBIG Italia (TEUR 14), so that the new regulations of SFAS 141 and SFAS 142 were applicable for the financial year 2002 for the first time. No further amortization of goodwill arising from business combinations was carried out in the financial years 2003 and 2002. The review of goodwill showed that no impairment had taken place and that therefore there was no need for amortization.

SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" was published in August 2001. SFAS 144 retains the existing ruling under which a write-down has only to be considered if the book value of the asset ceases to be covered by the total undiscounted cash flows anticipated from its future further use. Goodwill is no longer to be allocated when determining book values. The company applied SFAS 144 for the first time as of January 1, 2002. In contrast to the previous regulations the application of SFAS 144 had no effect on the consolidated financial statements.

In April 2002 SFAS 145 "Rescission of FASB Statements 4, 44, and 64, Amendment of FASB Statement 13 and Technical Corrections" was published. SFAS 145 prescribes that gains and losses from the redemption of debt are to be shown as resulting from ordinary business activity and not, as previously under SFAS 4, as extraordinary items, unless the gains and losses meet the criteria for disclosure as extraordinary items under APB 30. Furthermore, SFAS 145 widens the scope of SFAS 13, "Accounting for Leases", to the extent that inconsistencies concerning disclosure and valuation of sale and leaseback transactions, and amendments to agreements with economic effects similar to sale and leaseback transactions, are to be treated identically. The provisions of SFAS 145 relating to the withdrawal of SFAS 4 must be applied in annual financial statements beginning after May 15, 2002. The regulations of SFAS 145 that refer to SFAS 13 are to be applied to transactions taking place after May 15, 2002. The application of this statement had no effect on the consolidated financial statements.

The FASB published SFAS 146 "Accounting for Costs Associated with Exit or Disposal Activities" in July 2002. Under this standard, costs resulting from termination or disposal transactions have to be recognized in the period in which the costs have arisen. The regulations of SFAS 146 apply to terminations or disposals that have been initiated after December 31, 2002. This statement had no effect on the consolidated financial statements.

In November 2002 the Emerging Issue Task Force ("EITF") issued EITF 00-21 "Revenue Arrangements with Multiple Deliverables". EITF 00-21 deals with the accounting for sales with several stages of delivery, and sets out how the entire sales revenue has to be allocated over accounting periods. EITF 00-21 is to be applied to financial statements for reporting periods that commence on July 1, 2003.

In November 2002, the FASB published the interpretation ("FIN") 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others – an interpretation of FASB statements 5, 57, and 107 and recission of FASB interpretation 34". This regulates the disclosure requirements to be made by the guarantor. FIN 45 prescribes that a guarantor must recognize a liability at the time the guarantee is made at the amount of the present value of the obligation. The disclosure requirements are prescribed for financial statements which end after December 15, 2002. The recognition requirements apply to guarantees which have been granted after December 31, 2002. This statement had no effect on the consolidated financial statements.

In December 2002 the FASB issued the accounting standard SFAS 148 "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB statement No. 123". This standard supplements SFAS 123 "Accounting for Stock- Based Compensation" in respect of transitory rules governing any initial voluntary application of SFAS 123. Furthermore, SFAS 148 prescribes additional disclosures in the Notes on the accounting treatment applied and the resultant effects on net income. Accounting for stock-based remuneration is carried out in the Group in accordance with APB 25.

In January 2003 the FASB published Interpretation FIN 46 "Consolidation of Variable Interest Entities – an Interpretation of ARB No. 51", which deals with the application of consolidation rules on so-called variable interest entities. FIN 46 introduced a new multistage model for the consolidation of companies in which another company has a controlling interest either through voting rights or other variable financial involvement. The consolidation on the basis of other variable financial involvement has to be made by the major beneficiary if the equity shareholders do not possess the essential features of a controlling financial interest, or if equity capital is insufficient to finance the business activity of the enterprise without additional secondary financial support from third-parties. The major beneficiary of a variable interest entity is the party which bears the majority of the expected losses or the expected residual profits owing to its variable financial involvement. FIN 46 also contains disclosure requirements for financial relationships with variable interest entities which do not lead to mandatory consolidation. Eckert & Ziegler AG has to apply FIN 46 immediately to variable interest entities in which it has invested since January 31, 2003. For variable interest entities, with which Eckert & Ziegler AG has already entered into a financial relationship before February 1, 2003, the requirements of FIN 46 with regard to consolidation have to be applied as from July 1, 2003.

The requirements of FIN 46 are applicable to the silent investment of Eckert & Ziegler AG in NEMOD. The company concluded a research and development agreement with NEMOD on July 31, 2001, and on March 22, 2002 an agreement relating to its insilent investment as well as an option agreement. Under these agreements, the company has a participatory interest in NEMOD's gains and losses as well as in its hidden reserves in the proportion which the capital it invested bears to NEMOD's total equity capital. The maximum loss for Eckert & Ziegler AG is limited by contract to the amount of the equity investment it has introduced at any one time (see Note 7).

75 percent of NEMOD's shares are held by Eckert Consult Organisations- und Strategieberatung GmbH whose sole shareholder is Dr. Andreas Eckert, the Chairman of the Executive Board of Eckert & Ziegler AG as well as general manager of NEMOD. NEMOD's main business consists in the development of new kinds of innovative drugs for use in cancer therapy. A main emphasis in its development program is on drugs for the treatment of widespread cancer types, including tumors of the gastro-intestinal tract and breast cancer, as well as to methods of treating difficult tumors, such as kidney cell cancer. Technologically, NEMOD's work is concentrated on therapeutical antibodies, both radioactively marked and linked to cell poisons, as well as on tumor vaccines.

Because of the requirements of FIN 46 NEMOD has been fully consolidated in the Group financial statements of Eckert & Ziegler AG as from July 1, 2003.

4. Trade accounts receivable

Trade accounts receivable consist of the following items as of December 31, 2003 and 2002:

(Amounts in thousands)	**2003** EUR	2002 EUR
Trade accounts receivable	**3,132**	3,662
less: allowance for doubtful debts	**- 321**	-385
	2,811	3,277

5. Inventories

Inventories consist of the following items as of December 31, 2003 and 2002:

(Amounts in thousands)	**2003** EUR	2002 EUR
Raw materials, consumables and supplies	**2,429**	3,076
Finished products	**456**	503
Work in process	**320**	357
	3,205	3,936
less: allowance for obsolescence	**- 240**	- 302
	2,965	3,634

6. Marketable securities (available-for-sale securities)

The following summary shows the composition of marketable securities as of December 31, 2003 and 2002:

				12-31-2003
(Amounts in thousands)	Cost EUR	Unrealized gains EUR	Unrealized losses EUR	Market value (fair value) EUR
Bonds	301	4	2	303
Shares	0	0	0	0
Mutual funds	523	6	0	529
Total marketable securities	824	10	2	832

				12-31-2002
(Amounts in thousands)	Cost EUR	Unrealized gains EUR	Unrealized losses EUR	Market value (fair value) EUR
Bonds	445	1	0	446
Shares	297	0	144	153
Mutual funds	1,746	36	55	1,727
Total marketable securities	2,488	37	199	2,326

The market value of securities is determined by quoted prices.

Bonds have a redemption period between 31 and 64 months as of December 31, 2003.

The following table summarizes sales of marketable assets in the financial years ended December 31, 2003 and 2002. The average cost method has been applied in determining cost for the calculation of realized gains and losses.

(Amounts in thousands)	**2003** EUR	2002 EUR
Sales proceeds	**3,542**	4,810
Realized gains – gross	**100**	56
Realized losses – gross	**- 7**	- 83

7. Acquisition and disposal of enterprises

Equity investments

On February 6, 2001 BEBIG GmbH concluded an agreement with a leading German treatment center for prostate cancer concerning the formation of an inactive company. BEBIG GmbH has invested an amount of TEUR 128 in this company as a passive shareholder. The investment agreement provides for extensive cooperation in the field of permanent implantation technology, and also places the investee company under the obligation of purchasing certain annual minimum quantities of relevant products from BEBIG GmbH. BEBIG GmbH participates in the company's profits, but not in its losses. Under certain circumstances the services provided by the other party to BEBIG GmbH can be offset as partial repayments of the passive equity investment. The investment is stated at acquisition cost. Partial repayments of TEUR 5 were made in the year 2003 and TEUR 55 in 2002.

