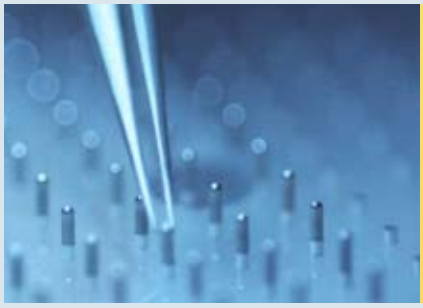
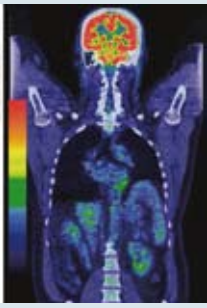
Annual Report 2006







Small things. **Big effects.**

Eckert & Ziegler

Ratios of the Eckert & Ziegler Group

		IFRS 2006	Change over 2005	IFRS 2005	IFRS 2004
Revenue	TEUR	**50.378**	+ 21 %	41.792	35.533
Return on revenue before tax	%	**9**	+ 78 %	6	9
Profit for the year	TEUR	**2.221**	+ 40 %	1.590	3.439
Profit before tax (EBT)	TEUR	**4.748**	+ 114 %	2.215	3.158
Interest	TEUR	**-796**	+ 19 %	-667	-273
EBIT	TEUR	**5.544**	+ 92 %	2.882	3.431
Depreciation and amortization	TEUR	**-4.537**	+ 16 %	-3.912	-3.742
EBITDA	TEUR	**10.081**	+ 48 %	6.794	7.173
Earnings per share	EUR	**0,71**	+ 39 %	0,51	1,09
Cash flow from operating activities	TEUR	**4.561**	+ 29 %	3.531	2.530
Tax rate	%	**34**	+ 9 %	31	37
Shareholders' equity	TEUR	**36.329**	+ 4 %	34.955	32.863
Equity ratio	%	**57**	+ 9 %	52	67
Total assets	TEUR	**64.174**	- 4 %	66.997	49.441
Book value per share	EUR	**11,59**	+ 3 %	11,28	10,57
Staff	Persons	**291**	+ 18 %	247	215
Number of shares as of Dec 31 (excl. own shares)	Item	**3.130.526**	0 %	3.120.511	3.088.551
Dividends	EUR	**0,25***	+ 67 %	0,15	0,25

The specified key indicators refer to earnings for continuing operations with the exception of the year's net income or shortfall and results per share.

* Dividend to be recommended by the company to the annual general meeting on June 12, 2007

Notes to the English translation
This English translation of Eckert & Ziegler AG annual report has been compiled with care and diligence. However, the relevant version is in all cases, including errors and omissions, the German original. Further, since the annual report is a technical document, and the German grammar is quite different from the English one, some of the translations may sound awkward. We tried to eliminate clumsy passages as much as possible, but apologize if we failed to do so completely.

January

■ In order to expand their joint efforts in the field of nuclear medicine, Eckert & Ziegler takes over radiopharmaceutical production for the Berlin Charité university hospital.

■ Eckert & Ziegler BEBIG receives a large-scale contract from Venezuela to supply cancer radiation systems, known as afterloaders, with a total volume of around 4 million USD.

2006

February

■ Eckert & Ziegler receives authorization to produce F-18 fluorethylcholin, a new prostate cancer tracer. With the help of a special imaging process known as positron emission tomography (PET), it can trace even small masses of tumor cells very precisely.

March

■ License agreement between Californian subsidiary Eckert & Ziegler Isotope Products Inc. (IPL) and the American companies International Isotopes Inc. and Radqual LLC. to reproduce radioactive sources for nuclear medical imaging

April

■ The sixth MedTech Day takes place in Frankfurt in collaboration with the Deutsche Börse, the DVFA [German Association of Financial Analysts], the Landesbank Baden-Württemberg and the Spectaris industrial federation.

■ Eckert & Ziegler f-con Deutschland GmbH wins a tender for the regular supply of radiodiagnostics to the Marie Curie Hospital in Glivice, Poland. This is the first customer for the PET tracer product group in Poland.

May

■ Annual General Meeting in Berlin

June

■ Eckert & Ziegler BEBIG GmbH's International User Meeting for radiation therapists, urologists and medical physicists is a resounding success.

■ Successful market launch of the Modular-Lab radiopharmaceutical synthesis module in Germany, the United Kingdom and the USA

September

■ Eckert & Ziegler and a number of experienced clinical developers jointly found the commission-based research institute Pharmtrace klinische Entwicklung GmbH.

■ Together with the Gläsernes Labor (Life Sciences Learning Lab) in Berlin-Buch, Eckert & Ziegler launches the "Researchers Garden" initiative, which aims to interest kindergarten teachers in experiment-oriented science courses and to improve the quality of kindergarten education.

■ The IsoCord® prostate implant is added to the list of remunerable products and services in France.

November

■ Eckert & Ziegler is included once more in "Europe's 500", the 500 most rapidly growing European enterprises.

December

■ In order to concentrate on its core business, Eckert & Ziegler sells its business in blood irradiation systems to the Leipzig-based company Gamma Service Recycling GmbH.

■ Eckert & Ziegler stops clinical development of rheumatism drug SpondylAT® and decides to close the entire project by the end of the 2006 business year.

Dr. Andreas Eckert, Dr. Edgar Löffler, Dr. Andreas Hey (from left to right)

Dear shareholder,

In 2006, for the third time in a row, Eckert & Ziegler increased its annual turnover by about 20%, thus breaking through the psychologically important threshold of EUR 50 million. In Germany, the Group is now officially classed as a "larger" medium-sized enterprise (an enterprise with a turnover of between EUR 50 million and EUR 3 billion), even though it is only a few hundred thousand euro above the threshold. Fourteen years after it was set up, what was once a three-man company has thus increased its operating performance – calculated in DM to enable us to take an overall view – from slightly more than DM 0.25 million to DM 100 million. In the last quarter of 2006, for the first time we made more than EUR 14 million in sales revenue in a three-month period – a new record in the company's history and a good starting point for 2007.

There is also positive news about earnings. The profit per share rose by about a third from the previous year's figure to around EUR 0.71. It is true that this did not fulfill the expectations which the Group itself had set at the beginning of the year, but if the costs of the unexpected abandonment of rheumatism drug SpondylAT® in the year under review are regarded as one-off effect, the figures produced show a result which has more than reached its target. The result from EUR 2.2 million to EUR 4.9 million from ongoing business activity before taxes and minority interests and the operating result rose sharply from EUR 2.5 million to EUR 6.0 million.

To date, the only other time when the Group achieved such an impressive result was in 2001, when an extraordinary payment amounting to several million led to an even better operating result. However, in 2006 the results were not due to such an exceptional factor; instead, the Group's earnings potential has developed step by step along with the increasing turnover in the last few years.

The new productivity can be seen in the cash flow statement: Without any changes in net current assets (i.e. without additional commitment of capital by means of stocks and claims and a reduction in short-term liabilities), the volume of liquid assets earned from operational activities reached a peak value of EUR 6.1 million, significantly above the level achieved in previous years.

Therefore, in the year under review it was possible to use the flow of funds from operational activities not only to finance investments amounting to EUR 3.7 million, but also, in conjunction with existing cash and securities holdings, to reduce moderate indebtedness, pay out a dividend and nevertheless still to increase the capital-to-assets ratio by five percentage points to a respectable 57% of the balance sheet total. Since the earnings from ongoing business activity before interest, taxes, minority interests, depreciation and amortization (EBITDA) rose by 26% in the year under review to EUR 10,3 million, the Group's financing scope, and thus its room for maneuver, for instance in making acquisitions, was enhanced once again.

Of course, despite all this success, there is still much progress to be made. The write-off of the failed rheumatism drug SpondylAT® reminds us that success and growth always demand the courage to take calculated risks and accept setbacks.

However, we are convinced that this represents a sensible way to achieve company growth and increase the company's value, and that it will also make sense in the future to retain the mixture of acquisitions and self-made products which have characterized our growth in the past.

I hope that you share my opinion.

Dr. Andreas Eckert,
Chief Executive Officer

The motto of Eckert & Ziegler's 2006 annual report is "Small things, big effect".

For outsiders, it is one of the bewildering characteristics of radioactive materials that even small amounts produce powerful results. This effect is very impressive in the case of the contrast media which Eckert & Ziegler produces within its radiopharmaceutical segment for use in diagnosing cancer. Concentrations as low as in the picogram range (10^{-12} grams) are sufficient to produce an adequately precise and reliable result. The dosage of normal drugs usually needs to be a thousand times as strong to produce any effects.

Small things. **Big effects.**

The active components of medical products are also very small. The implants for treating prostate cancer, one of the Therapy segment's main products, have a diameter which is only the size of the lead of a mechanical pencil. Doctors can therefore conveniently position them in the center of the tumor using hollow needles. The situation is similar with cancer radiation devices, known as afterloaders. Admittedly, the device itself, which is the size of a small drum, looks relatively bulky, but this is essentially due to the large shield it contains. The active element with which the cancer cells are irradiated is only a thin wire which is extended from the shielding container by a mechanism during the treatment procedure.

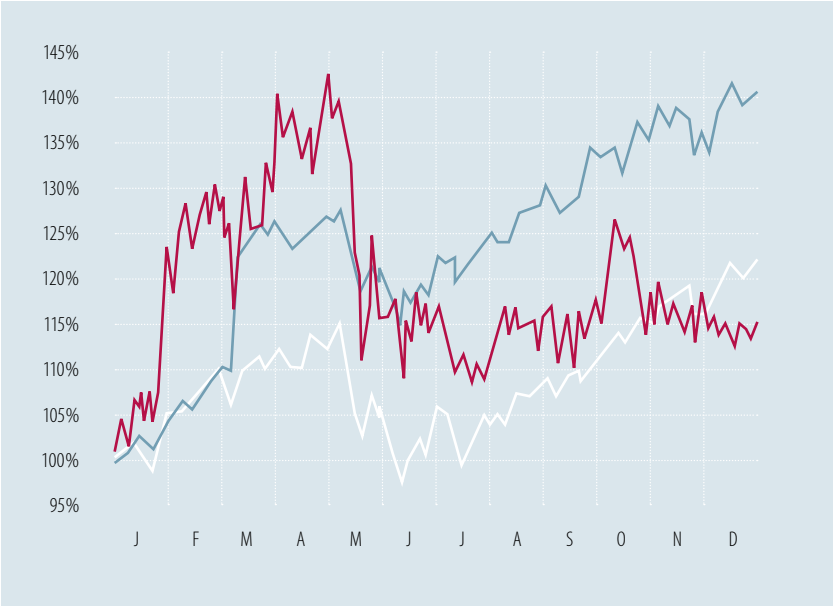
Curious about some more of our "small things"?

Have a look at the respective photos in this report.

They are tiny, but they have a huge effect: They can cure prostate cancer in the early stages. The small titanium tubes loaded with weakly radioactive iodine-125 are just four and a half millimeters long and less than one millimeter thick – like the lead of a mechanical pencil. They can be implanted in the prostate on an outpatient basis and remain there permanently. Because they have a short radioactive range of only a few millimeters, the surrounding organs are largely protected. For this reason, implants cause side effects considerably less often than surgical removal of the prostate: The incontinence rate is below 1% (5–30% in the case of surgical removal of the prostate) and the impotence rate is only 15–25% (50–100% for surgical removal of the prostate). And the chance of being cured is the same…

Tiny prostate implants

A life-size prostate implant



Rate changes in the year 2006
(1-1-2006 = 100%, source: www.onvista.de)

- Eckert & Ziegler Owner bearer shares (Xetra)
- Prime Pharma & Healthcare Performance-Index
- Prime All Share Performance-Index

The share

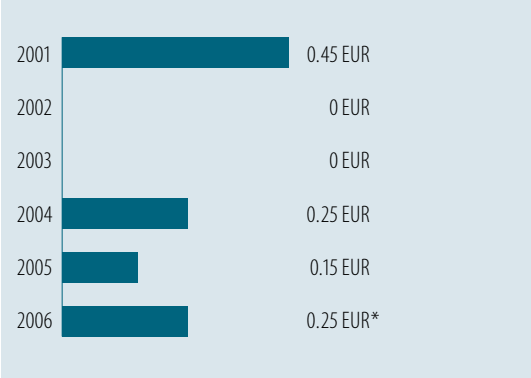
Although the price of the Eckert & Ziegler share did not rise at the rate of the previous year, it nonetheless recorded a 17% growth in value. Compared with the previous year's accounts date market capitalization of the company rose by EUR 5.92 million to a total of EUR 39.07 million.

Shares in Eckert & Ziegler AG commenced trading on the German Stock Exchange on May 25, 1999. Since then, they have been quoted on the Frankfurt Stock Exchange and on all the German regional exchanges. In addition they are traded fully electronically on the XETRA® (Exchange Electronic Trading) system of Deutsche Börse. They are traded under the internationally unique, 12-digit International Securities Identification Number (ISIN) DE0005659700, although the share is also still identified by its former security identification number (WKN) 565970.

The company's ordinary share capital has remained unchanged at EUR 3,250,000 since June 2, 2000, the date of the first and, hitherto, only capital increase. The share capital is divided into 3,250,000 bearer shares with no par value which each confer one vote.

As from February 20, 2003, Eckert & Ziegler AG shares have been listed under the Prime Standard. The companies listed in this segment are subject to particularly high transparency standards internationally, even exceeding those of the prescribed publicity requirements.

In March 2003, Eckert & Ziegler AG acquired 320,000 of its own shares as part of a share buy-back program. These shares have so far largely been used in the financing of acquisitions and for servicing employee stock options. The capital gains realized from these transactions have all been transferred to the capital reserve for own shares. The company reported that it held 109,335 of its own shares as of December 31, 2006.



Dividend payment by Eckert & Ziegler AG
* proposal to the annual general meeting

Since January 3, 2005 Eckert & Ziegler AG has been a member of the German Entrepreneurial Index (GEX). This segment exclusively takes up companies that are listed in the Prime Standard and where significant amounts of stock are held by founders or management. The background to the creation of this special index lies in Deutsche Börse statistics which show that owner-managed enterprises on the stock exchanges have in many cases demonstrated stronger growth in value over time and have stood their ground better than non-owner-managed firms, particularly in a difficult investor climate. Furthermore, such enterprises score positively in relation to their strategic planning, their focus on core competencies and other business-economic criteria.

Earnings per shares

Earnings per share is calculated by dividing group profit for the year by the average number of shares in circulation during the fiscal year. During the year under re-view, the Eckert & Ziegler Group achieved group earnings per share of EUR 0.71, which is equivalent to growth of 39% compared with the previous year.

Proposed dividend

The Executive Board and Supervisory Board will be proposing to the annual general meeting to be held on 06-12-2007 the distribution of a dividend of EUR 0.25 per share for fiscal year 2006. Measured against the year-end share price of EUR 12.02, this equates to a dividend yield of 2.1%.

Movements in the share price

Similarly to the development of the previous year, the Eckert & Ziegler share immediately achieved its lowest point for the year at EUR 10.19 on January 2, 2006, the first day of trading. The subsequent upswing was sparked off by press announcements on a major contract from Venezuela and a successful fiscal year 2005. A positive analysis of the sector by Landesbank Baden-Württemberg (LBBW) and the an-nouncement of the winning of a radio-diagnostics tender in Poland speeded up the trend and resulted in an interim jump in the share price of over 40% since the start of the year, showing that at times the share had performed substantially above the benchmark indices during the first four months.

On May 3, 2006 the Eckert & Ziegler share reached its peak for the year at EUR 14.80. Shortly afterwards the international stock markets underwent an obvious price correction which was mainly due to the re-emergence of fears of inflation. Like almost all listed stocks, the Eckert & Ziegler share was unable to avoid this negative capital market scenario and dropped back during the last week of July to an interim low of EUR 11.23, from which it nonetheless recovered during the subsequent days and weeks.

The press announcement that in France the prostate implant IsoCord® has been included on the list of cost-reimbursable products generated a short-term rise in price of over 10% at the end of September, but this dissolved again without discernible grounds by the end of October. Notwithstanding the positive press announcement concerning record sales and a rise in results for the third quarter, the share price then fluctuated in a sideways trend between EUR 11.70 and EUR 12.50 and closed at EUR 12.02 on the final day of trading. The price performance during the fourth quarter

Key data on the Eckert & Ziegler share

International Securities Identification Number (ISIN)
DE0005659700

Security identification number (WKN)
565 970

Stock exchange symbols

EUZ	(Deutsche Börse)
EUZ	(Bloomberg)
EUZG	(Reuters)

Stock exchange sector
Prime Standard, Frankfurt

All-share indexes
Prime All Share
Technology All Share
German Entrepreneurial Index (GEX)

Industry-specific index
Prime Sector: Pharma & Healthcare
Industrial group: Medical Technology

Nominal share capital (12-31-2006)
EUR 3,250,000

Owner bearer shares (12-31-2006)
3,250,000 units

Share price (12-31-2006)
EUR 12.02

Market capitalization (12-31-2006)
EUR 39.07 million

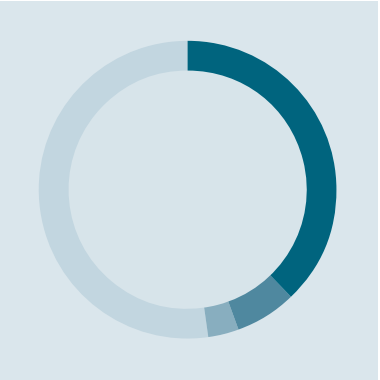
Highest/lowest price in 2006
EUR 14.80/EUR 10.19

Investor relations contact

Karolin Riehle
Robert-Rössle-Str. 10
13125 Berlin
Germany
Tel. +49 30 941084-138
Fax +49 30 941084-112
karolin.riehle@ezag.de
www.ezag.com

may possibly stem from the actions of larger investment companies which made increased sales at the end of the year in order to record better fund performance on the balance sheet date.

Even though the benchmark indices performed better during the second half of the year, the Eckert & Ziegler share underwent welcome growth in value over the total year of just below 17%. Commitment and confidence in our owner-managed company were particularly rewarding for shareholders orientated to the long term, since those who acquired Eckert & Ziegler shares directly after the slump at the turn of the year 2002/2003 and held them until the end of 2006 will have more than quadrupled their investment. In actual terms this is reflected in a 329% growth in value over a four-year period.



Shareholder structure 12-31-2006

Eckert Consult GmbH	37.9%
Jürgen Ziegler	6.6%
Eckert & Ziegler AG	3.4%
Free float	52.1%

Investor relations

The aim of our investor relations work is to provide up-to-date, transparent and comprehensive information to our private shareholders, institutional investors and financial analysts about the company.

In the course of numerous individual discussions and investor conferences the management has informed institutional investors and analysts on the economic development of the company. The discussions focused on looking after existing contacts as well as building up new contacts. Regular telephone conferences were also held concerning the quarterly publications. As well as one-to-one meetings, important components of communication with the capital market in the course of the reporting year included the investor conference MedTech Day (www.medtechday.de), the annual general meeting and the Deutsche Eigenkapitalforum [German Equity Capital Forum].

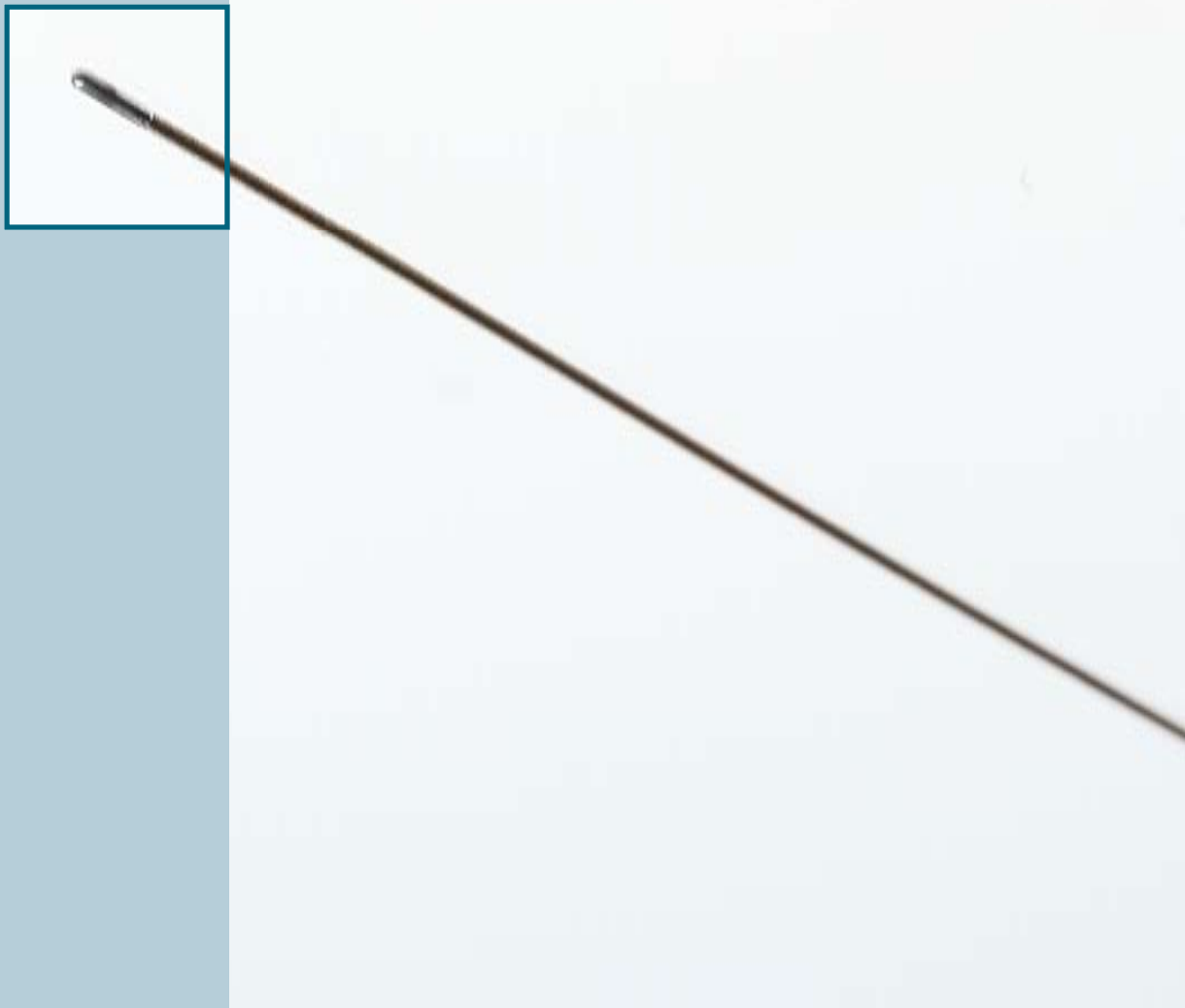
In addition, the Internet forms an important element of our financial communications, providing full and up-to-date information on the company for investors and future shareholders (www.ezag.com).

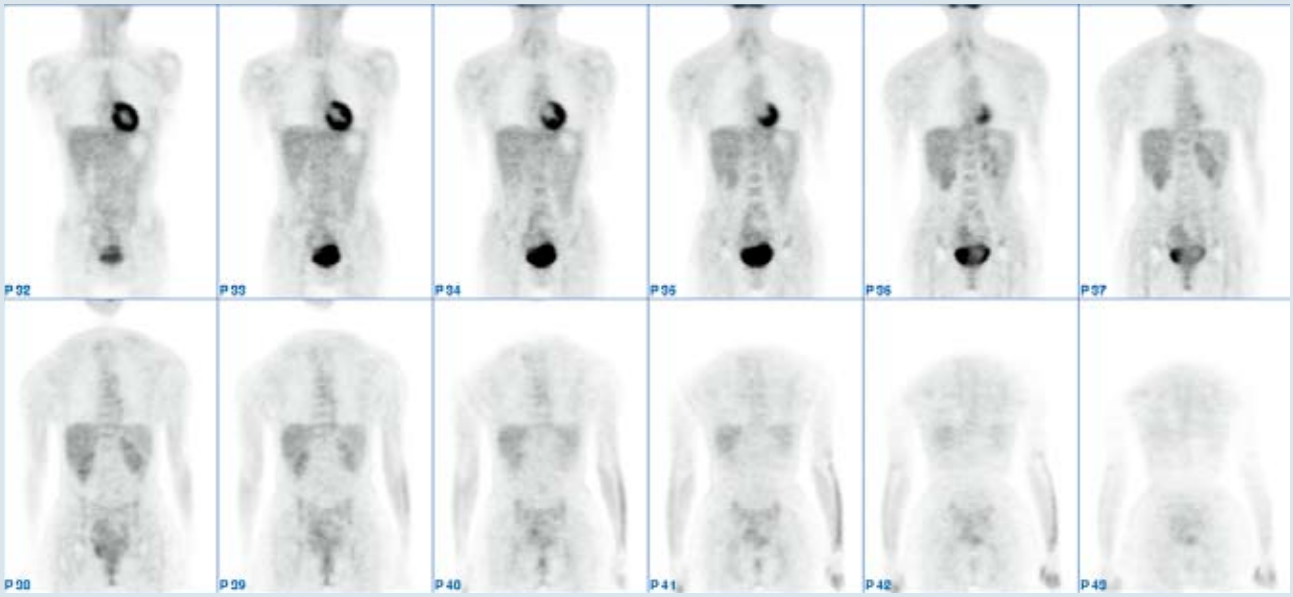
Shareholder structure

The company's shareholder structure remained unchanged from the three previous years. After slightly reducing its shareholding by 0.9 percentage points, the founding shareholder Eckert Consult GmbH remained the largest shareholder with currently 37.9% of the company. The second founding shareholder, Jürgen Ziegler, reduced his shareholding by 1.2 percentage points to 6.6 percent. During the fiscal year Eckert & Ziegler AG placed around 20,000 of its own shares purchased during 2003 on the capital market at a rate to protect the share price, so that the corresponding holding was reduced to 3.4% of the nominal share capital. This resulted by the end of the year in an increase in the shares available to the public (free float) from 49.4% to 52.1%.

