

Uncover the Hidden



Ratios of the Eckert & Ziegler Group

		IFRS 2007	Change over 2006	IFRS 2006	IFRS 2005
Revenue	TEUR	54,444	+ 8%	50,378	41,792
Return on revenue before tax		9%	- 4%	9%	5%
Profit for the year	TEUR	1,948	- 12%	2,221	1,590
Profit before tax (EBT)	TEUR	4,921	+ 4%	4,748	2,215
Interest	TEUR	-767	- 4%	-796	-667
EBIT	TEUR	5,688	+ 3%	5,544	2,882
Depreciation and amortization	TEUR	-3,731	- 18%	-4,537	-3,912
EBITDA	TEUR	9,419	- 7%	10,081	6,794
Earnings per share	EUR	0.62	- 13%	0.71	0.51
Cash flow from operating activities	TEUR	6,631	+ 45%	4,561	3,531
Tax rate		56%	+ 66%	34%	31%
Shareholders' equity	TEUR	36,491	+ 0%	36,329	34,955
Equity ratio		54%	- 5%	57%	52%
Total assets	TEUR	67,587	+ 5%	64,174	66,997
Book value per share	EUR	11.61	+ 0%	11.59	11.28
Staff	Persons	327	+ 12%	291	247
Number of shares as of Dec. 31 (excl. own shares)	Item	3,142,290	0%	3,130,526	3,120,511
Dividends	EUR	0.25*	0%	0.25	0.15

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 11, 2008



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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

■ Forschgarten (Researchers Garden; www.forschergarten.de), the natural science pre-school program that was initiated by Eckert & Ziegler AG, is honored as a "Ausgewählter Ort im Land der Ideen 2007" (2007 Selected Site in the Land of Ideas).



■ Eckert & Ziegler BEBIG receives a large-scale follow-up contract from Venezuela to supply innovative tumor radiation systems of the MultiSource® type. The total volume amounts to 1.6 million US dollars.



March

■ At the annual results press conference held on March 29, Eckert & Ziegler reports record revenue for 2006, with the annual revenue threshold of

EUR 50 million being exceeded for the first time. Compared with the previous year, the dividend per share rises by 67%.



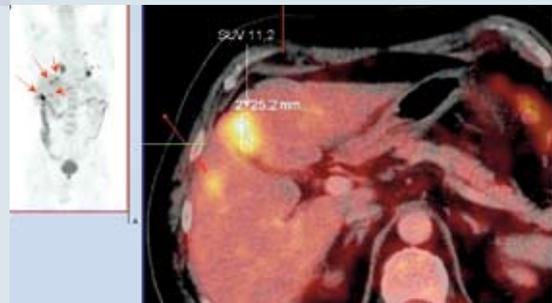
April



■ The seventh 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.

■ Positron emission tomography (PET) will in future be capable of being prescribed as an approved medical method for determining the tumor stage and detecting the reoccurrence of non-small-cell lung cancer and also in characteriz-

ing lung nodules for avoiding operative procedures. As a result of the signal effect for establishing this unique investigation method, a considerable rise in the numbers of investigations is expected.



May

■ The renowned French institute for radiation therapy, the Institut Curie in Paris, again extends its existing cooperation contract with Eckert & Ziegler AG to supply prostate implants. The contract is worth roughly EUR 2 million.

June

■ For the first time, a tumor radiation machine ("Afterloader") of the MultiSource® type is installed in India. The Mahatma Gandhi Memorial Hospital in

Bhimavaram will in future work with this machine, which is equipped with a long-life cobalt source.





July



■ Eckert & Ziegler AG can look back on ten years of successful work and the company celebrates its anniversary in Berlin with guests from the worlds of politics, business, and culture.

September

■ Eckert & Ziegler acquires the Bonn radiopharmacy producer MC Pharma and further consolidates its market position as a manufacturer of radiopharmaceuticals for new imaging methods in nuclear medicine.

The cyclotron which is acquired is used to produce contrast media, also referred to as PET tracers, which are used in positron emission tomography (PET) to diagnose cancer.



■ In order to create closer ties with customers, be more efficient and optimize the flows of information, the radiopharmacy segment is restructured. The

cyclotron division is established and the responsibilities for contrast media throughout Europe are centralized.

October

■ The Californian subsidiary Eckert & Ziegler Isotope Products Inc. (IPL) presents the new gallium-68 generator IGG100 at the 20th Congress of the European Association of Nuclear Medicine.



November

■ The European Association of Nuclear Medicine (EANM) and Eckert & Ziegler offer a joint award to promote research work among young, talented nuclear medicine researchers. In the coming years, the intention is



that the EANM Eckert & Ziegler Abstract Award will considerably boost the profile of Eckert & Ziegler in international expert circles within nuclear medicine.

December

■ Eckert & Ziegler Eurotope GmbH, a specialist in systems and automation technology for producing radiopharmaceuticals, presents improved synthesis modules for marking peptides with gallium-68. The devices utilize a production process with improved process

parameters and make it possible to produce a whole range of gallium peptides. The field of application of Modular Lab is therefore expanded to include a class of materials which is currently being researched intensively by many users of nuclear medicine.





Dear Friends of Eckert & Ziegler,

In 2007 our company again made good progress. In organic terms and adjusted for exchange rate fluctuations, the business volume grew by roughly 10 percent to a new record high of EUR 55 million. Over the last five years, the Group has now managed to increase its sales volume at an average annual growth rate of about 14% – without dilution and a stable equity ratio. In addition, the purchase of another cyclotron company in 2007 and the merger of the prostate cancer implant business with IBT has laid the foundations for growth in the future. We expect to surpass the EUR 70 million sales revenue level shortly. With extensive investments in infrastructure and a pipeline full of new products, Eckert & Ziegler should be positioned well for the future.

Along with the sales also earnings developed well in 2007. Although the net profit for the year is nominally 13% lower than in the previous one, this is exclusively due to a cash neutral book loss resulting from a change in the German tax laws. If one excludes this effect, the year under review displays growth of 25% from EUR 0.71 to EUR 0.89 per share. In the operational capital flow, this is reflected – literally – in hard cash: the self-financing capacity rose by EUR 2 million to EUR 6.5 million and was 44% above the level of the previous year. For the first time in five years, the Group was able to largely conserve its liquidity reserves and refrain almost entirely from selling securities.

In spite of the organic growth, the renewed dividend and the takeover of a rival company, the Group's key balance sheet figures remained solid in the year under review. The equity ratio remained stable within its normal variations, reaching again a high level of 54%. The leverage ratio fell slightly. Productivity rose. The innovative strength, measured by the level of sales from new products, that is, by those that are less than three years in the Group's product portfolio, remained high. Almost a third of anything the Company sold in 2007 fell into this category. In terms of the key economic parameters, the fiscal year was without doubt a success.

Not only the numbers looked good. In 2007 also the strategic position of the company improved. Particu-



larly outstanding achievements were the advances made in the new Radio-pharmaceuticals segment, where considerable leaps in sales and improved profitability were recorded. The Executive Board is convinced that nuclear medicine imaging processes, and here in particular positron emission tomography (PET), will become increasingly important in the future, and that the Group is well advised to become actively involved in this area.

One of the reasons for the growth seen in nuclear medicine is that more and more hybrid devices are being developed and marketed in which different imaging processes – and in particular PET – are combined with one another in one device. The benefits of these multi-modality devices are that they provide, in high resolution, graphically outstanding images which can be interpreted intuitively and can be shown and analysed on a computer in all possible perspectives and sections. This gives doctors a completely new tool for diagnosis and follow-up checks and, in the best-case scenario, they no longer need to call in specialists to answer specific questions.

The new hybrid devices are still expensive and confined at present to university hospitals and other early pioneering organizations, but their advantages will quickly ensure that hospitals acquire such devices on a wide-scale basis. In order to tap into their full potential, suppliers will then be needed to provide the cor-



responding radioactive contrast media. Eckert & Ziegler is well placed to cater for this need. By acquiring Eckert & Ziegler EURO-PET Köln/ Bonn, we were able in the year under review to add to our network even another production centre. It is located in the densely populated Ruhr area and already has a well established customer base there.

Our commitment to nuclear imaging not only extends to contrast media. Eckert & Ziegler is also developing automatic synthesis devices that can be used for a decentralised production of radiopharmaceuticals. Contrary to conventional drugs, contrast media used for positron emission tomography cannot be centrally manufactured and distributed; they must instead be reproduced every day in local cyclotrons. These creates a need for reliable and inexpensive devices that meet the requirements of pharmaceutical Good Manufacturing Practise. Eckert & Ziegler hence becomes a partner in the distribution of new contrast media by enabling drug companies to bring their innovations to the clinic.

“Uncover the Hidden”, the motto of the Radiopharmaceuticals segment and this business report, could also serve as a caption describing our most recent transaction. It brought together the implant division of Eckert & Ziegler with the ones of our former Belgian competitor International Brachytherapy (IBt). As a result of the transaction, IBt has become Europe’s

most important manufacturers of implants for the treatment of prostate cancer, and Eckert & Ziegler is now IBt’s by far biggest shareholder. The Executive Board is convinced that the combined entity can be much more profitable than the two units each on its own. Also, by concentrating the prostate cancer activities in a listed medical technology company, there is a good chance that they will be free from the valuation markdowns that have affected Eckert & Ziegler AG in the past. At the time that this business report went to print, BEBIG’s implants business was worth EUR 24 million, and thus not much less than the market capitalization of the Group as a whole.

We are optimistic that this promising outlook together with the results from the last fiscal year will also benefit shareholders in Eckert & Ziegler AG and we would be delighted as always if you continue to show your kind loyalty to us as a result.

Yours

Dr. Andreas Eckert
Chief Executive Officer

The Executive Board of the
Eckert & Ziegler AG:
Dr. Andreas Eckert,
Dr. Edgar Löffler and
Dr. André Heß
(left to right)



The combination of state-of-the-art technology and radioactivity allows many things to become visible which would remain hidden without them: The tiniest tumors and Parkinson's disease. Natural resources in the earth. Objects that are not meant to be transported in an airplane.

Uncover the Hidden

For us, uncovering the hidden also means systematically cultivating the talents of our employees and consistently being aware of the wishes of our customers.



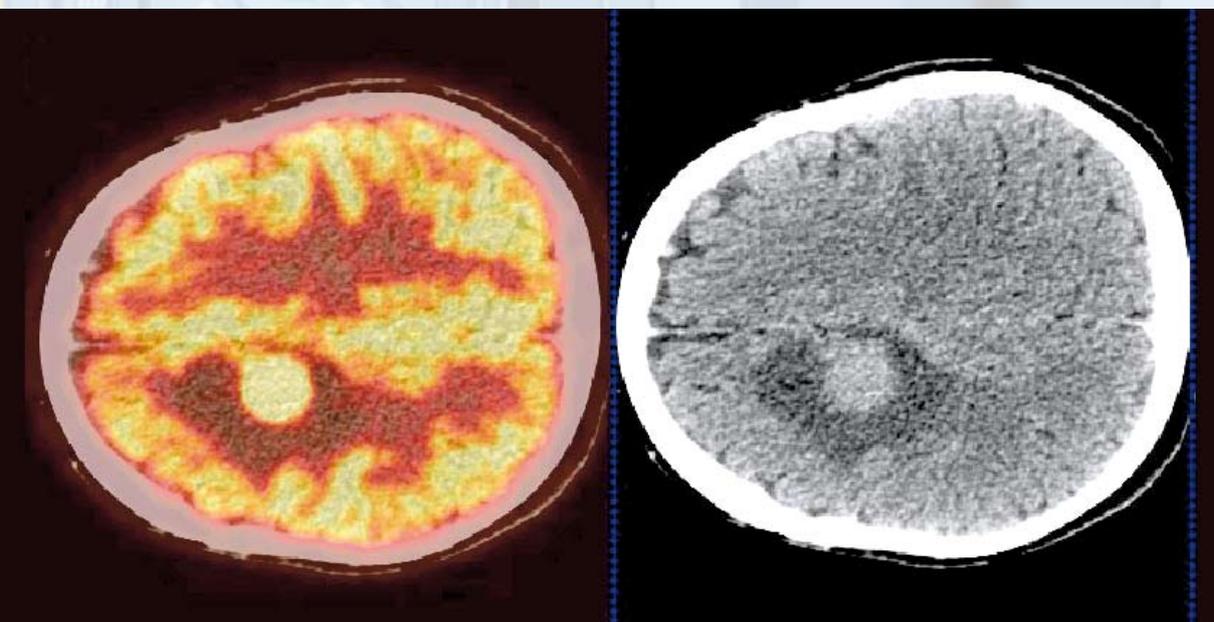
Positron emission tomography, PET for short, is one of the functional imaging processes. With high spatial resolution, it makes complicated metabolic processes in the human body visible – unlike traditional methods (e.g. MRT, CT) – and

makes it possible to pinpoint cancer cells or provides answers to highly complex neurological questions.

A chemical compound (e.g. glucose, a neurotransmitter, antibody) acts as a messenger substance, is linked

(marked) with a weakly radiating radionuclide (e.g. ^{18}F fluorine, ^{11}C carbon) and injected into the body. The molecule docks on a cell in which a specific metabolic process takes place – for example in a cancer cell. The PET scanner now detects the

“glowing” radionuclide, allowing imaging and quantification of the desired metabolic process. The physician carrying out the treatment can now see very clearly where any tumor may be located.



PET/CT scan of a brain metastasis



The Share

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

(Dec. 31, 2007)

EUR 3,250,000

Owner bearer shares

(Dec. 31, 2007)

3,250,000 units

Share price

(Dec. 31, 2007)

EUR 9.86

Market capitalization

(Dec. 31, 2007)

EUR 32.05 million

Highest/lowest price in 2007

EUR 13.01 / EUR 9.80

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The Share

Shares in Eckert & Ziegler AG commenced trading on the stock exchange on May 25, 1999. Since then, they have been quoted on the Frankfurt Stock Exchange and on all the German regional exchanges and they are approved for trading on the fully electronic XETRA® trading system. They are traded under the internationally unique, 12-digit security identification number DE0005659700, although the share is also still identified by its former security identification number (WKN) 565970.