On March 22, 2002 an agreement was signed with NEMOD Immuntherapie AG concerning a non-typical inactive equity investment by Eckert & Ziegler AG. This agreement provides for a maximum equity contribution of TEUR 9,000 by Eckert & Ziegler AG, with the individual tranches being linked to milestones and requiring the approval of the Supervisory Board of Eckert & Ziegler AG before being released. In return, Eckert & Ziegler AG has a participatory interest in NEMOD's gains and losses as well as in its hidden reserves, in the proportion which the capital it invested bears to NEMOD's total paid-in capital. The investment ends on December 31, 2011. In conjunction with this, an option agreement was concluded which allows Eckert & Ziegler AG to acquire shares in NEMOD AG by way of an increase in capital. The option premium to be paid by Eckert & Ziegler AG amounted to TEUR 200 and was capitalized as an intangible asset.

In 2003 NEMOD Immuntherapie AG was initially converted into a GmbH [private limited company] and then its business operations were merged into the newly formed NEMOD Biotherapeutics GmbH & Co. KG. The non-typical silent investment was a component of this merger, so that from then onwards Eckert & Ziegler AG became a silent shareholder of NEMOD Biotherapeutics GmbH & Co. KG. Up to June 30, 2003, Eckert & Ziegler AG had paid TEUR 3,525 into the investment. The share of losses up to this date included in the consolidated financial statements amounted to TEUR 3,306, TEUR 954 of which related to the year under review. Since July 1, 2003 NEMOD Biotherapeutics GmbH & Co. KG has been fully consolidated in the Group financial statements in accordance with FIN 46.

8. Property, plant and equipment

Group property, plant and equipment as of December 31, 2003 and 2002 is made up of the following:

(Amounts in thousands)	**2003** EUR	2002 EUR
Land	**54**	65
Buildings	**3,318**	3,549
Tenants' fixtures	**2,690**	3,133
Fixtures and fittings	**2,517**	1,926
Plant and machinery	**20,126**	21,464
Asset retirement obligation	**1,754**	0
Payments on account and assets under construction	**397**	838
	30,856	30,974
Less: cumulative depreciation		
Assets owned	**-15,848**	-13,166
Assets under capitalized leases	**-132**	-115
	14,876	17,693

Property, plant and equipment includes leased assets of TEUR 257 and TEUR 317 as of December 31, 2003 and 2002 respectively (capital and finance leases). Depreciation on assets acquired under finance leases amounted to TEUR 40 for the year ended December 31, 2003 and TEUR 50 for the year ended December 31, 2002.

Movements on Group non-current assets in the financial year are shown in the Group non-current asset movement schedule (see Note 24).

9. Intangible assets

The exclusive license for radioactive antibodies which Eckert & Ziegler AG acquired on July 31, 2001 for TEUR 500 from the former NEMOD GmbH was completely written down in the previous year through special amortization, as further development was very uncertain in view of the position in the biotechnology market. The special amortization was shown in the income statement for 2002 under research and development expenses and contained in the segmental reporting within the segment "other".

Group intangible assets are composed of the following items as of December 31, 2003 and 2002:

(Amounts in thousands)	**2003** EUR	2002 EUR
Goodwill, etc.	**8,253**	9,864
Technologies, patents, etc.	**1,713**	1,982
Licenses and software	**2,812**	2,893
Other intangible assets	**943**	1,077
	13,721	15,816
Less: cumulative amortization	**- 4,029**	- 3,863
	9,692	11,953

10. Long-term loan liabilities

Long-term loan liabilities as of December 31, 2003 and 2002 are composed of the following:

(Amounts in thousands)	**2003** EUR	2002 EUR
Loan payable to IKB net of debt discount of TEUR 85 and TEUR 105 in 2003 and 2002 payable on June 30, 2008, with interest at 8.6% plus 3% dependent on profit	**1,719**	1,700
KfW loan from Commerzbank to IPL, securd by a guarantee of Eckert & Ziegler AG, payable in half-yearly installments of TEUR 60 (TUSD 75) and quarterly interest payments at 7.38%, due September 2010	**837**	1,151
Loan from Wells Fargo Bank, secured by assignment of certain machinery and equipment of IPL, payable in monthly installments of TEUR 3 (TUSD 4) plus interest from 8.4% to 10.8%, due February 2004 to February 2005	**27**	79
IPL credit line up to TEUR 1,919 (TUSD 2,000), secured by assignment of receivables, interest rate US Prime Rate plus 0%	**0**	768
Loans payable to banks:	**2,583**	3,699
- current portion	**141**	958
	2,442	2,741
Partiari loan, net of debt discount of TEUR 98 in 2003 payable on March 8, 2010, interest 6.25% plus 3% dependent on profit	**1,302**	0
NEMOD Verwaltungs GmbH loan, unsecured, indefinite term, repayable at 3 months' notice at a quarter's end, interest 7%	**51**	0
NEMOD Immuntherapie GmbH loan, unsecured, indefinite term, repayable at 3 months' notice at a quarter's end, interest 7%	**131**	0
Loan payable in monthly installments of TEUR 1 (TUSD 2) + interest, interest rate 4%, due: August 2007	**59**	0
Darlehen von M. Ortiz, zahlbar in monatlichen Raten		
Loan from M. Ortiz, payable in monthly installments of TEUR 3 (TUSD 4) in the period from June 2000 to December 2001 and in monthly installments of TEUR 4 (TUSD 5) in the period from January 2002 to June 2005, interest 9.3%	**67**	128
Other loan liabilities:	**1,610**	128
- current portion	**246**	48
	1,364	80

The IKB loan in the original amount of TEUR 2,812 extends over 10 years and is repayable on June 30, 2008. Early redemption is possible subject to payment of a penalty. In the event of Eckert & Ziegler AG's insolvency, IKB has secured a subordination of its receivables.

Market values (fair value) of the IKB and KfW loans as of December 31, 2003 amount to TEUR 2,234 and TEUR 913 respectively, based on current interest rates.

IPL has been granted a credit line by a bank of up to TEUR 1,597 (TUSD 2,000). As of December 31, 2003 IPL had not utilized this credit line. In addition, IPL has a further credit line of TEUR 399 (TUSD 500) at its disposal for the financing of non-current assets. Eckert & Ziegler AG have put up securities in respect of this loan to IPL.

Eckert und Ziegler AG and its subsidiary BEBIG GmbH have joint credit lines available of TEUR 2,570. The credit lines have not been utilized up to now.

The following table shows the amounts becoming due in future years in respect of the loan liabilities reported as of December 31, 2003:

at each year-end (December 31) (Amounts in thousands)	EUR
2004	387
2005	155
2006	136
2007	130
2008	1,434
thereafter	1,950
	4,193

11. Shareholders' equity

The nominal capital of the company amounted to EUR 3,250,000.00 as of December 31, 2003 and is divided into 3,250,000 shares with no par value.

On March 30, 1999, the shareholders' meeting authorized the Executive Board to increase the company's nominal capital with the approval of the Supervisory Board by issuing up to 1,500,000 new common or preferred shares for cash or non-cash contributions, while excluding the subscription rights of existing shareholders (authorized capital). The exclusion of subscription rights is only permissible to the extent that the new shares are used for the acquisition of enterprises or for placing on a stock exchange. The authorization is valid until March 31, 2004.

In June 2000, Eckert & Ziegler AG carried out an increase in capital to fund the acquisition of the worldwide radiation source material business of DuPont. The issue of 250,000 new shares of no par value on the Neuer Markt led to net cash inflows amounting to TEUR 17,290, after deducting commission and costs of the issue of TEUR 335. Through the capital increase authorized capital was reduced to TEUR 1,250.

The nominal capital has been conditionally increased by up to a further EUR 300,000, split up into a maximum of 300,000 shares (see Note 12).

As part of a share buyback scheme the company bought a total of 320,000 of its own shares in March 2003 (about 9.8% of nominal capital) at an average price of 3.35 EUR per share. Approx. 5,500 of these shares were resold in October 2003 at an average price of 11.23 EUR per share. The realized gain amounting to approx. TEUR 44 was credited to additional paid-in capital for own shares. The number of treasury stock was approx. 315,000 shares as of December 31, 2003.