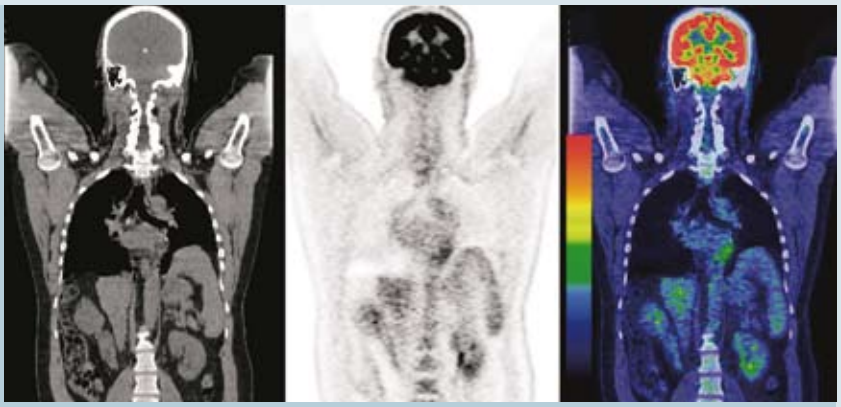
For decades, the tried and tested cobalt-60 isotope was reserved for only limited applications because of its size. Developers from Eckert & Ziegler have succeeded in miniaturizing the radiation source. At just under three and a half millimeters and one millimeter thick, the source is now outstandingly suitable for use in after-loaders, that is to say cancer radiation devices, in which a tiny radioactive radiation source is inserted into an organ, e.g. the uterus, through a thin catheter. After the radiation therapy has been completed, the emitter is removed again using the same method. The advantage of the after-loading method is that tumors are radiated using high radiation doses while the surrounding tissue is largely protected.

Miniaturized cobalt-60 emitters





Using PET imaging to identify the smallest tumor focus



Reliable detection of the smallest tumor focus. This is the advantage of positron emission tomography (PET). In this nuclear medicine diagnostic method, the patient is injected with a sugar compound. The sugar is combined with a weakly radioactive substance such as "fluorine 18". As the blood flows, the sugar is dispersed through the body and is primarily destroyed by metabolically active cells. The fluorine decomposes, emits a positron (a positively loaded elementary particle) and a computer converts the data into image information. The decisive factor for a diagnosis of cancer is that cancer cells have a particularly great hunger for sugar. The cancer can therefore be identified on the PET image as a distinct blotch. Eckert & Ziegler f-con Deutschland is one of the leading suppliers of contrast media for PET in Germany.

Group Management Report

Head offices of Eckert & Ziegler AG in Berlin-Buch

The company

Eckert & Ziegler is an internationally active specialist for radioactive applications in medicine, science and measuring technology. Included in the company's core competence is the handling and processing of low radioactive materials processed in our own specially equipped and approved production facilities in Germany, Italy, the Czech Republic and the United States.

In contrast to other industry sectors, the sector in which Eckert & Ziegler is active enjoys relative transparency. Internationally, there are only a few competitors in many of the markets in which the Group does business. Indeed, most competitors occupy only market niches, so that in the past the Group was not confronted with any direct competitors in the broad range of its products. Because of the formidable obstacles to market entry, due in part to the rigid conditions for regulatory licensing, we do not anticipate a change in the situation in the foreseeable future.

Traditionally, Eckert & Ziegler AG operates its business through subsidiaries assigned to segments. These segments are in turn aligned to customer groups. Among these are radiation therapists, a physician's group provided with products in the Therapy segment for radiation treatment of cancer. Since the production sites for tumor treatment products are in Europe, segment management is located in Berlin.

Another segment is Nuclear Imaging and Industry, which is concerned primarily with products for physicists, technicians, and medical physicists requiring radioactive components for imaging processes, scientific applications, quality assurance and other purposes related to measuring. Management headquarters and the main production facilities are in Los Angeles, California.

In fiscal year 2006, the Nuclear Imaging and Industry segment spawned a new segment – Radiopharmaceuticals. Core products and services in this segment target radiopharmaceutical applications for nuclear-medical specialists. The production facilities in Germany and Italy produce radioactive contrast media as well as systems for their production, so-called synthesis modules. Segment management is headquartered in Berlin (in the following, when comparing 2006 to 2005 with reference to the Nuclear Imaging and Industry segment, the figures now for the Radiopharmaceutical segment are always excluded unless otherwise specified). An "Other" segment representing the costs and revenues of the Berlin holding company completes the classification.

The markets of the three operative segments are only loosely interconnected; each has its own business cycle and distinctive characteristics. Further, national differences mean that the conditions for identical products may differ greatly. This is particularly true for medical products – the intensity and dynamics of demand are very much dependent on the specifics of the national health systems and on the regional competitive situation.

Without reference to a particular segment, it is therefore difficult to make generalized statements about business environments, an exception being the exchange rate (see below). In the area of medically-related products, accounting for about two-thirds of consolidated Group sales, the demographic trend in all industrialized countries for some years has led to an increasing demand for products that address the diagnosis and treatment of cancer and therefore for the components marketed by the Group.

Legal conditions

Eckert & Ziegler Strahlen- und Medizintechnik AG is a joint-stock corporation with head offices in Germany. The corporation's nominal capital of EUR 3.25 million is divided into 3.25 million owner bearer shares. Company founder Dr. Andreas Eckert owns a total of 1,232,456 shares directly and indirectly and therewith 37.9% of the voting rights through the holding company Eckert Consult Strategieberatung und Kapitalbeteiligungsgesellschaft mbH.

The shareholders of the corporation exercise their rights in the Annual General Meeting. Every share is entitled to one vote. Shares with multiple voting rights, preferential voting rights or maximum voting rights do not exist.

The Supervisory Board monitors and advises Executive Board management. The Supervisory Board consists of six members who have been elected by the Annual General Meeting. Company founders Dr. Andreas Eckert and Jürgen Ziegler have the statutory right to appoint one member each to the six-member appointed Supervisory Board.

Above: Therapy segment – Multisource® cancer radiation system

Center: Nuclear Medicine and Industry segment – standards for analysis of organic samples, e.g. in environmental technology

Below: Radiopharmaceuticals segment – the Modular-Lab radiopharmaceutical synthesis system

The Executive Board manages the company and represents it to third parties. The Executive Board consists of one or more people who, in accordance with paragraph 84 of the Stock Companies Act, are appointed by the Supervisory Board for a maximum office term of five years. It is permitted to repeat or extend term of office, in each case for a maximum of five years. This again requires a Supervisory Board proposal, which can be composed one year before expiry of the term at the earliest. The Supervisory Board can appoint members of the Executive Board to the position of Chief Executive Officer and Deputy Chief Executive Officer.

The Supervisory Board can revoke appointment to the Executive Board and the appointment of the Chief Executive Officer if there is sufficient cause. This could be due, for example, to a serious breach of duty, an inability to manage properly, or a vote of no confidence by the Annual General Meeting.

A description of the remuneration system of the Executive Board and Supervisory Board as well as the disclosure of remuneration for individual members of the Executive Board are contained in the remuneration report, which is included in this Group Management Report.

The articles of incorporation contain basic regulations on the make-up of the company. According to paragraph 179 of the Stock Companies Act, a change to these articles can only be realized by the Annual General Meeting passing a resolution to that effect with a majority of at least three-quarters of the nominal capital represented during the resolution vote.

On 30 May 2006, the Executive Board was authorized by an Annual General Meeting resolution with the approval of the Supervisory Board to increase the company's nominal capital through 30 June 2009 by up to EUR 1,625,000 by issuing a maximum of 1,625,000 owner bearer shares for cash and/or non-cash contributions (authorized capital).

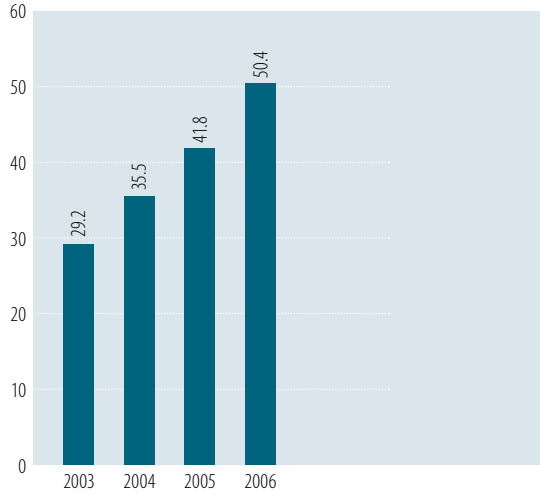
Furthermore, the Executive Board was authorized with the approval of the Supervisory Board to carry out a conditional capital increase provided for in the company's articles of incorporation by up to another EUR 300,000 split into a maximum of 300,000 owner bearing shares (authorized but unissued share capital). The conditional capital can be used to service share option owners who take advantage of the company's share options.

A resolution of the Annual General Meeting of 30 May 2006 authorizes the Executive Board to purchase own shares for purposes other than securities trading by 29 November 2007 for a maximum share of 10% of nominal capital.

There are no agreements related to a change of company control as pertains to a takeover offer. Furthermore, there are no compensation agreements with members of the Executive Board or employees in the event of a takeover offer.

Business development 2006

Business volume of the Eckert & Ziegler Group increased significantly last year once again, happily even more so than in the year before. While sales grew 18% from 2004 to 2005, the total sales this year rose EUR 8.6 million from EUR 41.8 million to EUR 50.4 million. Thus, for the third year in a row since 2003, the Group experienced a business volume increase of about 20% and in so doing achieved its targeted sales growth forecast.

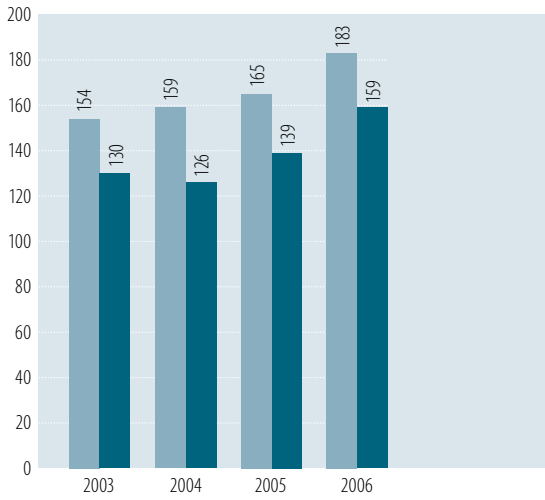


Movements in sales 2003 – 2006
(in million EUR)

In contrast to previous years, sales growth in 2006 was realized without acquisitions. The previous year's acquisitions, however, produced consolidating effects into 2006, since the sales in 2005 of newly acquired equity investments and subsidiaries were not consolidated in the Group for the full twelve-month period. If we exclude these effects and consider only business prior to such acquisitions, there was organic growth from EUR 38.8 million to EUR 42.6 million, or about 10%.

Geographically, Group sales were concentrated in two regions: in Europe including Russia (about EUR 26 million, or 52% of sales) and North America (about EUR 18 million, or 36% of sales). Asian industrial countries and threshold countries accounted for the remaining approximately EUR 6 million.

Based on the average monthly number of employees, work productivity again rose in the Group: in 2006 by 8.3% to EUR 183,000 per employee, whereby in previous years the increases of 2.7% (2004) and 6.7% (2005) were less. In the Therapy segment, where the comparison is particularly revealing due to the stability of the exchange rate and the long timelines, productivity rose by 14% to EUR 159,000 per employee.



Work productivity (sales per employee)
(in TEUR based on the monthly average of employees)

Group
Therapy segment

Earnings position

Earnings in the reporting year developed as gratifyingly as the development in sales. Compared to the previous year, the Group's undiluted results per share rose by 39% from EUR 0.51 to EUR 0.74. Thus the Group was just short of its propagated target of extending the 2004 result from continuing operations (EUR 0.74 per share).

The main cause for falling short of the target was due to costs incurred in the SpondylAT® development project abandoned in 2006; this adversely affected the result by about EUR 0.19 per share, or EUR 0.6 million (net). Had the project been continued, the encumbrances would have dropped by at least two-thirds of this amount and the target would have been markedly surpassed.

If we exclude the expenditures for SpondylAT®, however, and instead consider the results of the continuing operations before tax and shares of other shareholders (EBT), the reporting year shows that the Group has taken a giant set forward. The result before income tax from continuing operations before minority interests jumped from the previous year's EUR 2.2 million by more than 114% to EUR 4.7 million, which equates to profit of EUR 1.52 per share over an average stock balance of 3.13 million shares. Because the hope is justified that in 2007 there will be no comparable value adjustment expenditures from development projects, these pre-tax profits are a good basis for further increasing results in the coming years. This potential is underpinned by the profit from operations, which more than doubled from EUR 2.5 to EUR 5.9 million and is thus far above the average of recent

years. There is only a reduced rise due to payment to minority shareholders, a difference of about EUR 0.10 per share, which can be anticipated in 2007 as well.

The other key earnings figures also developed very well in 2006. The earnings for continuing operations before taxes, interest and shares of other shareholders (EBIT) also achieved a new record mark of EUR 5.5 million, or EUR 1.77 per share. This is a 92% improvement over the previous year. Also impressive were the earnings of continuing operations before depreciation and amortization, taxes, interest, and shares of other shareholders (EBITDA), increasing about 48% to EUR 10.1 million, or EUR 3.23 per share. Because this figure as a rule determines third-party financing and thus the Group's acquisition potential, the fact that it has again increased is of particular importance.

The 2006 revenues relative to used capital are also noteworthy. The net income for the year of EUR 2.5 million represents after-tax equity yield of 6.9% and pre-tax equity yield of 11.4% for shareholder equity of EUR 36.3 million on 31 December 2006. Earnings of EUR 5.5 million before tax and interest represent total equity yield before tax of 8.6% with a balance sheet total of EUR 64.2 million.

Sources of earnings

In addition to increased sales, significant earnings were generated in 2007 by the improved raw margin that rose from 44% to 47% and economies of scales in the production and quantity discounts in material purchases. This contributed about EUR 1.6 million to improved earnings. Likewise contributing to higher earnings, namely EUR 1.1 million, was the under proportional expansion of the marketing and administration costs relative to sales; these costs compared to the previous year rose by only 17% from EUR 16.2 million to EUR 19 million. Considerable encumbrances – EUR 1.7 million – resulted from unfavorable exchange rates, a higher tax rate, abandoning the rheumatism medication SpondyIAT®, and from high earnings shares due to minority share holders.

Competition situation

As in the previous year, sales in product groups were distributed across five categories, combining to account for over 75% of the sales income. In the Nuclear Medicine and Industry segment sales were in 1) radiation sources for medical imaging, 2) calibration and reference sources, 3) components for radiometrical and industrial applications. In the Therapy segment sales were due to 4) implants in prostate cancer treatment, and 5) tumor radiation equipment. Product groups in the new Radiopharmaceutical segment did not merit inclusion in a main category in 2006.

Eckert & Ziegler has been well positioned in the first three of these five product categories for quite some time, each with a world market share of at least one-third. This position was maintained or improved in the period under review. Although some niches in this area showed impressive growth, the market as a whole, whose volume today is roughly EUR 50–75 million, developed at only about the same pace as the global GNP growth.

In the area of implants for treating prostate cancer, Eckert & Ziegler's world market share is lower because the Group offers its products only in Europe. North America in particular is home to competitors whose volume of production is much higher; consequently, it can be assumed that production costs per product are lower. Their advantage, however, is offset by formidable approval procedures, high transport costs, and complex logistics, all of which makes it difficult to benefit from their volume advantage outside of North America. Eckert & Ziegler thus considers itself to be competitively well positioned in Europe, where its market share is at least one third of the total market. During the year under review this situation has remained unchanged. The European market for treating prostate cancer with implants is worth EUR 25–30 million and enjoyed double-digit percentage growth in both 2005 and in the year under review.

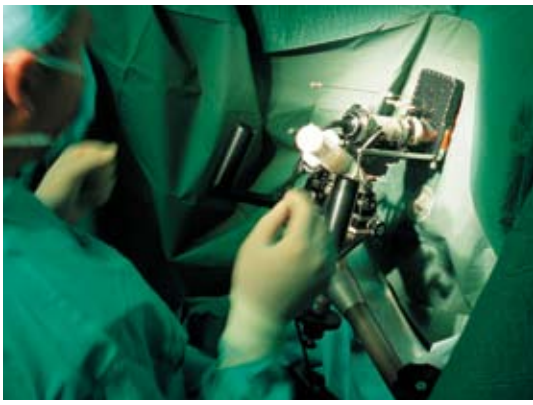
In the last product group, tumor radiation equipment, which was added to the portfolio two years ago, Eckert & Ziegler's share of the world market is still rather low but is growing much faster than the overall market. With tumor radiation equipment based on isotope technology and accompanying services, annual global sales is today estimated at EUR 80–120 million.

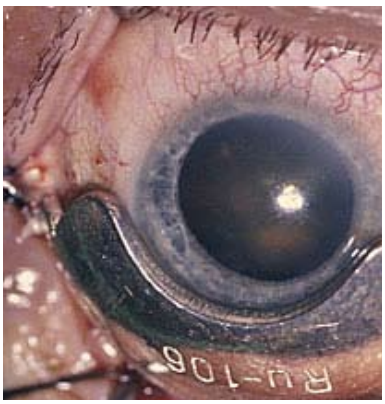
The sales mark of EUR 50 million could have been even more convincingly surpassed in 2006 if the Group had not been subject to unfavorable exchange rates. The rise of the euro against the US dollar and yen influenced not only therapeutic product sales in the dollar zone and Japan, where our products came under pricing pressure from North American and Asian competitors, it also reduced the theoretical volume due to sales billed in dollars. While their share of the Group's total revenues has declined considerably in the last five years in comparison to the peak in 2002 (75%), products invoiced in dollars nevertheless still account for more than half of sales in 2006. The Group's susceptibility to fluctuations in the exchange rate remains unchanged.

Development of the segments

The traditionally largest segment in the Group, Nuclear Imaging and Industry, which offers products for medical imaging and radiometry, achieved a sales volume in 2006 of over EUR 25 million for the first time. Seventy-two percent of the customer billing addresses were in North America (USA and Canada) and 21% in Europe (including Russia). Since a significant portion of the customers – especially the major manufacturers of medical imaging equipment (Siemens, General Electric, Philips) – export Eckert & Ziegler products as components in their own systems to non-American subsidiaries and distribution partners, the sales volume figures are not a true indication of the geographical distribution to the end user. Only about half of the end users are located in North America.

Compared to the previous year and after excluding sales of the Radiopharmaceutical division, the sales volume of EUR 25 million represents an increase of 10%. This resulted on the one hand from consolidation effects arising from the acquisition of the US company Eckert & Ziegler Analytics Inc. and the Czech company Sorad s.r.o. in 2005, which, combined, contributed about EUR 1.5 million to total growth of EUR 2.3 million, and on the other hand from continued good business development in radiation sources for industrial applications. It was supported by the modest sales growth in radiation sources for medical imaging but encumbered by a sales drop in raw isotopes. Overall, organic growth was about 4%.

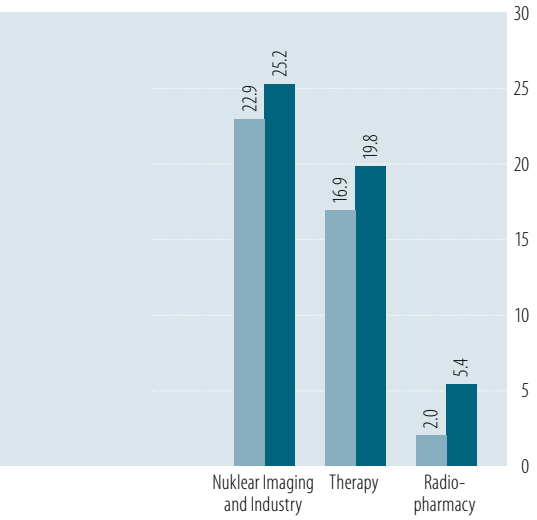




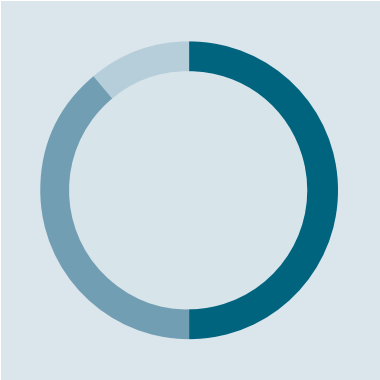
Above: Large-area standard for contamination monitors in the radiation protection area

Center: Prostate seed implantation

Below: Ru-106 applicator for treating eye cancer



Sales trends in idividuell segments (external sales)
2005
2006
(in million EUR)



Sales by segments 2006

Nuclear Imaging and Industry	50%
Therapy	39%
Radiopharmacy	11%

The earnings potential of the segment measured as net income for the year was not slowed by moderate sales growth. In 2006 it jumped to a record level of EUR 0.93 per share (EUR 2.9 million) – nearly triple that of the previous year (EUR 1.1 million). This was because, at that time, the segment result was depressed by the start-up losses for today's Radiopharmaceutical segment. If we exclude the previous year's loss of EUR 1.0 million for the Radiopharmaceutical segment from the comparison with the previous year, the segment's result for the year rose "only" about 40% compared to the previous year.

Key to the increase in earnings disproportionately high for sales in the segment, as was also the case in previous years, were primarily economies of scale, accounting for sizable and stable market share in the three main product categories (radiation sources for medical imaging, calibration and reference sources, and components for radiometrical and industrial applications). Further, earnings development was given a boost by price increases in radiometrical components as well as by a number of minor non-recurring effects, one of which was a competitor's licensing payment. Also, the restructuring and focusing measures introduced in 2004 are having an impact.

Business volume in terms of sales in the Therapy segment increased in 2006 for the most part organically by about EUR 2.9 million, from EUR 16.9 million to EUR 19.8 million. In fact, it grew more robustly than the usually more dominant industrial sources segment; combined with sales of the Radiopharmaceutical segment, this led to a strengthening of the European and therewith domestic currency-related activities in the Group. It accounted for about half of all of the Group's net revenues (previous year: 45%).

Most products in the Therapy segment (about 80%) were purchased by customers with billing addresses in Europe (including Russia). The remainder, about EUR 4 million, went to Japan and threshold countries. In this country group, tumor radiation systems were particularly successful because they are much less expensive to operate than systems sold by the competition. In contrast, European sales volume was dominated by implants for treating prostate cancer.

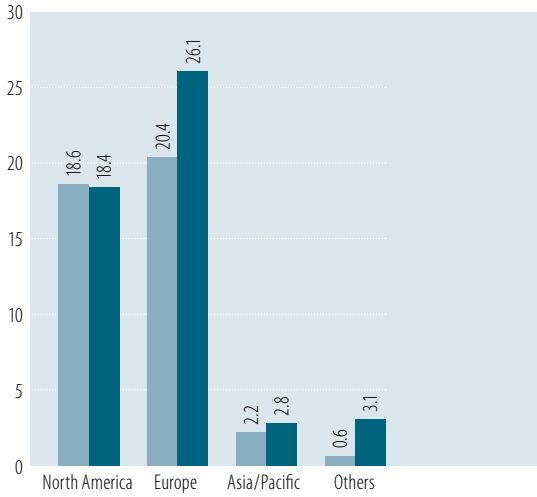
Although all product categories in the Therapy segment enjoyed improved sales figures, the largest portion of the more than 18% organic increase in segment sales was due to deliveries of tumor radiation devices. Sales of these devices greatly benefited from a major order from Venezuela, which, despite stiff competition, we were awarded through a joint effort with our distribution partner Philips. In addition, the investment of preceding years in new planning software began to bear fruit in 2006 in an added accessory portfolio and in the expansion of the dealer network. The sales with implants for treating prostrate cancer, the second most important product category, showed a double-digit percentage increase as did products for treating eye cancer. The sales of other products remained at about the same level as the previous year.

Growth in earnings in the Therapy segment was even greater than its sales. The net year-end results after tax and minority shares rose by EUR 0.7 to EUR 0.27 per share, an increase of 35%. Because in 2005 there was an unusually low tax rate of only 9% due to high tax-exempt investment subsidies, pre-tax segment results growth is even more impressive. While in 2005 it was EUR 0.7 million, in the reporting year this figure nearly doubled to EUR 1.3 million.