In a capital increase, the company's ordinary share capital was increased to EUR 3,250,000 on June 2, 2000. The share capital is divided into 3,250,000 bearer shares with no par value which each confer one vote at the annual general meeting.

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 international transparency standards which even exceed the prescribed statutory 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 for financing acquisitions and for servicing employee stock options. The capital gains realized from the transactions have all been transferred to the capital reserve for own shares. The company reported that it held 106,835 of its own shares on December 31, 2007.

Since January 3, 2005, shares in Eckert & Ziegler AG have been used to calculate the German Entrepreneurial Index (GEX). This index lists Prime Standard companies in which substantial stock options are held by the founders or the management.

Movements in the share price/earnings per share and proposed dividend

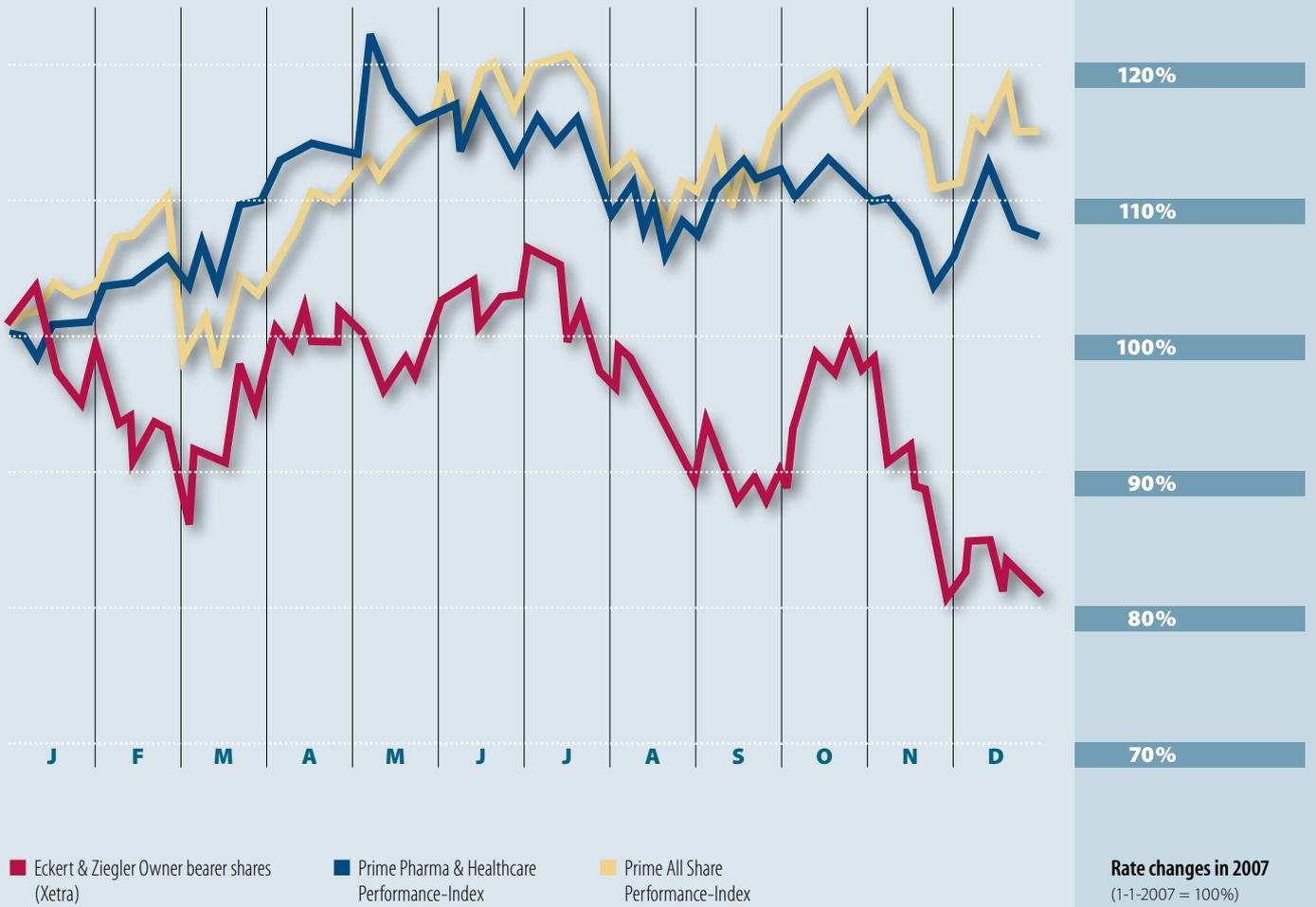
In the fiscal year which has just elapsed, the share recorded a loss in value of approx. 19% compared with the previous year. The company's market capitalization fell by EUR 7 million to EUR 32 million compared with the equivalent date the previous year.

The earnings per share are calculated by dividing the Group's annual net profit by the average number of shares in circulation during the fiscal year. In the year under review, the Eckert & Ziegler Group recorded Group earnings per share of EUR 0.62.

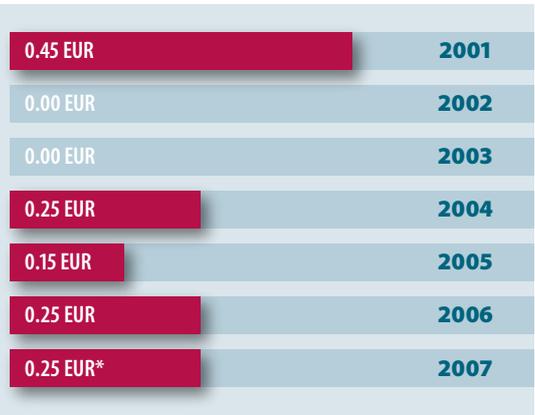
The Executive Board and Supervisory Board propose to the Annual General Meeting to be held on 11 June 2008 that a dividend of EUR 0.25 per share be paid for fiscal year 2007. Based on the end-of-year share price of EUR 9.86, this produces a dividend yield of 2.5%.

Investor relations

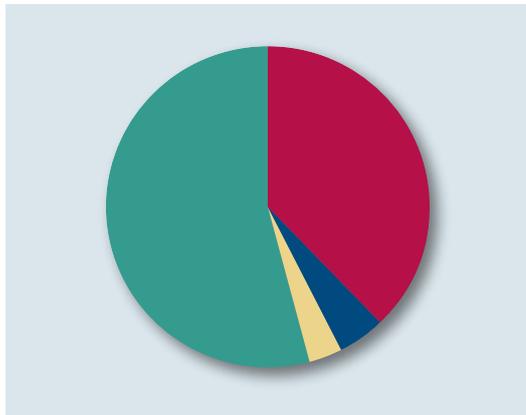
In 2007, Eckert & Ziegler again endeavored to provide shareholders, investors and financial analysts with prompt and detailed information about the major developments within the company. The main tools used for this were the announcements which have to be made to the stock exchange, press releases and quarterly reports. They were published in German and English and, where appropriate, supplemented with telephone conferences open to the public. In addition, at the annual results press conference in March, the "Medtech Day" industry get-together in the spring, the annual general meeting in May and the German Equity Capital Forum in the autumn, the Executive Board personally presented new developments and, together with staff from the Corporate Communication department, was available all year round to answer any enquiries or receive visits from interested parties.



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



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



Shareholder structure
Dec. 31, 2007 (in %)

- Eckert Consult GmbH 37.9
- Jürgen Ziegler 4.8
- Eckert & Ziegler AG 3.3
- Free float 54.0



Our customers need to be able to rely on our products being delivered on time every single day. Throughout the world. Whether they are for I-125 seed implantations or PET/CT diagnoses. Although this presents complications with radioactive products

that have low half lives, it is achievable. A large network is required, extending from complex logistics right through to complicated approval

procedures. We take care of all the things the customer does not need to see and ensure that everything works smoothly.



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Group Management Report



The company

Eckert & Ziegler is an internationally active specialist in radioactive applications in medicine, science and industry. The company's core expertise includes the handling and processing of low level radioactive materials in production facilities which are approved and specially equipped for the purpose in Europe and the United States. In addition, Eckert & Ziegler focuses on the development and production of synthesis equipment for producing radiopharmaceuticals and medical products for treating cancer.

In the international markets in which Eckert & Ziegler operates, there are relatively few competitors. Eckert & Ziegler has no direct competitor offering such a broad range of products because the company's competitors only cater for specific market niches. This situation is unlikely to change in the future because in order to enter the market a competitor would first have to meet demanding conditions to obtain legal approval.

The Group operates its business through subsidiaries which are assigned to three segments. These segments are aligned to various customer groups. Another segment which represents the costs and revenues of the Berlin holding company is not actively involved in operations.

The Therapy segment's products are aimed at radiation therapists, a group of physicians specializing in the treatment of cancer through radiation. The production facilities and management headquarters for the segment are in Berlin. The most important products are small radioactive implants for treating prostate cancer based on iodine-125 (known as "Seeds") and tumor radiation equipment based on cobalt-60 (known as "Afterloaders").

The Nuclear Imaging and Industry segment provides physicists, engineers, and medical physicists with radioactive components for imaging processes, scientific applications, quality assurance and other purposes related to measurement. Management headquarters and the main production facilities are in Los Angeles, California.

Radiopharmaceuticals with sites in Berlin, Bonn and Milan is the Group's newest and fastest-growing segment. The products in this segment comprise radioactive contrast media for positron emission tomography (PET) and synthesis modules for producing radiopharmaceuticals. The equipment is applied both in practice in diagnostics in nuclear medicine and in research.

The markets of the three operative segments are only loosely interconnected; each has its own business cycle and distinctive characteristics. In addition, there are national differences in respect of the general business conditions. This is particularly the case with medical products – the intensity and dynamics of demand are very much dependent on the specifics of particular national health systems and on the presence of local competitors.

Legal conditions

Eckert & Ziegler Strahlen- und Medizintechnik AG is a joint-stock corporation with head office in Germany. The corporation's nominal capital of EUR 3.25 million is divided into 3.25 million owner bearer shares. Each share entitles the holder to one vote and is decisive in determining the share of profit.

Dr. Andreas Eckert owns a total of 1,232,456 shares directly and indirectly and therewith 37.92% of the voting rights through the holding company Eckert Consult Strategieberatung und Kapitalbeteiligungsgesellschaft mbH.

The shareholders of the corporation exercise their rights at the Annual General Meeting. Each share entitles the holder to one vote. Shares with multiple voting rights, preferential voting rights or maximum voting rights do not exist.

The Supervisory Board monitors and advises the Executive Board management. It consists of six members who are 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.

On May 30, 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 June 30, 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, on April 30, 1999, the Executive Board was authorized by an Annual General Meeting resolution 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



Top:
Radiopharmaceutical
F-18 fluorodeoxyglucose
in dispatch units

Center:
Eye applicators for
ophthalmological
applications

Bottom:
Transport cartridges for
iodine-125 implants



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 June 12, 2007 authorizes the Executive Board to purchase own shares for purposes other than securities trading by December 11, 2008 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 term of office 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.

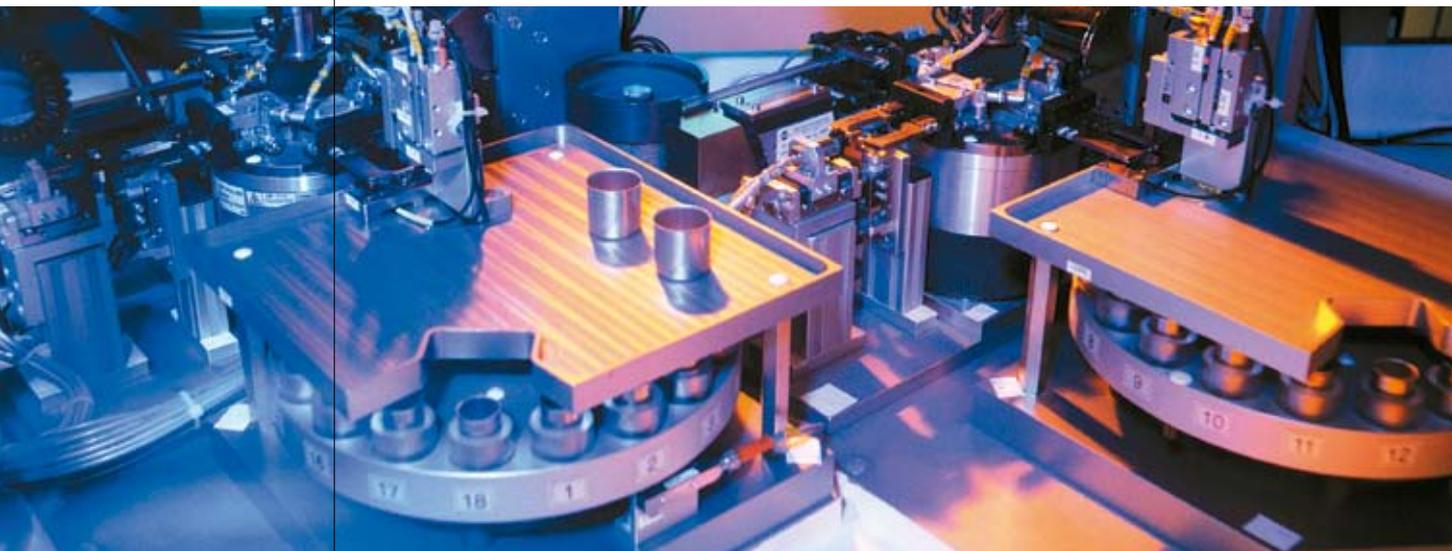
The Supervisory Board can revoke appointment to the Executive Board and the appointment of the Chief Executive Officer if there is sufficient cause. This could be due, for example, to a serious breach of duty, an inability to manage properly, or a vote of no confidence by the Annual General Meeting.

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 substantial 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.