The basis for determining dividend distributions is not the consolidated financial statements but the German statutory individual financial statements of the Group parent company. In accordance with a resolution at the annual general meeting of May 20, 2003, the unappropriated net income for 2002 of TEUR 482 was credited to retained earnings.

12. Employee stock option plan

On April 30, 1999, the annual general meeting authorized the Executive Board to set up a stock option plan for employees and management of the company and its subsidiaries. The annual general meeting of May 20, 2003 made minor revisions to some details of the plan. The employee stock option plan decided on by the Executive Board with the consent of the Supervisory Board provides for the granting of options to purchase a maximum of 300,000 shares of authorized but unissued common stock, provided the company does not fulfil the option rights by transfer of its own shares or by making a cash payment. A single option entitles the holder to receive one share. The exercise price for the initial tranche of options is equivalent to the share price fixed at the company's stock exchange flotation, while the exercise price for subsequent tranches will be calculated from the average price of Eckert & Ziegler's stock on the last five trading days prior to the passing of the Executive Board resolution on the granting of options.

The earliest time when the options granted may be exercised is after a vesting period of two years counting from the date of issue and only with-

in specified exercise dates. In addition, the exercise is dependent on reaching certain performance criteria. The increase in value of the company's stock in the period between the issue day and the first exercise date must exceed the increase in the Neuer Markt Index, or after the termination of the Neuer Markt Index, the rise in the Technology All-Share Index during the same time period. In the event of termination of employment options must be exercised within five years of the vesting period. Options not exercised are subject to cancellation. If the performance criteria are met, the options granted in 2002 may be first exercised on August 27, 2004, while those granted in the 2003 financial year may not be exercised until, August 15, 2005, at the earliest.

In 2002 the vesting period for the options granted in 1999 and 2000 expired. It was established that the performance criteria were satisfied in relation to the options granted in 1999. Thus in principle, the exercise of the options is possible. The first period for exercising options commenced on March 28, 2002, with the last possible date being March 27, 2007.

For the tranche issued in the year 2000 the performance criteria were not met; all options of this tranche have thus lapsed. The vesting period for the third tranche (options granted in 2001) expired in 2003. The performance criteria were not met for this tranche either, so that these options have completely lapsed as well.

The movements in the number of outstanding stock options in the last two financial years are as follows:

	2003		2002	
	Options Number	Weighted average exercise price EUR	Options Number	Weighted average exercise price EUR
Outstanding at beginning of year	**106,500**	**13.09**	93,000	29.87
Granted	**30,000**	**5.30**	43,250	5.04
Exercised	-	-	-	-
Lapsed	**48,150**	**17.06**	29,750	54.22
Outstanding at end of year	**88,350**	**8.28**	106,500	13.09

As of December 31, 2003 and 2002 in respect of none of the tranches was the exercise price lower than the market price of the share on the issue date.

The following table gives an overview of the stock options outstanding at December 31, 2003:

Outstanding options			
Exercise price EUR	Options outstanding on December 31, 2003 Number	Weighted average remaining contractual period Years	Weighted average exercise price EUR
23.00	15,500	3.25	23.00
5.04	42,850	5.66	5.04
5.30	30,000	6.57	5.30

As of December 31, 2003 there were 15,500 exercisable options.

The company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its employee stock option plan. Accordingly, the staff cost to be disclosed is calculated from the number of shares to be exercised in the future and the difference between the price at which the options were granted and the stockmarket price as of each balance sheet date, spread over the vesting period. The final staff costs will be calculated after the vesting period has elapsed and the performance criteria fulfilled. This staff cost implies an increase in additional paid-in capital. The application of APB resulted in expenditure of TEUR 71 being charged in 2003. There were no such charges or income in 2002.

Had the company determined staff costs for its stock options in line with SFAS No. 123 "Accounting for Stock-Based Compensation", the Group's net income would have been reduced in the financial years 2003 and 2002. Under SFAS No. 123, the fair value of each option granted on the issue date is calculated using a "Monte Carlo" option pricing model. For this, the company made the following assumptions for options granted in the respective years:

	2003	2002
Anticipated dividend income	**-**	-
Risk-free interest rate (%)	**2.43**	3.73
Anticipated volatility (%)	**73.1**	75.7
Expected life (in years)	**2.06**	2.00
Market value (fair value) (EUR)	**1.70**	1.29

For purposes of the pro forma calculation, the expense equivalent to the estimated fair value of the options at the time they are granted is spread over the vesting period. This would result in the following values (pro forma information):

	2003	2002
(Amounts in thousands except for per share data)	EUR	EUR
Group net income		
per income statement	**- 1,265**	346
excess expense through application of SFAS 123	**- 204**	- 299
pro forma	**- 1,469**	47
Earnings per share		
basic per income statement	**- 0.42**	0.11
diluted per income statement	**- 0.42**	0.11
basic pro forma	**- 0.49**	0.01
diluted pro forma	**- 0.49**	0.01

13. Income tax expense

The following tax rates were applied in the calculation of the tax charge; they result in an effective tax rate of 38.9% for 2003 and 2002 for the Group:

	2003	2002
Local business income tax, applicable to both years: 5% and 410% rate of assessment		
Corporation tax	**25%**	25%
Solidarity surcharge on corporation tax	**5.5%**	5.5%

Income tax expense/income (-) is made up as follows for the financial years ended December 31, 2003 and 2002:

	2003	2002
(Amounts in thousands)	EUR	EUR
Net income before taxes on income:		
Germany	**- 379**	- 984
Foreign subsidiaries	**2,245**	1,898
	1,866	915
Current tax:		
Germany	**91**	- 159
Foreign subsidiaries	**908**	481
	999	322
Deferred tax:		
Germany	**106**	58
Foreign subsidiaries	**- 68**	189
	38	247
Total taxes:	**1,037**	569

Reconciliation of the Group's tax expense, based on the tax rates applicable in Germany, to the Group's actual reported tax charge is as follows:

(Amounts in thousands)	2003 EUR	2002 EUR
Tax expense based on German tax rates	**726**	356
Tax differences on the income of foreign subsidiaries	**- 33**	- 76
Disallowable expenditure	**285**	323
Tax-free income	**- 32**	0
Other	**91**	- 34
Effective tax charge	**1,037**	569

Disallowable expenditure mainly relates to holding losses from NEMOD which are not to be taken into account for local business tax purposes.

Deferred taxes are based upon the differences between the values of assets and liabilities in the consolidated financial statements and those in the tax accounts of individual Group companies, as well as in respect of available tax loss carry-forwards. The temporary differences result in deferred tax assets and liabilities as of December 31, 2003 and 2002, summarized as follows:

(Amounts in thousands)	2003 EUR	2002 EUR
Germany		
Deferred tax assets:		
Taxable losses for the year and losses carried fwd	**532**	162
Temporary differences – NEMOD	**317**	211
Deferred tax on tax-free investment allowance	**539**	869
Receivables	**287**	237
Inventories	**16**	13
Reserves	**416**	123
Total deferred tax assets:	**2,107**	1,615

(Amounts in thousands)	2003 EUR	2002 EUR
Germany		
Deferred tax liabilities:		
Foreign currency valuation	**418**	9
Differences on acquisition and manufacturing cost and depreciation	**249**	237
Deferred income	**326**	47
Valuation of securities	**3**	14
Other	**9**	0
Total deferred tax liabilities:	**1,005**	307
Deferred tax assets / liabilities:	**1,102**	1,308

(Amounts in thousands)	2003 EUR	2002 EUR
Foreign subsidiaries		
Deferred tax assets:		
Losses for the year and loss carry forwards	**21**	9
Allowance for doubtful depts	**50**	76
Reserves	**642**	344
State taxes on income	**33**	24
Other	**52**	56
Total deferred tax assets:	**798**	509

(Amounts in thousands)	2003 EUR	2002 EUR
Foreign subsidiaries		
Deferred tax liabilities:		
Non-current assets	**887**	731
Deferred tax on tax shield gross up - IPL	**241**	352
Other	**-**	-
Total deferred tax liabilities:	**1,128**	1,083
Deferred tax assets / liabilities:	**- 330**	- 574

Deferred tax assets and liabilities have been netted in the balance sheet to the extent permitted.