Behind this disproportionate improvement in pre-tax revenues vis-à-vis sales are, besides economies of scale, much more efficient operational processes and lower costs. Nevertheless, the segment results can still be improved, since return on revenue is less than half of the Nuclear Imaging and Industry segment with the same capital intensity.

The Group area with the strongest growth in 2006, in absolute terms as well as percentage of growth, was the new Radiopharmaceutical segment, focusing on products for nuclear medical specialists. It is currently active primarily in Europe. Segment sales rose from EUR 2 million in the previous year (then part of the Nuclear Imaging and Industry segment) by 170%, or EUR 3.4 million, to EUR 5.4 million.

Sales were buoyed mainly by contrast media for positron emission tomography (PET), which in some cases the Group markets for third parties and also manufactures in its own cyclotrons in Berlin and Milan. Known as PET tracers, the contrast media are principally used in diagnosing cancer; using this method, it is much easier than other methods to identify even pinhead-size tumors. In addition to PET tracers, the new Modular-Lab synthesis module family is also included in the segment's sales figures.



Sales trends by regions
2005
2006
(in million EUR)

The segment was not able to fulfill the expectations set in 2006 with regard to earnings and experienced a decline of EUR 0.51 per share. Even if we exclude the expenses for the rheumatism drug SpondylAT® (a total of EUR 0.19 per share) from the expenditures and consider only the segment results from continuing operations, the minus EUR 0.32 per share would still fall short of the profit threshold. This is primarily due to the result for the new Modular-Lab synthesis module family of products, which was delivered in the reporting year but, as expected, did not achieve profits. The product group encumbered the segment result with a loss of EUR 0.10 per share. A loss of EUR 0.14 per share was incurred by producing and marketing contrast media. A disadvantage is that in Germany the sale of radioactive contrast media is still low because German health insurance funds have not yet approved the diagnostic procedure for patient remuneration. Compared to 2005, when pre-tax start-up losses amounting to EUR 1.4 million were incurred for this product group, losses have halved to EUR 0.7.

Financial position and net assets

Since there were no major acquisitions in 2006, changes in the consolidated balance sheet are more moderate than in the previous year. However, it is striking that the balance sheet on 31 December 2006 shows a 4% drop, or EUR 2.8 million, even though the Group achieved 21% sales growth. The result is surprising, since such expansion is normally linked to greater capital demand.

This decline in the balance sheet total is the result of an asset-side reduction in fixed long-term assets, especially of fixed assets. This has decreased compared to the previous year by EUR 3.3 million, or 9%. The cause for this was not, however, as one might speculate, due to the sale or write-off of assets, e.g. as a result of abandoning the SpondylAT® project. These accounted for only about one-fourth of the decline with EUR 0.92 million. The principle reason for the decline is rather the 10% drop of the US$ to the EUR in the reporting period, causing the fixed assets of the US subsidiaries to fall as an accounting par value by about EUR 1.8 million.

In the detailed figures for the Nuclear Imaging and Industry segment, in which the US subsidiaries are included, this effect is quite apparent, since the balance sheet total of the segment declined by EUR 3.3 million, or 8.4%, compared to the previous year. Because there were no notable acquisitions or sell-offs in the segment in 2006, these shifts are due primarily to exchange rate effects.

Besides the SpondylAT® write-off and the USD exchange rate, the low maintenance investments, which were under the write-offs of the equity stocks, also contributed to some extent to the decline in Group assets.

On the liability side, the balance reduction happily means a decline in liabilities, which decreased by EUR 4.2 million, or 13%, to EUR 27.8 million. The background of this development was stronger internal financing of business activities, which among other things made a difference of EUR 1.6 million through cash, cash equivalents and short-term marketable securities.

Since the reduction of liabilities was accompanied by a slight increase in shareholder equity of EUR 1.4 million, or 4%, to EUR 36.3 million, there was a gain of five percentage points from 52% to 57% in the equity ratio as a result of the debt reduction. It would have been even higher if the USD exchange rate development had not also devalued shareholder equity and the returned earnings of the US subsidiary by 10% and thereby the consolidated shareholder equity as well.

A glance at the use of equity otherwise shows a substantial expansion of the net working capital that more than doubled from EUR 2.1 million to EUR 4.3 million. One of the reasons for this was the expansion of receivables and warehouse stocks in the Therapy segment by EUR 1.7 million, or 21%, to EUR 9.5 million, which is even higher than the sales growth of the segment. A factor here was that in 2006 the sales of therapy products was not evenly distributed throughout the year: over 30% of the sales were achieved in the fourth quarter. Sales broke all records with EUR 6.2 million and shifted a large amount of receivables into the new fiscal year due to the traditionally long payment targets. The increase in current assets was unfortunately not compensated by a corresponding increase in current segment liabilities, in fact it declined by 3%; thus on the balance sheet date, 31 December 2006, nearly EUR 2 million net in supplementary equity flowed into the Therapy segment.

The remaining increase in net working capital can be attributed to the Radiopharmaceutical segment. Here, owing to rationalization as a result of Group integration, about EUR 1.7 million in current liabilities were relieved due to intra-Group loans, a fact which greatly increased the net working capital of the Group. Counter balancing this, segment receivables and other current assets rose by only EUR 0.5 million, or 50%, to EUR 1.6 million disproportionately lower to sales.

The dual effect of increased sales on the one hand and a lower balance sheet total on the other hand resulted in 2006 in a substantial rise in Group capital turnover from 62% in the previous year to 79%. For the Group's two largest segments, the segment balance sheet totals in 2006 roughly matched segment sales and thus a capital turnover factor of one. The Radiopharmaceutical segment, on the other hand, stands out owing to rationalization and start-up losses for the synthesis modules, in 2006 requiring two euros of equity deployment for every sales euro. It is expected that this segment will align with the figures of the other segments in coming years.

Cash flow

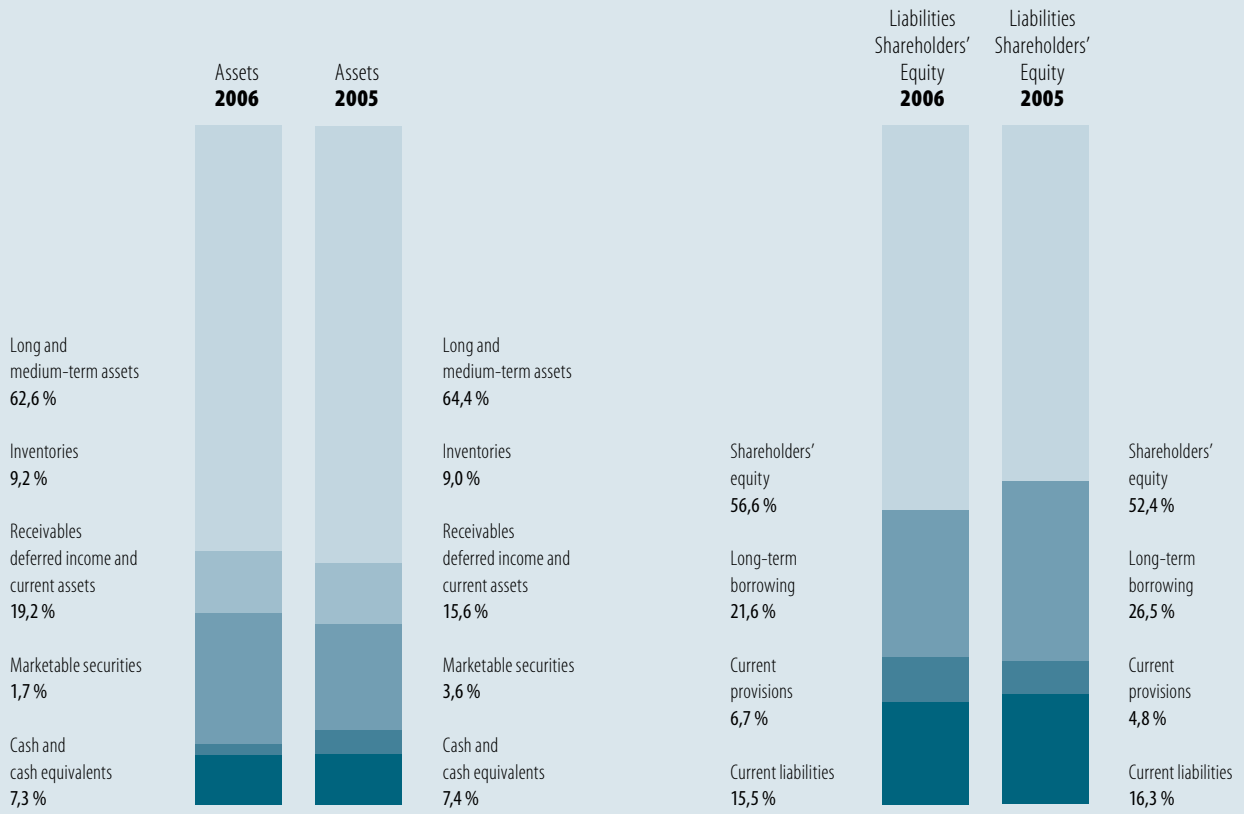
The operative cash flow rose from EUR 1.1 million to EUR 4.6 million compared to the previous year. This development roughly corresponds to the change in the year's net income. The make-up of short-term assets, especially receivables amounting to EUR 1.9 million, encumbered the operative cash flow in a fashion similar to the year before.

Investing activity outflow totaled EUR 2.7 million. The payments of EUR 4.2 million are mostly additions to non-current assets and are approximately the same as the write-offs for the reporting year. The sale of securities amounting to EUR 1.4 million was used to repay loans. The cash flow from financing activities was EUR 2 million in the reporting year. In large part, this figure reflects repayment of loans amounting to EUR 2.6 million.

The volume of net cash generated from financing activities once again rose when compared to the previous year, this time by EUR 1.1 million to EUR 4.6 million. This positive development is primarily due to the result generated in the fiscal year. Expansion of the net working capital by EUR 1.7 million reduced the net cash generated from financing activities. The make-up of receivables in the Therapy segment, as described above, played a major role in this development.

Balance sheet structure

Total assets 2006: TEUR 64.173
Total assets 2005: TEUR 66.997



A large portion of the cash flows generated from financing activities totaling EUR 4.6 million, namely about EUR 4.2 million, was used for asset investments, and of this a substantial part was used as activated development costs for synthesis modules. The rest of the generated funds was used for repayment of loans (net EUR 1.2 million) as well as for dividends and other payments to third parties (EUR 0.7 million). The difference between the inflows of EUR 4.6 million (financing activity cash flow) and outflows of EUR 4.7 million (investments, repayment of debt, dividends) and in addition, changes in liquid assets caused by exchange rates, thus a total of EUR 0.3 million, resulted from a reduction of liquid assets, which declined from EUR 5 to EUR 4.7 million.

Research & development

The research and development activities of the Eckert & Ziegler Group in the reporting year totaled EUR 0.3 million and thus 40% less than in the previous year, in which EUR 0.5 million was spent on development. Because various development services have to be activated under IFRS, another approximately EUR 1.5 million in development activity costs have to be added to this figure in the year under consideration (EUR 0.4 million the previous year).

In view of the technical nature of many Group products, EUR 1.8 million is a small amount when set against sales of EUR 50 million. This apparent contradiction is explained when one considers the expenditures incurred to secure the future of Eckert & Ziegler not as a traditional development costs but rather as necessary for purchasing intangible non-current assets. They normally impact only the balance sheet and affect net income only when a project is abandoned and the intangible assets are written off.

Such a situation occurred in the reporting year with the rheumatism medication SpondylAT®, which caused pre-tax write-offs affecting diverse fixed assets of nearly one million euros. If we include this amount with the above mentioned traditional development expenditures, approximately EUR 2.8 million, or 5.6%, of sales flowed into development activities.

The significance of the development activities and new products in the Group is reflected in the rate of innovation. This is evident in the business volume that was achieved in the reporting year with products that have been on the market for just three years (since 2004). About EUR 21 million, or 42%, of the overall revenues belong to this category, among which are all sales from tumor radiation equipment, radiopharmaceuticals, and the new synthesis modules. Despite low development costs, the Group's rate of innovation is remarkable.

The development costs are spread over projects that at times are widely differing. In the following we briefly summarized by segment.

Nuclear Medicine and Industry: In the industry area, a radiographic X-ray was developed with which truck freight can be inspected quickly and cost-effectively. The device is more reliable than conventional methods and gives the user better assurance of proof. United States border check points, among others, have purchased the device. Further, as part of a federally funded research project in cooperation with US universities and industrial partners, research was carried out to determine whether beta rays can be used as a source of power for microelectronic

devices. Areas of application for such radioisotope batteries could be micro-sensors, for which conventional batteries are too big, as well as in materials processing, power plants and in military equipment. In medical imaging, development work is traditionally aimed at adapting existing products to the new products of camera manufacturers. Thus, the medical imaging area launched the NES8510, a flood source for SPECT gamma cameras. It is compatible with many cameras of leading manufacturers and permits the customer to use fixed flood sources when calibrating. For cardiology gamma cameras to be used in new and smaller suppliers, the area developed a number of suitable calibration standards.

In the framework of user support, the development team helped Siemens rework gadolinium standards for attenuation corrections and developed the prototypes of a cobalt-57 source for quality control of a full-body scanner. Also, the model HEGL-0136, a standard based on sodium 22, was produced for Philips. It enables very short exposure times and thus better quality for image processing.

The Referencing and Calibration Standards department increased its development activities for the plastic scintillator market and launched its fourth product, the PSC-0025, which enables measuring devices to calibrate body fluids and bacteria.

Therapy: Development work in the Therapy segment is focused on the continuing development of cancer radiation devices, including work on a new drive generation. Accessories for the afterloader were extended and modernized. For treating eye cancer, a prototype series for a new product was successfully completed.

Radiopharmaceuticals: In the Radiopharmaceutical segment, the Modular-Lab product family was extended to include technical components and areas of application (F-18 and Ga-68, PET tracers, Y-90 therapeutical drugs). Addition synthesis channels were worked out and documented, including materials with which brain tumors and epilepsy can be diagnosed. With this device family nuclear medical specialists can now easily create a greater number of radiopharmaceuticals for the positron emission tomography (PET).

Opportunities and risks

At this point, the Group considers itself in possession of sufficient financial means to secure its position as well as to further development. It also sees itself as capable of meeting all financial obligations. In the coming business years, however, it anticipates a slight increase in the debit ratio in order to secure growth via further acquisitions and to finance the development of new products.

In addition to economic and technical development risks, Eckert & Ziegler is also subject to the vicissitudes of the market. These can lead not only to revenue as a matter of course but also to liquidity risks, since the Group has received outside financing for some of its acquisitions and has provided guarantees for loans to its subsidiaries. The Group remains susceptible to problems even if the management reacts rapidly to reduce costs and/or leave a threatened field of activity. The Executive Board is, however, taking measures to limit risks through loans and guarantees in an amount which is justifiable in relation to the Group's overall assets.

The acquisitions of recent years have given rise to some contractual risks for the Group. Although the Executive Board sought to contain all risks in advance by

Above: Gas referencing standard with transfer kit for the nuclear industry, used in calibrating control systems

Center: Applicator for treating gynecological tumors

Below: Single module of the Modular-Lab radiopharmaceutical synthesis system

means of unmistakable provisions and the services of qualified attorneys, disputes can still arise over the interpretation of contracts. The Group is currently facing an additional purchase price demand, with an attempt at court to have more than EUR 1 million in back payments made from the acquisition of MCP Medical International GmbH (now: Eckert & Ziegler MMI GmbH) in March of 2004. The Board views this suit as groundless but cannot exclude the possibility that this or similar actions find backing. Yet it would inadvisable to refrain from acquisitions in order to avoid all risk. In the past, the Group has been able to add a number of profitable business fields only via acquisitions, and we must continue to assume such risks in the future in the interest of further development.

Other risks

As a specialist for a broad portfolio of radioactive components, radiation equipment and radiopharmaceutical products, Eckert & Ziegler is better protected against slumps in the market than single-product companies. Although the different business fields feature related technology, they differ considerably in their product life cycles and in their customer and market structures. This variation generally lowers the risk that competitors will undermine the company's business foundation with new and better products. Nevertheless, the possibility cannot be entirely excluded that improved processes and efforts on the part of the competition might lead to the loss of important markets, and thus endanger the company.

To counter this threat, Eckert & Ziegler is actively seeking to develop new products and to identify and set up new business fields. The risk exists, however, that these efforts will remain unsuccessful and that new business fields can only be developed too late, or inadequately, or not at all. Furthermore, the possibility cannot be ruled out that competitors will undertake more successful actions with other products or marketing strategies.

Major sales and revenue risks continue to lie in developing the European market for permanent implants for the treatment of prostate cancer. This innovative treatment method in European countries still has the problem that the reimbursement by statutory health insurance programs is essential for the economic success of this method – in some key countries it is either not yet or only partially secured. In addition, the competitive situation has also reduced the profit margin here. Eckert & Ziegler is attempting to enhance customer loyalty via an attractive service program and long-term supply contracts, and thus counter existing risks to sales and earnings.

Sales of radiation systems are still subject to the risk that market penetration in the primary target markets will not take hold as expected or will be delayed due to high capital expenditures and follow-up costs. The reporting year shows, however, that the equipment further developed from the created sales structure after taking over the business areas could be well placed in the market.

In the young radiopharmaceutical segment, a risk to sales exists in the possibility that the necessary authorizations might not be granted or might be withdrawn. It is also possible that both number of new customers and the sales themselves might not develop as expected due to less than optimal decisions on cost reimbursement by statutory health insurance programs.

Many nuclear medical and industrial subsegments have oligopolistic market structures, which means that the loss of major customers can have a marked impact on revenue and sales. Eckert & Ziegler AG strives to counter these sales risks by setting up medium and long-term supply contracts, but it cannot guarantee that it will always be successful at this endeavor in the future.

Both radioactivity itself as well as its use in medical or pharmaceutical products entail product liability risks. Eckert & Ziegler is addressing these risks by adhering to strict quality criteria. Its operational facilities are ISO-certified, and its quality management systems are regularly checked by both internal and external audits. In order to avoid accidents that injure employees, cause damage to the environment, or prompt regulatory agencies to close down production facilities, staff members regularly undergo training in occupational safety and radiation protection. Despite all these measures, it cannot be excluded that events giving rise to liability could occur and pose a threat to the company. As far as possible and feasible, appropriate insurance has been taken out to guard against liability risks.

In many segments, Eckert & Ziegler AG depends on the specialized knowledge of its employees. Especially in setting up new business fields, but also in development and sales, it relies on the expertise and skills of a few especially qualified key individuals. In order to minimize the risk of losing talented personnel, the company strives to create a friendly and supportive atmosphere, a modern and secure working environment, adequate compensation, professional training and further education opportunities, and flexible working hours. The company has also launched a share option program to enhance long-term loyalty and motivation. Despite these measures and a demonstrated high degree of employee satisfaction, Eckert & Ziegler cannot guarantee that these employees will remain with the company or display the necessary commitment.

Monitoring and control measures to avoid financial risk include the use of such instruments as the annual financial budget with revisions during the year, and fine-toothed analysis of deviations from the budget. This enables potential risks to be identified at an early stage and suitable countermeasures to be implemented. Due to the high proportion of sales in the US, there is a certain degree of dependence on the US dollar exchange rate. However, because the subsidiary in the US responsible for most of this revenue also incurs its costs in US dollars, the effects of changes in the exchange rate are less than for conventional export business. For German exports, sales in foreign currencies are hedged by forward exchange contracts and simple put options when required.

Other risks facing Eckert & Ziegler AG are similar to those for other manufacturing companies. These include the risk of being unable to buy all the raw materials and consumables at the right time and in the necessary quantities. This risk can be reduced by warehousing and by 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 is dependent on specialized service providers. There can be no guarantee that these services will be sustained in their existing form. Official licenses and permits are needed for the production and dispatch of many products, and Eckert & Ziegler AG can only exert indirect influence when these are issued or renewed.

Changes to risks

In spite of the growth in its range of products, there has been no heightening of the risk profile for the Eckert & Ziegler Group which could endanger the company's intrinsic value. A large number of prevailing risks has already been considered in the Group's detailed planning for the coming year. The Executive Board does not expect that there will be significant impact on fiscal year 2007 stemming from the above mentioned risks.

Risk management

Eckert & Ziegler AG attempts to handle its business risks by means of a range of instruments. As part of the risk management system, yearly interviews with technical managers and leading executives are held at which new and existing risks are identified and ranked with respect to probability and potential effects on the company. As far as possible, preventive measures are taken to counter those risks which might damage the company, contingency plans are drawn up, and regular evaluations of these risk factors are organized. These include market and competitor surveys, evaluation of scientific literature, analysis of customer complaints, cost and sales statistics, and similar data.

Risk management also includes detailed annual sales and cost planning. These allow managers to identify well in advance the variables that are critical to the earnings position and to simulate the financial consequences of various eventualities.

Overall, a risk minimizing approach is chosen. Existing risks are systematically monitored, and minimized or guarded against by means of ongoing process improvement. New product developments and acquisitions are tested for possible risks at the outset and incorporated into the risk management system. Market developments are monitored, as are the activities of competitors so that our own strategies can be modified and implemented at an early stage.

Group accounting at Eckert & Ziegler AG is responsible for observing and evaluating prevailing risks on a regular basis and reports to the Executive Board. These reports form the basis for regular meetings of the Executive Board at which significant risks to the survival and earnings of the Group and its subsidiaries are presented and discussed.

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, serves as a further safeguard against risk.

Post balance sheet events

Please refer to the Group notes (point 45) for noteworthy events after the balance sheet date.

Outlook

In fiscal year 2007 the Group anticipates a continued increase in earnings, first and foremost because it does not expect the year's results to be encumbered again by having to withdraw from a development project. Furthermore, the Executive Board anticipates that the start-up losses in the Radiopharmaceutical segment that damaged the 2006 result will continue to diminish. There is hope in the fact that in the important German market the responsible committees of physicians and health insurance programs have decided to remunerate PET diagnostics for out-patients of the statutory health insurance programs for selected types of cancer. Demand for contrast media will result from the realization of this decision, and through higher sales and improved contribution margins the Radiopharmaceutical segment stands to benefit. Greater opportunities are at hand in 2007 with the synthesis module systems to generate contributions margins for the first time. Following the intense delivery start in December, we anticipate installations at 15 new customers minimum by the end of 2007, among which are non-European universities and well-known pharmaceutical companies.

In the summer the Therapy segment is expecting to launch a new tumor radiation device (PDR) that is optimized for pulsed radiation treatment and is particularly suitable for low-dosage treatment. It is based on the same production platform as the already successfully launched MultiSource® device; this will enable us to increase the cost effectiveness of production through batch sizes. Segment management is certain of demand impulses deriving from the new device. In the Nuclear Medicine and Industry segment there are a number of smaller development projects in the pipeline in all three main categories – these should secure and expand our good market position. Since most of the segment's products are in mature markets, we anticipate only single-digit percentage growth.

To be able to concentrate the financial and temporal resources on promising new business areas while maintaining the existing main product categories, in 2007 Eckert & Ziegler will intensify spinning off non-strategic marginal businesses. A first step in this direction was taken in late 2006 with the transfer of the blood radiation equipment business area to a Leipzig enterprise. Because the sale affected existing revenues, the increase in 2007 business volume is less than in 2006. However, the Group is seeking possibilities to increase its growth through the acquisition of companies or business areas so that, assuming the opportunity arises, deinvestment-conditioned lower revenues can be offset by acquisitions of companies and company divisions. The necessary funds for acquisitions can be supplied internally by Eckert & Ziegler or by increasing the level of debt.

Remuneration report

Executive Board remuneration

Executive Board remuneration at Eckert & Ziegler AG is composed of fixed and variable payment components and is subject to re-evaluation by the Supervisory Board every two or three years. When determining the amount of the overall remuneration as well as the distribution of the individual remuneration components, the Supervisory Board bases its decisions on appropriateness, whereby the conferred area of responsibility, personal performance, the experience of the Executive Board member, the company's outlook for the future, and the competition situation (remuneration at comparable companies) are key factors.

Fixed remuneration represents about half the total remuneration of the Executive Board members. It is in the form of a fixed salary and non-monetary items. The fixed salary includes allowances for health, long-term care and retirement insurances in addition to the basic remuneration. Non-monetary compensation consists primarily of providing company cars.

Variable remuneration components are also designated. These are non-recurring and annually recurring remunerations linked to short-term business success. One-off bonuses may be granted in recognition of outstanding performance. An agreement providing for an annually recurring profit-sharing bonus is based on the consolidated profit and loss statement as per IFRS and is limited in the amount paid. Also available to Executive Board members is a component with long-term incentive and a degree of risk, namely the Eckert & Ziegler AG share option program. The decision concerning the issuance of share options is made annually within three months following the annual financial statement, approved by the Supervisory Board. To date this instrument has been used only moderately. There is no automatic or contractually fixed right concerning participation. For extraordinary, unanticipated developments a limitation option (CAP) agreement is concluded with Executive Board members.

The share option program entitles the share option owner to exercise his/her rights on a defined number of shares. The earliest the options may be exercised is after a vesting period of two years from the date of issue and can be exercised only within specified dates. Further, it is possible to exercise these rights only if the share price increase in the period between date of issue and the first period for exercising option rights exceeds the Technology All Share Index in the same period.