Quality control on the starting material for I-125 implants



Production line for I-125 implants

Main product groups and markets

Within its three operative segments, the Group makes a distinction between 11 main product groups in total. Each of these product groups has its own particular characteristics when it comes to the structure of the consumer base, the competition situation, and the geographical focus. The main product groups are as follows:

Therapy segment

1. Implants for treating prostate cancer
2. Tumor radiation equipment
3. Therapy accessories
4. Ophthalmological products
5. Other therapy products

Nuclear Imaging and Industry segment

6. Radioactive components for industrial applications
7. Radiation sources for nuclear imaging
8. Calibration and measurement sources
9. Raw isotopes and other products

Radiopharmaceuticals segment

10. Radiodiagnostics and other products
11. Synthesis modules

In terms of sales, in 2007 the biggest main product groups were as follows: 1. the radioactive components for industrial measurement systems, 2. the implants for treating prostate cancer, 3. the radiation sources for nuclear imaging, 4. the radiodiagnostics and 5. the tumor radiation equipment. As in previous years, the five biggest main product groups

accounted for roughly three-quarters of sales, a total of approx. EUR 40 million. The other six main product groups accounted for the remaining 25% of Group sales.

As the markets for the main product groups are only loosely linked to one another and appeal to different users and regions, the Group considers that it has a relatively broadly diversified product base despite specializing in radioisotopes.

Competition situation

The following competition situation essentially applies in respect of the five most important product groups:

■ In the three most important product groups in the Nuclear Imaging and Industry segment (group nos 6, 7 and 8 above), Eckert & Ziegler has been well positioned in the market for quite some time, with each product group enjoying 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 rates, the market as a whole, whose volume today is roughly EUR 50–75 million, developed at only about the same pace as the global GDP growth.



■ With implants for treating prostate cancer (group no. 1 above), 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. However, this advantage is offset by formidable approval procedures, high transport costs, and complex logistics, all of which makes it difficult for them to benefit from their volume advantages 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 implants for treating prostate cancer is worth EUR 25–40 million and has enjoyed double-digit percentage growth rates in the last three years.

■ Radiodiagnostics and other products (category no. 11 above) are primarily the sugar fluorodeoxyglucose (FDG) which is radioactively labeled with fluorine-18. It is used at approx. 200 hospitals throughout Europe in positron emission tomography (PET) to diagnose cancers. According to information provided by the market research company Medical Options, Eckert & Ziegler was the second-largest supplier of this contrast medium in Europe as early as 2006, with regional focuses in Germany, Italy, Poland, and Luxembourg. The Executive Board does not anticipate the rankings to have changed in the year under review and considers Eckert & Ziegler to be the market leader in Germany.

The purchase of an additional cyclotron, the former MC Pharma (now: Eckert & Ziegler EURO-PET Köln/Bonn GmbH), significantly increased Eckert & Ziegler's production capacity and market volume in 2007.

■ With tumor radiation equipment (group no.3 above), which was added to the portfolio three years ago, Eckert & Ziegler's share of the world market is still rather low but is growing much faster than the market as a whole. The main sales markets were in Russia, South America, Asia, and the Middle East. With tumor radiation equipment based on isotope technology and accompanying services, annual global sales are today estimated at EUR 80–120 million.

Business development 2007

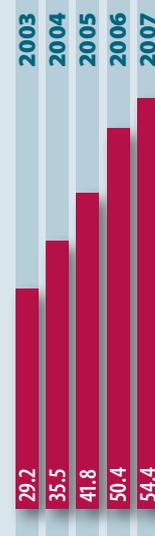
The volume of business of the Eckert & Ziegler Group again increased in 2007 and rose nominally by roughly 8% from EUR 50.4 to 54.4 million. Thus, in the last four years since 2004, the Group has increased its sales by approx. 53%. Since 2003, the Group has grown on average by roughly 14% a year.

In the figures adjusted to take account of exchange-rate effects, the increase in 2007 was in fact even greater than 8% because the falls in the exchange rate of the American dollar resulted, in the Nuclear Imaging and Industry segment, in considerably lower levels of sales when converted. If the dollar exchange rate for 2006 were also applied to 2007, the earnings from sales in 2007 would be around EUR 2.0 million and total Group sales would have been EUR 56.4 million and thus 12% higher than in the previous year.

If one wants to assess the Group's organic growth, the sales which appear in the annual accounts from the acquisition of the Bonn-based company MC Pharma must be deducted from these sales figures. They accounted for roughly EUR 0.9 million. In real and organic terms, i.e. disregarding the changes in the exchange rate with the American dollar and the effects of company purchases, the growth rate for Group sales in 2007 corresponded to roughly 10%, and therefore the rate that Eckert & Ziegler was already able to achieve organically from 2005 to 2006.

As expected, in the year under review, the main driver of growth was the Radiopharmaceuticals segment, which increased by roughly EUR 3 million to EUR 9 million. The Therapy segment grew by EUR 1 million from EUR 20 million to EUR 21 million; by contrast, in the Nuclear Imaging and Industry segment sales remained at the previous year's level of EUR 25 million because of the unfavorable dollar exchange rates. When adjusted to take account of the exchange rate, sales in the segment rose by approx. 7%.

In 2007, Europe including Russia accounted for a total of EUR 31 million of sales, which corresponded to an increase of EUR 5 million compared with the previous year. The Euro zone and neighboring regions have therefore become more important for Eckert & Ziegler and now account for approx. 56% of Group sales (previous year: 52%). The most important consumer countries were Germany with EUR 10 million and France with EUR 8 million. However, in 2007 the biggest sales market for Eckert & Ziegler's products was again the United States where goods worth EUR 18 million were invoiced (predominantly in USD).



**Movements in sales
2003–2007**
(in million EUR)



Their value equated to roughly a third of total Group revenue and was roughly half a million euros above the level of the previous year. The Group's dependence on exchange rates therefore diminished slightly in 2007, but remained high.

Main customer risk: In the year under review, the Group's five biggest customers accounted for total sales worth EUR 5 million, i.e. roughly 9% of total output. Eckert & Ziegler's customer base remained widespread in 2007.

Earnings position

Group earnings of EUR 2.2 million were 12% below earnings for 2006 (EUR 2.5 million). In a two-year comparison, earnings per share (undiluted) fell by 13% and in a comparison with the forecast published by the Group management at the start of the year by EUR 0.28 per share. The reason for the difference was essentially a special effect which could not have been foreseen for the planning period arising from the business tax reform passed by the German Bundestag in spring 2007. This resulted in a reassessment of the Group's deferred taxes and thus in non-payable value adjustments amounting to EUR 0.27 per share. The value adjustments are detailed in the Group profit and loss account in the row taxes from income and earnings.

Without the special effect resulting from the business tax reform, profit would have been around EUR 2.8 million and therefore EUR 0.89 per share as forecast. It would thus have increased by 25% compared with the previous year (EUR 0.71). A substantial part of this improvement is down to the fact that in the year under review no special amortization was required for development projects which were dropped. In the previous year, they had reduced revenue by EUR 0.6 million.

By contrast, the sales figures, which were up EUR 4.0 million in the year under review, did not result in an increase in revenue. A cost block which rose disproportionately relative to sales again canceled out the increased gross profit margin, which meant that the operating result of EUR 6.0 million attained roughly the same (high) level as the previous year (EUR 5.9 million). The high cost block was due in small part to distribution costs which rose at a disproportionate rate, and otherwise to special revenue that failed to materialize. In the previous year, the latter contributed EUR 1.3 million to the operating result and in the year under review it disappeared completely.

In the case of profit before tax and minorities, the Group result for 2007 was EUR 4.9 million, an increase of 4% over the previous year's result (EUR 4.7 million). With roughly the same burden of interest (EUR 0.8 million) as in 2006, this resulted in EBIT of EUR 5.7 million in 2007. In relation to sales, this equates to an EBIT margin of approx. 10%.

Compared with the previous year, earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 7% to EUR 9.4 million. This was caused by amortization that fell by EUR 0.9 million to 3.7 million compared with the previous year. This resulted from the fact that in 2007 in the Therapy segment a series of capital-intensive production lines became entirely self-financing. In addition, 2006 was a year with a particularly high amortization volume which stands out from the trend seen over previous years. By contrast, the values for 2005 and 2004, namely EUR 3.9 million and 3.7 million, correspond roughly to the 2007 value stated above.

Work productivity

Work productivity, calculated as sale per employee, fell in the year under review, with an average number of 312 employees and sales of EUR 54.4 million, by 5% to EUR 174,000 per employee, and therefore back to the value recorded in 2005. The main reason for this was the drop in work productivity in the Nuclear Imaging and Industry segment as a result of the exchange rate. If instead of the nominal sales figures (EUR 54.4 million) one uses those sales figures that would have been achieved had exchange rates remained constant (EUR 56.4 million, see above), this results in Group productivity of EUR 181,000 per employee and therefore almost exactly the previous year's value.

Stagnation, although better than a drop, is of course not satisfactory. However, in mitigation it should be stated that one reason for the stagnation in productivity growth in the Group is the accelerated structural change in the Radiopharmaceuticals segment. In 2007, what used to be straight trading with FDG increasingly began to resemble a manufacturing business with the construction of apparatus and its own cyclotrons in which the key work productivity parameters were lower than the commercial norm. As the segment displaying the strongest growth, it is also characterized by the fact that the block of fixed costs is "overpersonalized" and already geared toward the expected greater sales volume.

In the Nuclear Imaging and Industry segment, the Group's most important segment, constant exchange



Catalytic reaction furnace



rate fluctuations meant that slight productivity increases of about one percent to EUR 204,000 per employee were recorded. The Therapy segment remained slightly below the level of the previous year with sales of EUR 179,000 per employee.

Development of the segments

1. Nuclear Imaging and Industry

The Group's largest segment, the Nuclear Imaging and Industry segment, produces and sells radioactive components for industrial measurement systems, radiation sources for nuclear medicine imaging, calibration and measurement sources and also raw isotopes and other products.

In 2007, business with these articles was nominally slightly poorer than in the previous year and, with roughly constant sales with external customers (EUR 25 million compared with EUR 25.2 million in the previous year), the segment recorded a 13% lower result prior to minority shares of EUR 2.8 million (previous year: EUR 3.2 million). At first glance, business therefore appears to have been unsatisfactory in the year under review. As in previous years, the segment again sold more than 70% of its products in the United States and was therefore particularly susceptible to unfavorable effects resulting from exchange rate fluctuations. The fall in the value of the dollar against the euro impacted in full on sales and earnings in the segment and was in fact the real reason for the downturns mentioned above. In real terms and calculated using the previous year's exchange rate, the segment increased its earnings by approx. 7% and sales rose to EUR 26.9 million.

After the boost to sales recorded in 2006 and 2005 thanks to the purchase and full consolidation of Analytics Inc., the segment has thus returned in 2007 to the growth rates of previous years which as expected – lots of products are relatively mature – are single-digit percentages. Within this context, the real sales growth of 7% does in fact represent a very satisfactory figure which stands out from the series of figures seen in recent years. It is down primarily to the consistently high demand for components for industrial measurement applications. The Californian subsidiary Eckert & Ziegler Isotope Products Inc. occupies a strong position in this niche market which it was able to consolidate considerably in the year under review by securing several key American and Chinese customers.

In order to be able to continue to satisfy the demand from this sector in the future, the segment manage-

ment team was able to complete several investment projects in the year under review enabling Eckert & Ziegler's position to be maintained or expanded in this sector. They included commissioning and obtaining official approval for a new production line at the Czech subsidiary Eckert & Ziegler Cesio s.r.o. and constructing a raw material store for longlife radioisotopes. One place where this is reflected is on the segment balance sheet on which inventories rose by EUR 0.9 million.

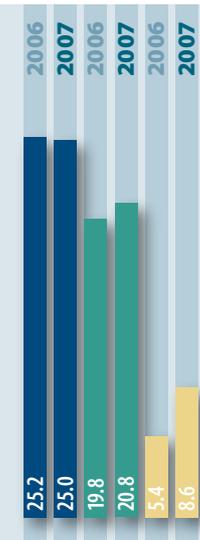
Sales of radiation sources for nuclear imaging, calibration sources and raw isotopes displayed a less dynamic trend in the year under review. Based on constant exchange rates, they maintained roughly their values of the previous year, but in nominal terms they fell slightly.

A positive impact was generated in 2007 by the market launch of the new IGG 100 gallium generator, which was developed in collaboration with the sister company Eckert & Ziegler EUROTOPE GmbH. It is aimed at nuclear medicine researchers and developers who are looking for a PET-compatible alternative to cyclotron isotopes for peptide labeling. In terms of its technical data, in particular its elution resistance and contamination with metal breaches, the IGG 100 is much better than other generators available in the market.

2. Therapy

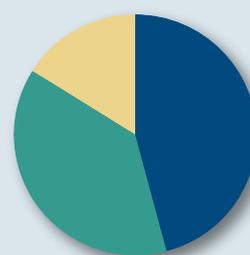
The Therapy segment manufactures and sells implants for treating prostate cancer, ophthalmologic applicators for treating eye cancer, tumor radiation equipment, accessories for radiation therapy and other therapy products primarily for radio oncologists. The main sales markets are the European Union and neighboring regions (including Russia), which accounted for almost 90% of sales with external customers or EUR 18.3 million of the total sales of EUR 20.8 million. The remaining EUR 2.5 million of sales were essentially spread among deliveries carried over from the major order placed in 2006 from Venezuela and exports to Asia.