Under German tax law losses may be carried forward indefinitely.

The German tax authorities carried out a tax audit in 2000 of the German Group companies, except for Eckert & Ziegler AG, for the assessment periods from 1996 to 1998. According to the notification from the tax authorities of April 22, 2002, certain items of expense in one subsidiary, specifically the setting

up of reserves for environmental restoration and an agreed waiver of a receivable, were only recognized for tax purposes in later assessment periods.

In 2001 reserves of TEUR 71 had already been set up for these expected additional tax payments and interest. The assessments of April 22, 2002 resulted altogether in an additional amount due of TEUR 73; the difference of TEUR 2 related exclusively to interest on the additional tax payments. The amount of TEUR 2 was included in 2002 as interest expense.

As already explained, most of the controversial points did not relate to whether or not the relevant expenses were recognized for tax, but only when this might occur. These expenses were taken into account in the tax return of the company for the year 2000 within the fiscal unity of the company with BEBIG GmbH and EUROTOPE. The assessments dated November 14, 2003 largely matched the tax returns that had been submitted.

14. Other income / expenses

The following table gives an overview of the composition of other income/expenses in the financial years 2003 and 2002:

	2003	2002
(Amounts in thousands)	EUR	EUR
Income from marketable securities inc. gains and losses	**105**	- 144
Release of reserves	**56**	129
Gains/losses from the sale of non-current assets	**- 151**	16
Gains/losses from the sale of shareholdings	**- 55**	0
Prior-year income/expenses	**159**	0
Other	**159**	17
Total other income/expenses	**273**	18

For the sake of consistent presentation, gains, losses and price adjustments on securities, as well as dividends in the year under review, are shown under other income/expenses, and not as in the previous year under interest income and expense.

15. Other financial commitments and contingent liabilities

a) Other financial commitments from rental and leasing agreements

The company has entered into capitalized leasing agreements (capital and finance leases) and non-capitalized leasing agreements (operating leases) relating to equipment, vehicles, and land and buildings. Rental and leasing expense amounted in the financial years 2003 and 2002 ending December 31 to TEUR 714 and TEUR 696 respectively.

In conjunction with the newly constructed administration and manufacturing building located in Berlin, the company has entered into a long-term rental agreement. This rental agreement results in annual lease payments of TEUR 167, TEUR 89 of which are offset against the construction costs of the building. The rental agreement was not finally signed until April 2003, with some details having been changed from the previous draft. The lease agreement runs until December 31, 2014; on expiry of the basic rental period the company has the right to opt for an extension to the rental period until the suspense account set up for the newly erected building has been cleared. This right can be exercised on several occasions and might only apply to parts of the building. The rental for all areas may not be increased before December 31, 2014; at this time the rental for newly created areas will be renegotiated.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2003 are as follows:

(Amounts in thousands)	Capital leases EUR	Other rental and leasing agreements EUR
As of December 31 in each case		
2004	63	538
2005	42	375
2006	-	326
2007	-	319
2008	-	301
thereafter	-	1,729
Total minimum lease and rental payments	105	3,588
less interest element	- 9	
Present value of minimum lease and rental payments	96	
less current portion	- 42	
	54	

b) Contingent liabilities

There were no contingent liabilities as of December 31, 2003.

16. Segment reporting

The Eckert & Ziegler Group has organized its business activities in three reporting units. These individual segments supply different products and are also separated organizationally by location. Two of the reporting units are combined into the "other" segment because of their small size.

In the year under review the Immunology Division has been fully consolidated for the first time and shown as a standalone segment. In the previous year only the loss attributable to this unit was shown in the loss for the year of the "other" segment.

The two divisions Industry & Nuclear Imaging and Cardiology & Oncology have generated more than 97% of sales and income for the Group in the year 2003.

The accounting principles applied to the individual segments are the same as those described in the summary of significant accounting policies (see Note 3). Segmental information is unconsolidated. This corresponds to the information used by management as part of regular reporting. Inter-segment transactions are accounted for at market prices.

The Industry & Nuclear Imaging segment manufactures and sells standards as well as radiation source materials for industrial and medical applications. Standards are radioisotopes for calibrating purposes. They are generally sold to scientific institutions. Industrial radiation source materials are used in various kinds of control and instrumentation for industrial equipment and other metrological devices, such as safety installations at airports. They are sold to manufacturers of the equipment or their operators. The medical radiation source materials include radioactive sources for the calibration of gamma cameras. Customers for these are hospitals and the manufacturers of related equipment. Since June 2002 the segment has been temporarily engaged as a distributor for the Cardiology & Oncology segment.

The Cardiology & Oncology segment is focused on product development and market introduction of radioactive sources in the cardiological and oncological fields. The main priorities in oncology include the treatment of prostate cancer with radioactive iodine seeds. The center of focus in cardiology is the prevention of restenosis. Besides the development of new oncological products, such as stranded seeds, as well as the expansion of existing production, the construction and sale of new facilities was given emphasis in 2003. Customers are medical equipment manufacturers and clinics which are mostly tied to the company through outline agreements. The company achieved a particular success in the year under review in its efforts to get the costs of brachytherapy reimbursed. As from january 1, 2004 German health insurance funds have been accepting the costs for this kind of prostate cancer treatment.

The Immunology segment is concerned with the development of therapeutic antibodies for application in cancer therapy. Licensing out to a strategic partner is one of the aims of this area of the business.

(Amounts in thousand EUR)					**Year 2003**
	Industry & Nuclear Imaging	Cardiology & Oncology	Immunology	Other	Total
Sales to external customers	17,681	10,621	45	854	29,201
Sales to other segments	107	164	123	1,455	1,849
Total segmental sales	17,788	10,785	168	2,309	31,050
Income from investments in associated companies	-	-	-	1	1
Depreciation and amortization	- 1,032	- 2,464	- 52	- 151	- 3,699
Interest income	24	67	-	1,523	1,614
Interest expense	- 753	- 792	- 53	- 301	- 1,899
Non-cash income & expenditure	- 1,365	- 450	18	- 33	- 1,830
Income tax expense	- 628	- 556	432	- 272	- 1,024
Net income/loss (-) for the year	970	829	- 1,212	278	865
Segmental assets	18,973	13,463	634	34,417	67,487
Segmental liabilities	- 681	- 8,089	- 390	- 518	- 9,678
Equity investments	-	68	-	42	110
Additions to non-current assets (excluding long-term investments)	606	1,508	5	80	2,199

(Amounts in thousand EUR)					**Year 2002**
	Industry & Nuclear Imaging	Cardiology & Oncology	Immunology	Other	Total
Sales to external customers	20,741	9,577		903	31,221
Sales to other segments	133	853		1,431	2,417
Total segmental sales	20,874	10,430		2,334	33,638
Income from investments in associated companies	-	-	-	10	10
Depreciation and amortization	- 1,271	- 2,334	-	- 658	- 4,263
Interest income	57	137	-	1,963	2,157
Interest expense	- 1,066	- 906	-	- 361	- 2,333
Non-cash income & expenditure	- 390	3,208	-	- 1,891	927
Income tax expense	- 526	- 861	615	167	- 605
Net income/loss (-) for the year	784	1,657	- 1,716	- 111	614
Segmental assets	22,957	16,154	-	34,334	73,445
Segmental liabilities	9,704	10,900	-	3,121	23,725
Equity investments	-	73	-	76	149
Additions to non-current assets (excluding long-term investments)	328	2,172	-	202	2,702

(Amounts in thousands)	2003 EUR	2002 EUR
Income from continuing activities		
Total segments	**865**	614
Elimination of inter-segment gains (-) /losses	**- 36**	- 268
Consolidated income from continuing activities	**829**	346
Income tax expense		
Total segments	**- 1,024**	- 605
Tax expense on inter-segment profits	**- 13**	36
Consolidated tax expense	**- 1,037**	- 569
Depreciation and amortization		
Total segments	**- 3,699**	- 4,263
Depreciation and amortization as a result of profit elimination	**14**	2
Consolidated depreciation and amortization	**- 3,685**	- 4,261
Interest expense		
Total segments	**- 1,899**	- 2,333
Inter-segment interest expense	**1,438**	1,811
Consolidated interest expense	**- 461**	- 522
Interest income		
Total segments	**1,614**	2,157
Inter-segment interest income	**- 1,442**	- 1,810
Consolidated interest income	**172**	347
Segmental assets		
Total segments	**67,487**	73,445
Elimination of inter-segment shares, investments and receivables	**- 21,781**	- 23,717
Consolidated total assets	**45,706**	49,728
Segmental liabilities (liabilities in the HGB sense)		
Total segments	**9,678**	23,725
Elimination of inter-segment liabilities	**- 7,184**	- 18,137
	2,494	5,588

Total segmental sales to external customers agree to the consolidated amounts in each case.