In the event that an Executive Board member's employment is terminated, there are no promises of severance payment. Share options can be exercised only as long as there is a contractual relationship with the company or with one with which it is associated.

There are no agreements with Executive Board members concerning company retirement arrangements.

Of the remunerations for fiscal year 2006 totaling EUR 892 thousand, EUR 481 thousand were fixed and EUR 361 thousand short-term performance-related remuneration components. In addition, EUR 50 thousand in share options were granted as long-term performance-related sharing remuneration components.

Name	Fixed remuneration components		Short-term performance-related remuneration components	Long-term performance-related remuneration components	Total
	Fixed salary	Non-monetary compensation	Profit sharing/ Bonus	Value of granted share options	
Dr. Andreas Eckert	EUR 185,000	EUR 5,000	EUR 150,000	–	EUR 340,000
Dr. Edgar Löffler	EUR 143,000	EUR 14,000	EUR 100,000	EUR 25,000	EUR 282,000
Dr. Andreas Hey	EUR 132,000	EUR 2,000	EUR 111,000	EUR 25,000	EUR 270,000

There were no payments to former Executive Board members or their heirs in fiscal 2006. On 31 December 2006 there were retirement benefit provisions for a former Executive Board member totaling EUR 129 thousand.

Supervisory Board remuneration

In compliance with statutory provisions, Supervisory Board remuneration consists of an annual fixed compensation of EUR 6,000, whereby the chairperson receives double that amount and a deputy chairperson one and half that amount. The members of the Supervisory Board receive no profit-related remuneration.

In addition to the fixed annual remuneration, members of the Supervisory Board receive EUR 750 for every punctually and fully attended Supervisory Board meeting.

The sales tax is reimbursed by the company provided the members of the Supervisory Board are entitled to submit a separate sales tax invoice to the company and do so.

For services rendered beyond the scope of Supervisory Board responsibilities, in particular for advisory and brokering services, no remunerations were granted in the reporting year.

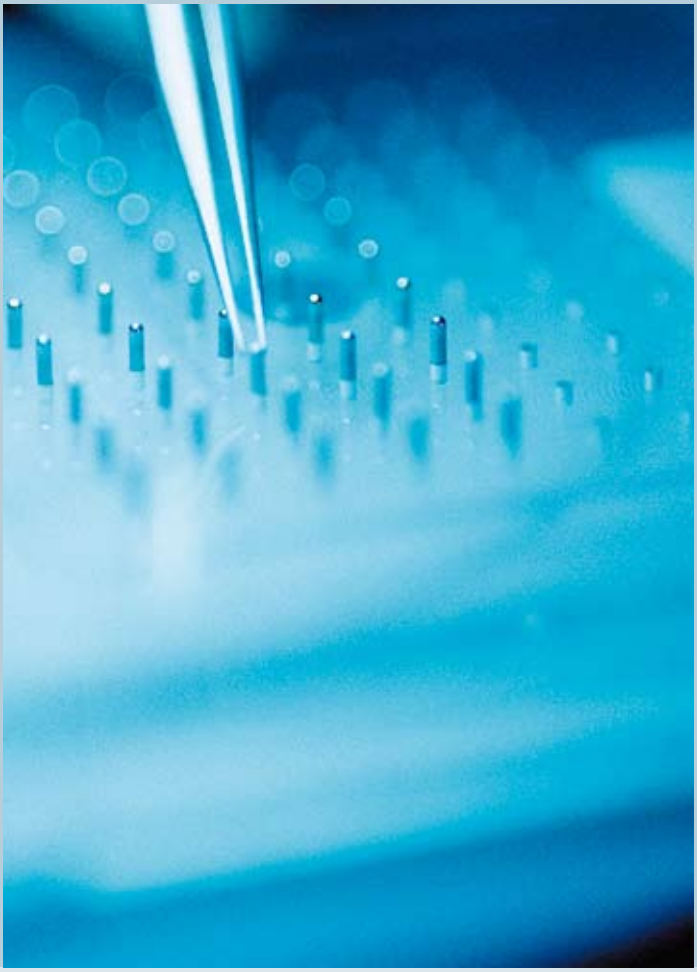
Name	Remunerated position	Fixed remuneration	Meeting allowances	Total
Prof. Wolfgang Maennig	Supervisory Board Chairperson	EUR 12,000	EUR 3,000	EUR 15,000
Ralf Hennig	Supervisory Board Deputy Chairperson	EUR 9,000	EUR 4,000	EUR 13,000
Prof. Ronald Frohne	Supervisory Board member	EUR 6,000	EUR 750	EUR 7,000
Prof. Nikolaus Fuchs	Supervisory Board member	EUR 6,000	EUR 4,000	EUR 10,000
Frank Perschmann	Supervisory Board member	EUR 6,000	EUR 4,000	EUR 10,000
Hans-Jörg Hinke	Supervisory Board member	EUR 6,000	EUR 4,000	EUR 10,000

In fiscal year 2006, the Supervisory Board received fixed remunerations of EUR 45 thousand and emoluments for meetings totaling EUR 20 thousand. Total expenditures were thus EUR 65 thousand.

Directors' Dealings

Date	Person obliged to notify	Reason for notification	Position and task area of the person with management responsibilities	Type and location of the transaction	Units	Price	Total volume
03-08-06	Dr. Andreas Eckert	Person with management responsibilities	CEO	Sale of securities, stock exchange	1,000	13.37 EUR	13,370 EUR
04-26-06	Prof. Ronald Frohne	Person with management responsibilities	Supervisory Board, member	Sale of securities, stock exchange	3,500	14.00 EUR	49,000 EUR
04-27-06	Prof. Ronald Frohne	Person with management responsibilities	Supervisory Board, member	Sale of securities, stock exchange	16,049	14.13 EUR	226,772 EUR
06-22-06	Eckert Consult Strategie-beratung und Kapitalbeteiligungs-gesellschaft mbH	Entity closely associated with a person with management responsibilities	CEO	Sale of securities, over-the-counter	30,000	12.00 EUR	360,000 EUR

Directly or indirectly, members of the Executive Board own more than 1% of the shares issued by the company, namely 38.24%. Members of the Supervisory Board own less than 1% of the shares issued by the company.



Less than a hair's breadth produces optimum treatment success

Cancer patients have enough to worry about without the additional burden of agonizing about quality problems with medical devices. And they don't have to. Eckert & Ziegler have established rigorous quality assurance processes for the production of their implants, in which, for example, the thickness of the titanium casing is measured with a precision of 0.004 mm. This distance corresponds to around one tenth of the diameter of a hair.

Gemeinsam stark. Eckert & Ziegler personnel at a 5 x 5 team relay race in Berlin.

Staff

In the year under review, the average number of people employed by the Group per month rose by 44 to 291. The main reason for this increase was a base effect arising from company acquisitions in 2005. The year under review was the first in which the employees of these companies were included in the figures over the entire twelve-month period.

In the 2006 fiscal year, staff costs amounted to EUR 13.5 million (the figure for 2005 was EUR 12.3 million). About 50% of all employees hold a diploma from a university of applied science or a higher qualification.

In order to make it easier to combine family and professional life, Eckert & Ziegler offers family-friendly working conditions including flexible daily and weekly working hours, part-time work and healthcare, and maintains employee contact with the company during periods of parental leave through a regular exchange of information, as well as running programs to assist the return to work. As a result of the increasing number of newly created jobs, Eckert & Ziegler was also once more included in the list of the 500 most rapidly growing European enterprises – "Europe's 500".

International transfers of staff provide career and development opportunities and also foster the Group-wide exchange of know-how. In the fiscal year just ended, there was a particular focus on exchanges between employees at company headquarters in Berlin and the subsidiaries in Los Angeles and Paris.

In the 2006 fiscal year, numerous interns, students and graduates took advantage of the opportunity afforded by their studies to familiarize themselves with Eckert & Ziegler AG as an interesting employer. A number of them were offered permanent employment after completion of their projects.

Staff by area

R&D	14%
Production	35%
Quality management	10%
Sales and marketing	27%
Administration	14%

Slugging power. The US softball team of Eckert & Ziegler Isotope Products prepares for its weekly home runs.

Eckert & Ziegler is a training company and believes that taking on trainees both helps it to retain its own employees and provides school leavers with professional prospects in an industry with a promising future.

In order to enable staff to participate in the company's success, the number of salaries including variable pay elements was further increased to include more non-managers. Additionally, an attempt was made, by way of a stock option program, to link the interests of employees and shareholders more closely. To this end, in the year under review, in a second tranche of a stock option program (AOP3) running for three years, 24,500 options were issued, 12,000 of them to members of the Executive Board.

The Executive Board would like to take this opportunity to thank all members of staff for the commitment they have displayed and the efforts they have made. Thanks are also due to the works council, which, by liaising between the company's management and its workforce, has played its part in enabling many decisions to be implemented.

Above: European Radiation Oncologist Congress in Leipzig

Center: International Seed Implantation Users Conference in France

Below: Annual General Meeting in Berlin

Marketing and public relations

In the year under review, marketing activities concentrated essentially on producing brochures and other communications media, preparing and running trade fairs and congresses and developing the website. Operating subsidiaries of Eckert & Ziegler AG were represented at 42 events in Germany and abroad (the previous year's figure was 30). On top of that, preparations were made for two international distributors' meetings at which information was provided about product features and innovations in the field of brachytherapy, and an international users' meeting for doctors and a few special events were organized. All events were well received.

The electronic archive (SalesNET) which had been introduced the preceding year and which provides the worldwide distribution network with relevant product information was expanded and its functions were enhanced. Additionally, the central catalog for the first time provided a product overview which can be accessed electronically and which covers all the products manufactured within the Group.

In order to harmonize the brand image, the Eckert & Ziegler umbrella brand was expanded further in the year under review. The name changes for the individual subsidiaries were virtually complete by the end of 2006, with the term "Eckert & Ziegler" being placed in front of the relevant company names. The slogan "The Power of Activity", which has been introduced companywide, is intended to further increase the brand's recognition level.

In the year under review, Public Relations once more focused on organizing the general meeting, dealing with journalists' and investors' questions and writing press releases and compulsory stock-exchange communications. Reports were also produced on the Group's general activities, including the researchers' garden, an initiative intended to improve young children's natural science education which was created by Eckert & Ziegler in conjunction with the "Glass Laboratory" in Berlin-Buch. This topic is of sociopolitical importance, and was therefore frequently the subject of interviews and enquiries.

As in previous years, public relations work also focused on providing patients with information. This sphere of activity included addressing patients at Patients' Day during the German Cancer Congress and at other health-related trade fairs on the subject of the advantages of treating prostate cancer using implant therapy, and providing patients with information on the Internet, or when requested by post, via local providers of this minimally invasive treatment method.

Environment and safety

In 2006, environmental damage as a result of Group production activities was once again low, firstly because only small quantities were processed, and secondly because radioactive materials may only be handled within closed circuits. The sole exception is discharged air, which is permitted to contain small concentrations of radioactive substances. In order to minimize the damage caused here, production is in principle carried out under a slight negative pressure, and exhausted air is routed centrally via filter systems. Any residual activity remaining following purification is automatically registered by measurement instruments. In 2006, the figures recorded once again always fell well within the legally stipulated limits.

As far as protection in the workplace is concerned, efforts are likewise being directed at consistent avoidance or reduction of exposure to radiation. In the year under review, we happily succeeded in reducing the registered dosage values in the therapy segment once again, despite there being a greater number of field installations and in spite of increased production volumes, for example for implants. The undershooting of limits is attributable to technological progress and continuous improvements. In the nuclear medicine and industry segment, radiation doses in individual cases were even reduced to half the historical values as part of an enhancement project. In contrast, the radiation exposure registered in the radiopharmaceutical segment rose somewhat. This was essentially due to greater production volumes. The legally stipulated limits were never exceeded.

In addition to exposure to radiation, safety in the workplace is also focusing on conventional plant safety. To keep this at a high level, new production plants are usually inspected by independent experts before commissioning. Newly established workplaces are only approved after a risk assessment has been carried out and existing workplaces are reassessed every three years. According to the results of the risk assessments, our employees are not exposed to any serious safety defects.

The level of safety in the workplace is clearly demonstrated, amongst other things, by the fact that, over the last 6 years, for instance, there have been no accidents at the Berlin plant whose causes could be attributed to the lack of safety provisions or technical defects. Apart from road accidents, only a single workplace accident was documented there in the year under review and forwarded to the relevant office. As far as radiation protection is concerned, there were also no incidents having to be reported in 2006.

Otherwise, radiation protection staff and those responsible for safety in the workplace for the Group ensure that all staff concerned are kept regularly abreast of the risks involved in their activities. As a result of the broadening of fields covered by the company to include radiopharmacy and the sometimes considerably higher production and sales figures, the Group massively expanded its training activities. At the Berlin plant alone, there were a total of 37 training courses in the year under review (compared with 12 the previous year), 15 of these relating to safety in the workplace and 22 relating to radiation protection, 9 of which were in turn used to provide training in radiation protection and 13 were run to update training within the framework of statutorily prescribed courses.

Quality management

In addition to earnings and growth objectives, ensuring a high level of quality is one of the pivotal objectives of our employees and management. In order to guarantee this, we invest considerable resources in maintaining and developing quality management systems. As well as conducting internal audits, we also have our Group subsidiaries externally assessed and certified by accredited bodies on the basis of international standards and quality features.

As long ago as 1998, we implemented a comprehensive and integrated quality management system for the company at the heart of our Group, Eckert & Ziegler BEBIG GmbH (BEBIG). Since its first accreditation, BEBIG has obtained all subsequent certifications under the standards prevailing at the time, with no significant complaints.

In June 2006, BEBIG's entire quality management system was successfully recertified, i.e. all its products and processes were completely reappraised by the designated body, TÜV Nord CERT GmbH, and were subsequently certified in accordance with the standards listed below. All new products which had been developed and were marketable at that time were also appraised and certified. In addition, a successful product audit was carried out for the entire product range of BIOBEAM blood irradiation equipment.

Following the successful recertification, BEBIG was awarded the following individual certificates:

1. Quality management system certificate in accordance with DIN EN ISO 9001:2000
Area of validity: Development, manufacture and distribution of radioactive components for medical applications

2. Certificate in accordance with the DIN EN ISO 13485:2003 medical device standard
Area of validity: Development, manufacture and distribution of brachytherapy radiation sources, brachytherapy afterloading systems and blood irradiation equipment

3. Certificate in accordance with Annex II of EC Directive 93/42/EEC
Area of validity: Brachytherapy radiation sources, brachytherapy afterloading systems, blood irradiation equipment and brachytherapy applicators

4. Certificate in accordance with Annex 2 of EC Directive 90/385/EEC
Area of validity: Implantable seeds and accessories

5. Certificate in accordance with Canadian standard CAN/CSA ISO 13485:2003
Area of validity: Development, manufacture and distribution of radioactive materials for brachytherapy

We have achieved further success in integrating the businesses and business units acquired in preceding years:

In the report period, Eckert & Ziegler Isotope Products GmbH (IPE) was completely involved in BEBIG's recertification audit. The previous year, it had already been integrated into BEBIG's quality management system to the extent to which BEBIG's processes also apply overall to IPE. IPE has now been awarded its own certificate under DIN EN ISO 9001:2000 on the basis of its specific product range, for the area of validity of "Development, manufacture and distribution of radioactive components for medical and industrial applications".

All the products and processes of STS Steuerungstechnik + Strahlenschutz GmbH (STS) have already been integrated into BEBIG's quality management system and were without exception also assessed and accredited during the recertification process in the year under review. STS now no longer holds any certificates of its own; all certificates are attributable to BEBIG.

EURO-PET Berlin Zyklotron GmbH has developed an alternative synthesis method for the production of the radiopharmacon F-18 fluorethylcholine (FEC), a new drug for the precise diagnosis of prostate cancer. A manufacturing license authorization for this drug was granted by the licensing body responsible, the Regional Office for Health and Social Affairs Berlin (LAGeSo), in February 2006. In order to be granted the license, in addition to the pharmaceutical documentation on production the company also had to provide proof that it operated reliably in accordance with the EU GMP (Good Manufacturing Practice) guidelines.

In the year under review, Eckert & Ziegler Isotope Products Inc. (IPL), our largest foreign subsidiary, successfully completed the CE certification processes for all radiation sources in medical imaging as Class I medical devices.

Since August 2003, IPL has been accredited by the German Calibration Service as an isotopes calibration laboratory, a seldom awarded title denoting the highest levels of precision and quality work in the field of calibration. Additionally, IPL's quality management system also includes certificates in accordance with the international standards DIN EN ISO 9001:2000 and DIN EN 13485:2003 as well as a CAN/CSA ISO 13485:2003 certificate issued by the Canadian supervisory authority.

Eckert & Ziegler and its respective subsidiaries set high internal quality objectives for the purpose of auditing the various quality assurance systems. These objectives relate, for example, to the number of complaints per million of turnover, delays in deliveries and reject rates during production. These key quality data are collected and evaluated on a regular basis and, in so far as it is meaningful to do so, are also made the subject of bonus agreements.

The continuous development of our quality management system will carry on being an essential building block which enables us to retain and enhance the high level of satisfaction that our products and processes enjoy among our customers, users, suppliers and employees, and to consolidate our position on the international markets.

Across the world, thousands of users rely on the product quality of our radiation sources for medical imaging and industrial radiometry. We understand what our customers need for their own work: not just a reliable product but also optimum service. From logistics to handling licenses. And so we naturally undertake the product-specific part of obtaining a handling license for radioactive materials for our customers. It is a small effort for us to make, but is of great benefit to our customers. This is the secret of our customers' success.

Individual service for successful customers

Consolidated Financial Statements of the Eckert & Ziegler Group

Consolidated Statements of Income

Years ended December 31

	Note	**2006**	2005
(Amounts in thousand EUR except for per share data)		EUR	EUR
Revenue	7.	**50,378**	41,792
Cost of goods sold	8.	**-26,464**	-23,300
Gross profit on sales		**23,914**	18,492
Selling expenses	9.	**-8,652**	-7,509
General and administrative expenses	10.	**-10,307**	-8,728
Research and development expenses	11.	**-333**	-512
Other income	12.	**1,451**	953
Other expense	13.	**-196**	-160
Profit from operations		**5,877**	2,536
Interest receivable and payable, net	14.	**-796**	-667
Gains/losses on currency exchange, net	14.	**-328**	343
Other financial items	14.	**-5**	3
Profit before tax		**4,748**	2,215
Income tax expense	15.	**-1,611**	-724
Profit from continuing operations		**3,137**	1,491
Profit from discontinued operations, net (including income from the discontinuation and deconsolidation of Altmann GmbH & Co. KG of EUR 398 thousand; previous year EUR 0)	18.	**-592**	0
Profit for the year		**2,545**	1,491
Of which: share of profit attributable to minority interest	16.	**324**	-99
Of which: dividend to shareholders of Eckert & Ziegler AG		**2,221**	1,590
Earnings per share	17.		
Basic		**0.71**	0.51
Diluted		**0.70**	0.51
Earnings per share – continuing operations (before minority interest)			
Basic		**1.00**	0.48
Diluted		**0.99**	0.48
Earnings per share – discontinued operations			
Basic		**-0.19**	0.00
Diluted		**-0.19**	0.00
Average number of shares in circulation (basic)		**3,131**	3,102
Average number of shares in circulation (diluted)		**3,167**	3,134

The following notes are integral part of these Group financial statements.

Consolidated Statements of Cash Flows

Years ended December 31

	Notes	2006	2005
		TEUR	TEUR
Cash flows from operating activities:	37.		
Profit for the year		**2,545**	1,491
Adjustments for:			
Depreciation and amortization (of which: EUR 64 thousand included as profit from discontinued operations)		**4,601**	3,912
Proceeds from grants less release of deferred income from grants		**-551**	-774
Deferred tax		**-681**	-318
Income (-)/expense from share option plan		**117**	99
Unrealized foreign currency gains/losses		**341**	-22
Effect of foreign currency rate changes on operating cash flows		**16**	69
Long-term provisions, other non-current liabilities		**128**	-448
Book gains on deconsolidation of Altmann		**-398**	-
Gains (-)/losses on the disposal of non-current assets		**71**	-2
Gains (-)/losses on the sale of securities		**-55**	-
Additions to/release of accruals for interest		**19**	19
Other items, net		**21**	-249
Changes in current assets and liabilities:			
Receivables		**-1,871**	-1,532
Inventories		**-125**	109
Prepaid expenses and other current assets		**-60**	-50
Trade accounts payable and accounts payable to related parties		**318**	495
Tax provisions		**-457**	311
Other provisions and accruals		**1,068**	181
Deferred income		**2**	-41
Other liabilities		**-488**	281
Cash inflows generated from operating activities		**4,561**	3,531
Cash flows from investing activities:	38.		
Additions to non-current assets		**-4,162**	-3,677
Sale of non-current assets		**127**	664
Acquisition of consolidated enterprises		**- 25**	-505
Purchase of securities		**-**	-801
Sale of securities		**1,387**	-
Cash outflows used in investing activities		**-2,673**	-4,319
Cash flows from financing activities:	39.		
Dividends paid		**-469**	-775
Distribution to minority interests		**-251**	-
Purchase/sale of own shares		**22**	165
Receipts from the take-up of long-term borrowings		**-**	700
Repayments of long-term borrowings		**-2,575**	-322
Change in short-term borrowings		**1,325**	257
Cash outflows (cash inflows in previous year) from financing activities		**-1,948**	25
Effect of exchange rates on cash and cash equivalents		**-207**	209
Net decrease in cash and cash equivalents		**-267**	-554
Cash and cash equivalents at beginning of period		**4,950**	5,504
Cash and cash equivalents at end of period		**4,683**	4,950

The following notes are integral part of these Group financial statements.

Consolidated Balance Sheets

As of December 31, 2006 und 2005

	Note	2006	2005
(Amounts in thousands)		EUR	EUR
Assets			
Non-current assets			
Property, plant and equipment	19.	**15,920**	18,501
Intangible assets	20.	**7,212**	6,994
Goodwill	21.	**10,773**	11,681
Equity investments	22.	**74**	68
Other loans	23.	**48**	53
Deferred tax	15.	**4,118**	3,985
Other non-current assets	24.	**2,036**	1,807
Total non-current assets		**40,181**	43,089
Current assets			
Cash and cash equivalents	25.	**4,683**	4,950
Marketable securities	26.	**1,081**	2,444
Trade accounts receivable	27.	**11,110**	9,499
Receivables from related parties	44.	**27**	13
Inventories	28.	**5,888**	6,029
Prepaid expenses and other current assets	29.	**1,204**	973
Total current assets		**23,993**	23,908
Total assets		**64,174**	66,997
Equity and liabilities			
Shareholders' equity	30.		
Subscribed capital		**3,250**	3,250
Capital reserve		**29,632**	29,346
Retained earnings		**6,068**	4,316
Cumulative other equity items		**-2,679**	-1,623
Own shares		**-366**	-434
Minority interest		**424**	100
Total shareholders' equity		**36,329**	34,955
Non-current liabilities			
Long-term borrowings, less current portion	31.	**7,319**	9,316
Deferred income from grants and other deferred income	32.	**1,270**	1,841
Deferred tax	15.	**1,706**	2,563
Retirement benefit obligations	33.	**129**	128
Other non-current liabilities	34.	**3,449**	3,755
Total non-current liabilities		**13,873**	17,603
Current liabilities			
Short-term borrowings, current portion of long-term borrowings and finance lease obligations	31.	**3,365**	3,437
Trade accounts payable		**3,855**	4,162
Advance payments received		**331**	55
Provisions	35.	**3,971**	3,236
Deferred income from grants and other deferred income	32.	**960**	939
Current tax payable	15.	**300**	592
Other current liabilities	36.	**1,190**	2,018
Total current liabilities		**13,972**	14,439
Total equity and liabilities		**64,174**	66,997

The following notes are integral part of these Group financial statements.

Consolidated Statements of Shareholders' Equity

As of December 31, 2006 und 2005

	Subscribed capital				Cumulative other equity items					
	Shares	Nominal value	Capital reserve	Retained Earnings	Unrealized gains/losses on securities	Exchange differences	Own Shares	Equity attributable to shareholders	Minority interest	Group shareholders' equity
(Amounts in thousands, except for share data)		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance January 1, 2005	3.250.000	3.250	29.188	3.729	19	-2.947	-541	32.698	165	32.863
Dividends paid				-775				-775	-251	-1.026
Cost of share option plan			99					99		99
Application of own shares for acquisitions and to service share option plan			59				107	166		166
Profit for the year				1.590				1.590	-99	1.491
Unrealized gains/losses on securities at balance sheet date (after tax of EUR 26 thousand)					41			41		41
Reversal of unrealized gains/losses on securities at previous balance sheet date					-19			-19		-19
Foreign currency translation differences						1.283		1.283		1.283
Increase/decrease in minority interest								0	285	285
Negative minority interest acquired				-228				-228		-228
Balance December 31, 2005	**3.250.000**	**3.250**	**29.346**	**4.316**	**41**	**-1.664**	**-434**	**34.855**	**100**	**34.955**

	Subscribed capital				Cumulative other equity items					
	Shares	Nominal value	Capital reserve	Retained Earnings	Unrealized gains/losses on securities	Exchange differences	Own Shares	Equity attributable to shareholders	Minority interest	Group shareholders' equity
(Amounts in thousands, except for share data)		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance January 1, 2006	3.250.000	3.250	29.346	4.316	41	-1.664	-434	34.855	100	34.955
Dividends paid				-469				-469		-469
Cost of share option plan			116					116		116
Application of own shares for acquisitions and to service share option plan			170				68	238		238
Profit for the year				2.221				2.221	324	2.545
Unrealized gains/losses on securities at balance sheet date (after tax of EUR 14 thousand)					22			22		22
Reversal of unrealized gains/losses on securities at previous balance sheet date					-41			-41		-41
Foreign currency translation differences						-1.037		-1.037		-1.037
Balance December 31, 2006	**3.250.000**	**3.250**	**29.632**	**6.068**	**22**	**-2.701**	**-366**	**35.905**	**424**	**36.329**

The following notes are integral part of these Group financial statements.