Compared with the previous year when EUR 19.8 million of sales were generated, the segment was able to increase its sales by 5%, which is to be regarded as an excellent achievement in view of the major order from Latin America in 2006. The product group displaying the strongest growth was "accessories for radiation therapy". The commercial goods, which Eckert & Ziegler does not manufacture itself but instead mainly distributes and sells in France for a brand-name manufacturer, benefited from a realignment of the product range and increased by more



Sales trends in individual segments (external sales)

- Nuclear Imaging and Industry
- Therapy
- Radiopharmacy (in million EUR)



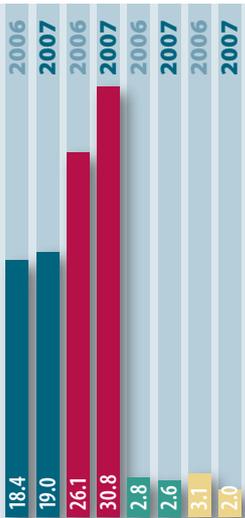
Sales by segments 2007

- Nuclear Imaging and Industry 46%
- Therapy 38%
- Radiopharmacy 16%



Sales trends by regions

- North America
 - Europe
 - Asia/Pacific
 - Others
- (in million EUR)



than a quarter. In 2007, the implants for treating prostate cancer also displayed double-digit percentage growth and achieved a sales volume of EUR 9.6 million (plus 22%). With the tumor radiation equipment, there was as expected a drop in sales on account of the high level of sales achieved in the previous year, but eye applicators maintained their 2006 level.

In terms of revenue, the Therapy segment's revenue prior to minority interests of EUR 0.7 million was just short of the segment's revenue result in the previous year (EUR 0.8 million), which was mainly attributable to the reassessment of the losses carried forward as part of the business tax reform and therefore to increased tax burdens without any effect on cash. By contrast, the profit before tax and minority interests improved by EUR 0.2 million to EUR 1.5 million. The essential reason for this was an improved interest result. This was down to what has now been the successful integration of the divisions acquired in recent years and the better control of current assets associated with this. The profit from operations itself (EUR 2.5 million) only slightly exceeded the previous year's figure (EUR 2.4 million) because of a disproportionate rise in distribution costs.

The segment recorded earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 4.3 million. This figure was EUR 0.4 million lower than the previous year's figure of EUR 4.7 million, in particular because at the end of 2006 a series of production lines which could have continued to be used perfectly well in industrial terms were completely written off and the volume of the write-offs in the year under review fell by EUR 0.5 million to EUR 1.8 million.

3. Radiopharmaceuticals

The Radiopharmaceuticals segment was newly created in 2006. It houses on the one hand the product group of synthesis modules for producing radiopharmaceuticals (Modular Lab) and on the other hand radiodiagnostics for diagnosing cancer. These short-life preparations, which are also known as radioactive contrast media, are produced almost exclusively to order in special cyclotrons and "freshly" delivered every day. The most important products among the contrast media are the weakly radioactive sugar F-18 fluorodeoxyglucose (FDG) and radioactively labeled cholines.

In the year under review, developments in the Radiopharmaceuticals segment were characterized by significant growth in sales, the forecast continued fall in losses and, in terms of the balance sheet, the purchase of the Bonn-based company MC Pharma

GmbH. The following comments should be made about these developments:

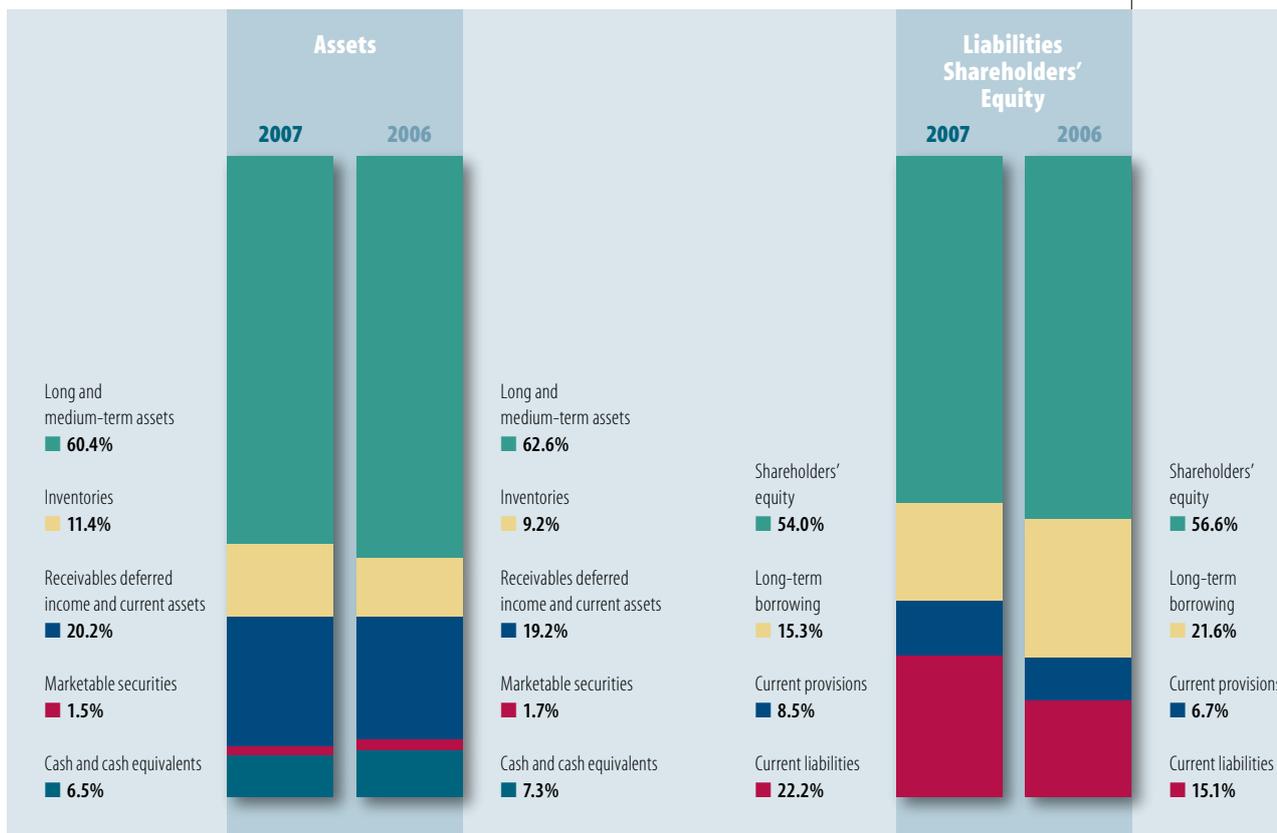
Of the increase in sales with external customers of EUR 3.2 million to EUR 8.6 million, EUR 1.6 million of it (approx. half) was attributable to the new Modular Lab range of synthesis equipment, and a quarter of it was due to the successful outsourcing of the contrast media business from Berlin to Poland, in particular to Silesia (Gliwice and Wroclaw). The rest of the growth in sales resulted primarily from the sales generated by the new subsidiary Eckert & Ziegler EURO-PET Köln/Bonn GmbH (previously: MC Pharma). As in previous years, the main product was F-18 fluorodeoxyglucose (FDG), with roughly 20,000 patient doses being supplied in the year under review, primarily in Germany, Italy, and Poland.

The segment's loss, which was reduced by EUR 0.7 million, is mainly down to two factors. Firstly, in 2007 no special write-downs for development projects which were canceled were required, and secondly the sales, which were EUR 3.2 million higher, resulted in a gross profit margin which was EUR 1.7 million higher and as a result profit from operations which was EUR 0.6 million better than in the previous year. Although in terms of value (minus EUR 0.4 million) it is still negative, the loss is much better than the previous year's figure of EUR 1 million, especially if one considers that, following the successful market launch of Modular Lab in 2007, amortization on the development costs for this product range have been included in the profit from operations for the first time.

The positive effect of the improved profit from operations was neutralized by interest payments which increased by EUR 0.3 million and revenue from deferred taxes which fell by EUR 0.3 million. The increase in interest can be attributed to the acquisition of MC Pharma, and the disproportionate drop in tax revenues to a special effect in the previous year.

The profit from continuing operations remained at the 2006 level (minus EUR 0.9 million).

The purchase of MC Pharma, now trading as Eckert & Ziegler EURO-PET Köln/Bonn GmbH, which was substantially financed by a vendor loan, is reflected in a stretching of the balance sheet to the tune of roughly EUR 3 million. As the transaction affects the Group as a whole, it will be commented on in more detail in the following section on the Group's financial position and net assets.



Financial position and net assets

The changes to the balance sheet are slightly more pronounced in 2007 than in the previous period, but relatively low compared with fiscal years in which there were many acquisitions, for instance compared with the previous year. The balance sheet total rose slightly by EUR 3.4 million or 5% to EUR 67.6 million, with the equity ratio falling slightly by 3% to 54%. The fluctuations were not dramatic compared with recent years, including with the equity and total equity yield, which were each one percent lower than in the previous year and were 6% and 8%, respectively.

The changes on the balance sheet can essentially be attributed to a small number of factors. As well as the ever-present impact of currency effects which can be traced back to the fall in the rate of the US dollar against the euro, the balance sheet at the end of 2007 is dominated primarily by the purchase of MC Pharma, the shifting of a long-term loan which was due for repayment into current liabilities and the build-up of inventories. The following detailed statements can be made on these points:

1. People familiar with the Group from previous annual reports will be well aware that the Group balance sheet is dependent on exchangerate fluctuations. This results from the fact that important Group subsidiaries, in particular the Californian subsidiary Eckert & Ziegler Isotope Products Inc., publish their balance sheets in the American currency. In addition, the Group invoices roughly a third of its sales on a dollar basis. Any appreciation or depreciation in currency therefore has a considerable impact on current assets, profits carried forward and debts.
2. The acquisition of MC Pharma, now trading as Eckert & Ziegler EURO-PET Köln/Bonn GmbH, is reflected in a stretching of the balance sheet to the tune of roughly EUR 3 million. In terms of assets, it affects the property, plant and equipment and intangible assets which together rose by EUR 3.6 million to EUR 19.5 million; in the liabilities section of the balance sheet it affects the other current liabilities and the short-term loans which together grew by EUR 3.4 million to EUR 9.2 million. The background to the classification in the books as short-term is the obligation to repay the vendor loan for EUR 2.8 million by the end of 2008.

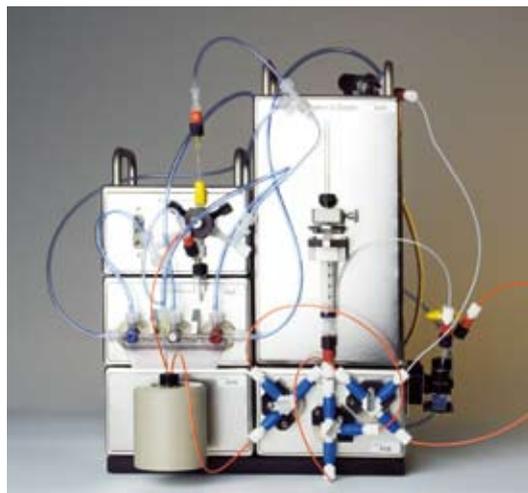
Balance sheet structure

Total assets 2007:
TEUR 67,587

Total assets 2006:
TEUR 64,173



Modular Lab for marking antibodies with radioactive isotopes



3. The increase in the short-term borrowing obligations of EUR 1.6 million to EUR 4.1 million is a similar example of reclassification of liabilities which were previously non-current liabilities into current liabilities on account of due dates for repayment which are brought forward. Conversely, there is also a reduction in the liabilities to credit institutes of EUR 1.6 million to EUR 3.2 million. Here too, the background to this is provided by debt restructuring agreements due by fall at the latest for which offers have already been submitted to the Executive Board.

4. Roughly half (EUR 0.9 million) of the increase in inventories of EUR 1.8 million to EUR 7.7 million, which is disproportionate compared with the growth in sales, is due to the strategic procurement of long-life radioisotopes in the Nuclear Imaging and Industry segment. These are used as raw materials for industrial radiation sources and, as a result of the technology involved, they are not always available in sufficient quantities at short notice. Customer orders already exist for the items held in stock. After the new production facility in Prague is commissioned, they will be processed continuously over the next few years.

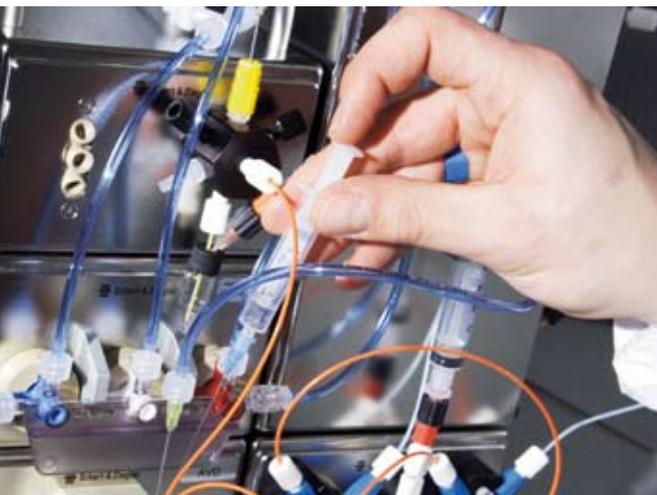
Roughly EUR 0.5 million of the increases in inventories are attributable to the build-up of a stock of synthesis equipment and components in the "Modular Lab" product range which should enable short delivery times to be met. In terms of other major changes on the balance sheet amounting to more than one million euros, only the increase in provisions by EUR 1.1 million to EUR 5.1 million needs to be reported. Among other factors, this is due to increased bonus provisions and other provisions in the therapy sector.

Cash flow

In contrast to the comparatively modest earnings figures which were influenced by considerable cash-free special effects, the Group's key liquidity figures displayed an excellent trend. Cash flow from operating activities in particular was robust, achieving a record level of EUR 6.6 million, the highest level seen in the last four years. It was EUR 2.0 million or 43% above the equivalent figure for the previous year.

Whereas in 2007 the inflow of liquidity from operating activities increased considerably compared with the previous year, the cash flows for investments and financing essentially corresponded to the values of previous periods, at least if they are adjusted to reflect the sales of securities. In the year under review, EUR 4.6 million was spent on investments in fixed assets, including the acquisition of consolidated companies. Although this was EUR 0.5 million or 13% above the 2006 level, this does not signal any change in the investment and acquisition strategy. As in the previous year, in 2007 loan commitments amounting to EUR 1.2 million net were repaid (2006: EUR 2.6 million), and a dividend of EUR 0.8 million was paid (previous year: EUR 0.5 million).