Sales by geographic region

	2003		2002	
	Million EUR	%	Million EUR	%
North America	**20.6**	**71**	23.0	74
Europe	**7.7**	**25**	7.3	22
Asia/Pacific	**0.8**	**3**	0.8	3
Other	**0.1**	**<1**	0.1	<1
	29.2	**100**	31.2	100

The breakdown under geographic region is based on the location of the invoice recipient. Sales in North America relate almost exclusively to the US.

Assets of the Industry & Nuclear Imaging segment are located in North America; those of all other segments are in Europe.

Main customers – Approx. 5.0 million EUR of sales in the Cardiology & Oncology segment in 2003 were to one major customer (equivalent to approx. 17% of the consolidated sales of the Group).

17. Earnings per share

Earnings per share has been calculated as follows (in thousands, except for per share data):

	2003 TEUR	2002 TEUR
Numerator for calculation of basic and diluted earnings per share – net income/loss for the year	**-1,265**	346
Denominator for calculation of basic earnings per share – weighted average number of shares	**2,983**	3,250
Effect of dilutive stock options	**1**	0
Denominator for calculation of diluted earnings per share – weighted average number of shares	**2,984**	3,250
Basic earnings per share	**- 0.42**	0.11
Diluted earnings per share	**- 0.42**	0.11

18. Transactions with related parties

In 2003 and 2002 transactions were engaged in with the following related third-parties:

– Eckert Consult Organisations- und Strategieberatung GmbH ("Eckert Consult") which holds 38.8% of the shares in Eckert & Ziegler AG and whose sole shareholder is Dr. Andreas Eckert, Chairman of the Executive Board of Eckert & Ziegler AG.
– NEMOD Verwaltungs GmbH, formerly: jojumarie Intelligente In-

strumente GmbH ("jojumarie GmbH") which has been a 100 per cent subsidiary of Eckert Consult since September 2001. Dr. Eckert is also one of the general managers of NEMOD Verwaltungs GmbH.
– NEMOD Immuntherapie GmbH, formerly: NEMOD Immuntherapie AG (previously NEMOD New Modalities Heilmittel GmbH) in which Eckert Consult holds 75% of the shares. Dr. Eckert is one of the general managers of NEMOD Immuntherapie GmbH.
– Glycotope GmbH which is 66.4% owned by Eckert Consult. Dr. Eckert is general manager of Glycotope GmbH.

The company engages Eckert Consult for the placing of advertisements in daily newspapers and other publications. This service was not called upon in the year under review. Expenditure in the previous year was TEUR 3.

Since January 1, 2001 a service agreement exists between Eckert & Ziegler AG and jojumarie GmbH, now NEMOD Verwaltungs GmbH, under which Eckert & Ziegler AG provides certain administrative services. In October 2003 jojumarie GmbH was renamed as Nemod Verwaltungs GmbH. The service agreement with Eckert und Ziegler AG is still in force. Monthly fees amount to EUR 500. On September 24, 2001 BEBIG GmbH purchased for TEUR 10 the rights to two inventions of jojumarie GmbH. The agreement provides for a further payment of TEUR 5 (gross) per invention to jojumarie GmbH on the initial granting of a patent, and that further profit-related royalties will be payable upon commercial use. The agreement is still in force after the reincorporation as NEMOD Verwaltungs GmbH. In connection with this, a further TEUR 8 was paid to NEMOD Verwaltungs GmbH up to December 31, 2003 for patent lawyer's fees incurred and the like. In May 2003 TEUR 5 was paid to jojumarie GmbH following the granting of a patent. An annual charge of TEUR 1 is due from a rental agreement for the use of assets dating from June 1, 2003 between BEBIG GmbH and NEMOD Verwaltungs GmbH (formerly jojumarie GmbH).

A rental agreement for the use of assets between NEMOD Biotherapeutics GmbH & Co. KG and NEMOD Verwaltungs GmbH exists as from June 1, 2003 for an annual lump-sum of EUR 480. The agreement is still in force after reincorporation.

A loan agreement for TEUR 50 with an indefinite term was concluded on October 28, 2003 between NEMOD Biotherapeutics GmbH and NEMOD Verwaltungs GmbH. The amount was paid over on October 30, 2003. The loan bears interest at 7%. Interest of TEUR 0.6 has been incurred for the period from November 1 to December 31, 2003.

The financial statements of 2003 and 2002 contain a loan liability of TEUR 67 and TEUR 128 respectively in favor of the former owner of The Source, Inc. and present consultant to IPL, which is assisting in financing the acquisition of The Source, Inc. The loan bears annual interest of 9.3% and was repaid between June 2000 and December 2001 in monthly installments of TEUR 4. Between January 2002 and June 2005 the monthly installments are TEUR 5.

Since December 1, 2001, an agreement exists between Eckert & Ziegler AG and Glycotope GmbH, Berlin, under which Eckert & Ziegler AG provides certain administrative services for a monthly fee of TEUR 7. In July 2003 the fees for these services were lowered to TEUR 4 to reflect the actual expense.

Since January 1, 2002 an agreement between Glycotope and BEBIG GmbH has been in force, whereby BEBIG GmbH renders certain procurement services. The monthly fee is TEUR 1. In addition, BEBIG GmbH provided development services for Glycotope in 2002 amounting to TEUR 13 as part of a project agreement. The agreement was signed on December 1, 2001 and terminated on December 12, 2002.

A similar agreement for development services exists between Glycotope and EUROTOPE GmbH since January 1, 2002. In the year under review no income for EUROTOPE arose. In 2002 EUROTOPE's fees from this contract came to TEUR 1.

NEMOD Biotherapeutics GmbH & Co. KG and Glycotope concluded an agreement on December 1, 2001 for Glycotope to provide development services for a NEMOD project. The agreement runs to June 30, 2004, the monthly fees amounting to TEUR 37. A second development agreement for a further NEMOD project runs from December 1, 2001 to January 31, 2004 with a monthly fee of TEUR 18.

An agreement concerning technical scientific advisory services was in force between Glycotope and NEMOD from January 1 to December 31, 2002, for which NEMOD received a monthly fee of TEUR 4. The agreement was renewed to December 31, 2003. Monthly remuneration of TEUR 4 was agreed for the period between January 1 and June 30, 2003. With effect from July 1, 2003 the amount was reduced to TEUR 2.5. As part of a leasing agreement NEMOD has made available two items of plant to Glycotope for a monthly fee of TEUR 1.

A loan agreement for TEUR 130 with an indefinite term exists as from October 28, 2003 between NEMOD Biotherapeutics GmbH & Co. KG and NEMOD Immuntherapie GmbH. The loan bears interest at 7%. TEUR 50 was paid over to NEMOD Biotherapeutics GmbH & Co. KG on November 7, and TEUR 80 on November 24, 2003. Interest of TEUR 1 has been incurred in the year under review.

A loan agreement between Nemod Biotherapeutics GmbH & Co. KG and Dr. Eckert in the sum of TEUR 1,400 has existed since April 19, 2000. The loan bears interest at 6.25%. The loan is for a term of 10 years and is repayable by March 8, 2010 at the latest.

Since January 1, 2002 there has been a consultancy agreement in force between the company and the engineering office of Jürgen Ziegler (whose owner is the former Executive Board member of Eckert & Ziegler AG, Mr. Jürgen Ziegler.) The agreement runs up to August 30, 2008. Under the agreement, the engineering office provides various advisory services, including those relating to quality management, product development and licensing problems. The fees for these services depend on the cost, but amounts to at least TEUR 80 per calendar year. Furthermore the company has expressed its willingness to take over and to maintain the pension rights granted by a subsidiary to Mr. Ziegler.