Notes to the Group Financial Statements

As of December 31, 2006 and 2005

Background, principles and practices

1. Organization and description of business activities

Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin (hereinafter called 'Eckert & Ziegler AG' or 'the company') is a holding company whose specialized subsidiaries are engaged worldwide in the processing of radioisotopes and the development, manufacture and sale of components based on isotope technology, radiation equipment, and radio-pharmaceuticals or of related products. The main areas of application for Group products are in medical technology, particularly in cancer therapy, as well as in nuclear-medical imaging and industrial radiometry. In these areas, the products of Eckert & Ziegler AG and its subsidiaries are aimed at radiation therapists, radio-oncologists and nuclear-medical 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 German Federal, State, and local authorities. These regulatory authorities include the Regional Office for Health and Social Affairs Berlin (LAGeSo), the Technical Monitoring Agency (RWTÜV) in Essen, the Federal Drug Office (BfArM), along with the corresponding foreign institutions, such as the US 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 and for nuclear-medical imaging, by government regulations related to the industry in which Eckert & Ziegler AG operates, and by the general business environment within healthcare.

2. Reporting principles

The consolidated financial statements of Eckert & Ziegler AG as of December 31, 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS). All the standards of the International Accounting Standards Board (IASB), London applicable in the EU at the balance sheet date, as well as the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) have been followed. In addition, the supplementary applicable commercial provisions of Section 315a para. 1 HGB [German Commercial Code] have been observed. The Group financial statements therefore convey a fair presentation of the net assets, financial position and result of operations of the Group.

The reporting currency is the euro. The amounts shown in the Group financial statements have been rounded to thousand euro.

The financial statements of subsidiaries have been prepared as of the same date as for the consolidated financial statements, this balance sheet date corresponding to that of Eckert & Ziegler AG. The annual financial statements cover the period under review from January 1 to December 31, 2006. The income statement has been prepared in accordance with the cost of sales method of presentation.

The company is registered with the Commercial Register at Berlin-Charlottenburg under the number HRB 64 997 B and the consolidated financial statements and the Group management report as of December 31, 2006 were published in the electronic version of the Federal Official Gazette.

Differences in accounting and valuation policies under HGB

Material differences between the IFRS applied to the consolidated financial statements and German commercial accounting, valuation and consolidation policies exist in the following areas:

- Development costs are capitalized as intangible assets when the criteria in IAS 38 for the capitalization of internally generated intangible assets are met.
- Goodwill is capitalized and subjected to an impairment test at least once a year. Scheduled amortization is not performed.
- In accordance with IAS 23.11, capitalization of financing costs (interest) relating to the period of manufacture of self-constructed assets takes place under certain conditions.
- Leased assets are to be accounted for by the economic owner both under IFRS and HGB. Differences between IFRS and HGB exist in relation to the criteria for determining economic ownership. Under IAS 17.8 the leased asset is accounted for by the entity to which substantially all the risks and rewards of ownership attach.
- Under IAS 12 deferred tax has to be set up in respect of all the timing differences between the amounts recognized under IFRS and their values for tax purposes. Deferred tax on timing differences that have arisen without effect on net income are also accounted for in this manner. Deferred tax is to be set up for taxable loss carry-forwards, provided it is sufficiently likely that the tax losses can be utilized.
- Non-current liabilities and provisions, in contrast to German commercial law, are to be discounted under IFRS. Provisions for anticipated internal expenses are not permissible under IFRS.

– For determining pension provisions the projected unit credit method is applied, with future salary and pension trends being taken into account.
– The translation of currency items is effected at the mid rate as of the balance sheet date. The resultant changes in value are recognized in the income statement.
– Available-for-sale financial assets are recognized at fair value.
– Under IFRS share-based payments are recognized as staff costs based on a valuation at market value. Capital reserves are increased at the same time.

3. Companies included in the consolidation

In the consolidated financial statements of Eckert & Ziegler AG all companies are included where Eckert & Ziegler AG, either indirectly or directly, is able to determine the financial and business policies (control concept). The companies included in the consolidation as of December 31, 2006 are:

	Share of equity
Eckert & Ziegler BEBIG GmbH, Berlin	100%
Eckert & Ziegler BEBIG Italia s.r.l., Cinisello Balsamo, Italy*	100%
Eckert & Ziegler MMI GmbH, Berlin	100%
STS Steuerungstechnik + Strahlenschutz GmbH, Berlin*	100%
Eckert & Ziegler Isotope Products Inc. (IPL), Burbank, USA (formerly: Iso-Science Laboratories, Inc.)	100%
Eckert & Ziegler CNL Scientific Resources Inc., San Francisco, USA (formerly: CNL Scientific Resources International, Inc.)*	100%
Eckert & Ziegler Analytics Inc., Atlanta, USA (formerly: Analytics, Inc.) *	100%
Eckert & Ziegler Isotope Products GmbH (IPE), Berlin * (formerly: Eckert & Ziegler Isotope Products Europe GmbH)	100%
Eckert & Ziegler Eurotope GmbH, Berlin	100%
Eckert & Ziegler Cesio s.r.o., Prague, CZ (formerly: Isotope Products Cesio s.r.o.)	80%
SORAD spol s.r.o., Prague, CZ*	80%
Euro-PET Berlin Zyklotron GmbH, Berlin*	70%
Eckert & Ziegler f-con Europe GmbH, Holzhausen	51%
Eckert & Ziegler f-con Deutschland GmbH, Holzhausen*	51%
Eckert & Ziegler f-con Pharma Italia s.r.l., Cinisello Balsamo, Italy*	83%
Eckert & Ziegler Radiopharma GmbH, Berlin (formerly: Eckert & Ziegler Medizintechnik GmbH)	100%

* indirect interest

Changes to companies included in the consolidation

In the financial year 2006 the following changes were made to the companies included in the consolidation:

Altmann Therapie GmbH & Co. KG (Altmann KG for short): Through the conclusion of various agreements between Eckert & Ziegler AG and Altmann KG and their shareholders in October 2005, control over Altmann KG was secured from an economic point of view without acquiring an equity investment in it. In accordance with SIC 12, Altmann KG was to be included in the consolidated financial statements as a special purpose entity from October 3, 2005. Because of the withdrawal of Eckert & Ziegler AG from the contract of sale and assignment and with the termination of the distribution agreement on behalf of Eckert & Ziegler Isotope Products GmbH (IPE) in December 2006, control over Altmann KG has been relinquished, thus excluding it from consolidation as of December 31, 2006.

For further explanatory notes please refer to the 'Notes to the income statement' and 'Other information' sections.

Consolidation principles

Consolidation of investments in subsidiaries is carried out in accordance with IFRS 3 (Business Combinations) under the purchase method. Under this, the assets and liabilities acquired are measured at fair value on the date of purchase. Next, the costs of acquiring the purchased shares are netted against the proportionate share of the newly valued shareholders' equity in the subsidiary. A positive difference resulting from this is included under intangible assets as goodwill. The initial consolidation is carried out as of the date of purchase.

All significant receivables and payables as well as transactions between related enterprises have been eliminated as part of the consolidation.

4. Currency translation

The financial statements of subsidiaries prepared in foreign currency and included in the Group consolidation are translated into euro in accordance with IAS 21. As the subsidiaries conduct their business affairs autonomously from a financial, economic and organizational standpoint, the functional currency of the companies included corresponds to their respective national currency. Assets and liabilities are translated at mid-market rates on the balance sheet date; shareholders' equity is translated at historical rates. Translation of the income statement is at the average rate for the year. Until the subsidiary is disposed of, differences resulting from the translation of the financial statements are not passed through the income statement, but shown as a separate item within equity.

At initial recognition, foreign currency items are measured at historical rates in the annual financial statements of the companies included in the consolidated financial statements. Monetary items are expressed at the mid-market rate as of the balance sheet date. The resultant exchange gains and losses at the balance sheet date are recognized in the income statement.

The following exchange rates were used in currency translation:

Country	Currency	12.31. 2006	12.31. 2005	Average rate 2006	Average rate 2005
USA	USD	1,3203	1,1844	1,255010	1,232928
CZ	CZK	27,5344	28,9961	28,236623	29,696502

5. Limited comparability of group financial statements with the previous year

The changes in the companies included in consolidation during financial year 2005 have affected the Group's net assets and result of operations, in part distorting the comparability of the consolidated balance sheet and income statement with the previous year.

Altmann was deconsolidated as of December 31, 2006, with the result that all balance sheet items of Altmann Therapie GmbH & Co. KG (Altmann in short) were eliminated from the consolidated balance sheet as of that date. Further, the income and expenses from Altmann's deconsolidation were included as profit from discontinued operations for the financial year 2006 (cf. point 18).

6. Accounting and valuation principles

Accounting and valuation policies – The reporting of assets and liabilities of the German and foreign subsidiaries included in the full consolidation is in line with standard accounting and valuation policies also used for comparative information with the previous year.

Reporting – In accordance with IAS 1.51 (Presentation of Financial Statements), separate classifications of current and non-current assets and current and non-current borrowings are shown on the face of the balance sheet.

Evaluations and estimates – For the preparation of consolidated financial statements in compliance with IFRS, it is necessary that estimates and assumptions are made that impact on the amount and disclosure of recognized asset values and liabilities, income and expense. Significant assumptions and estimates are made concerning useful life, earnings attainable from goodwill and non-current assets, realizability of receivables, the recognition and measurement of provisions and realizability of deferred tax assets in respect of loss carry-forwards. The assumptions and estimates are based on the available facts. Because of deviations in the development of these general conditions from the assumptions the amounts included may differ from the original estimates.

Property, plant and equipment – Property, plant and equipment is valued at acquisition or manufacturing cost less accumulated depreciation. The manufacturing costs of self-constructed plant and facilities include all the direct costs and attributable manufacturing burden. Self-constructed assets mainly relate to production lines. Property, plant and equipment acquired under finance leases within the meaning of IAS 17 are capitalized and depreciated over the estimated useful life of the asset. Other property, plant and equipment and tenants' fixtures acquired through finance leases are depreciated either over the lifetime of the rental or lease or the estimated economic life of the underlying asset, if shorter.

Depreciation expense is determined on the basis of the straight-line method. The depreciation period is fixed in accordance with the foreseeable economic life. The following economic lives are assumed:

Buildings	25 to 45 years
Tenants' fixtures	10 to 15 years
Plant and machinery	4 to 10 years
Fixtures and fittings	3 to 12 years.

For simplicity's sake, items of property, plant and equipment costing up to EUR 410 are written off in full in the year of acquisition. Asset items costing more than EUR 410 are capitalized and written down over the period of expected use. 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. The Executive Board regularly assesses the future usefulness of these assets, taking the business environment at the time into account. On the basis of this assessment, no special depreciation was necessary for 2006. The Executive Board believes that there was no impairment of utility as of December 31, 2006. It is possible, however, that its 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 – Under intangible assets are shown capitalized development costs, patents, trade marks, software, licenses and similar rights. Development costs have been capitalized as intangible assets if the conditions for the capitalization of self-generated intangible assets under IAS 38 have been satisfied cumulatively. Capitalized development costs comprise all directly or indirectly attributable costs incurred from the date on which all the criteria for capitalization have been met. Research costs, along with development costs not eligible for capitalization, are expensed as they arise.

Intangible assets other than goodwill and other intangible assets with unlimited economic lives are capitalized at acquisition or manufacturing cost and subject to normal straight-line amortization over their respective useful lives (2 to 20 years).

Goodwill – Goodwill represents the excess of the aggregate purchase price for an enterprise, or part of one, over the fair value of net assets acquired.

Under IFRS, goodwill and other intangible assets with unlimited economic lives have to be subject to a test for impairment at least annually, and with other intangible assets and property, plant and equipment this has to be carried out only where there are definite indications that this may have occurred. An impairment loss has to be expensed in cases where the recoverable amount of the asset does not exceed its carrying amount. The recoverable amount is, in principle, to be determined for each asset individually. In cases where a determination on an individual asset basis is not possible, this has to be carried out on the basis of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of net realizable value and value in use. Net realizable value is the amount obtainable from the sale under normal market conditions less the costs of disposal. Value in use is determined on the basis of discounted future net cash flows from the use of the asset. Cash flows used as the basis for the impairment test are estimated, and correspond to those used in long-term business plans.

These impairment tests for 2006 and 2005 showed that there was no need for a special write-down.

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

Inventories – Inventories comprise raw materials, consumables and supplies, work in process and finished products. Inventories are stated at acquisition or manufacturing cost or at net realizable value at the balance sheet date, if lower. Apart from direct costs, manufacturing costs include appropriate portions of material and manufacturing burden, as well as production-related depreciation, administration and social costs. Financing costs are not treated as part of acquisition or manufacturing cost. Where necessary, the average cost method is applied, in order to simplify measurement.

Write-offs for obsolete or excess inventory are made on the basis of an inventory analysis carried out by the Executive Board and future sales forecasts.

Investments and marketable securities – Investments in quoted securities are not held for trading or held to maturity. They are therefore classified as available-for-sale financial assets, and measured at fair value based on quoted market prices on the balance sheet date. Unrealized gains and losses arising from subsequent measurement of available-for-sale securities are entered directly into equity less attributable tax until the securities are sold or an objective impairment is incurred. At this point the cumulative gain or loss is to be recognized as profit or loss for the period.

Derivative financial instruments – Derivative financial instruments such as currency futures or swaps are in principle only used for hedge purposes. They are shown in the Group balance sheet at fair value, with changes in value being passed through the income statement. Apart from an interest-currency swap (see 'Other non-current assets' for details) the Group holds an interest swap. No further derivatives were held at the balance sheet date.

Liquid assets with restricted availability – Liquid assets with restricted availability refer to amounts paid into a fund by the US subsidiary Eckert & Ziegler Analytics Inc., Atlanta, USA which are intended to assure the fulfillment of its future obligations to restore any contaminated plant and facilities.

Certain other cash resources are also subject to restriction, as under the law governing the pre-retirement scheme, credits under that scheme have to be protected against the risk of insolvency.

We refer to the sections on 'Other loans' and 'Other non-current assets' for more details.

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 items is taken as their fair value.

Liabilities – Liabilities are in general accounted for at the repayment amount.

Retirement benefit obligation – The valuation of the liability for pensions is based upon the projected unit credit method in accordance with IAS 19, Employee Benefits. Under the projected unit credit method, future salary and pension growth is taken into account when measuring the obligation. Actuarial gains and losses are only recognized if they exceed 10 percent of the present value of the obligation (or of the plan assets if this is higher). The amount of the surplus is spread over the average expected remaining working period of the employees concerned. A part of the pension obligations is covered by plan assets. As required by IAS 19, the fair value of the amount so covered has been netted against the pension obligations.

Provisions – Provisions are formed where there is a current obligation resulting from a past event. Provisions are measured when the level of their use tends to be more likely than unlikely and the amount used can be reliably estimated. The amount set aside is the best possible estimate of the expense required in order to fulfill the current obligation as of the balance sheet date.

Provisions for environmental restoration – The costs for the demolition and clearance of assets, and also the restoration of the site, are part of acquisition or manufacturing cost under IAS 16, providing the costs have to be provided for under IAS 37.

Provisions 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 IAS 37 the environmental costs are measured at current value, i.e. under the assumption that this work is carried out by outside contractors. Provisions are measured at the present value of the costs expected as of the balance sheet date. Various assumptions underlie the calculation of the restoration obligations, based on estimates. These include estimates on the labor hours, daily rates and expected material costs required. The amount of the provision allows for expected cost increases until the expense is incurred. The amount of the obligation is reviewed at each balance sheet date, and changes in measurement should be taken up accordingly as adjustments to non-current assets and provisions.

Leasing – If the conditions for a finance lease are satisfied, the leased assets in use according to IAS 17 are capitalized as property, plant and equipment and depreciated in full over the life of the leasing agreement. The leasing liabilities are measured at the present value of the lease payments.

Revenue recognition – In accordance with IAS 18, revenue from product sales is realized 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 counted on. 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.

Advertising – Expenditure on advertising and other sales-related costs are charged to expense as incurred.

Research and development – Research expenditure is recognized as expense in the period when it is incurred. Development costs are to be capitalized in accordance with IAS 38 (Intangible Assets) where certain cumulative conditions are met. Development costs that cannot be capitalized are expensed as they arise. Cost of goods sold includes, apart from costs of materials and labor,

also the material and labor burden directly attributable to the development projects.

Income taxes – Deferred tax is calculated by means of the liability method under IAS 12 (Income Taxes). Under this method, deferred tax assets and liabilities are reported in order to reflect future tax impacts attributable to differences between the carrying amounts of assets and liabilities in the Group financial statements and their respective values for tax purposes, as well as from 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 deferred tax assets and liabilities are shown in the income statement for the financial year in which the legislative changes were approved. Deferred tax assets are only recognized if it is likely that these asset values will be realized. Deferred tax assets and liabilities are shown net if the corresponding criteria of IAS 12 are fulfilled.

Share option plan/employee share scheme – Accounting for the employee share scheme is in line with IFRS 2 (Share-based Payment). Under this, the market value (fair value) of all share options issued has to be established at the time of issue, and spread as staff costs over the vesting period. The fair value of each option issued on the issue date is calculated by means of an option price model. The charge to staff costs is linked to an increase in capital reserves.

Investment grants and other subvention payments – Funds that the company receives from public or private sources for investment are recorded as deferred income in the financial year of receipt. Grants are offset direct against such expenditure in the period it is incurred. The deferred grants in the Group financial statements were received for the purchase of property, plant and equipment and development costs. They are released to income over the useful lives of the respective assets.

Earnings per share – Earnings or loss per share is calculated by dividing the profit allocated to the shareholders of Eckert & Ziegler AG 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 shares were exercised at a price below the average share price during the period. It is computed by dividing profit 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).

New accounting standards

The Group financial statements comply with all the standards of the IASB applicable in the EU at the balance sheet date, as well as the IFRIC and SIC statements in force. The Executive Board is not anticipating any material effects on future Group financial statements from changes to existing standards made by the IASB under various projects to further develop IFRS and to achieve convergence with US-GAAP, nor from new standards which do not come into force until after December 31, 2006.

Notes to the income statement

7. Revenue

The company generates its income solely from the sale of goods. These revenues have once more gone up substantially in the financial year 2006 from EUR 41,792 thousand to EUR 50,378 thousand. In contrast to the previous year, there were no acquisitions of new business entities during 2006 which affected sales growth. Approx. 57 percent of the increase was due, however, to the basic effects of the entities newly acquired in 2005 while the rest resulted from organic growth.

The classification of revenue by geographical segments and business units is given in the section on segmental reporting.

8. Cost of goods sold

Cost of goods sold includes, apart from costs of materials, labor and depreciation directly attributable to sales, also a proportion of the material and labor burden.

9. Selling expenses

Expenditure on advertising and other sales-related costs are charged to expense as incurred.

Selling expenses are broken down as follows:

(amounts in thousands)	**2006** EUR	2005 EUR
Staff costs	**3.665**	3.472
Shipping	**1.930**	1.892
Commission	**787**	340
Advertising	**942**	759
Depreciation and amortization	**593**	490
Other	**735**	556
Total	**8.652**	7.509

10.General and administration costs

General and administration costs include:

(amounts in thousands)	**2006** EUR	2005 EUR
Staff costs	**5,260**	4,525
Rents	**568**	443
Depreciation and amortization	**1,259**	1,074
Consultancy	**885**	649
Communications	**203**	226
Investor Relations	**192**	178
Insurance, subscriptions	**394**	352
Other	**1,546**	1,281
Total	**10,307**	8,728

11. Research and development costs

The costs of research, and development costs not eligible for capitalization, have been expensed as incurred and amounted to EUR 333 thousand for 2006 and EUR 512 thousand for 2005. The costs in the research and development areas consist of the following:

– directly attributable staff and material costs
– depreciation and amortization
– other directly attributable expense
– proportionate burden

The costs of research and development include depreciation and amortization of EUR 118 thousand (2005: EUR 61 thousand) and cost of materials of EUR 108 thousand (2005: EUR 44 thousand).

12. Other income

Other income mainly consists of repayments of loans from minority interests of EUR 516 thousand (2005: EUR 0), income from the release of provisions of EUR 127 thousand (2005: EUR 364 thousand), income from the release of allowances of EUR 92 thousand (2005: EUR 85 thousand) and income from a refund of value added tax of EUR 52 thousand (2005: EUR 0).

13. Other expense

Other expense mainly consists of additions to allowances and losses from the sale of assets.

14. Net result of financial activities

Interest receivable and similar income amounted to EUR 74 thousand in the financial year (2005: EUR 49 thousand), while interest payable came to EUR 870 thousand (2005: EUR 716 thousand).

Gains/losses on currency exchange consist of exchange gains of EUR 468 thousand (2005: EUR 685 thousand) and exchange losses of EUR 796 thousand (2005: EUR 342 thousand).

Other financial items include income from equity investments and loss allocations in the context of the at-equity valuation of Pharmtrace klinische Entwicklung GmbH.

15. Income tax expense

Under German tax laws income tax expense consists of corporation tax, trade tax and solidarity surcharge.

Current loss carry-forwards mainly relate to German companies in the Eckert & Ziegler Group. Losses in Germany can be carried forward indefinitely.

The tax rate for the computation of the tax charge in Germany for corporation tax and trade tax during the financial year was 38.9 percent and 36.8 percent respectively. Tax rates in Germany are as follows:

	2006	2005
Trade tax - basic rate	**5%**	5%
Trade tax - rate of assessment	**330% and 410%**	330% and 410%
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, 2006 and 2005:

	2006	2005
(amounts in thousands)	EUR	EUR
Profit before tax:		
Germany	**204**	-882
Foreign subsidiaries	**4,544**	3,097
	4,748	2,215
Current tax:		
Germany	**92**	47
Foreign subsidiaries	**1,827**	1,191
	1,919	1,238
Deferred tax:		
Germany	**-320**	-358
Foreign subsidiaries	**-365**	-156
	-685	-514
Total taxes	**1,234**	724
Reclassification into discontinued operations	**377**	0
Tax expense as in income statement	**1,611**	724

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:

	2006	2005
(amounts in thousands)	EUR	EUR
Tax expense based on German tax rates	**1,847**	862
Tax differences on the income of foreign subsidiaries	**-444**	-187
Actual tax for prior years	**-28**	53
Disallowable expenditure	**317**	104
Tax-free income	**-99**	-198
Loss carry-forwards not recognized for taxation	**0**	81
Other items	**18**	9
Effective tax charge	**1,611**	724

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. Deferred tax assets and liabilities have been netted in the balance sheet to the extent permitted under IAS 12.

Deferred tax income of EUR 764 thousand (2005: EUR 738 thousand) in respect of tax loss carry-forwards, while deferred tax expense of EUR 79 thousand (2005: EUR 224 thousand) has been incurred on timing differences. Income of EUR 165 thousand from currency translation has been offset against this deferred tax expense. During the year under review deferred tax income of EUR 140 thousand (2005: deferred tax expense of EUR 14 thousand) was netted directly within equity without affecting net income.

Total deferred tax income of EUR 4,263 thousand (2005: EUR 3,499 thousand) have been capitalized in respect of loss carry-forwards. Of that, EUR 4,212 thousand (2005: EUR 3,328 thousand) may be carried forward indefinitely; the rest is restricted to five years. Based on expected future taxable profits and planned transactions with fiscal consequences, the Executive Board anticipates that the deferred tax assets can be fully realized.

Deferred tax assets and liabilities at the individual balance sheet item level are shown in the following table:

	Deferred tax assets		**Deferred tax liabilities**	
	2006	2005	**2006**	2005
(amounts in thousands)	EUR	EUR	EUR	EUR
Tax loss carry-forwards	**4,263**	3,499	**0**	0
Non-current assets	**335**	22	**3,463**	2,867
Share options	**183**	155	**0**	0
Securities	**0**	0	**14**	26
Receivables	**101**	240	**138**	236
Provisions	**1,327**	1,331	**0**	0
Other items	**138**	238	**320**	934
Sub-total	**6,347**	5,485	**3,935**	4,063
Offsets	**-2,229**	-1,500	**-2,229**	-1,500
Balance in Group balance sheet	**4,118**	3,985	**1,706**	2,563

The German tax authorities commenced a tax audit in 2004 of Eckert & Ziegler AG for the periods of assessment from 2000 to 2002 which is likely to be completed in the 2007 financial year. So far tax notices have resulted from the audit.