Despite these payments and the increase in operating output, the stock of liquid assets including securities only fell by EUR 0.4 million to EUR 5.4 million compared with the final day of the previous year. As the leverage ratio remained largely constant in the year under review, the Executive Board currently sees itself as being well equipped to finance further growth.



Research & development

The research and development expenditure of the Eckert & Ziegler Group is only detailed to some extent as expenditure directly in the profit and loss account. As in line with IFRS the Group takes advantage of the option of activating development expenditure, most of the development activities appear as items on the balance sheet. Another factor leading to an underestimate of the expenditure on R&D is the fact that the Group only records development activities separately if development funds or investment allowances can be obtained in respect thereof.

The figure given for research and development expenditure in the profit and loss account therefore only provides a very rough indication of the Group's innovative strength. If it is applied as a measure for 2007, the EUR 0.3 million in the profit and loss account must be supplemented with another EUR 1.9 million of activated personal contributions which can be assigned to the development of Modular Lab. The total costs therefore amounted to roughly EUR 2.2 million, roughly EUR 0.4 million more than in the previous year.

Another indication of the innovative strength of the Eckert & Ziegler Group is the high level of sales achieved with new products in the year under review. The criterion used for "new" here is whether at the start of the year under review the article had been offered for sale by the Group for a maximum of two years, i.e. only from 2005 onwards. Based on this benchmark, it is apparent that all of the products in the Radiopharmaceuticals segment (contrast media and synthesis modules), and also those calibration and measurement sources that are produced by Eck-

ert & Ziegler Analytics and the Czech company SORAD as well as all prostate cancer implants which are based on the new design introduced in August 2005, are counted as new products.

In the year under review, they accounted for sales of EUR 19 million. Compared with the total sales of EUR 55 million, this corresponds to a proportion of 34%. This is lower than in the previous year (42%), but this is not because there was less innovation taking place but instead is down to the fact that in the years prior to 2005 there were particularly intensive reorganization and restructuring efforts aimed at replacing the collapsed market in cardio-vascular radiation sources.

Specific details on the activities:

In the Radiopharmaceuticals segment, almost EUR 1.9 million was invested in the completion and improvement of the Modular Lab range of synthesis modules. Working together with academic partners, one of the achievements here was the development of automatic machines for labeling peptides with gallium-68. They utilize new manufacturing processes with improved process parameters and allow a whole range of gallium-DOTA peptides to be produced. The synthesis modules are thus suitable for a class of substances that is currently being researched in great depth by many users of nuclear medicine.

In order to be able to provide raw isotopes for the target group of gallium researchers and users, our Californian subsidiary Eckert & Ziegler Isotope Products Inc., working together closely with the Radiopharmaceuticals segment, introduced onto the market a gallium generator which is suitable for the synthesis modules in the year under review. The IGG 100 is noted for a previously unattained level of purity and a particularly stable level of productivity. With this generator, Eckert & Ziegler has secured a strong position in the global market for gallium products.

In the year under review, the developments achieved in the Radiopharmaceuticals segment also included the establishment and approval of a new process for producing ¹⁸F-fluoroethylcholine (FEC), a radiodiagnostic which can be used to confirm or rule out any suspicion of prostate cancer more quickly and more reliably than is possible using alternative methods. Citing a compassionate use clause in the Drug Registration and Administration Act, Eckert & Ziegler has also obtained authorization to market the product from the German Office for Drugs and Medical Products in Cologne, and has recently begun supplying FEC to a series of German hospitals.



Finally, in 2007 the team in the Radiopharmaceuticals segment successfully managed to establish a stable process for synthesizing a contrast medium which can be applied outside of traditional oncological indications. This medium is F-DOPA, a radiodiagnostic based on fluorine-18 which can be used to detect Parkinson's disease. In addition, in the year under review, work also began on a process for producing fluoroethyltyrosine (FET), which can be used to diagnose brain tumors.

The efforts of the developers in the Therapy segment were focused on expanding the range of accessories for the existing equipment ranges. Among other things, applicators were developed for treating cervical cancer and vaginal carcinomas which are used in brachytherapy with tumor radiation equipment of the Multisource® type. In addition to this, the engineers and technicians worked on new eye applicators based on iodine-125 which are suitable for treating malignant retinal and choroid tumors.

In the Nuclear Imaging and Industry segment, the development work was focused on the IGG 100 gallium-68 generator described above. In addition, the flexible flood source Perflexion® was patented, and a transportation and storage case for this calibration instrument was presented at the congress of the American Society of Nuclear Medicine. The new packaging unit was well received.

Eckert & Ziegler again received its main impetus for improving radioactive components from its traditionally close working relationship with manufacturers of imaging equipment (gamma cameras, PET scanners). Working in partnership with these original equipment manufacturers, nine new source designs specifically for PET and SPECT scanners were developed and marketed in the year under review. These were line sources and flood sources as well as 3D phantoms. Eckert & Ziegler boasts considerable resources for developing nuclear medicine imaging sources and is able to offer its customers specific solutions and customized designs.

The reference and calibration sources department stepped up its development activities for the plastic oscillator market and, with the PSC-0025 model, it marketed its fourth product which can be used to calibrate equipment for measuring body fluids and bacteria.





Opportunities and risks

Shareholders in Eckert & Ziegler AG must be aware that the company is exposed to a large number of opportunities and risks which may influence the company's business activities and share price. This report will now outline what risks and opportunities the individual segments display, and what effects this might have on the Group as a whole. Furthermore, the Group risk management and safeguarding measures that have been taken will be described.

Risk management

Eckert & Ziegler AG attempts to handle its business risks using 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.

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.

Financial 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. However, in the coming business years, 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 risks 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. However, the Executive Board is taking measures to limit risks through loans and guarantees in an amount which is justifiable in relation to the Group's overall assets.

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.

At the time of reporting, the companies Eckert & Ziegler Strahlen- und Medizintechnik AG, Eckert & Ziegler Bebig GmbH and Eckert & Ziegler Eurotope GmbH are undergoing an audit. The results of this audit are uncertain especially as different effects, some of which compensate one another, confront one another and the individual facts and circumstances have not yet been definitively clarified. It is possible that, given a one-sided interpretation by the financial auditors, a payment of tax arrears may have to be made or a legal dispute may ensue.



Legal risks

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 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 2004. The Board views this suit as groundless but cannot exclude the possibility that this or similar actions find backing. Yet it would be 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 accept such risks in the future in the interest of further development.

Personnel risks

In many segments, Eckert & Ziegler 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 particularly well-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.

General risks associated with production and handling radioactivity in particular and opportunities arising from this

The production risk includes 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 on when these are issued or renewed.

Both radioactivity itself and 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.

Eckert & Ziegler has undoubtedly acquired a great deal of know-how thanks to its many years of experience in handling radioactivity. This experience also provides a safeguard against new competitors entering the market as well as a wide range of options for accelerating organic and acquisition-driven growth in these business fields.

General strategic 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. However, the risk exists 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 possi-



bility cannot be ruled out that competitors will undertake more successful actions with other products or marketing strategies.

Risks in the Nuclear Imaging and Industry segment

Many nuclear medicine 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.

The segment relies on possibilities for disposing of radioactive waste produced when taking back sources from customers and during production. There are signs that one of these disposal facilities in the USA is set for closure, as a result of which Eckert & Ziegler anticipates higher costs at the remaining facilities. Efforts are being made to counter the increases in costs by adopting internal recycling which reduces external waste.

Strategic risks and market risks in the Therapy segment

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 faces 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. However, the year under review has shown that the equipment further developed permanently from the created sales structures could be well placed in the market.

Risks in the Radiopharmaceuticals segment

In the new Radiopharmaceuticals 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 the number of new customers and the sales themselves might not develop as expected due to less than ideal decisions on cost reimbursement by statutory health insurance programs.

Even as part of the process of examining the acquisition of Eckert & Ziegler EURO-PET Köln/Bonn GmbH (previously: MC Pharma GmbH), it was apparent that the cyclotron installed there was of an older design and the manufacturer Siemens would soon stop producing spare parts and providing customer service for the facility. A model calculation was therefore used to run through the worst-case scenario, which involved having to replace the cyclotron. However, even this scenario proved to be profitable. A replacement now even appears less likely because spare parts have since been procured and a number of employees have received training in maintenance and service.

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 have 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 2008 stemming from the above-mentioned risks.



Post balance sheet events

In February 2008, Eckert und Ziegler AG invested its stake in Eckert & Ziegler BEBIG GmbH as a contribution in kind in International Brachytherapy S.A. (IBt), Seneffe (Belgium) and in return for this it received 38.5% of the nominal shares (or 29.9% of the voting shares) in IBt arising from a capital increase. In this connection, Eckert & Ziegler AG invested its claims against Eckert & Ziegler BEBIG GmbH as a capital reserve in Eckert & Ziegler BEBIG GmbH.

Outlook

In fiscal year 2008, the Group anticipates a considerable growth in sales, especially because in this period Eckert & Ziegler EURO-PET Köln/Bonn GmbH (formerly MC Pharma), which was purchased in October 2006, will be recorded with its full-year sales revenues for the first time. Another factor is that in February 2008, as part of a merger of the prostate cancer implant divisions, the Group not only emerged to become the biggest shareholder in International Brachytherapy (IBt). As part of this transaction, Eckert & Ziegler also acquired an option to purchase a further share package and, if it were to exercise this

option, it could hold more than 50% of all the shares in its former competitor. However, in accordance with the regulations of International Financial Reporting just the theoretical possibility of being able to acquire and therefore control the majority of the votes at an annual general meeting results in a duty to consolidate, which is why additional sales of roughly EUR 10 million arising from the inclusion of IBt in the Group companies which are consolidated are expected for fiscal year 2008. Together with the Group's organic growth and the boost to sales from the initial consolidation of Eckert & Ziegler EURO-PET Köln/Bonn GmbH, the sales threshold of EUR 70 million will probably be broken – provided that the dollar enjoys a stable exchange rate against the euro.

On the earnings side, the purchase of the package of shares and the consolidation of IBt resulting in a cascade (currently difficult to overlook) of effects which boost profits on the one hand and reduce profits on the other.

However, a factor that will reduce profits in the medium term is the fact that, as part of the transaction, Eckert & Ziegler sold its profitable implants division to IBt. The Group therefore no longer enjoys the benefit of all the profits from the division but instead





just 40% of the revenue from the joint venture company. In the initial phase at least, this share will be lower than any anticipated profit from the implant division that has been sold off. However, for strategic reasons, Eckert & Ziegler has accepted the dilution of its entitlement to a share in profits in favor of IBt's existing shareholders. The Executive Board is confident that the combination of the two companies will generate greater growth and therefore higher revenues over the longer term than would be possible by going it alone.

The crucial factor in determining whether profits can be maintained over the long term will therefore be the rate at which the earnings for the merged implant businesses grow, and whether the growth is sufficient for Eckert & Ziegler in fiscal year 2008 to compensate for the value of the profits relinquished in 2008.

Remuneration report

Executive Board remuneration

Executive Board remuneration is set by the Supervisory Board and is subject to reevaluation by the Supervisory Board roughly every two to three years. The Executive Board remuneration is currently composed of fixed and variable payment components. 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. The conferred area of responsibility, personal performance, and the experience of the Executive Board member, the company's outlook for the future, and the competition situation are key factors here.

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.

Variable remuneration components which are attractive over the long term and are risky in nature are no longer provided following the expiry of the company's former share option program. However, members of the Executive Board still hold share options from this program which they were granted in previous fiscal years and they have not yet exercised. 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 they 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 total remunerations for fiscal year 2007 totaling EUR 966 thousand, EUR 586 thousand were fixed and EUR 380 thousand were short-term performance-related remuneration components (see table 1 below).

There were no payments to former Executive Board members or their heirs in fiscal year 2007. There are retirement benefit provisions for a former Executive Board member totaling EUR 98 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 a half times 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 that 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.

In fiscal year 2007, the Supervisory Board members received fixed remunerations of EUR 45 thousand and emoluments for meetings totaling EUR 21 thousand. Total expenditures were thus EUR 66 thousand (see table 2 below).

Directors' dealings

Directors' dealings pursuant to paragraph 15a of the Securities Act (WpHG) were not reported to the company in 2007.

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.

Table 1	Fixed remuneration components		Short-term performance-related remuneration components	Total
	Fixed salary	Non-monetary compensation	Profit sharing/Bonus	
	TEUR	TEUR	TEUR	TEUR
Dr. Andreas Eckert	256	7	200	463
Dr. Edgar Löffler	180	10	150*)	340
Dr. Andreas Hey	133	0	30	163

*) Payment of a partial sum of EUR 100,000 into a support fund which serves the purpose of providing congruent back-up for a promised provision.

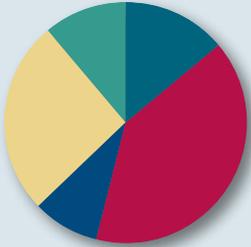
Table 2	Remunerated position	Fixed remuneration	Meeting allowances	Total
		TEUR	TEUR	TEUR
Prof. Dr. Wolfgang Maennig	Supervisory Board Chairperson	12	3	15
Ralf Hennig	Supervisory Board Deputy Chairperson	9	4	13
Prof. Dr. Ronald Frohne	Supervisory Board member	6	2	8
Prof. Dr. Nikolaus Fuchs	Supervisory Board member	6	4	10
Frank Perschmann	Supervisory Board member	6	4	10
Hans-Jörg Hinke	Supervisory Board member	6	4	10



All around the world, the personal dedication of our employees ensures that customers, investors and other business partners choose Eckert & Ziegler. Developing and expanding their skills on an individual basis is therefore an essential investment in the company's future. Specific support and education is also of key strategic importance for the company because know-how, motivation, application and creativity among employees represent a crucial competitive advantage and will shape our expertise for the future.