The balances which the Eckert & Ziegler Group has with related parties in respect of accounts receivable, loan receivables, accounts payable and loan payables as of December 31, 2003 and 2002, are as follows:

(Amounts in thousands)	**2003** EUR	2002 EUR
Trade accounts receivable from related third-parties	**846**	838
Receivables on loan account from related third-parties	**56**	86
Trade accounts payable due to related third-parties	**0**	0
Payables on loan account due to related third-parties	**1,467**	128
Other liabilities due to related third-parties	**182**	225

19. Subsequent events

The first months of the 2004 financial year were marked by several acquisitions that were largely already in preparation in the 2003 reporting year:

Acquisition of the radiation equipment division of CIS bio International, France: With the agreement of the Executive and Supervisory Boards of Eckert & Ziegler AG, the management of BEBIG Isotopen- und Medizintechnik GmbH (BEBIG) exercised an option to purchase the radiation equipment division of the French company, CIS bio international. With this decision, BEBIG widens its product range for oncological radiation therapists with afterloaders and iridium sources.

Acquisition of Isotope Products Europe Blaseg GmbH (IPE), Waldburg: With the agreement of the Supervisory Board, the Executive Board exercised an option that entitled Eckert & Ziegler AG to acquire a further 49.8% of the shares in IPE. It now holds 74.9% in the company that up to now has mainly sold Eckert & Ziegler Group products. The new sole general manager of IPE is Dr. Andreas Hey. It is planned to relocate parts of the operations to Berlin and to integrate these into the existing sales organization.

Acquisition of CNL Scientific Resources International, San Francisco: The American subsidiary company, Isotope Products Laboratories (IPL), Burbank, USA, acquired all the shares in CNL Scientific Resources International Inc. of San Francisco, USA. This raw material broker possesses the exclusive American marketing rights for a number of strategic radioisotopes, including palladium-103 and iodine-125, and has also supplied IPL in the past.

Apart from the completion of these acquisitions, the management of BEBIG succeeded in January 2004, against strong competition, in concluding a long-term supply agreement worth nearly 2 million EUR with the Paris-based Institut Curie, a key customer in the French market for prostate implants.

In the immunological division the Executive Board of Eckert & Ziegler resolved, in agreement with the Supervisory Board, to advance to NEMOD Biotherapeutics GmbH & Co. KG no further funds for pre-clinical development beyond the tranches already released, and to aim for an agreement to disengage itself and to terminate all joint development work. This principle decision limits the maximum outflow of liquidity arising from this involvement to about 300,000 EUR for 2004. In addition, extraordinary income from the deconsolidation of NEMOD of about 1.3 million EUR is expected.

(continued on page 66)

Movements in Group non-current Assets

In the financial Year from January 1 to December 31, 2003 (refer to point 24 , page 66)

Non-current asset movement schedule as of December 31, 2003

	Cost						
	Balance 12-31-02	Additions	First consolid. NEMOD	Disposals	Transfers	Currency translation	Balance 12-31-03
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
NON-CURRENT ASSETS							
I. Intangible assets							
1. Goodwill	8,006	0	0	0	0	- 1,300	6,706
2. Concessions, patents, trade marks and licenses	7,810	186	- 169	0	0	- 812	7,015
	15,816	186	- 169	0	0	- 2,112	13,721
II. Property, plant and equipment							
1. Buildings on third-party land	6,745	99	103	274	0	- 611	6,062
2. Plant and machinery	21,464	644	0	2,255	944	- 671	20,126
3. Oher plant and equipment, fixtures and fittings	1,927	64	851	150	0	- 175	2,517
4. Payments on account and assets under construction	838	541	0	0	- 944	- 38	397
5. Asset retirement obligation	0	1,754	0	0	0	0	1,754
	30,974	3,102	954	2,679	0	- 1,495	30,856
III. Long-term investments							
1. Equity investments	2,748	0	- 2,600	39	0	0	109
2. Loans to affiliates	59	0	0	38	0	0	21
3. Other loans	441	12	0	0	0	- 70	383
	3,248	12	- 2,600	77	0	- 70	513
	50,038	3,300	- 1,815	2,756	0	- 3,677	45,090

Depreciation and amortization							Net book values	
Balance 12-31-02	Additions	First consolid. NEMOD	Disposals	Transfers	Currency translation	Balance 12-31-03	Balance 12-31-02	Balance 12-31-03
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
841	0	0	0	0	- 139	702	7,165	6,004
3,022	617	6	0	0	- 318	3,327	4,788	3,688
3,863	617	6	0	0	- 457	4,029	11,953	9,692
1,125	268	19	187	0	- 85	1,140	5,620	4,922
10,845	2,308	0	961	0	- 304	11,888	10,619	8,238
1,205	382	348	156	0	- 110	1,669	722	848
106	0	0	0	0	0	106	732	291
0	1,178	0	0	0	- 1	1,177	0	577
13,281	4,136	367	1,304	0	- 500	15,980	17,693	14,876
2,352	0	- 2,352	0	0	0	0	396	109
0	0	0	0	0	0	0	59	21
0	21	0	0	0	0	21	441	362
2,352	21	- 2,352	0	0	0	21	896	492
19,496	4,774	- 1,979	1,304	0	- 957	20,030	30,542	25,060

Other disclosures required under HGB

20. Other operating income/ expense

Other operating income/expense contains prior year income of TEUR 227 and prior year expense of TEUR 214. The prior year expense mainly represents losses on the disposal of non-current assets; the prior year income consists principally of the release of reserves, a refund of prepayments of operating costs for prior years, the write-off of amounts due to suppliers that were no longer in dispute, as well as the refund of overpaid social insurance contributions.

21. Executive Board and Supervisory Board

In the year 2003 the total remuneration paid by Eckert & Ziegler AG to the members of the Executive Board was TEUR 380 plus 8,250 stock options arising from the stock option plan as described in Paragraph 12 above. The remuneration paid to the members of the Supervisory Board amounted altogether to TEUR 45. No performance-related remuneration, including fees for consultancy and agency services, has been paid.

A provision of the agreement on variable remuneration for Executive Board members was that they should receive a certain percentage of the amount by which a previously laid down target of earnings per share was exceeded. As was the case last year, the target was not achieved and no variable remuneration was paid to the Executive Board.

As of December 31, 2003 no advances or loans were outstanding from the members of the Executive Board or the Supervisory Board of Eckert & Ziegler AG.

22. Employees

On average 186 persons were employed by Group companies during 2003. They were working in the following departments:

Production	51
R&D/plant construction	52
Administration	25
Sales and marketing	30
Quality management	28
Total	186

Personnel expense for the financial year 2003 consists of the following:

	2003
(Amounts in thousands)	EUR
Wages and salaries	**8,936**
Social security contributions and expenditure on pension benefits and old-age support	**1,150**
- of which for pensions	**31**

23. Other information

BEBIG Isotopen- und Medizintechnik GmbH avails itself of the exempting clause of Section 264 para. 3 HGB under which an audit of the financial statements required by Section 316 HGB may be dispensed with.

24. Movements in group non-current assets in the financial year from january 1 to december 31, 2003

(see non-current asset movement schedule on pages 64 – 65)

Statement by the Executive Board

The Executive Board of Eckert & Ziegler AG is responsible for preparing the accompanying consolidated financial statements. We have installed effective controlling and monitoring systems to guarantee compliance with accounting principles and the adequacy of reporting. These systems include the use of uniform guidelines group-wide, the use of reliable software and the selection and training of qualified personnel. With a view to the requirements of the German Business Monitoring and Transparency Act (KonTraG) we have integrated the Groups' early warning systems into a risk management system. This enables the Executive Board to identify significant risks at an early stage and to initiate appropriate measures.

The KPMG Deutsche Treuhand-Gesellschaft audited the consolidated financial statements, which were prepared in accordance with the United States generally accepted ac-

counting principles, as well as the group management report and issued the following auditors' report.

The Supervisory Board has audited the annual financial statements and the management report of Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated financial statements of the Eckert & Ziegler Group, the Group management report for the Eckert & Ziegler Group and the auditors' reports. The Supervisory Board discussed all of these with the Executive Board and the auditors.

It acknowledged its agreement with the findings of the audit and has approved the annual and consolidated financial statements presented to it.