16. Share of profit/loss attributable to minority interest

Group profit after tax contains shares of profits amounting to EUR 324 thousand (2005: share of losses of EUR 99 thousand) attributable to minority interests.

17. Earnings per share

Earnings per share have been calculated as follows:
(in thousands, apart from per share data)

	As of year-end	
	2006	2005
	EUR	EUR
Numerator for the calculation of earnings and diluted earnings per share – profit/loss for the year	**2,221**	1,590
Denominator for the calculation of earnings per share – weighted average number of shares	**3,131**	3,102
Effect of dilutive share options	**36**	32
Denominator for the calculation of diluted earnings per share – weighted average number of shares	**3,167**	3,134
Basic earnings per share (in EUR)	**0.71**	0.51
Diluted earnings per share (in EUR)	**0.70**	0.51

18. Profit from discontinued operations

The profit from discontinued operations includes income and expenses arising in connection with the investment in Altmann Therapie GmbH & Co. KG which are broken down as follows:

	2006
(amounts in thousands)	EUR
Revenue	**3**
Cost of goods sold	**-122**
Gross profit on sales	**-119**
Selling expenses	**-1**
General and administration expenses	**-499**
Research and development expenses	**-1,087**
Other income	**157**
Other expense	**-31**
Profit from operations	**-1,580**
Absorption of losses by limited partners of Altmann	**213**
Profit before tax	**-1,367**
Income tax expense	**377**
Annual profit from deconsolidation	**-990**
Income from deconsolidation	**398**
Loss from discontinued operations after tax	**-592**

Research and development expense includes unscheduled amortization of the know-how acquired during the previous year of EUR 291 thousand and an allowance in respect of the loan extended by Eckert & Ziegler AG to Altmann of EUR 660 thousand.

The absorption of the losses by the limited partners which arose at Altmann amounting to EUR 611 thousand was restricted to EUR 213 thousand in financial year 2006 because the share capital of the outside limited partners classified as borrowed capital was exhausted after that. The remaining loss of EUR 398 thousand attributable to the Group is entirely neutralized through the income arising from deconsolidation.

Because of the short period in question of three months, the 2005 income statement of Altmann did not significantly affect the consolidated income statement of Eckert & Ziegler AG. The Group's net profit in particular was not burdened by the inclusion of Altmann because the loss incurred was entirely absorbed by the limited partners. For these reasons no adjustment to the previous year's figures was made in the Group income statement.

Notes to the consolidated balance sheet

19. Property, plant and equipment

Movements in property, plant and equipment from January 1 to December 31, 2006 are shown in the non-current assets movement schedule.

Assets which have been acquired by way of finance leases are included in property, plant and equipment. Net book values of assets accounted for as finance leases amount as of December 31, 2006 to EUR 316 thousand (2005: EUR 539 thousand).

In addition to current replacement investments, the additions during financial year 2006 mainly concern expansion of existing production plant particularly in the areas of quality assurance and analytical equipment purchased in connection with customer orders.

In line with IAS 23 the allowed alternative treatment has been applied in the recognition of borrowing costs. Under this, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the acquisition or manufacturing cost of that asset. Capitalized interest amounted to EUR 12 thousand and EUR 73 thousand in 2006 and 2005 respectively. Borrowing costs eligible for capitalization were based on a cost of capital of 11.56 percent (2005: 11.56%).

Own work capitalized totaled EUR 130 thousand (2005: EUR 865 thousand) in the year.

20. Intangible assets

Intangible assets include customer relations, competition bans, patents and technology, licenses and software, capitalized development costs, and other such intangibles.

The carrying values of intangible assets with unlimited economic lives, not subject to normal amortization, are composed of the following as of December 31, 2006 and 2005:

	2006	2005
(amounts in thousands)	EUR	EUR
Goodwill	**10,773**	11,681
Other items	**753**	422
Balance as of Dec 31	**11,526**	12,103

The increase in intangible assets of unlimited life compared with the previous year is due to a reclassification of the intangible assets which are depreciated according to schedule.

The book values of the intangible assets are depreciated according to schedule and comprise the following as of December 31, 2006 and 2005:

	2006	**Remaining period of amortization**	2005
(amounts in thousands)	EUR		EUR
Customer relations	**2,070**	7-9 years	2,682
Capitalized development costs	**1,934**	9-11 years	477
Licenses and software	**1,207**	2-7 years	1,503
Patents and technology	**616**	7-18 years	791
Other items	**128**	1-8 years	465
Competition bans	**504**	6-7 years	654
Balance as of Dec, 31	**6,459**		6,572

Capitalized development costs include development costs that have been capitalized as self-generated intangible assets. Development costs capitalized during 2006 include expenditure of EUR 1,483 thousand (2005: EUR 389 thousand). Capitalized development costs include an equipment system for radio-pharmaceutical synthesis amounting to EUR 1,104 thousand (2005: EUR 389 thousand) and development of medical equipment for pulsed dose rate radiotherapy. Capitalized development costs have not been amortized as the development of the systems has not yet been completed and the assets cannot therefore be utilized by the company.

The development costs item is composed of the following as of December 31, 2006 and 2005:

(amounts in thousands)	**2006** EUR	2005 EUR
Equipment system for radio-pharmaceutical synthesis	**1,493**	389
Pulsed dose rate radiotherapy	**379**	0
Other	**62**	88
Balance, Dec 31	**1,934**	477

In financial year 2005 expenditure totaling EUR 300 thousand was incurred on acquiring know-how for the manufacture of a drug. Straight-line amortization has been applied over its estimated useful life of eight years. Since the know-how is of no further use due to the ending of the collaboration with Altmann KG, the know-how was subject to full special write-down during financial year 2006.

Amortization of intangible assets is allocated in the income statement to costs of goods sold, selling expenses, research and development and general and administrative expenses according to the functional area of the intangible asset concerned. The major part of amortization of intangible assets is included in general and administrative expenses.

Movements in intangible assets from January 1 to December 31, 2006 are shown in the non-current assets movement schedule.

21. Goodwill

Goodwill changed in the financial years 2006 and 2005 as follows:

(amounts in thousands)	**2006** EUR	2005 EUR
Balance as of Jan 01	**11,681**	6,922
Additions	**35**	3,154
Retirements	**0**	0
Exchange differences	**-943**	1,605
Balance as of Dec 31	**10,773**	11,681

Additions of EUR 35 thousand result from an adjustment to deferred tax liabilities in connection with a company acquisition in 2005.

In detail, the goodwill is distributed over the business areas as follows:

	2006 TEUR	2005 TEUR
Nuclear medicine and Industry	**10,106**	11,015
Radio pharmacy	**667**	666
Balance as of Dec 31	**10,773**	11,681

Capitalized goodwill was subject to an impairment test during 2006 in accordance with IFRS 3 and IAS 36. The goodwill was attributable to the cash generating units (CGUs) concerned. The fair values attributable to the CGUs on the balance sheet date match their value in use resulting from the discounted future cash flows. The calculation is based on current calculations over a five-year period. For the subsequent period a growth rate of 1 percent is applied to the cash flows. They were discounted using the appropriate rate of interest.

No impairment loss on goodwill was identified as of December 31, 2006.

22. Equity interests

Among equity interests, the shares of a dormant partnership amounting to EUR 68 thousand (2005: EUR 68 thousand) and the at-equity valued shares in Pharmtrace klinische Entwicklung GmbH (EUR 6 thousand) were included.

Eckert & Ziegler Radiopharma GmbH has a 30 percent shareholding (purchase price EUR 15 thousand) in the company Pharmtrace klinische Entwicklung GmbH, Berlin (Pharmtrace in short) which was established in June 2006. The proportion of the loss of Pharmtrace during 2006 is EUR 9 thousand and was deducted from the carrying amount of the equity interest as part of at-equity valuation.

23. Other loans

Other loans relate to rental deposits of EUR 31 thousand (2005: EUR 35 thousand) and cash paid into a decontamination fund of EUR 17 thousand (2005: EUR 18 thousand). Payments into the fund relate to future obligations to decommission and restore plant and facilities belonging to Eckert & Ziegler Analytics Inc., Atlanta, USA. These amounts are prescribed by law, are under state control and their access is therefore restricted.

24. Other non-current assets

The general managers of Eckert & Ziegler Cesio s.r.o. have each been granted a loan by Eckert & Ziegler AG which are shown under other non-current assets. As of December 31, 2006 the loans receivable including interest amounted to EUR 489 thousand in total (2005: EUR 480 thousand). The loans are due to be repaid on September 30, 2008.

In order to hedge a portion of cash flows from the repayment of a loan to the US subsidiary Eckert & Ziegler Isotope Products, Inc. (IPL) against exchange rate fluctuations, the company entered into an interest and currency swap agreement in 2001 with a term of 10 years. From this transaction the company still has a payment obligation amounting to USD 2,604 thousand at a fixed interest rate of 10.0 percent. In return it receives EUR 2,809 thousand at a fixed interest rate of 8.77 percent. The market value of this swap transaction as of December 31, 2006 is EUR 967 thousand (2006: EUR 876 thousand) and is shown in the balance sheet under other non-current assets. The income of EUR 91 thousand arising from the change in market value has been included under gains on currency exchange.

Contractual rights to reimbursement in connection with environmental restoration provisions of EUR 327 thousand (2005: EUR 327 thousand) are shown under other assets.

In addition, cash equivalents of EUR 141 thousand (2005: EUR 124 thousand), which are intended to protect credits under the pre-retirement scheme against the risk of insolvency, as required by the law governing that scheme, are shown under other non-current assets. The cash is subject to restricted access.

25. Cash and cash equivalents

Cash and cash equivalents of EUR 4,683 thousand (2005: EUR 4,950 thousand) are represented by checks, cash in hand and cash at banks maturing within three months.

26. Marketable securities

All of the marketable securities are classified as available-for-sale financial assets. The following summary shows the composition of marketable securities as of December 31, 2006 and 2005:

				12-31-2006
	Costs	Unrealized gains	Unrealized losses	Market value (fair value)
(amounts in thousands)	EUR	EUR	EUR	EUR
Bonds	248	6	-3	251
Investment funds	797	42	-9	830
Total marketable securities	1,045	48	-12	1,081

				12-31-2005
	Costs	Unrealized gains	Unrealized losses	Market value (fair value)
(amounts in thousands)	EUR	EUR	EUR	EUR
Bonds	298	9	-1	306
Investment funds	2,078	61	-1	2,138
Total marketable securities	2,376	70	-2	2,444

The market value of securities is determined by quoted prices.

Bonds have a remaining period to redemption of between 3 and 28 months as of December 31, 2006.

27. Trade accounts receivable

Trade accounts receivable consist of the following items as of December 31, 2006 and 2005:

	2006	2005
(amounts in thousands)	EUR	EUR
Trade accounts receivable	**11,553**	10,011
Less allowances	**-443**	-512
Balance as of Dec 31	**11,110**	9,499

28. Inventories

Inventories consist of the following items as of December 31, 2006 and 2005:

	2006	2005
(amounts in thousands)	EUR	EUR
Raw materials, consumables and supplies	**4,826**	4,435
Finished products	**954**	278
Work in process	**274**	1,499
	6,054	6,212
Less allowances for obsolescence	**-166**	-183
Balance as of Dec 31	**5,888**	6,029

Raw materials, consumables and supplies mainly consist of nuclides and components needed for the fabrication of end products.

29. Prepaid expenses and other current assets

The item prepaid expenses and other current assets of EUR 1,204 thousand (2005: EUR 973 thousand) mainly relates to deferrals of expense, the fair value of an interest swap and amounts owed by the tax authorities.

30. Shareholders' equity and minority shareholders' interests

Changes in shareholders' equity and minority interest are set out in the consolidated statement of shareholders' equity.

The company's nominal capital amounted to EUR 3,250,000.00 as of December 31, 2006 and is divided into 3,250,000 shares with no par value, all fully paid.

Authorized capital
Through a resolution of the shareholders' meeting on May 30, 2006 the Executive Board was authorized to increase the company's nominal capital by up to EUR 1,625,000 by issuing up to 1,625,000 bearer shares for cash or non-cash contributions, while excluding the subscription rights of existing shareholders where relevant (authorized capital). The Executive Board is authorized, with the approval of the Supervisory Board, to determine any further rights attaching to the shares and the conditions for the share issue. The exclusion of subscription rights is permissible for capital increases with non-cash contributions, particularly for the acquisition of enterprises or parts thereof, equity investments in enterprises or patents. For capital increases against cash contributions, exclusion of subscription rights is only permissible to the extent that it is necessary for the equalization of highest-ranking amounts, or if the capital increase does not exceed 10 percent of the nominal capital, and the issue price of the new shares does not lie significantly below the stock market price of the shares at the time that the Executive Board determines the issue price. The authorization is valid until June 30, 2009.

Contingent capital
The nominal capital has been conditionally increased by up to a further

EUR 300,000.00 (authorized but unissued share capital), split into a maximum of 300,000 shares. The increase in contingent capital is only implemented subject to the holders of share options, which the Executive Board was authorized to issue by the shareholders' meeting held on April 30, 1999, using their rights to subscribe to shares in the company and the company not fulfilling the option rights by the transfer of its shares or by making a cash payment.

Own shares
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 percent of nominal capital) at an average price of EUR 3.35 per share.

In October 2003, 5,503 of these shares were resold. The acquisition in 2004 of Eckert & Ziegler MMI GmbH and Eckert & Ziegler Isotope Products GmbH (IPE) was financially partly using the company's own shares. To do so, a total of 139,648 of the company's own shares were applied. Up to now, 48,300 own shares (2006: 2,900 shares, 2005: 32,000 shares, 2004: 13,400 shares) have been utilized to service share options under the employee share scheme. In financial year 2006 17,214 shares were used to acquire various loans.

Transactions in own shares gave rise to a total profit in 2006 of EUR 170 thousand (2005: EUR 59 thousand), which was appropriated to the capital reserve for own shares with no

effect on net income. The balance of own shares stood at 109,335 shares as of December 31, 2006. This corresponds theoretically to a share of 3.4% of the company's share capital.

Changes in the number of outstanding share options are shown in the Other Information section.

Appropriation of previous year's net income
Following a resolution by the shareholders' meeting on May 30, 2006 a portion of the net income of EUR 510,246.95 for the previous year comprising EUR 469,164.75 was appropriated for the distribution of a dividend of EUR 0.15 per dividend-bearing share.

31. Borrowings

Borrowings consist of the following items as of December 31, 2006 and 2005:

	2006	2005
(amounts in thousands)	EUR	EUR
Bank borrowings	**7,283**	7,887
Other borrowings	**3,401**	4,866
Balance as of Dec 31 in total	**10,684**	12,753
– of which current	**3,365**	3,437
– of which non-current	**7,319**	9,316

Borrowings have clearly decreased in 2006. The decrease is due mainly to the fact that Eckert & Ziegler AG provided its subsidiaries in the Radiopharmacy segment internal loans which were used to repay external loan obligations. The following table gives an overview of borrowings as of December 31 in each of the financial years:

		2006	2005
	Interest rate p.a.	TEUR	TEUR
Loans from former shareholders resulting from takeover of shares	6.00 %	**2,394**	2,964
Loan from Deutsche Industrie Bank AG (IKB)	8.6 % plus 3 % on realization of profit	**1,776**	1,757
Loans from Landesbank Berlin	4.35% to 4.85%	**1,480**	1,705
Loans from minority interest shareholders	5.00%	**811**	1,705
Loan from GE Mietfinance	9.50%	**0**	1,370
Loan from Comerica Bank (USA)	7.50%	**784**	1,083
Loan from Deutsche Bank AG	4.50%	**2,000**	700
Other overdraft facilities	variable	**131**	639
Reconstruction credit loan from Commerzbank AG	7.38%	**454**	633
Other loans	4.0% to 9.3%	**854**	197
Total borrowings as of Dec 31		**10,684**	12,753

The loan payable to the Deutsche Industriebank AG (IKB) in the original amount of EUR 2.812 thousand extends over 10 years and is repayable on June 30, 2008. Early redemption is possible subject to an early payment penalty. In the event of Eckert & Ziegler AG's insolvency, IKB has secured a subordination of its receivables.

Market values (fair values) of the IKB and KfW loans as of December 31, 2006 amount to EUR 2,004 thousand and EUR 474 thousand respectively, based on current interest rates.

The loans granted by the Landesbank Berlin to EURO-PET Berlin Zyklotron GmbH are secured by a mortgage of EUR 1,534 thousand on EURO-PET Berlin Zyklotron GmbH's business premises in Berlin and a guarantee from Eckert & Ziegler AG.

The loan from Comerica Bank to Eckert & Ziegler Isotope Products, Inc. (IPL) is secured by an assignment of IPL's non-current assets valued at EUR 4,534 thousand.

IPL has been granted a credit line by a bank of up to USD 1,000 thousand (EUR 757 thousand). In addition, there is a further credit facility in the form of a guarantee for up to USD 1,875 thousand (EUR 1,420 thousand) which has been utilized as security for the decontamination plan.

IPL had not utilized this credit line by December 31, 2006. Eckert & Ziegler AG has put up securities in respect of the IPL loans.

Eckert und Ziegler AG and its subsidiary Eckert & Ziegler BEBIG GmbH have joint credit lines available of EUR 5,270 thousand of which EUR 2,000 thousand has been utilized.

The interest rate agreed for the loan of EUR 2,000 thousand granted by Deutsche Bank was the three-month EURIBOR rate + 1 percent at the time of taking up the credit. The risk of an interest rate change was hedged by means of an interest swap, so that the effective rate is 4.5 percent.

The remaining periods to maturity of the borrowings on December 31, 2006 and 2005 are as follows:

	2006	2005
(amounts in thousands)	EUR	EUR
Up to 1 year	**3,365**	3,437
1 to 5 years	**7,319**	9,042
Over 5 years	**0**	274
Total borrowings as of Dec 31	**10,684**	12,753

32. Deferred income from grants and other deferred income

The item "Deferred income from grants and other deferred income" is made up of the following as of December 31 in each of the years:

	2006	2005
(amounts in thousands)	EUR	EUR
Current deferred income from grants	**873**	853
Other deferred income	**87**	86
Current deferred income from grants and other deferred income	**960**	939
Non-current deferred income from grants	**1,270**	1,841
Balance as of Dec 31	**2,230**	2,780

33. Retirement benefit obligations

Pension undertakings have been made as part of the company's old-age provision which is based on a defined benefit pension plan. Pension obligations are calculated in accordance with IAS 19 under the projected unit credit method by taking the present value of pension benefits earned up to the measurement date, including probable future increases in pensions and salaries. The determination of present value involves using a discount rate of 4.5 percent (previous year: 5.0 percent). As each person concerned will already have left company service, the scale of the obligation changes annually merely with the interest compounded and with actuarial gains and losses. This produced the following obligations determined actuarially in each of the financial years ending December 31:

	2006	2005
(amounts in thousands)	EUR	EUR
Present values of defined benefit retirement obligations	**398**	406
Plan assets at market value	**-253**	-219
Actuarial gains (+) and losses (-)	**-16**	-59
Retirement benefit obligations as of Dec 31	**129**	128

The amounts shown for retirement benefit obligations have changed as follows:

	2006	2005
(amounts in thousands)	EUR	EUR
Retirement benefit obligations as of Jan 1	**128**	142
Payments of pensions	**10**	14
Allocation of actuarial losses (+) and gains (-)	**18**	0
Allocation of earlier current service cost	**0**	0
Payments into the fund or plan assets	**-27**	-28
Retirement benefit obligations as of Dec 31	**129**	128

The following amounts were recognized in the income statement in each of the financial years:

(amounts in thousands)	**2006** EUR	2005 EUR
Current service cost	**0**	0
Interest expense	**16**	17
Allocation of actuarial losses (+) and gains (-)	**18**	0
Allocation of earlier current service cost	**0**	0
Income from the fund or plan assets	**-6**	-3
Total amounts recognized	**28**	14

34. Other non-current liabilities

The main element of other non-current liabilities is the provision for environmental restoration.

The following table gives an overview of the movements in other non-current liabilities in 2006 and 2005.

(amounts in thousands)	**2006** EUR	2005 EUR
Environmental restoration provisions	**3,062**	3,466
Other non-current liabilities	**387**	289
Total other non-current liabilities as of Dec 31	**3,449**	3,755

Movements in the provisions for environmental restoration in 2006 are as follows:

(amounts in thousands)	**2006** EUR
Environmental restoration provisions as of Jan 1	**3,466**
Retirements	**-386**
Compounding interest	**151**
Currency translation	**-169**
Environmental restoration provisions as of Dec 31	**3,062**

For valuation of environmental restoration provisions in 2006 an adjustment has been made to align discount rates to changes in the capital markets, in accordance with IFRIC 1. These adjusted interest rates lie between 4.5 and 4.7 percent. Retaining the previous year's interest rate of 3.68% would have resulted in a provision for environmental restoration which was EUR 103 thousand higher.

For some sites amounts have been paid into a fund whose use is restricted to future restoration. These payments are shown under other loans.

Contractual rights to reimbursement in connection with obligations for restoration are shown under other non-current assets.

35. Provisions (short-term)

Short-term provisions have changed in 2006 as follows:

(amounts in thousands)	2005 EUR	Utilized EUR	Addition EUR	Release EUR	2006 EUR
Accruals for profit-sharing and bonuses	1,006	986	1,127	20	1,127
Staff-related accruals	777	751	713	26	713
Accruals for ground rent	216	216	226	0	226
Accruals for year-end audit	96	96	75	0	75
Accruals for Supervisory Board fees	33	33	62	0	62
Other provisions and accruals	1,108	1,027	1,768	81	1,768
Provisions as of Dec 31	3,236	3,109	3,971	127	3,971

36. Other current liabilities

Other current liabilities are composed of the following as of December 31 in each year:

	2006	2005
(amounts in thousands)	EUR	EUR
Liabilities to related parties	**6**	465
Other short-term liabilities	**1,184**	1,553
Balance as of Dec 31	**1,190**	2,018

Amounts owed to related parties in the previous year concern the limited partners' capital in Altmann KG which was not consolidated until 2005. In accordance with IAS 32, shares in a partnership are not to be shown under minority interests within Group shareholders' equity, but are classified as external borrowing.

The remaining short-term liabilities primarily include wages and salaries, social security and payroll tax.

Explanatory notes on the group cash flow statement

Cash and cash equivalents shown in the Group cash flow statement are represented by cash in hand, checks, cash at banks and all highly liquid cash equivalents maturing within three months.

The Group cash flow statement depicts how cash balances in the Eckert & Ziegler Group have changed by cash inflows and outflows in the course of the financial year. In accordance with IAS 7 (Cash Flow Statements) cash flows in the Group cash flow statement have been split under cash inflows from operating, investing and financing activities.

37. Operating activities

Starting with profit after tax the cash inflows and outflows are determined indirectly. Profit /loss after tax is adjusted for expense not involving the movement of cash and supplemented by changes in assets and equity and liabilities.

38. Investing activities

Cash flows from investing activities are derived from actual payment transactions. They include cash flows in connection with the acquisition and disposal of non-current assets and marketable securities which do not form part of cash and cash equivalents. Inflows and outflows of cash from the acquisition and disposal of enterprises are also shown here.

39. Financing activities

Cash flows from financing activities are derived from actual payment transactions and include not only the take-up and repayment of credits and other financial liabilities, but also cash flows between the Group and its shareholders, such as dividend payments, for example.

Changes in the balance sheet items which are considered as movements in the Group cash flow statement are adjusted to exclude non-cash effects of currency translation and changes in companies included in the consolidation. Further, investing and financing transactions that have not led to changes in cash and cash equivalents are not included in the cash flow statement. For these reasons changes to the balance sheet items concerned in the Group cash flow statement are not directly reconcilable to the corresponding amounts in the published consolidated balance sheet.

Cash flows from operating activities include:

	2006	2005
(amounts in thousands)	EUR	EUR
Interest paid, less amounts capitalized	**-822**	-750
Interest received	**73**	54
Income tax paid	**-2,405**	-876

Other disclosures

40. Acquisition and disposal of enterprises

a) At equity valuation of Pharmtrace
Eckert & Ziegler Radiopharma GmbH has a 30% holding in the company Pharmtrace klinische Entwicklung GmbH, Berlin (Pharmtrace in short) which was established in June 2006 (purchase price EUR 15 thousand). Pharmtrace is consolidated at equity. The company established in Berlin-Buch specializes in clinical tests in which imaging procedures are applied (including magnetic resonance tomography, computer tomography, positron emission tomography). One focus of the business is the use of radiopharmaceuticals for the development of new therapeutic substances.

b) Deconsolidation of the special purpose entity, Altmann GmbH & Co. KG
The investment in Altmann Therapie GmbH & Co. KG (Altmann KG in short) ended in December 2006 with Eckert & Ziegler AG withdrawing from the contracts it entered into in October 2005. During financial year 2005 Altmann KG had been included in the consolidated financial statements as a special purpose entity in accordance with SIC 12 because of the control situation resulting through the contracts.

The main grounds for the decision lay in previous discussions with the BfArM, at which the institution insisted on approving a clinical test of SpondylAT® only subject to strict conditions and only in case of slight indications. At the final meetings with the institution it became apparent that new clinical studies for SpondylAT® would not benefit from an existing licensing bonus - indeed, prohibitive conditions would be imposed. For this reason the Executive Board decided to terminate the project and write off all development expense, including a loan extended to Altmann, during this year with the effect of reducing income.