Staff



Staff by areas 2007

F&E	14%
Production	40%
QM	9%
Sales and marketing	26%
Administration	11%



Staff

In the year under review, the average number of people employed by the Group per month rose by 36 to 327. The main reason for this rise was the acquisition of Eckert & Ziegler EURO-PET Köln/Bonn GmbH.

In the period under review, staff costs amounted to EUR 14.5 million (2006: EUR 13.5 million). Roughly half of all employees hold a diploma from a university of applied science or a higher qualification. The Group invested TEUR 124 (2006: TEUR 116) in advanced training for employees.

In order to make it easier to combine family and professional life, Eckert & Ziegler offers, among other things, 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 people's return to work. The Group also promotes individual advanced training and education for employees with internal English courses and post-graduate studies in the areas of business management and medical physics.

In the 2007 fiscal year, numerous interns, students and graduates again 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 a permanent position after completion of their projects.

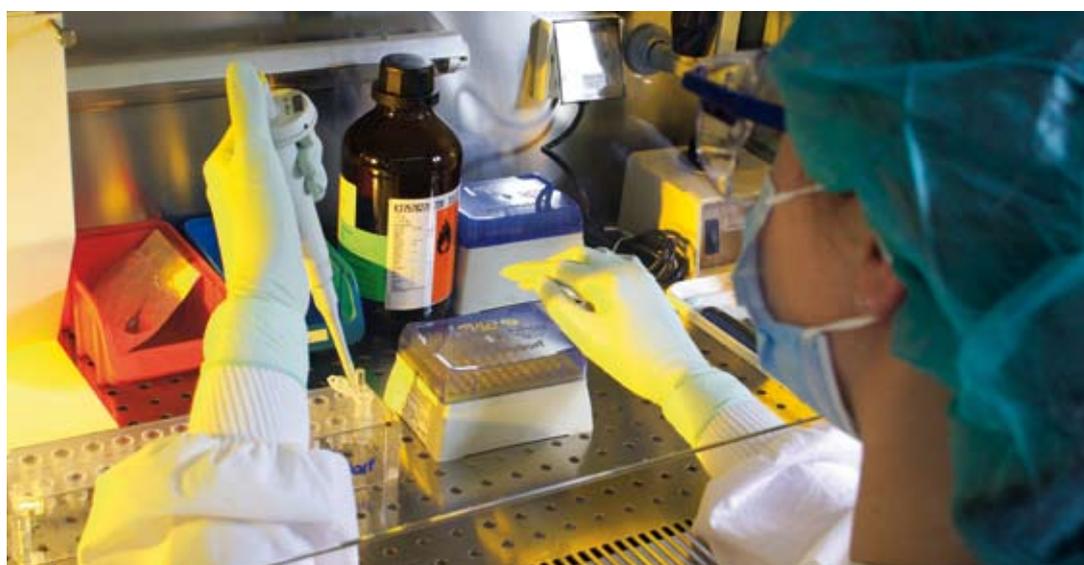
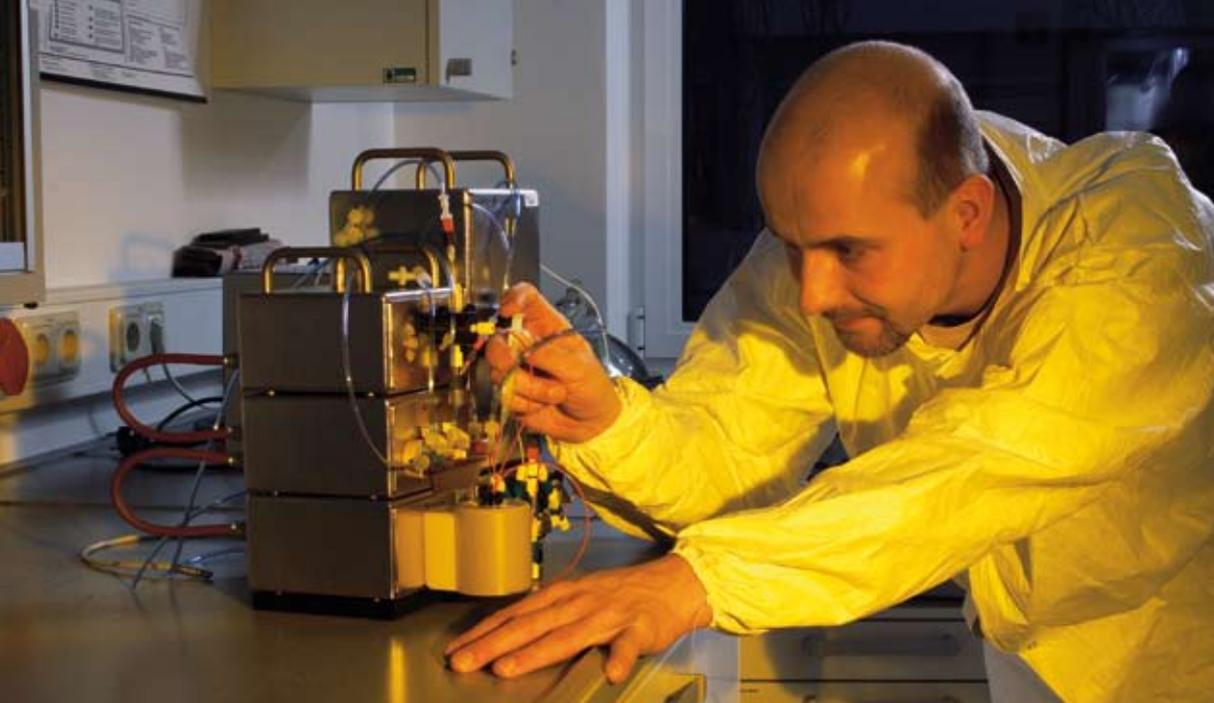
Eckert & Ziegler is a training company and believes that taking on trainees both helps it to retain its own employees and provides school leavers with professional prospects in an industry with a promising future. In 2007, the Group was able to provide perma-

nent employment for all trainees who completed their training.

In an attempt to find a better balance between the interests of employees and the interests of the company, Eckert & Ziegler has created a monthly bonus system for many divisions within the company. In 2007, 88 employees, equating to roughly 27% of the workforce, participated in this. Furthermore, the proportion of employees who have a variable element to their pay but are not part of the management team was increased continuously.

In the year under review, the average time lost through sickness and illness in the Group was 1.91% and this was considerably lower than the state average and the average at a national level (Berlin-Brandenburg 3.7%, nationally 3.29%).

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.





Marketing and Public Relations

In the 2007 fiscal year, marketing activities were again focused on boosting the profile of Eckert & Ziegler and promoting sales. The main tools used for this were once again the Internet, printed material as well as stands at congresses and trade fairs. The operating subsidiaries of Eckert & Ziegler AG were represented at 47 events in Germany and abroad.

The structure of the document database (SalesNET), which was introduced two years ago, has been continuously expanded and updated. Via the Internet it allows global access to relevant product information. A special facility is offered by a newly introduced notification service which enables users to easily find out information about product changes and innovations. From now on, important marketing documents will also be available in French, Polish and Spanish.

A public relations highlight was the company's tenth anniversary which Eckert & Ziegler AG celebrated in the summer of 2007 together with guests from the worlds of politics, business and culture at a Berlin club.

The Group continues to be committed to socio-political causes. The "Forschergarten" initiative, which was launched by Eckert & Ziegler and the "Gläsernes Labor" in Berlin-Buch and is intended to improve young children's natural science education, was honored as a "Ausgewählter Ort im Land der Ideen 2007" (2007 Selected Site in the Land of Ideas).

In November, together with the umbrella organization for the nuclear medicine federations in Europe, the EANM (European Association of Nuclear Medicine), a prize was awarded to young, talented practitioners of nuclear medicine. The "EANM Eckert & Ziegler Abstract Award" is intended to help to promote up-and-coming talent and features a travel grant.



20th EANM Annual Congress in Copenhagen

Annual General Meeting in Berlin

Tenth company anniversary of Eckert & Ziegler AG





Environment and Safety

In 2007, the emission of pollutants into the environment as a result of Group production activities was once again low. Radioactive materials are only processed within closed circuits, and the quantities are low. In addition, production is carried out under negative pressure, and the exhausted air is centrally filtered.

In order to improve safety in the workplace, efforts are therefore being focused primarily on avoiding and reducing exposure to radiation. In the year under review, despite increasing production volumes in all segments, optimization of processes and systems meant that staff exposure to radiation was kept at the very low level of previous years. In the therapy segment, the average value for 2007, the year under review, is in fact less than 1% of the legally stipulated value.

In 2007, high priority was given to the implementation of the law on the distribution, taking back and environmentally friendly disposal of electrical and electronic equipment. This includes demonstrating that none of the substances which are banned under the law are used to produce the equipment, guaranteeing that the equipment will be taken back and ensuring that the used devices will be recycled in accordance with the regulations.

A key element of health and safety in the workplace is an extensive range of instruction and training which is on offer: All employees receive instruction at least once a year about all of the potential risks and hazards in the area in which they work and they are familiarized with the necessary code of conduct. All working areas with an increased risk potential are supervised by employees who have the appropriate level of expertise to manage this risk potential. For example, at the Berlin plant a total of 29 employees are experts on radiation protection and are appointed as radiation protection officers with the supervisory authority.

At the Berlin plant, there were a total of 23 further training courses (compared with 37 the previous year) in the year under review, 12 of these relating to safety in the work-place (compared with 12 the previous year) and 11 relating to radiation protection. The reduced number of radiation protection courses can be attributed to the fact that in the previous year more people were affected by the sequential update than in the year under review.

The level of safety in the workplace is demonstrated by the fact that, for seven years now, there have been no accidents at work whose causes could be attributed to the lack of protective equipment or technical defects. Apart from road accidents and trivial incidents, not a single workplace accident had to be documented and forwarded to the relevant authority in the period under review. As far as radiation protection is concerned, there were also no incidents which had to be reported.

The production facilities, supply units and other equipment are inspected at regular intervals for any defects which may have an impact on safety and new production facilities are approved and signed off by independent experts. This ensures that even the most minor defects or signs of wear can be identified in good time and the safety of plants can be maintained at the highest level. Before a newly created workplace is approved, the hazard which it poses is always evaluated first of all and this is then reevaluated at least every three years for existing workplaces as well.



Quality Management

As a manufacturer of medical products and radiopharmaceuticals, Eckert & Ziegler is legally obliged to maintain comprehensive, formalized quality assurance systems. Responsibility for this is borne primarily by the manufacturing subsidiary companies which are regularly inspected by external authorities, for instance TÜV or the German Calibration Service, to ensure compliance with the guidelines. In addition, for its own benefit, the company constantly seeks to improve on and exceed the required standards. In order to support this aim, it has concluded bonus agreements with a large number of managers and employees relating explicitly to quality targets.

The most important inspection audit in the year under review was conducted in June 2007 by TÜV Nord CERT GmbH for the leading business in the therapy sector, Eckert & Ziegler BEBIG GmbH. The audit confirmed that the quality assurance systems conform to the European and Canadian directives and standards. Specifically, the following certificates were authenticated as part of this.

1. Certificate in accordance with Annex II of EC Directive 93/42/EEC. Area of validity: "Brachytherapy radiation sources, brachytherapy afterloading systems"
2. Certificate in accordance with Annex 2 of EC Directive 90/385/EEC. Area of validity: Implantable seeds and accessories for brachytherapy
3. Certificate for the management system in accordance with DIN EN ISO 9001:2000. Area of validity: "Development, manufacture and distribution of radioactive components for medical applications"
4. Certificate in accordance with EN ISO 13485:2003. Area of validity: Development, manufacture and distribution of brachytherapy radiation sources, brachytherapy afterloading systems and blood irradiation equipment
5. Certificate in accordance with Canadian standard CAN/CSA ISO 13485:2003 (Medical Devices Regulation). Area of validity: Development, manufacture and distribution of radioactive sources and equipment and accessories for brachytherapy

The certifications also apply to the products of STS Steuerungstechnik + Strahlenschutz GmbH, which is integrated into BEBIG's quality management system, and to Eckert & Ziegler Isotope Products GmbH (IPE), to the extent that BEBIG processes also apply to them.

In the year under review, an independent expert also confirmed that the Modular Lab synthesis equipment range meets the requirements which are placed on equipment used to manufacture pharmaceuticals at both a national and international level. Among other things, Modular Lab hereby satisfies the requirements of Good Automatic Production (GAMP4, 21 CFR Part 11).

Since a quality management system was first implemented in 1998, the Eckert & Ziegler Group has in each case received – with no notable objections – all certifications currently in force.