Berlin, March 23, 2004

Eckert & Ziegler
Strahlen- und Medizintechnik AG

Dr. Andreas Eckert

Gerald Pohland

Dr. Edgar Löffler

Auditors' report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the Notes to the financial statements prepared by the Eckert & Ziegler Strahlen- und Medizintechnik AG for the business year from January 1 to December 31, 2003. The preparation and the content of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (US-GAAP) are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with Accounting Principles Generally Accepted in the United States of America.

Our audit, which also extends to the group management report prepared by the Company's Executive Board for the business year from January 1 to December 31, 2003, has not led to any reservations. In our opinion on the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2003 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Berlin, March 23, 2004

KPMG Deutsche Treuhand-
Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Schindler
Wirtschaftprüfer

Pfaff
Wirtschaftsprüfer

Supervisory Board Report

The Supervisory Board has carried out the duties placed on it by legislation and the company statutes in the 2003 financial year, and has worked with the Executive Board in an advisory and supervisory capacity. The Supervisory Board was directly involved in all decisions of key importance to the business.

The Supervisory Board was kept informed by the Executive Board on company planning, developments in the business, the risk situation and risk management, as well as on significant business transactions. In five joint meetings with the Executive Board, the Supervisory Board dealt in detail with the situation and development of the Group and its individual business divisions. The following main issues were to the fore:

– completion of two orders for production lines
– management of the participation agreement with NEMOD Biotherapeutics GmbH & Co. KG
– takeover of the "afterloader" business from CIS bio International
– declaration of compliance with the German Corporate Governance Code
– setting up of a staff committee

The annual financial statements of Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated financial statements of the Eckert & Ziegler Group, the management report for Eckert & Ziegler Strahlen- und Medizintechnik AG and the management report for the Eckert & Ziegler Group, have been submitted and handed out to the Supervisory Board, together with the reports of the auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Berlin.

The year-end financial documentation and the auditors' audit reports were the subject of intensive discussion at the meeting on the annual financial statements held on March 23, 2004, at which the auditors reported on the main conclusions from their audit. In their report, the auditors confirmed that all legal provisions had been complied with, and submitted their unqualified audit opinion. The Supervisory Board acknowledged its agreement with the findings of the audit.

Following the conclusive results of its own examination, the Supervisory Board had no reservations in respect of the audited financial statements or any of the other documents submitted to it. Accordingly, it approved the annual and consolidated financial statements as presented.
At the annual general meeting on May 20, 2003 Professor Wolfgang Maennig, Mr. Ralf Hennig, Mr. Frank Perschmann and Professor Detlev Ganten were re-elected members of the Supervisory Board for a further term. In addition, Professor Ronald Frohne and Professor Nikolaus Fuchs were co-opted as further members of the Supervisory Board. The Supervisory Board thanks Mrs. Margit Jatzke, who did not stand for re-election for professional reasons, for her long-standing constructive contribution to this Board.

At its constituent meeting the Supervisory Board elected Professor Wolfgang Maennig as its Chairman and Mr. Ralf Hennig as Deputy Chairman.

The Supervisory Board thanks the Executive Board, senior management and all staff for the work they have done during the year under review.

Berlin, March 2004

The Supervisory Board

Professor Dr. Wolfgang Maennig
Chairman

Income Statements (Parent Company)

of Eckert & Ziegler Aktiengesellschaft for the years ended December 31

	2003	2002
	TEUR	TEUR
1. Net sales	**731**	839
2. Other operating income	**281**	154
	1,012	993
3. Staff costs		
a) Wages and salaries	**- 736**	- 730
b) Social security	**- 112**	- 107
- of which for pensions	**- 34**	- 33
	- 848	- 837
4. Depreciation of property, plant and equipment and amortization of intangible assets and capitalized expenditure on business start-up	**- 147**	- 621
5. Other operating expense	**- 1,115**	- 1,250
6. Income from equity investments	**311**	-
7. Income arising from profit or loss takeover agreements	**886**	2,694
8. Income from other securities and from loans included under long-term investments	**566**	742
9. Interest receivable and similar income	**991**	1,230
10. Write-downs on long-term investments and on marketable securities	**- 1,344**	- 2,279
11. Interest payable and similar expense	**- 261**	- 220
12. Net income / loss (-) from ordinary activities	**51**	452
13. Income tax expense	**- 84**	182
14. Net income / loss (-) for the year	**- 33**	634
15. Unappropriated retained earnings brought forward	**-**	165
16. Transfers from other distributable retained earnings	**1,054**	**-**
17. Appropriation to distributable retained earnings	**-**	- 317
18. Appropriation to treasury stock	**- 1,054**	-
19. Unappropriated retained earnings / losses (-) carried forward	**- 33**	482

Balance Sheets (Parent Company)

Assets of Eckert & Ziegler Aktiengesellschaft as of December 31

	2003	2002
	TEUR	TEUR
Assets		
A. Non-current assets		
I. Intangible assets		
Patents, licenses, trade marks and similar rights and software	**898**	1,041
II. Property, plant and equipment		
Other plant and equipment, fixtures and fittings	**15**	17
III. Long-term investments		
1. Shares in affiliates	**9,998**	9,196
2. Loans to affiliates	**5,949**	6,674
3. Equity investments	**1,399**	1,131
	17,346	17,001
	18,259	18,059
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	**1**	10
2. Amounts due from affiliates	**7,504**	11,050
3. Other assets	**286**	134
	7,791	11,194
II. Securities		
1. Own shares	**1,054**	-
2. Other securities	**826**	2,289
	1,880	2,289
III. Cash at bank	**6,567**	3,871
	16,238	17,354
C. Prepaid and deferred expenses	**2**	14
D. Deferred tax	**84**	69
	34,583	35,496

Balance Sheets (Parent Company)

Liabilities and Shareholders' Equity of Eckert & Ziegler Aktiengesellschaft as of December 31

	2003	2002
	TEUR	TEUR
Shareholders' equity		
A. Shareholders' equity		
I. Common stock	**3,250**	3,250
Nominal amount of authorized but unissued common stock EUR 300,000.00		
II. Additional paid-in capital	**27,166**	27,166
III. Retained earnings		
1. Treasury stock	**1,054**	-
2. Other retained earnings	**207**	779
	1,261	779
IV. Unappropriated retained earnings	**- 33**	482
	31,644	31,677
B. Deferred income from government grants	**185**	214
C. Reserves		
1. Tax reserves	**86**	684
2. Pension reserves	**253**	219
3. Other reserves and accruals	**313**	347
	652	1,250
D. Liabilities		
1. Trade accounts payable	**12**	12
2. Amounts due to affiliates	**2**	5
3. Other liabilities	**2,088**	2,338
(of which for taxes TEUR 19; 2002: TEUR 40)		
(of which for social security TEUR 11; 2002: TEUR 12)		
	2,102	2,355
	34,583	35,496