41. Employee share scheme

On April 30, 1999, the annual general meeting authorized the Executive Board to set up a share 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 share scheme 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 from the authorized but unissued share capital, provided the company does not redeem the option rights by the transfer of its own shares or by making a cash payment. A single option entitles the holder to receive one share. The effective price for the initial tranche of options is equivalent to the share price fixed at the company's stock exchange flotation, while the effective price for subsequent tranches will be calculated from the average price of the Eckert & Ziegler's share 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 within specified exercise dates. In addition, exercise is dependent on reaching certain performance criteria. The increase in the company's share price in the period between the issue day and the first effective date must exceed the increase in the Neuer Markt Index (or after the termination of that index, the rise in the Technology All-Share Index) during the same period. Options must be exercised within five years of the vesting period. In the event of termination of employment, options not yet exercised lapse. If the performance criteria are met, the options granted in 2005 (7th tranche/tranche 2005) may be first exercised during the third quarter of 2007, while options granted in financial year 2006 (8th tranche/tranche 2006) may not be exercised until the third quarter of 2008, at the earliest.

In 2006 the vesting period for the options granted in 2004 (6th tranche/tranche 2004) expired. It was established in the financial year that the performance criteria were satisfied in relation to the options granted in 2004. Thus, the exercise of the options is possible in principle. The first period for exercising options commenced on August 26, 2006, with the last possible date being August 26, 2011.

In 2005 the vesting period for the options granted in 2003 (5th tranche/tranche 2003) expired. It was established in the financial year that the performance criteria were satisfied in relation to the options granted in 2003. Thus, the exercise of the options is possible in principle. The first period for exercising options commenced on August 9, 2005, with the last possible date being July 25, 2010.

In 2004 it was established that the performance criteria were satisfied in relation to the options granted in 2002 (4th tranche/tranche 2002). Thus, the exercise of the options in this tranche is possible in principle. The first period for exercising options commenced on August 28, 2004, with the last possible date being August 25, 2009.

For the tranches issued in the years 2000 (2nd tranche/tranche 2000) and 2001 (3rd tranche/tranche 2001) the performance criteria were not met; all options of these tranches have thus lapsed.

It was established in the financial year 2002 that the performance criteria were satisfied in relation to the options granted in 1999 (1st tranche/tranche 1999). Thus, the exer-

cise of the options is possible in principle. The first period for exercising options commenced on March 28, 2002, with the last possible date being February 25, 2007.

Movements in the number of outstanding share options in the last two financial years are as follows:

	2006		2005	
	Options Number	Weighted average effective price EUR	Options Number	Weighted average effective price EUR
Outstanding at start of year	119,150	**9.69**	119,150	8.23
Issued	24,500	**12.19**	32,500	10.49
Exercised	2,900	**7.45**	32,000	5.17
Lapsed	400	**5.17**	500	5.17
Outstanding at end of year	140,350	**10.18**	119,150	9.69

The weighted average share price of the options exercised on the effective date in the year under review was EUR 11.64.

The following table gives an overview of the share options outstanding at December 31, 2006:

Tranche	Effective price EUR	Outstanding options on December 31, 2006 Number	Remainig exercise period Years
1st Tranche/ Tranche 1999	23.00	13,000	0.15
4th Tranche/ Tranche 2002	5.04	11,800	2.65
5th Tranche/ Tranche 2003	5.30	11,050	3.57
6th Tranche/ Tranche 2004	7.84	47,500	4.65
7th Tranche/ Tranche 2005	10.49	32,500	5.42
8th Tranche/ Tranche 2006	12.19	24,500	6.37
		140,350	

As of December 31, 2006 there were 83,350 exercisable options at a weighted average effective price of EUR 9.47.

In accounting for the employee share scheme the company applies the relevant standard for this, IFRS 2 (Share-based Payment). Under IFRS 2, share-based compensation payments that are made through equity instruments are to be measured at fair value. The fair value of each option exercised on the effective date is calculated by means of an option price model and recognized as staff costs over the vesting period. These staff costs entail an increase in capital reserve. In the financial years 2006 and 2005 staff costs arising from the application of IFRS 2 amounting to EUR 117 thousand and EUR 99 thousand respectively arose.

The option price for options granted in the respective financial years was calculated by means of a binomial model. The non-tradable aspect was reflected in the binomial model by an option take-up factor representative of the relevant behavior of option plan participants. Further, the conditions for exercising options were taken into account by a discount on the option price. The calculation of volatility took place on the basis of the logarithmic mean of the continuous daily yields of the past 2.5 years. The following assumptions were made in the calculation of option prices:

	2006	2005
Expected dividend income per share	**EUR 0.15**	EUR 0.25
Risk-free interest rate	**3.83%**	3.02%
Expected volatility	**38.44%**	38.15%
Expected lifetime	**2.18 years**	2.21 years
Market value (fair value)	**EUR 4.17**	EUR 3.26

42. Sundry financial commitments and contingent liabilities

a) Sundry 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 from leasing agreements not requiring capitalization amounted in the financial years ending December 31, 2006 and 2005 to EUR 739 thousand and EUR 682 thousand respectively.

The company has entered into a long-term operating lease in connection with the self-constructed administration and production building in Berlin. This lease results in annual payments of EUR 167 thousand, EUR 89 thousand of which, however, is offset against the construction costs of the building. The lease runs initially until December 31, 2014; on expiry of this period the company has the right to opt for an extension to the lease 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 lease payments for all areas may not be increased before December 31, 2014; at this time the lease payments for newly created areas will be renegotiated.

Die 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, 2006 are as follows:

(amounts in thousands)	Rental and leasing agreements EUR	Of which financial leases EUR
At the year end (Dezember 31) in each case		
2007	817	92
2008	721	95
2009	675	97
2010	460	46
2011	288	0
thereafter	864	0
Total minimum. rental or lease payments	3,825	330

The finance leases are solely in respect of property, plant and equipment. The net book value of the assets on December 31, 2006 was EUR 316 thousand. In the year under review EUR 99 thousand was expensed in respect of finance leases. There are no conditional rental payments either in the year under review or in the future. Moreover, the leasing arrangements contain no sort of restrictions or obligations.

b) Contingent liabilities

Before a participating interest had been taken in the company, Eckert & Ziegler f-con Deutschland GmbH had already given a guarantee to secure a lease of f-con Regensburg Betriebs GmbH in favor of Deutsche Leasing AG. f-con Pharma AG, Vienna and CTI (Siemens) are also jointly liable on this guarantee. The guarantee is for EUR 4.8 million. Since the plant in question was purchased from the co-guarantor CTI (Siemens) during financial year 2006, it is not envisaged that Eckert & Ziegler f-con Deutschland GmbH will have to honor this guarantee.

With a lawsuit issued on January 17, 2006 against Eckert & Ziegler AG, HEK GmbH of Lübeck is demanding the payment of the sum of EUR 709 thousand and the transfer of 35,450 shares. This claim is chiefly based on an earn-out arranged in a purchase agreement dated March 15, 2004 involving Eckert & Ziegler MMI (formerly MCP Medical International GmbH). Eckert & Ziegler AG considers this claim to be unfounded, as the conditions for the payment of the earn-out have not arisen.

43. Segmental reporting

The Eckert & Ziegler Group has organized its business activities into three reporting units. These individual segments supply different products and are also separated organizationally by location.

The accounting principles applied to the individual segments are the same as those described in the summary of significant accounting policies (see Note 6). Segmental information is unconsolidated. This corresponds to the information used by the Executive Board as part of regular reporting. Intersegment transactions are accounted for at market prices.

The Nuclear Imaging and Industry 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 radiometrical 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.

The Therapy segment has been mainly focused up to now on product development and market introduction of radioactive sources in the cardiological and oncological fields. The main priorities in oncology continue to be the treatment of prostate cancer with radioactive iodine seeds. New products include low and high-dose rate afterloaders, blood radiation equipment, iridium wire sources, and various therapy accessories. Customers for the Therapy segment's products are drug manufacturers and clinics.

Segmental Reporting

The Radiopharmacy segment is included for the first time in financial year 2006. Radiopharmaceutical products are used particularly in diagnosis using PET scans and the customers are hospitals and the manufacturers of relevant equipment.

					Year 2006
	Nuclear Imaging and Industry	Therapy	Radio-pharmacy	Others	Total
(amounts in thousands)	EUR	EUR	EUR	EUR	EUR
Sales to external customers	25,172	19,836	5,362	8	50,378
Sales to other segments	478	234	9	936	1,657
Total segmental sales	25,650	20,070	5,371	944	52,035
Depreciation & amortization	-1,319	-2,324	-492	-411	-4,546
Non-cash income and expense	2,939	-704	-2,935	1,518	818
Profit from continuing operations	3,194	833	-978	361	3,410
Segmental assets	28,392	21,806	7,034	38,126	95,358
Segmental liabilities	-12,784	-17,761	-9,415	-6,979	-46,939
Capital investment	696	3,261	219	9	4,185

				Year 2005
	Nuclear Imaging and Industry	Therapy	Others	Total
(amounts in thousands)	EUR	EUR	EUR	EUR
Sales to external customers	24,940	16,850	2	41,792
Sales to other segments	430	157	645	1.232
Total segmental sales	25,370	17,007	647	43,024
Depreciation & amortization	-1,548	-2,236	-128	-3,912
Non-cash income and expense	-637	-2,076	-77	-2,790
Profit from continuing operations	994	630	-133	1,491
Segmental assets	38,687	18,928	35,876	93,491
Segmental liabilities	-23,920	-19,298	-4,088	-47,306
Capital investment	1,019	2,344	311	3,674

Reconciliation to Group financial statements	**2006**	2005
	TEUR	TEUR
Profit from continuing operations		
Total segments	**3,410**	1,491
Elimination of inter-segmental gains (-) / losses	**-273**	0
Consolidated profit from continuing operations	**3,137**	1,491
Segmental assets		
Total segments	**95,358**	93,491
Elimination of inter-segmental shares, equity investments and receivables	**-35,303**	-30,479
Deferred tax assets	**4,118**	3,985
Consolidated total assets	**64,173**	66,997
Segmental liabilities		
Total segments	46,939	47,306
Elimination of inter-segmental liabilities	**-20,801**	-17,827
Deferred tax liabilities	**1,706**	2,563
Consolidated liabilities	**27,844**	32,042

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

Sales by geographical regions		**2006**		2005
	EUR m	%	EUR m	%
North America	**18.4**	**36**	18.6	45
Europe	**26.1**	**52**	20.4	49
Asia/Pacific	**2.8**	**6**	2.2	5
Others	**3.1**	**6**	0.6	1
Totals	**50.4**	**100**	41.8	100

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

The following table shows the consolidated assets, liabilities (deducting deferred taxes) and investment by geographical region.

Assets, liabilities & investment by geographical regions			Year 2006
(amounts in thousands)	EUR	EUR	EUR
	Assets	Liabilities	Investment
North America	22,722	7,117	683
Europe	37,333	19,021	3,495
Total	60,055	26,138	4,178

Assets, liabilities & investment by geographical regions			Year 2005
(amounts in thousands)	EUR	EUR	EUR
	Assets	Liabilities	Investment
North America	26,147	8,907	478
Europe	36,865	20,572	3,196
Total	63,012	29,479	3,674

Major customers

In the segment "Nuclear Imaging and Industry" approximately EUR 1.3 million of sales were to one major customer during 2006 (equates to approximately 3% of the consolidated Group sales).

44. Transactions with related parties

Under IAS 24, transactions with persons or enterprises which Eckert & Ziegler AG controls or is controlled by are to be disclosed. In 2006 and 2005 transactions were engaged in with the following related third-parties:

- Eckert Strategieberatung und Kapitalbeteiligungsgesellschaft mbH ("Eckert Consult") which holds 37.9 percent of the shares in Eckert & Ziegler AG and whose sole shareholder is Dr. Andreas Eckert, Chief Executive Officer of Eckert & Ziegler AG.
- NEMOD Verwaltungs GmbH, formerly: jojumarie Intelligente Instrumente GmbH ("jojumarie GmbH"), which was a 100 percent subsidiary of Eckert Consult from September 2001 to August 2003, has been a 100 percent subsidiary of Nemod Immuntherapie GmbH since August 2003. Dr. Eckert is one of the general managers of NEMOD Verwaltungs GmbH.
- Glycotope GmbH which is 83 percent owned by Eckert Consult. Dr. Steffen Goletz is general manager of Glycotope GmbH.

During financial year 2006 Eckert Consult passed on expenses of EUR 3 thousand to Eckert & Ziegler AG.

An agreement for the lease of assets has existed between BEBIG GmbH and NEMOD Verwaltungs GmbH (formerly jojumarie GmbH) since June 1, 2003 for an annual sum of EUR 1 thousand which became due.

Eckert & Ziegler AG provided certain administrative services in the year under review for Glycotope GmbH. For this, expenses of EUR 1.0 thousand were billed.

Since January 1, 2004 an agreement between Glycotope and Eckert & Ziegler BEBIG GmbH has been in force, whereby Eckert & Ziegler BEBIG GmbH renders IT and payroll services. The monthly fee is based on the actual costs incurred. In the year Eckert & Ziegler BEBIG GmbH received EUR 25 thousand for services rendered.

In 2004 Eckert & Ziegler AG granted the general managers of Eckert & Ziegler Cesio s.r.o., Mr. I. Simmer and Mr. J. Sadlo, loans of EUR 234 thousand each. The loans bear interest at 2 percent and are due to be repaid with interest on September 30, 2008.

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, 2006 and 2005, are as follows:

	2006	2005
(amounts in thousands)	EUR	EUR
Trade accounts receivable from related parties	**27**	13
Loans receivable from related parties	**489**	480
Trade accounts payable to related parties	**0**	0
Other liabilities due to related parties	**0**	465

45. Post-balance sheet events

Following a major order, the Health Ministry of Venezuela by the close of the year ordered innovative radiotherapy for treating cancer at six further clinics from Eckert & Ziegler BEBIG GmbH. The order concerns tumor radiation machines of the type MultiSource®. The new contract scheduled for delivery in 2007 has a value of around USD 1.6 million (EUR 1.2 million).

Eckert & Ziegler Strahlen- und Medizintechnik AG sold its business in blood radiation equipment to Gamma Service Recycling GmbH, Leipzig as of January 1, 2007. The purchase price was the carrying amount of the non-current and current assets and a sales commission secured through minimum payments on the sales revenue of the coming years. Through the performance-related component of the purchase price, the impact of profits on the Group during the next few years will be approximately the same as if it had continued to run this business itself.

46. Risk management aims and practices

We refer to the Group management report for details of the company's risk management aims and practices.

Other disclosures required under HGB

47. Other operating income/expense

Other operating income/expense contains income and expense relating to other accounting periods of EUR 268 thousand (2005: EUR 372 thousand) and EUR 173 thousand (2005: EUR 12 thousand) respectively. The expense represents losses on the disposal of non-current assets write-downs of receivables; the income consists for the most part of the release of provisions and gains on the sale of written-down receivables.

48. Corporate bodies

Executive Board

Dr. Andreas Eckert (Chief Executive Officer, responsible for the divisions Management, Investor Relations, Legal, Finance, Business Development and Nuclear Medicine and Industry), Berlin, businessman
in other committees: chairman of the board of directors Eckert & Ziegler Isotope Products Inc., Burbank, USA

Dr. Edgar Löffler (member of the Executive Board, responsible for the division Therapy), Berlin, medical physicist
in other committees: member of the board of directors Eckert & Ziegler Isotope Products Inc., Burbank, USA

Dr. Andreas Hey (member of the Executive Board, responsible for the division Radiopharmacy), Berlin, physician
in other committees: member of the board of directors Eckert & Ziegler Isotope Products Inc., Burbank, USA

Supervisory Board

The following were members of the Supervisory Board during 2006:

Prof. Dr. Wolfgang Maennig (Chairman), Berlin, university professor
in other control committees: Ecodasa AG, Berlin; Berliner Verkehrsbetriebe (BVG) AöR, Berlin; Hamburgisches Welt-WirtschaftsInstitut (HWWI) GmbH, Hamburg

Ralf Hennig, (Vice-Chairman), Berlin
management consultant
in other control committees: none

Prof. Dr. Ronald Frohne, Berlin, lawyer and auditor, honorary professor
in other control committees: Würzburger Versicherungs-Aktiengesellschaft, Würzburg; TAG Tegernsee Immobilien- und Beteiligungs-Aktiengesellschaft, Hamburg; Medienboard Berlin-Brandenburg GmbH, Potsdam; TELLUX-Beteiligungsgesellschaft mbH, Munich; Scholz & Friends AG, Berlin; AGICOA – Association de Gestion Internationale Collective des Oeuvres Audiovisuelles, Geneva; CAB (The Feature Film Producers' Association for the Distribution of Fees in Pursuance of Section 35 of the Danish Copyright Act), Copenhagen

Prof. Dr. Nikolaus Fuchs, Berlin, management consultant and honorary professor
in other control committees: none

Hans-Jörg Hinke, Berlin, businessman
in other control committees: none

Frank Perschmann, Berlin, businessman
in other control committees: none

For the remuneration of Executive Board and Supervisory Board we refer you to the Group Management Report.

49. Declaration under the german corporate governance code in accordance with section 161 AKTG (declaration of conformity)

The declaration prescribed by Section 161 AktG for Eckert & Ziegler AG as a quoted company concerning observance of the recommendations of the German Corporate Governance Code has been furnished by the Executive Board and Supervisory Board and is available to shareholders through the company's website.

50. Employees

On average 275 persons were employed by Group companies during 2006. They were working in the following departments:

	2006	2005
Production	**101**	103
R&D/equipment manufacture	**40**	30
Administration	**26**	39
Sales and marketing	**79**	54
Quality management	**29**	21
Total	**275**	247

Staff costs for the financial years 2006 and 2005 consist of the following:

	2006	2005
(amounts in thousands)	EUR	EUR
Wages and salaries	**13,543**	12,262
Social security contributions and expenditure on pensions and old-age support	**1,991**	1,748
– of which for pensions	**62**	36

51. Cost of materials

In 2006 the cost of materials amounted to EUR 16,349 thousand (2005: EUR 14,292 thousand)

52. Auditors' fees

In the financial year 2006 audit fees of EUR 165 thousand (2005: EUR 144 thousand) were charged in respect of the audit of the annual consolidated financial statements. The auditors did not carry out any other functions.

53. Derivative financial instruments

To hedge against currency risk, Eckert & Ziegler AG concluded a USD/EUR currency swap. The swap had a market value as at December 31, 2006 of EUR 967 thousand.

To hedge the interest rate for a loan of EUR 2 million, Eckert & Ziegler AG concluded an interest swap. The interest swap had a value of EUR 104 thousand as of December 31, 2006.

54. Other information

By virtue of its inclusion in the consolidated financial statements of Eckert & Ziegler AG, Eckert & Ziegler BEBIG 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.

55. Movements in group non-current assets in the financial year from january 1 to december 31, 2006

Regarding movements in the non-current assets we refer you to the schedule included in the appendix to these Notes.

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 International Financial Reporting Standards (IFRS) 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, den 26. März 2007

Eckert & Ziegler Strahlen- und Medizintechnik AG

Dr. Andreas Eckert

Dr. Edgar Löffler

Dr. Andreas Hey

Auditors' Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement, the notes to the financial statements as well as the Group management report prepared by Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin, for the business year from 1 January 2006 to 31 December 2006. Preparation of the consolidated financial statements and the Group management report in accordance with the IFRS as they are to be applied in the EU, and supplementing this in accordance with the commercial law regulations of § 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on these consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with §317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Auditors' Institute (Institut der Wirtschaftsprüfer – IDW). These standards require that we plan and perform the audit such that misstatements and infringements materially affecting the presentation of the net assets, financial position, and results of operations reported in the consolidated financial statements and in the Group management report in accordance with the applicable accounting regulations are detected with reasonable assurance. 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 effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit comprises assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used, and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Berlin, den 16. März 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kronner
Wirtschaftprüfer

Brandt
Wirtschaftsprüfer

Corporate Governance Report

To promote investment in German business, a commission appointed by the German federal government regularly compiles recommendations for good corporate management, namely the so-called German Corporate Governance Code.

In addition to legal regulations, the German Corporate Governance Code contains internationally and nationally recognized standards for good and responsible corporate management. If companies listed on the stock exchange deviate from the recommendations in the German Corporate Governance Code, they are obliged to disclose exceptions in the annual declaration in compliance with §161 of the German Stock Companies Law.

Eckert & Ziegler AG welcomes the substance and aims of the German Corporate Governance Code. Since its establishment, its principles have shaped responsible and transparent corporate management of Executive Board and Supervisory Board actions.

In the reporting year, too, corporate management was oriented to the standards defined in the German Corporate Governance Code. The company has adhered in the main to the recommendations of the German Corporate Governance Code. Only for well-founded reasons have there been exceptions to the recommendations.

Declaration on the Corporate Governance Code as per §161 of the German Stock Companies Law

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

Eckert & Ziegler Strahlen- und Medizintechnik AG complies with the recommendations of the German Corporate Governance Code – the version of 12 June 2006 – with the following exceptions:

re Item 3.8:
The D&O insurance policy contracted for the Executive Board and the Supervisory Board provides for no deductible amount.

re Items 5.3.1. and 5.3.2:
The Supervisory Board has established no commissions, in particular no auditing commission.

re Item 5.4.7:
The members of the Supervisory Board receive no performance-based compensation.

Since the Declaration of Compliance on 5 December 2005, Eckert & Ziegler Strahlen- und Medizintechnik AG has complied in full with the recommendations of the German Corporate Governance Code – the version of 2 June 2005 – excluding the exceptions stated in the Declaration.

Berlin, 3 December 2006

The Executive Board:

Dr. Andreas Eckert

Dr. Edgar Löffler

Dr. Andreas Hey

For the Supervisory Board:

Prof. Dr. Wolfgang Maennig

Corporate Governance Report

Declaration of exceptions to the recommendations of the German Corporate Governance Code

The Executive Board makes the following statement – also on behalf of the Supervisory Board – regarding the exceptions listed in the Declaration of Compliance of 3 December 2006:

re Item 3.8: No deductible for the D&O insurance

A deductible has been dispensed with as there are currently no generally recognized principles for the appropriateness of such an arrangement. Moreover, a deductible would not lead to any reduction in the premium.

re Items 5.3.1 and 5.3.2: No commissions established by the Supervisory Board, in particular no auditing commission

The need to form commissions, in particular an auditing commission, is not viewed as a matter of priority by the Supervisory Board. Because of the specific circumstances of the company and the small number of members on its Supervisory Board, the duties conferred on such committees can be more effectively exercised by the Supervisory Board itself. Future establishment of Supervisory Board commissions, however, is given regular consideration with efficiency objectives in mind.

re Items 5.4.7: No performance-based compensation for the members of the Supervisory Board

The Executive and Supervisory Boards 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 monitoring body or with the associated requisite neutrality of interest.

Remuneration report

(See Group Management Report on pages 32–34)

Supervisory Board Report

Monitoring and consulting with the Executive Board

The Executive Board regularly and fully informed the Supervisory Board in fiscal year 2006 about the course of business, business policies, planning, and risk management for Eckert & Ziegler Strahlen- und Medizintechnik AG as well as for the enterprises for which it holds equity investments. The Supervisory Board was directly involved in all decisions of key importance to the business.

A total of five meetings of the Supervisory Board were held during the year under review. In addition to the meetings, the Executive Board promptly informed and consulted with the Supervisory Board regarding emergent issues. In regularly occurring individual discussions, the Chief Executive Officer informed the Chairman of the Supervisory Board about important developments and upcoming decisions. There were no Supervisory Board committees during the period under review.

Approvals of Executive Board decision proposals followed careful consideration of all relevant documents and intensive discussions with the Executive Board.

The Supervisory Board in its advisory capacity focused on the following main topics:

– restructuring the corporate group
– growth strategies in the radiopharmaceutical segment
– takeover of Cyclotron operations at the Charité Medical University in Berlin
– terminating involvement in Altmann Therapie GmbH & Co. KG
– sale of the blood irradiation systems division

Examination of the 2006 annual financial statement

The annual financial statements for Eckert & Ziegler Strahlen- und Medizintechnik AG, the consolidated financial statements for the Eckert & Ziegler Group, the management report for Eckert & Ziegler Strahlen- und Medizintechnik AG, the management report for the Eckert & Ziegler Group, the Executive Board's proposal to the annual general meeting on the appropriation of the year's retained earnings, and the reports by the auditors, namely KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Berlin, were all submitted to the Supervisory Board and supplied to each of its members.

Representatives of the auditing company took part in the Supervisory Board meeting held on 26 March 2007 to evaluate the financial statements, and reported on the main audit findings. The auditors confirmed in their report that all legal requirements have been complied with, and they issued an unconditional accounts certification. The Supervisory Board acknowledged the findings of the audit with assent.

Following its concluding examination, the Supervisory Board had no reservations regarding the audited financial statements or any of the other documents submitted. It hereby approves the annual and consolidated statements presented to it.

Notes on the management report

The management report contains information related to the composition of the subscribed capital, major equity investment, voting and control rights, provisions concerning appointment and dismissal of members of the Executive Board, changes to the articles of incorporation, authorization of the Executive Board, issuing and repurchasing of shares, as well as essential company agreements in the event of a takeover offer.