Quality control on contrast media using HPLC analysis





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Consolidated Financial Statements of the Eckert & Ziegler Group



Consolidated Statements of Income

Years ended December 31

		2007	2006
(Amounts in thousand EUR except for per share data)	Note	TEUR	TEUR
Revenue	6.	54,444	50,378
Cost of sales	7.	-27,579	-26,464
Gross profit on sales		26,865	23,914
Selling expenses	8.	-10,231	-8,652
General and administrative expenses	9.	-10,453	-10,307
Research and development expenses	10.	-289	-333
Other income	13.	564	1,451
Other expense	14.	-485	-196
Profit from operations		5,971	5,877
Result from shares evaluated at equity	15.	9	-9
Other financial items	16.	-292	-324
Earnings before interest and tax (EBIT)		5,688	5,544
Interest yield		63	74
Interest paid		-830	-870
Profit before tax		4,921	4,748
Income tax expense	18.	-2,771	-1,611
Profit from continuing operations		2,150	3,137
Profit from discontinued operations, net (including income from the discontinuation and deconsolidation of Altmann GmbH & Co. KG of EUR 398 thousand)	21.	0	-592
Profit for the year		2,150	2,545
Of which: share of profit attributable to minority interest	19.	202	324
Of which: dividend to shareholders of Eckert & Ziegler AG		1,948	2,221
Earnings per share	20.		
Basic		0.62	0.71
Diluted		0.61	0.70
Earnings per share – continuing operations			
Basic		0.62	0.90
Diluted		0.61	0.89
Earnings per share – discontinued operations			
Basic		0.00	-0.19
Diluted		0.00	-0.19
Average number of shares in circulation (basic) in thousands		3,142	3,131
Average number of shares in circulation (diluted) in thousands		3,171	3,167



	Note	2007 TEUR	2006 TEUR
Cash flows from operating activities:	39.		
Profit for the year		2,150	2,545
Adjustments for:			
Depreciation and amortization (of which: EUR 64 thousand included as profit from discontinued operations)		3,731	4,601
Interest paid		767	796
Interest payments		- 573	- 749
Tax on earnings		2,771	1,611
Tax on earnings paid		- 1,854	- 2,405
Proceeds from grants less release of deferred income from grants		37	- 551
Deferred tax		- 10	113
Expense from share option plan		104	117
Unrealized foreign currency gains/losses		265	341
Effect of foreign currency rate changes on operating cash flows		15	16
Long-term provisions, other non-current liabilities		517	128
Book gains on deconsolidation of Altmann		-	- 398
Losses on the disposal of non-current assets		18	71
Gains (-)/losses on the sale of securities		1	- 55
Other items		- 128	- 7
Changes in current assets and liabilities:			
Receivables		87	- 1,871
Inventories		- 2,051	- 125
Prepaid expenses and other current assets		- 8	- 60
Trade accounts payable and accounts payable to related parties		146	318
Profit tax liabilities		31	- 457
Other Provisions		1,183	1,068
Deferred income		- 11	2
Other liabilities		- 557	- 488
Cash inflows generated from operating activities		6,631	4,561
Cash flows from investing activities:	40.		
Additions to non-current assets		- 4,685	- 4,162
Sale of non-current assets		212	127
Acquisition of consolidated enterprises*		- 188	- 25
Sale of shareholdings		15	-
Sale of securities		70	1,387
Cash outflows from investing activities		- 4,576	- 2,673
Cash flows from financing activities:	41.		
Dividends paid		- 786	- 469
Distribution to minority interests		- 272	- 251
Purchase/sale of own shares		21	22
Receipts from the take-up of long-term borrowings		294	-
Repayments of long-term borrowings		- 1,203	- 2,575
Change in short-term borrowings		- 250	1,325
Cash outflows (cash inflows in previous year) from financing activities		- 2,196	- 1,948
Effect of exchange rates on cash and cash equivalents		- 167	- 207
Net decrease in cash and cash equivalents		- 308	- 267
Cash and cash equivalents at beginning of period		4,683	4,950
Cash and cash equivalents at end of period		4,375	4,683

* Another part of the purchase price of MC Pharma GmbH involved the takeover of an additional loan liability amounting to EUR 181,000 with respect to the vendor. (See also explanations given under Point 42.)



Consolidated Balance Sheets

As of December 31, 2007 and 2006

	Note	2007 TEUR	2006 TEUR
Assets			
Non-current assets, total			
Intangible assets	22.	18,234	17,985
Property, plant and equipment	23.	17,745	15,920
Equity investments		68	68
Financial investments reported according to the equity method	42.	0	6
Other loans	24.	44	48
Deferred tax assets	18.	3,081	4,118
Other assets	25.	1,630	2,036
Total non-current assets		40,802	40,181
Current assets			
Cash and cash equivalents	26.	4,375	4,683
Securities	27.	1,033	1,081
Trade accounts receivable	28.	11,459	11,110
Receivables from related people and companies		5	27
Inventories	29.	7,713	5,888
Other assets	30.	2,200	1,204
Total current assets		26,785	23,993
Total assets		67,587	64,174
Equity and liabilities			
Shareholders' equity			
	31.		
Subscribed capital		3,250	3,250
Capital reserve		29,750	29,632
Retained earnings		7,230	6,068
Other reserves		-3,734	-2,679
Own shares		-359	-366
Equity to which the shareholders in Eckert & Ziegler AG are entitled		36,137	35,905
Minority interest		354	424
Total shareholders' equity		36,491	36,329
Non-current liabilities			
Long-term borrowings and finance lease obligations	32.	3,921	7,319
Deferred income from grants and other deferred income	33.	1,369	1,270
Deferred tax liabilities	18.	1,339	1,706
Rückstellungen für Pensionen	34.	98	129
Other non-current liabilities	35.	3,653	3,449
Total non-current liabilities		10,380	13,873
Current liabilities			
Short-term borrowings and and finance lease obligations	32.	8,256	3,365
Trade accounts payable		3,885	3,855
Advance payments received		290	331
Provisions	36.	5,139	3,971
Deferred income from grants and other deferred income	33.	935	960
Current tax payable	18.	578	300
Other current liabilities	37.	1,633	1,190
Total current liabilities		20,716	13,972
Total equity and liabilities		67,587	64,174

Consolidated Statements of Shareholders' Equity

As of December 31, 2007 and 2006



	Subscribed capital			Retained earnings	Cumulative other equity items		Own shares	Equity attributable to shareholders	Minority interest	Group share-holders equity
	Shares	Nominal value	Capital reserve		Unrealized gains/losses on securities	Exchange differences				
	TEUR	TEUR	TEUR		TEUR	TEUR				
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
Total income for the period	0	0	286	2,221	-19	0	68	2,556	324	2,880
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

	Subscribed capital			Retained earnings	Cumulative other equity items		Own shares	Equity attributable to shareholders	Minority interest	Group share-holders equity
	Shares	Nominal value	Capital reserve		Unrealized gains/losses on securities	Exchange differences				
	TEUR	TEUR	TEUR		TEUR	TEUR				
Balance January 1, 2007	3,250,000	3,250	29,632	6,068	22	-2,701	-366	35,905	424	36,329
Dividends paid				-786				-786	-272	-1,058
Cost of share option plan			104					104		104
Application of own shares for acquisitions and to service share option plan			12				9	21		21
Acquisition of own shares			2				-2	0		0
Profit for the year				1,948				1,948	202	2,150
Unrealized gains/losses on securities at balance sheet date (after tax of EUR 18 thousand)					42			42		42
Reversal of unrealized gains/losses on securities at previous balance sheet date					-22			-22		-22
Total income for the period	0	0	118	1,948	20	0	7	2,093	202	2,295
Foreign currency translation differences						-1,075		-1,075		-1,075
Balance December 31, 2007	3,250,000	3,250	29,750	7,230	42	-3,776	-359	36,137	354	36,491



Notes to the Group Financial Statements

As of December 31, 2007 and 2006

Background, principles and practices

1. Organization and description of business activities

Eckert & Ziegler Strahlen- und Medizintechnik AG, Berlin (hereinafter referred to as "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 radiopharmaceuticals 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 (TÜV Nord CERT GmbH, Essen), the Federal Drug Office (BfArM) along with the corresponding foreign institutions, such as the US Food and Drug Administration (FDA) or 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 health-care.

2. Reporting principles

The consolidated financial statements of Eckert & Ziegler AG as of December 31, 2007 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 Euros.

The financial statements of subsidiaries have been prepared as of the same date as 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, 2007. 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, 2007 were published in the electronic version of the Federal Official Gazette.

3. 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.



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.

Other intangible assets – Under other intangible assets are shown customer relations, 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. After successful completion of the development project capitalized development costs are depreciated over the anticipated economic life of the product. Research costs, along with development costs not eligible for capitalization, are expensed as they arise.

Intangible assets other than 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). Intangible assets with unlimited useful lives are reviewed on a yearly basis to establish whether or not that classification continues to apply.

Value impairment of non-financial assets – 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 utility value. Net realizable value is the amount obtainable from the sale under normal market conditions less the costs of disposal. The utility value 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 2007 and 2006 showed that there was no need for any non-scheduled depreciation.

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 overheads. To the extent applicable acquisition or manufacturing costs include the estimated costs of demolition or dismantlement of the asset and restoration of the site. 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 tenant's 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
Tenant's fixtures	10 to 15 years
Plant and machinery	4 to 10 years
Fixtures and fittings	3 to 12 years

Upon scrapping or sale the acquisition or manufacturing costs of the assets and the related accumulated depreciation are closed out, 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 non-scheduled depreciation was necessary in 2007. The Executive Board believes that there was no impairment of utility as of December 31, 2007. 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.

Inventories – Inventories comprise raw materials, consumables and supplies, work in process and finished products. Inventories are stated at the lower of acquisition or manufacturing cost or net realizable value at the balance sheet date. Apart from direct costs, manufacturing costs include appropriate portions of material and manufacturing overheads as well as production-related depreciation, administration and



social costs. Financing costs are not treated as part of acquisition of manufacturing cost. Where necessary, the average cost method is applied in order to simplify valuation.

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.

Trade accounts receivable – Trade accounts receivable, such as accounts receivable from the sale of goods and services, are non-derivative financial assets representing fixed or determinable payments and are not listed on any stock exchange or similar market. After their initial recognition in the accounts loans made and trade accounts receivable on the basis of the effective interest method are valued at their net book value less impairment of value. Gains or losses are reflected in the income statement when trade accounts receivable are written off or value-adjusted. Any interest amounts resulting from the application of the effective interest method are also recognized in the income statement.

Investments and marketable securities – Investments in quotes 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 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 the Group holds an interest swap (see “Other non-current assets” for details). 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 ensure 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-retire-

ment scheme credits under that scheme have to be protected against the risk of insolvency.

Claims under a life insurance policy serve as pension plan asset in respect of a pension commitment given to a former member of the Executive Board.

The US subsidiary Eckert & Ziegler Isotope Products Inc. has transferred part of their property, plant and equipment by way of security for a bank loan.

A parcel of land of EURO-PET Berlin Zyklotron GmbH has been encumbered with a land charge as security for a bank loan.

We refer to the sections on “Other loans”, “Other non-current assets” and “Loans” 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.

Financial liabilities – Financial liabilities include, in particular, accounts payable for goods and services, amounts owed to banks and other liabilities. After their initial recognition in the accounts financial liabilities on the basis of the effective interest method are valued at their net asset value.

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 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 established when there is a current obligation resulting from a past event. Provisions are created in the accounts 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 established 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 valued 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. For transactions involving several part performances, the revenues are divided between the various performances on the basis of their fair values.

Revenues from operating leases are realized on a straight-line basis over the lifetime of the agreement.

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 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.

Current income taxes are calculated on the basis of the year's respective national results for tax purposes and the national tax rules.

Share option plan/employee share option scheme – Accounting for the employee share scheme is in line with IFRS 2 (Share-based Payment). Under this, the 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 – In accordance with IAS 20.7, subvention payments are recognized only if the company satisfies the conditions for award of the grant. Funds that the company receives from public or private sources for investment



or development projects 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 property, plant and equipment or intangible 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 of 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 mandatory 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 further 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, 2007. The following standards and interpretations are not applied in the present financial statements (see table below).

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, 2007 are:

	Share of equity
Eckert & Ziegler BEBIG GmbH, Berlin	100%
Eckert & Ziegler BEBIG Iberia S.L., Madrid, Spain *	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., Burbank, USA **	100%
Eckert & Ziegler CNL Scientific Resources Inc., San Francisco, USA *	100%
Eckert & Ziegler Analytics Inc., Atlanta, USA *	100%
Eckert & Ziegler Isotope Products GmbH, Berlin *	100%
Eckert & Ziegler Cesio s.r.o., Prague, CZ	80%
Eckert & Ziegler EURO-PET Berlin GmbH, Berlin *	70%
Eckert & Ziegler Radiopharma GmbH, Berlin	100%
Eckert & Ziegler Eurotope GmbH, Berlin *	100%
Eckert & Ziegler f-con Europe GmbH, Holzhausen *	61%
Eckert & Ziegler f-con Deutschland GmbH, Holzhausen *	61%
Eckert & Ziegler f-con Pharma Italia s.r.l., Cinisello Balsamo, Italy *	87%
Eckert & Ziegler EURO-PET Köln/Bonn GmbH, Bonn (formerly: MC Pharma GmbH) *	61%

* indirect interest

** Eckert & Ziegler Isotope Products Inc. has given a commitment to its bank to abide by certain financial covenants. Eckert & Ziegler Isotope Products Inc. may pay a dividend to Eckert & Ziegler AG only if to do so does not breach those covenants.

Changes to companies included in the consolidation

In the financial year 2007 the following shares were acquired and the following changes were made to the companies included in the consolidation:

- Eckert & Ziegler EURO-PET Köln/Bonn GmbH, Bonn: In September 2007 Eckert & Ziegler f-con Deutschland GmbH acquired 100% of the shares of MC Pharma GmbH. The company was then renamed Eckert & Ziegler EURO-PET Köln/Bonn GmbH.
- In September 2007 Eckert & Ziegler AG increased its stake in Eckert & Ziegler f-con Europe GmbH from 51% to 61%.

Standard	Description	Mandatory for financial years beginning on or after	Application planned from	Effects on future financial statements
IFRIC 11	IFRS 2 – Group and Treasury Shares Transactions	Jan. 3, 2007	Jan. 1, 2008	Insignificant
IFRS 8	Operating Segments	Jan. 1, 2009	Jan. 1, 2009	Insignificant



– Also in September 2007 Eckert & Ziegler Cesio s.r.o. and SORAD spol s.r.o. were merged as Eckert & Ziegler Cesio s.r.o.

– In December 2007 Eckert & Ziegler BEBIG GmbH formed an independent marketing subsidiary, Eckert & Ziegler Iberia S.L., in Spain.

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, a negative difference is included affecting the operating result in the income statement. 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. To keep things simple, translation of the income statement is at the weighted 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:

Currency	Country	Dec. 31, 2007	Dec. 31, 2006	Average rate 2007	Average rate 2006
USA	USD	1.471887	1.3203	1.365159	1.255010
CZ	CZK	26.6677	27.5344	27.826474	28.236623

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

The changes in the companies included in consolidation during financial years 2007 and 2006 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.