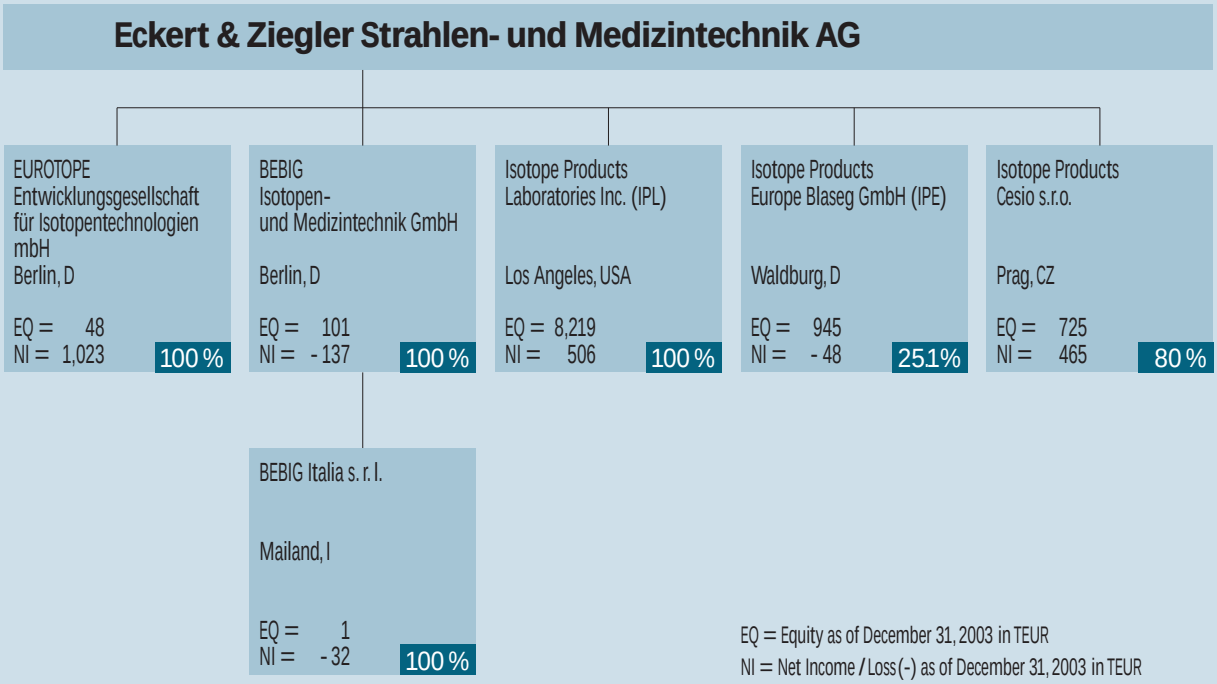
Stock and Stock Options

Executive Board and Supervisory Board				December 31, 2003
		Stock	Stock options	Transactions according to § 15a WpHG
Dr. Andreas Eckert	Executive Board	10	13,000	
(Eckert Consult GmbH)		(1,260,446)	(0)	
Dr. Edgar Löffler	Executive Board	0	10,250	
Gerald Pohland	Executive Board	4,750	11,500	
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0	
Prof. Dr. Ronald Frohne	Supervisory Board	51,244	0	Sale of stock (refer to www.ezag.com)
Prof. Dr. Detlev Ganten	Supervisory Board	0	0	
Ralf Hennig	Supervisory Board	141	0	
Margit Jatzke[1)]	Supervisory Board	385	0	
Frank Perschmann	Supervisory Board	1,000	0	
Prof. Dr. Nikolaus Fuchs[2)]	Supervisory Board	0	0	

1) Member of the Supervisory Board up to May 20, 2003; Balance Stock and Stock Options as of June 30, 2003
2) Member of the Supervisory Board as from May 20, 2003

Corporate Structure

(Balance as of December 31, 2003)



Glossary

Afterloading therapy
Short-term radiation in cancer treatment, in which a mostly wire-bonded radioactive source is propelled electrically for a brief period into the target tumor area by means of a tube-like catheter or by cannulas. Usually several sessions are necessary.

Antibodies
Specific proteins which defend against disease-causing agents and destroy tumor cells

Arteriosclerosis
Constriction of the blood vessels through depositions

Biodistribution
Distribution pattern and clearance of a substance applied to the body from an external source

Brachytherapy
Contact treatment mainly in the form of radiation at minimal distance between the source of radiation and the tissue

Calibrated-reference emitters
Devices which serve to compare measuring instruments with pre-specified standards

Calibration
Adjusting measuring instruments according to set standards

Carcinoma
Surface tissue malignant tumor

Cardiology
Sub-sector of internal medicine that deals with the causes, effects and possible treatments of heart disease

Cardiovascular
Pertaining to the heart and circulatory system

Catheter
Tube-like instrument inserted in vessels or cavities

Dendritic cell line
Cells which pick up substances foreign to the body (antigens) and offer them to the body's immune defense cells in a way that those can destroy these antigens effectively

D&O insurance
(directors' and officers' liability insurance): Third-party liability insurance for management; in this context, the members of the Executive and Supervisory Boards of a public company. It is invoked if claims for compensation arise through management's failure to exercise the duty of care expected from a duly conscientious businessman.

Emitter
Here: device for emitting radioactive fields

Eye applicator
Anatomically formed source of radiation for radiation treatment of eye tumors

Flat-rate reimbursement system
As from January 1, 2004 a compulsory, performance-related system of settlement for nearly all hospitals in Germany that provide full or partial in-patient services. The costs of specifically defined types of hospital treatment are reimbursed on the basis of a scale of fixed charges.

Flood source
Emission source with extended emission range (Perflexion™)

Gamma camera
Camera used for imaging diagnosis in nuclear medicine. Used in scintigraphic imaging.

Gamma radiation
Energy-rich electromagnetic radiation, used in medical nuclear imaging and in radiation therapy in particular because of its high penetrative capability.

IARC
International Agency for Research on Cancer is part of the World Health Organization

Immunological products
Therapeutic drugs, e.g. antibodies, which when applied work via passive or active immune mechanisms.

Immunotherapy
Treating diseases with drugs that manipulate the immune system

Implantation
Implanting foreign material in the body

Implants
Natural or false materials which are implanted in the body (here used synonymously with seeds)

Incontinence
Inability to deliberately control the release of urine and/or faeces

Interest and currency swap
Contract between two parties involving the exchange of variously specified interest payments in different currencies within a fixed period. The main purpose is to hedge interest and currency risks.

Interstitial
Lying between tissues (Interstitium)

In vitro
(Lat. in glass) outside the living organism

Iridium source
Iridium-192 is a radioactive isotope for medical source materials whose main characteristic is that a high dosage can be concentrated in a small volume. These kinds of sources are therefore used predominantly as a short-term implant in afterloading.

(continued on page 74)

Isotope
Chemical elements having the same atomic number but different atomic weights. Isotopes can be either stable or disintegrate emitting ionizing radiation (radioactive isotopes)

Lewis-Y-antigen
Therapeutically important tumor antigen, with particular application in the treatment of bowel, stomach, lung, breast and ovarian cancers

Minimally invasive
As gentle as possible

Multimodal Marker
Marking where different medical imaging processes are to be combined

Nuclear imaging
Image processing for nuclear medicinal purposes

Nuclear medicine
Specialist medical area which deals with the use of mainly ephemeral radionuclides in diagnostic and therapeutic applications

Oncology
Specialist medical area which deals with the origin and treatment of malignant tumors

Permanent implants
Implants that are meant to remain permanently in the organism/body

Positron-emission tomography
Nuclear medicinal examination for creating sectional images using the photons created by positron decay

Pre-clinical tests
Testing of a drug/method before clinical use

Prostate
Chestnut-sized, course gland situated around the neck of a man's bladder

Prostatectomy
Surgical removal of the prostate gland

Radioactivity
Characteristic of unstable nuclides where corpuscular radiation (alpha and beta rays) or electromagnetic waves (gamma rays) are emitted either spontaneously or through disintegration of atomic nuclei

Radio-isotope
see Radio nuclide

Radio nuclide
Radioactive isotope

Restenosis
Renarrowing (of previously widened arteries)

Scintigraphic Imaging
Production of images in nuclear medicine using mainly gamma rays for diagnostic purposes

Seed
Radioactive isotopes embedded in small metal rods for interstitial radiation treatment

SPECT
Abbreviation for Single Photon Emission Computer Tomography. See also: Positron Emission Tomography

Spectroscopy
Technique for the analysis of oscillations of electromagnetic waves in a certain frequency range

Stranded radiation particles
Seeds constructed in a chain-like formation to improve seed localization.

Stranded seed implant
see Stranded seeds

Stranded seeds
Seeds connected lengthways to each other

Tungsten
Also known as wolfram. Silver-white, shiny, easily shaped heavy metal with outstanding shielding properties against radiation.

X-ray Fluorescence Spectroscopy
is an innovative, non-destructive method of analyzing materials that enables all elements from the atomic number Z = 9 (fluorine) onwards to be identified in the most diverse compounds and their concentration to be determined. It is particularly suitable for detecting even the most minute amount of contamination (e.g. of heavy metals) in soil and water. See also Spectroscopy

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Financial Calendar

03-29-2004:
Annual Report 2003

03-29-2004:
Balance press conference in Berlin

03-30-2004:
Analyst presentation in Frankfurt

05-11-2004:
Quarterly report I/2004

05-18-2004:
4th Berlin MedTech Day

05-25-2004:
Annual general meeting in Berlin

08-10-2004:
Quarterly report II/2004

11-09-2004:
Quarterly report III/2004

2003

Annual Report Eckert & Ziegler AG