The corporation's nominal capital of EUR 3.25 million is divided into 3.25 million owner bearer shares. Each share is entitled to one vote and determines share of profit. Company founders Dr. Andreas Eckert and Jürgen Ziegler have the statutory right to appoint one member each to the Supervisory Board.

Dr. Andreas Eckert holds 37.92% of the voting rights directly or indirectly through the holding company Eckert Consult Strategieberatung und Kapitalbeteiligungsgesellschaft mbH (a total of 1,232,546 shares).

Supervisory Board Report

On 30 May 2006, the Executive Board was authorized by an Annual General Meeting resolution with the approval of the Supervisory Board to increase the company's nominal capital through 30 June 2009 by up to EUR 1,625,000 by issuing a maximum of 1,625,000 bearer shares for cash and/or non-cash contributions (authorized capital).

Furthermore, the Executive Board was authorized with the approval of the Supervisory Board to carry out a conditional capital increase provided for in the company's articles of incorporation by up to another EUR 300.000,00 split into a maximum of 300,000 owner bearing shares (authorized but unissued share capital). The conditional capital can be used to service share option owners who take advantage of the company's share options.

A resolution of the Annual General Meeting of 30 May 2006 authorizes the Executive Board to purchase own shares for purposes other than securities trading by 29 November 2007 for a maximum share of 10% of nominal capital.

The Executive Board manages the company and represents it to third parties. The Executive Board consists of one or more people who, in accordance with paragraph 84 of the Stock Companies Act, are appointed by the Supervisory Board for a maximum office term of five years. It is permitted to repeat or extend term of office, in each case for a maximum of five years. This again requires a Supervisory Board proposal, which can be composed one year before expiry of the term at the earliest. The Supervisory Board can appoint members of the Executive Board to the position of Chief Executive Officer and Deputy Chief Executive Officer.

The Supervisory Board can revoke appointment to the Executive Board and the appointment of the Chief Executive Officer if there is sufficient cause. This could be due, for example, to a serious breach of duty, an inability to manage properly, or a vote of no confidence by the Annual General Meeting.

The articles of incorporation contain basic regulations on the make-up of the company. According to paragraph 179 of the Stock Companies Act, a change to these articles can only be realized by the Annual General Meeting passing a resolution to that effect with a majority of at least three-quarters of the nominal capital represented during the resolution vote.

There are no agreements related to a change of company control as pertains to a takeover offer. Furthermore, there are no compensation agreements with members of the Executive Board or employees in the event of a takeover offer.

Other

Supervisory Board member Prof. Ronald Frohne was able to participate in only one meeting during fiscal year 2006 due to professional obligations abroad.

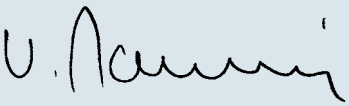
Further, the Supervisory Board addressed a possible conflict of interest issue concerning a Supervisory Board member. Mr. Frank Perschmann communicated to the Supervisory Board that the company BBO Datentechnik GmbH, Berlin, of which he is the General Manager, intended to conclude a service agreement with the company for adapting its accounting system. The Supervisory Board was convinced that the hourly rates on which the agreement was based correspond to prevailing market conditions and that the decision to accept the tender from BBO Datentechnik GmbH was not motivated by Mr. Perschmann's position on the Supervisory Board.

A word of thanks

The Supervisory Board thanks the members of the Executive Board and senior management as well as the employees of the companies belonging to the Eckert & Ziegler Group for their strong commitment and performance in fiscal year 2006.

Berlin, March 2007

The Supervisory Board



Prof. Dr. Wolfgang Maennig
Chairman

Income Statements (Parent Company)

of Eckert & Ziegler Aktiengesellschaft for the years ended December 31

		2006	2005
	(Amounts in thousands)	EUR	EUR
1.	Net sales	**2,040**	648
2.	Other operating income	**817**	550
		2,857	1,198
3.	Staff costs		
	a) Wages and salaries	**-1,380**	-1,253
	b) Social security and old-age provision	**-136**	-101
	– of which for pensions		
	TEUR -25 (previous year: TEUR -18)		
		-1,516	-1,354
4.	Depreciation and amortization		
	a) on intangible assets of non-current assets and property, plant and equipment	**-498**	-216
	b) on current assets if these exceed the normal depreciation applied in the company	**-778**	0
		-1,276	-216
5.	Other operating expense	**-882**	-838
6.	Income from equity investments	**352**	77
7.	Income arising from profit or loss takeover agreements	**1,512**	1,004
8.	Income from other securities and from loans included under long-term investments	**384**	421
9.	Interest receivable and similar income	**1,419**	1,180
10.	Write-downs on long-term investments and on marketable securities	**-361**	0
11.	Expense from absorption of losses	**-1,077**	-724
12.	Interest payable and similar expense	**-313**	-246
13.	**Net income/loss (-) from ordinary activities**	**1,099**	502
14.	Income tax expense	**5**	-99
15.	**Net income/loss (-) for the year**	**1,104**	403
16.	Release of treasury stock	**67**	107
17.	**Unappropriated retained earnings/losses (-)**	**1,171**	510

Balance Sheets (Parent Company)

Assets of Eckert & Ziegler Aktiengesellschaft as of December 31

	2006	2005
(Amounts in thousands)	EUR	EUR
Assets		
A. Non-current assets		
I. Intangible assets		
Patents, licenses, trade marks and similar rights and software	**854**	1,348
II. Property, plant and equipment		
Other plant and equipment, fixtures and fittings	**18**	13
III. Long-term investments		
1. Shares in affiliates	**11,546**	11,886
2. Loans to affiliates	**4,606**	5,488
	16,152	17,374
Total non-current assets	**17,024**	18,735
B. Current assets		
I. Receivables and other assets		
1. Trade accounts receivable	**2**	2
2. Amounts due from affiliates	**18,918**	12,884
3. Other assets	**997**	1.248
	19,917	14,134
II. Securities		
1. Own shares	**366**	434
2. Other securities	**1,038**	2,372
	1,404	2,806
III. Cash at bank	**999**	199
Total current assets	**22,320**	17,139
C. Prepaid and deferred expenses	**26**	9
D. Deferred tax	**87**	82
Total assets	**39,457**	35,965

Balance Sheets (Parent Company)

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

	2006	2005
(Amounts in thousands)	EUR	EUR
Liabilities and Shareholders' equity		
A. Shareholders' equity		
I. Common stock	**3,250**	3,250
Nominal amount of authorized but unissued common stock EUR 300 thousand		
II. Additional paid-in capital	**27,166**	27,166
III. Retained earnings		
1. Treasury stock	**366**	434
2. Other retained earnings	**684**	643
	1,050	1,077
IV. Unappropriated retained earnings/losses (-)	**1,171**	510
Total shareholders' equity	**32,637**	32,003
B. Deferred income from government grants	**206**	254
C. Reserves		
1. Pension reserves	**335**	311
2. Other reserves and accruals	**550**	496
	885	807
D. Liabilities		
1. Bank borrowings	**2,000**	700
2. Trade accounts payable	**27**	76
3. Amounts due to affiliates	**1,521**	33
4. Other liabilities	**2,181**	2,092
(of which for taxes EUR 57 thousand; 2005: EUR 72 thousand)		
(of which for social security EUR 0 thousand; 2005: EUR 13 thousand)		
Total liabilities	**5,729**	2,901
Total liabilities and shareholders' equity	**39,457**	35,965

Movements in Group non-current Assets

In the financial Year from January 1 to December 31, 2006 (refer to point 55, page 72)

Non-current asset movement schedule as of December 31, 2006

	Costs						
	Balance 1-1-2006	Additions	Disposals	Transfers	Currency translation	Disposal from decon-solidation	Balance 12-31-2006
(Amounts in thousands)		EUR	EUR	EUR	EUR	EUR	EUR
Non-current assets							
I. Intangible assets							
1. Goodwill	12,512	35	0	0	-1,133	0	11,414
2. Concessions, patents, trade marks and licenses	11,177	1,828	203	292	-571	11	12,512
3. Advance payments on intangible assets	151	0	0	-150	0	0	1
	23,840	**1,863**	**203**	**142**	**-1,704**	**11**	**23,927**
II. Property, plant and equipment							
1. Buildings on third-party land	9,426	124	285	-1	-336	884	8,044
2. Plant and machinery	21,409	1,196	1,487	453	-338	0	21,233
3. Other plant and equipment, fixtures and fittings	3,883	305	708	-140	-99	632	2,609
4. Payments on account and assets under construction	771	673	12	-453	-45	0	934
5. Asset Retirement Obligation	1,925	9	262	0	-60	0	1,612
	37,414	**2,307**	**2,754**	**-141**	**-878**	**1,516**	**34,432**
III. Long-term investments							
1. Equity investments	68	15	0	0	0	0	83
2. Other long-term investments	53	0	0	0	-5	0	48
	121	**15**	**0**	**0**	**-5**	**0**	**131**
	61,375	**4,185**	**2,957**	**1**	**-2,587**	**1,527**	**58,490**

Depreciation and amortiziation								Net book values	
Balance 1-1-2006	Additions	Diposals	Transfers	Currency translation	Adjustment to Net book value Asset Retirement Obligation	Disposal from decon-solidation	Balance 12-31-2006	Balance 1-1-2006	Balance 12-31-2006
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
831	0	0	0	-190	0	0	641	11,681	10,773
4,333	1,309	202	141	-269	0	11	5,301	6,844	7,211
0	0	0	0	0	0	0	0	151	1
5,164	**1,309**	**202**	**141**	**-459**	**0**	**11**	**5,942**	**18,676**	**17,985**
2,244	382	181	0	-89	0	284	2,072	7,182	5,972
12,649	2,463	1,432	0	-233	0	0	13,447	8,760	7,786
3,069	335	634	-141	-82	0	537	2,010	814	599
0	0	0	0	0	0	0	0	771	934
951	48	49	0	-3	0	36	983	974	629
18,913	**3,228**	**2,296**	**-141**	**-407**	**36**	**821**	**18,512**	**18,501**	**15,920**
0	9	0	0	0	0	0	9	68	74
0	0	0	0	0	0	0	0	53	48
0	**9**	**0**	**0**	**0**	**0**	**0**	**9**	**121**	**122**
24,077	**4,546**	**2,498**	**0**	**-866**	**36**	**832**	**24,463**	**37,298**	**34,027**

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.

Beta radiation
Ionizing radiation which, because of its high level of energy, is used for treating tumors. Beta particles can penetrate a few millimeters into soft tissue.

Blood radiation equipment
BIOBEAM blood radiation equipment works by means of gamma rays directed at blood, blood components and biological material. It is particularly suited for use in immune hematology, transfusion medicine and radio-biological research.

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

Calibrated-reference emitters
Radioactive source used as a reference standard for measuring instruments.

Calibration
Referencing measuring instruments to specified standards.

Cardiology
Branch of internal medicine that deals with the causes, effects and treatment of heart disease.

Catheter
Tube-like instrument inserted into blood vessels and body cavities.

Cobalt sources (Co-60)
Radioactive source with the radioactive nuclide Co-60, which is well suited for radiating the surface of tumors. The MultiSource® cancer radiation system uses cobalt-60 sources.

Cyclotron
Circular particle accelerator for production of radioactive material.

D&O Insurance
Directors' and officers' liability insurance. A liability insurance for company management of a joint-stock corporation; in this case it is for members of the Executive Board and Supervisory Board. 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 that transmits radioactive rays. Sometimes referred to as "source".

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

Flood source
A radioactive source with an extended emission range (e.g. Perflexion™).

Fluorethylcholine
A newly developed, highly specific radioactive agent for diagnosis of prostate cancer. It is used in positron emission tomography (PET).

Gadolinium sources
Radioactive sources with the radio nuclide Gd-153 of the element gadolinium. These sources are used in nuclear medicine (mainly cardiology) for absorption correction with nuclear imaging.

Gamma camera
Camera for imaging diagnosis in nuclear medicine. It is used in scintigraphy and SPECT.

Gamma radiation
Energy-rich electromagnetic radiation used primarily in nuclear medical imaging and in radiation therapy due to its high penetrative ability.

Implantation
Placement or insertion of foreign materials in an organism.

Glossary

Implants
Natural or synthetic elements implanted in the body (here it is synonymous with seeds).

Incontinence
Inability to control the release of urine and/or stool.

Interstitial
A small space in a tissue or interstice between tissues (interstitium).

Iodine-125
Radioisotope of iodine. Low-energy photon radiation is used therapeutically.

Ion
Electrically charged (positive or negative) atomic or molecular particle.

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.

Isotope
Chemical element having the same atomic number but different atomic weight. Isotopes can be stable or can disintegrate when subject to ionizing radiation (radioactive isotopes).

Minimally invasive
As gentle and as little as possible.

Nuclear imaging
Imaging for nuclear medical purposes.

Nuclear medicine
Specialist medical area concerned with the diagnostic and therapeutic use of open, usually ephemeral radionuclides.

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

PDR (pulsed dose rate)
Pulsed doses. Here: designation for a procedure in brachytherapy in which the radiation dose to be applied during a treatment session is emitted in short intervals.

Permanent implant
Implants intended to remain in the organism/body permanently.

PET scanner
Device used for Positron Emission Tomography, a specialized imaging process in nuclear medicine.

PET tracers
Radioactively marked substances introduced into living organisms to diagnose cancer in the framework of PET examinations.

Photon
Tiny energy package, also called “light particles”.

Positron
Electron with positive charge

Positron emission tomography (PET)
Nuclear medical examination for producing sectional images using photons created by positron decay.

Prostate
Prostate gland. Chestnut-size organ situated around the neck of the male urethra.

Radioactivity
Property of unstable nuclides emitting spontaneously or through disintegration of the atomic nuclei alpha and beta rays or electromagnetic waves (gamma rays).

Radiobiology
Concerned with the effects of ionizing and non-ionizing radiation on, for example, organisms and cell systems

Radiochemistry
Concerned with the use of radioactivity to study chemical reactions.

Glossary

Radiodiagnostics
Diagnostic radiopharmaceuticals. See also radiopharmaceuticals.

Radiography
Uses ionizing radiation to view objects (X-rays).

Radioisotope
See radionuclide.

Radionuclide
Radioactive isotope.

Radio-oncology (also radiotherapy)
A sub-division of medicine, dealing with the treatment of malignant tumors by means of ionizing rays.

Radiopharmaceuticals
Substances and medications which, because of their radioactive nuclides, are effective as diagnostic and therapeutic agents in nuclear medicine.

Radiopharmacy
Development and production and of radiopharmaceuticals.

Scintigraphy
Nuclear medical imaging method used mainly with gamma rays for functional diagnostics.

Scintillator
Substance that absorbs electromagnetic or charged particle radiation and, in response, emits fluorescent radiation.

Seed
Small metal pins containing radioisotopes for interstitial radiation therapy.

SPECT
Abbreviation for Single-Photon-Emissions-Computer Tomography. Diagnostic method in nuclear imaging.

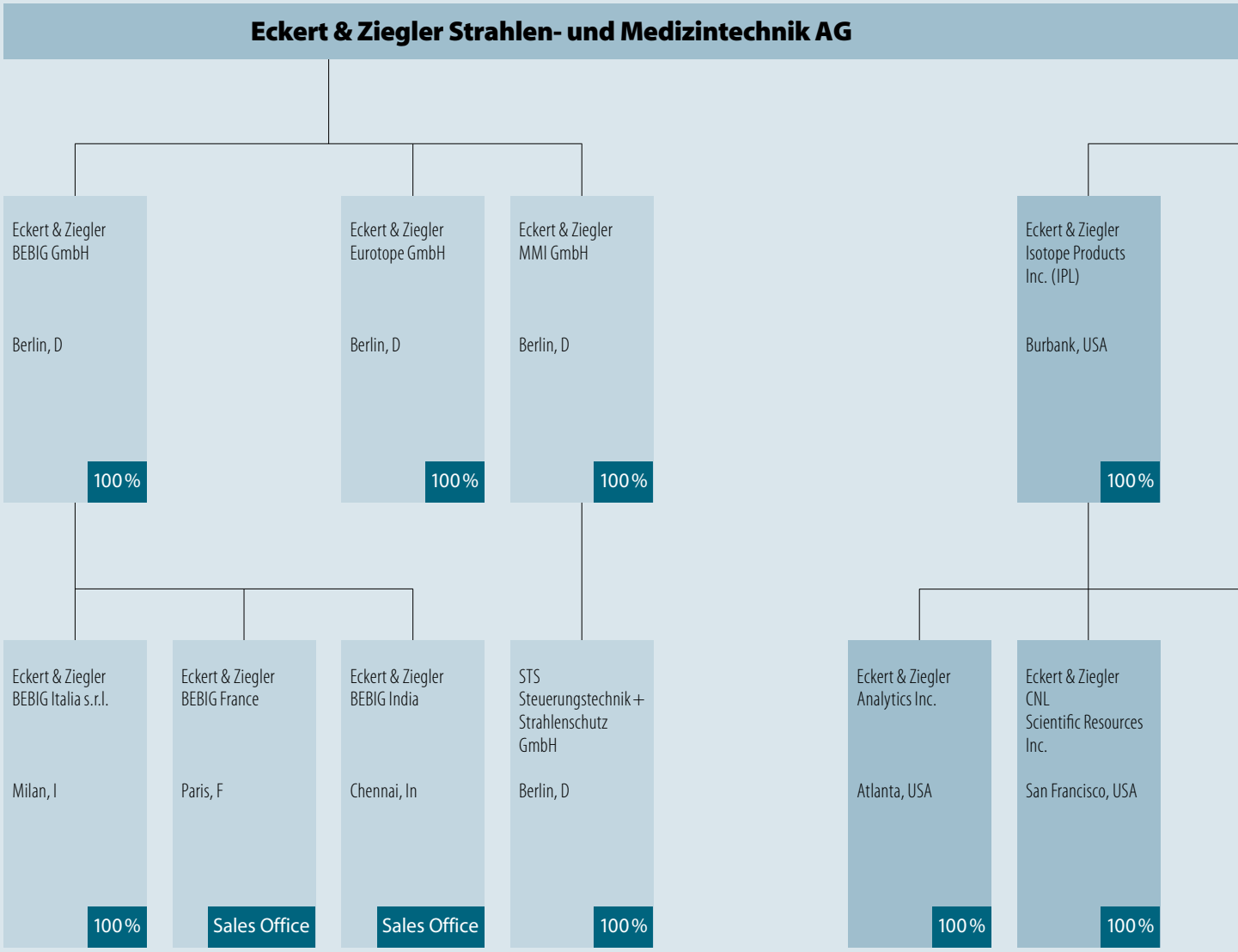
Synthesis modules
Here: components of the modular equipment system of the product Modular-Lab for automated synthesis of radiopharmaceuticals and radioactive chemicals.

Stock and Stock Options

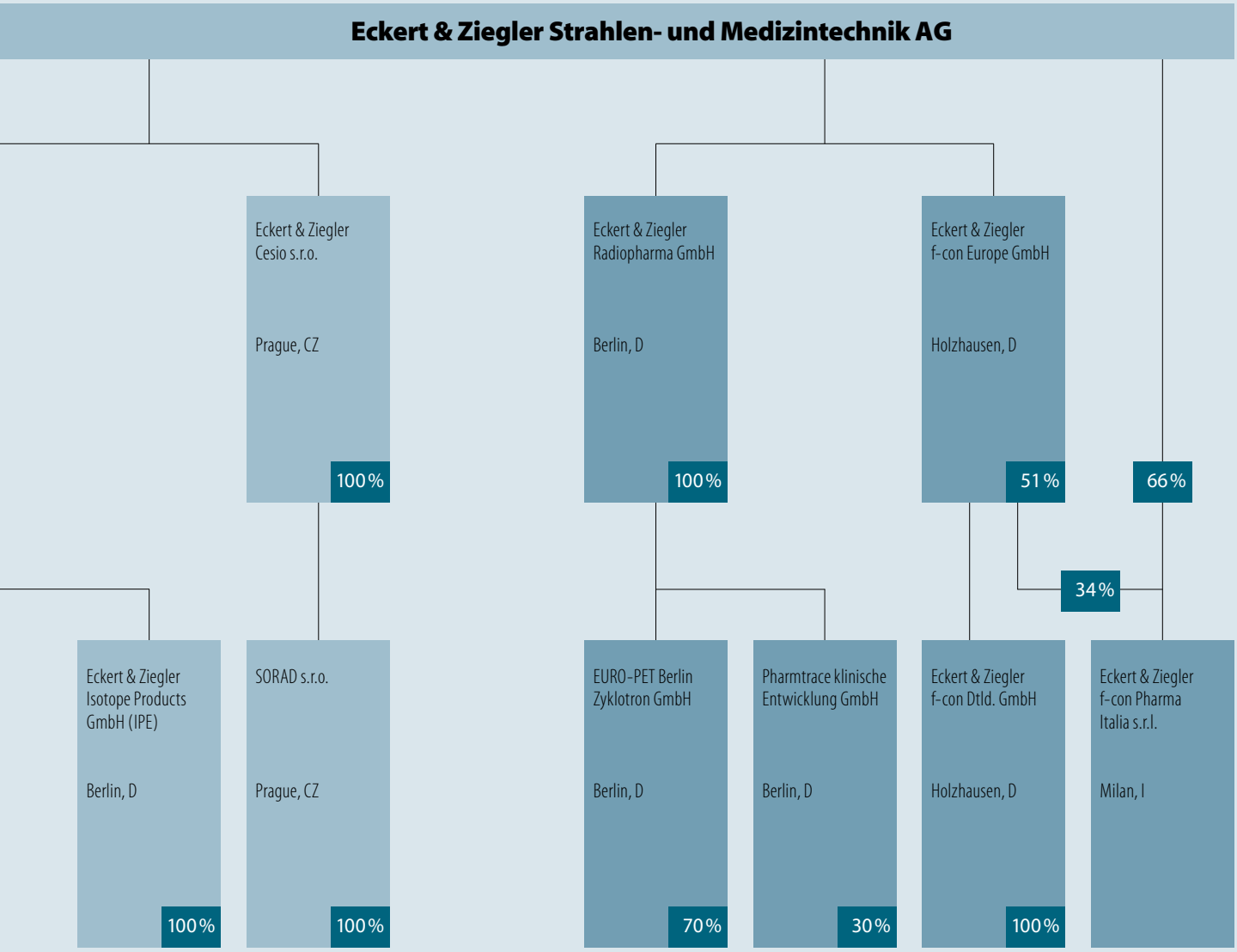
Executive Board and Supervisory Board				**December 31, 2006**
		Stock	Stock options	Transactions according to § 15a WpHG
Dr. Andreas Eckert	Executive Board	2,010	18,500	see remuneration report
(Eckert Consult GmbH)		(1,230,446)	(0)	see remuneration report
Dr. Andreas Hey	Executive Board	0	6,000	
Dr. Edgar Löffler	Executive Board	10,250	22,000	
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0	
Ralf Hennig	Supervisory Board	141	0	
Prof. Dr. Ronald Frohne	Supervisory Board	0	0	see remuneration report
Prof. Dr. Nikolaus Fuchs	Supervisory Board	0	0	
Hans-Jörg Hinke	Supervisory Board	0	0	
Frank Perschmann	Supervisory Board	1,000	0	

Corporate Structure

As of December 2006



- Therapy segment
- Nuclear Medizine and Industry segment
- Radiopharmaceutical segment


Eckert & Ziegler Strahlen- und Medizintechnik AG
Eckert & Ziegler Cesio s.r.o.
Prague, CZ
100 %
Eckert & Ziegler Radiopharma GmbH
Berlin, D
100 %
Eckert & Ziegler f-con Europe GmbH
Holzhausen, D
51 %
66 %
34 %
Eckert & Ziegler Isotope Products GmbH (IPE)
Berlin, D
100 %
SORAD s.r.o.
Prague, CZ
100 %
EURO-PET Berlin Zyklotron GmbH
Berlin, D
70 %
Pharmtrace klinische Entwicklung GmbH
Berlin, D
30 %
Eckert & Ziegler f-con Dtld. GmbH
Holzhausen, D
100 %
Eckert & Ziegler f-con Pharma Italia s.r.l.
Milan, I

Financial Calendar

03-29-2007
Annual Report 2006

03-29-2007
Balance Press Conference in Berlin

04-17-2007
Medtech Day in Frankfurt

05-08-2007
Quarterly Report I/2007

06-12-2007
Annual General Meeting in Berlin

08- 07-2007
Quarterly Report II/2007

11-06-2007
Quarterly Report III/2007

November 2007
German Equity Capital Forum in Frankfurt

Imprint

Publisher
Eckert & Ziegler
Strahlen- und Medizintechnik AG,
Berlin

Freelance
Michael A. Walter

Photography
Ralf Grömminger, Kornwestheim
Tomas Lisy, Prag
Tobias Schneider, Berlin
Mechthild Wilhelmi, Berlin
Archive

Layout
RWS Group GmbH, Berlin

Printed by
Stock Printservice, Berlin

Contact

Eckert & Ziegler
Strahlen- und Medizintechnik AG

Karolin Riehle
Investor Relations

Robert-Rössle-Str. 10
13125 Berlin
Germany
www.ezag.com

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

ISIN DE0005659700
WKN 565 970