In September 2007, Eckert & Ziegler f-con Deutschland GmbH purchased all of the shares in MC Pharma GmbH, Bonn (see the notes given under point 42).

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 (see the notes given under point 21).

Notes on the income statement

6. Revenue

The company generates its income mainly from the sale of goods and, to a lesser extent, from the provision of services and payments for the use of production premises. The revenues have once more gone up in the financial year 2007 from EUR 50,378 thousand to EUR 54,444 thousand. Almost 80% of the increase in growth was due to organic growth, about 20% of the growth coming from business entities newly acquired in financial year 2007.

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

7. Costs 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 and earnings from the liquidation of prepaid expenses.

8. Selling expenses

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

Selling expenses are broken down as follows:

	2007	2006
	TEUR	TEUR
Staff costs	3,935	3,665
Shipping	1,953	1,930
Commission	1,419	787
Advertising	1,023	942
Depreciation and amortization	629	593
Other	1,272	735
Total	10,231	8,652

9. General and administration costs

General and administration costs include:

	2007	2006
	TEUR	TEUR
Staff costs and subsidiary costs	5,453	5,260
Rents	632	568
Depreciation and amortization	1,319	1,259
Earnings from the liquidation or prepaid expenses	-470	-267
Consultancy	722	885
Communications	239	203
Investor relations	193	192
Insurance, subscriptions	371	394
Other	1,994	1,813
Total	10,453	10,307

10. Research and development costs not eligible for capitalization¹

The costs of research, and development costs not eligible for capitalization, have been expensed as incurred and amounted to EUR 289 thousand for 2007 and EUR 333 thousand for 2006. 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 of EUR 289 thousand (2006: EUR 333 thousand) include depreciation and amortization of EUR 155 thousand (2006: EUR 118 thousand), cost of materials of EUR 54 thousand (2006: EUR 108 thousand) and earnings from the liquidation of prepaid expenses of EUR 4 thousand (2006: EUR 3 thousand).

11. Payments to employees and number of employees

The items in the income statement include staff costs of EUR 16,812 thousand (2006: EUR 15,534 thousand).

Staff costs for the financial years 2007 and 2006 are as follows:

	2007	2006
	TEUR	TEUR
Wages and salaries	14,650	13,660
Social security contributions and expenditure on pensions and old-age support	2,162	1,991
- of which for pensions	23	62

On average 312 persons were employed by Group companies during 2007. They were working in the following departments:

	2007	2006
Production	125	101
R&D/equipment manufacture	43	40
Administration	33	26
Sales and marketing	82	79
Quality management	29	29
Total	312	275

Information on total earnings from current and previous board members and current members of the supervisory board is provided in the remuneration report in the Group management report.

12. Depreciation and amortization

The items in the income statement include depreciation and amortization of EUR 3,731 thousand (2006: EUR 4,537 thousand).

Amortization of intangible assets is included in the following items in the income statement:

¹ See also point 22 in this document



	2007	2006
	TEUR	TEUR
Cost of goods sold	54	52
Selling expenses	192	227
General administrative costs	668	961
Research and dev. costs not eligible for capitalization	107	69
Total	1,021	1,309

Depreciation of property, plant and equipment is included in the following items in the income statement:

	2007	2006
	TEUR	TEUR
Cost of goods sold	1,574	2,515
Selling expenses	437	366
General administrative costs	651	298
Research and dev. costs not eligible for capitalization	48	49
Total	2,710	3,228

13. Other operating income

Other operating income essentially includes income from the release of provisions, income from the release of impairment losses and, in reporting year 2007, income from the inclusion affecting the operating result of the negative difference in the first consolidation of Eckert & Ziegler EURO-PET Köln/Bonn GmbH of EUR 120 thousand. Income from the release of provisions in the reporting year was EUR 120 thousand (2006: EUR 127 thousand). In reporting year 2006, income from the repayment of loans from minority interests of EUR 516 thousand was included.

14. Other operating expenditure

Other operating expenditure essentially includes expenditure resulting from impairment losses from claims and losses from the sale of assets.

15. Result from shares valued at equity

On 12.31.2006, Pharmtrace klinische Entwicklung GmbH Berlin was included in the Group accounts using the equity method. In September, Eckert & Ziegler Radiopharma GmbH sold its 30%-share to Pharmtrace GmbH. The equity results were EUR 9 thousand (2006: EUR -9 thousand) and are included in

the income statement in the result from shares valued at equity.

16. Remaining net result of financial activities

The remaining net result of financial activities consists of the following:

	2007	2006
	TEUR	TEUR
Gains on currency exchange	595	353
Losses on currency exchange	-968	-796
Income from holdings	4	4
Other remaining net result of financial activities	77	115
Total	-292	-324

The market valuation of a derivative security instrument for interest security produced, in 2007, a profit of EUR 77 thousand (2006: EUR 115 thousand), which is included in other remaining net result of financial activities. The market valuation of a derivative security instrument for interest and currency security produced, in 2007, a loss of EUR 13 thousand (2006: profit of EUR 91 thousand), which is included in losses on currency exchange (2006: gains on currency exchange).

17. Interest earnings

Interest and similar income in the financial year amounted to EUR 63 thousand (2006: EUR 74 thousand), while interest expenditure was EUR 830 thousand (2006: EUR 870 thousand).

18. Income tax expense

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

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:



	2007	2006
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, 2007 and 2006:

	2007	2006
	TEUR	TEUR
Profit before tax:		
Germany	782	204
Foreign subsidiaries	4,139	4,544
	4,921	4,748
Current tax:		
Germany	291	92
Foreign subsidiaries	1,514	1,827
	1,805	1,919
Deferred tax:		
Germany	998	-320
Foreign subsidiaries	-32	-365
	966	-685
Total taxes:	2,771	1,234
Reclassification into discontinued operations		377
Tax expense as in income statement	2,771	1,611

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:

	2007	2006
	TEUR	TEUR
Tax expense based on German tax rates	1,914	1,847
Tax differences on the income of foreign subsidiaries	-279	-444
Actual tax for prior years	21	-28
Disallowable expenditure	243	317
Tax-free income	-12	-99
Other items	8	18
Adjustments resulting from tax reform	876	0
Effective tax charge	2,771	1,611

In 2007 the Enterprise Tax Reform Act 2008 was promulgated in Germany. One of the announced changes is the reduction of the rate of corporation tax from 25% to 15% from January 1, 2008. Trade tax will no longer be deductible as a business expense and the basic rate of trade tax is reduced from 5% to 3.5%. The effects of the change in tax law on deferred taxes were to be accounted for in 2007. For German companies a rate of corporation tax of 15% (2006: 25%), a solidarity surcharge of 5.5% on corporation tax and a trade tax rate of 14% (2006: 17%) have therefore been applied. The change in the future tax rate has given rise to an impairment charge of EUR 876 thousand. For foreign companies the prevailing local rates of tax have been applied in calculating deferred taxes.

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 expense of EUR 1,094 thousand (2006: deferred tax expense of EUR 764 thousand) in respect of tax loss carry-forwards, while deferred tax income of EUR 128 thousand (2006: deferred tax expense of EUR 79 thousand) has been incurred on timing differences. An expense of EUR 74 thousand from currency translation has been offset against this deferred tax income.

During the year under review deferred tax expense of EUR 4 thousand (2006: deferred tax income of EUR 140 thousand) was netted directly within equity without affecting net income.

As part of the initial consolidation of EPK deferred tax assets of EUR 244 thousand and deferred tax liabilities of EUR 22 thousand were recorded. Total deferred tax income of EUR 3,169 thousand (2006: EUR 4,263 thousand) have been capitalized in respect of loss carry-forwards. Of that, EUR 3,136 thousand (2006: EUR 4,212 thousand) may be carried forward indefinitely; the rest is restricted to five years. Deferred tax assets of EUR 1,878 thousand relate to companies in the radio-pharmacy segment which suffered another fiscal loss in 2007. Based on the objective in the planning models of continuing to expand activities in this segment and achieving economies of scale in fixed cost degression, 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	
	2007	2006	2007	2006
	TEUR	TEUR	TEUR	TEUR
Tax loss carry-forwards	3,169	4,263	0	0
Non-current assets	522	335	3,293	3,463
Share options	108	183	0	0
Securities	0	0	18	14
Receivables	48	101	133	138
Provisions	1,021	1,327	0	0
Other items	340	138	22	320
Sub-total	5,208	6,347	3,466	3,935
Offsets	-2,127	-2,229	-2,127	-2,229
Balance in Group balance sheet	3,081	4,118	1,339	1,706

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 2008 financial year. The effects of this audit cannot at present be reliably determined since sometimes mutually offsetting effects are at play and individual facts cannot as yet be definitively ascertained.

19. Profit/loss attributable to minority interest

Group profit after tax contains shares of profits amounting to EUR 202 thousand (2006: EUR 324 thousand) attributable to minority interests.

20. Earnings per share

Earnings per share have been calculated as follows:

	At end of year	
	2007	2006
	TEUR	TEUR
Numerator for the calculation of earnings and diluted earnings per share - profit/loss for the year	1,948	2,221
Denominator for the calculation of earnings per share - weighted average number of shares (per 1000)	3,142	3,131
Effect of dilutive share options	29	36
Denominator for the calculation of diluted earnings per share - weighted average number of shares (per 1000)	3,171	3,167
Basic earnings per share (in EUR)	0.62	0.71
Diluted earnings per share (in EUR)	0.61	0.70

The average share price during the reporting period has been used to determine the dilutive effect of share options.

21. Profit from discontinued operations

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

	2007	2006
	TEUR	TEUR
Revenue	0	3
Cost of goods sold	0	-122
Gross profit on sales	0	-119
Selling expenses	0	-1
General and administration expenses	0	-499
Research and development expenses	0	-1,087
Other income	0	157
Other expense	0	-31
Profit from operations	0	-1,580
Absorption of losses by limited partners of Altmann	0	213
Profit before tax	0	-1,367
Income tax expense	0	377
Annual profit before deconsolidation	0	-990
Income from deconsolidation	0	398
Loss from discontinued operations after tax	0	-592

Notes to the consolidated balance sheet

22. Intangible assets

Under intangible assets are shown goodwill, customer relations, prohibitions to compete, patents and technologies, licenses and software, capitalized development costs as well as other intangible assets.

Intangible assets not subject to scheduled depreciation are mainly goodwill. In addition, other intangible assets with a book value of EUR 1,017 thousand (2006: EUR 753 thousand) are also not subject to any scheduled depreciation due to their unlimited economic lives. These are predominantly trade marks with an unlimited useful life, which are allocated to the segment "Nuclear Medicine and Industry", as well as operational licenses belonging to the segment "Radio Pharmacy". As at December, 31 of the financial years 2007 and 2006 the book values of the intangible assets with unlimited economic lives, which are



not subject to scheduled depreciation, include the following:

	2007	2006
	TEUR	TEUR
Goodwill	9,948	10,773
Others	1,017	753
Total as of Dec. 31	10,965	11,526

The reduction in the value of the intangible assets with unlimited economic lives is mainly linked to the USD/Euro rate of exchange. Most of these intangible assets are included in the balance sheets of the American subsidiaries of Eckert & Ziegler AG, and were converted into the currency applicable to the financial statements (EUR) at the market rate prevailing at December 31 of the financial years 2007 and 2006.

The item Goodwill changed during 2007 and 2006 as follows:

	2007	2006
	TEUR	TEUR
Balance as of Jan. 1	10,733	11,681
Additions	4	35
Currency conversion differences	-829	-943
Total as of Dec. 31	9,948	10,773

The allocation of goodwill and the intangible assets with unlimited economic lives to business segments is as follows:

	2007	2006
	TEUR	TEUR
Nuclear medicine and industry	9,950	10,859
Radio pharmacy	1,015	667
Total as of Dec. 31	10,965	11,526

The capitalized goodwill and intangible assets with unlimited economic lives were subjected to an impairment test in accordance with IFRS 3 and IAS 36 in 2007. In this conjunction the goodwill was allocated to cash generating units (CGU). The values attributable to the CGUs as at the reporting date equate to their utility values based on discounted future cash flows. The calculation is based on a current performance measurement for a period of five years. For the subsequent period a growth rate of 1%

to 3% was applied to the cash flows. The cash flows were discounted at the Group-uniform weighted average cost of capital of 10.1%. In its determination of the discounting factors the Executive Board relied on external information on the Eckert & Ziegler Group. There was no need to adjust the values of the goodwill or the intangible assets with unlimited economic lives as at December 31, 2007.

The book values of the intangible assets subject to scheduled depreciation were as follows as at December 31 of the financial years 2007 and 2006:

a) Acquired intangible assets

	2007	Remaining depreciation period	2006
	TEUR		TEUR
Customer relations	1,668	6-8 years	2,070
Licenses/Software	941	1-7 years	1,207
Patents/Technologies	418	6-17 years	616
Others	152	1-8 years	128
Prohibitions to compete	344	5-6 years	504
Total as of Dec. 31	3,523		4,525

b) Self-constructed intangible assets

	2007	Remaining depreciation period	2006
	TEUR		TEUR
Capitalized development costs	3,746	5-11 years	1,934
Total as of Dec. 31	3,746		1,934

During the financial year 2007 development costs totaling EUR 1,854 thousand (2006: EUR 1,483 thousand) were capitalized. The item development costs as at December 31, 2007 and 2006 included the following:

	2007	2006
	TEUR	TEUR
Equipment for radio-pharmaceutical synthesis	2,362	1,493
Pulsed dose rate radiotherapy	1,120	379
Pharmgrade Generator	220	0
Others	44	62
Total as of Dec. 31	3,746	1,934



The completion of the „Pulsed Dose Rate Radiotherapy“ unit is not on schedule and will probably be delayed until mid-2008. Consequently, the first substantial sales revenues from this new development are not anticipated until 2009 and as a result an impairment test was performed as at December 31, 2007. The total present value of the future cash flows generated by the use of the asset (utility value) was calculated on the basis of a discounting factor of 10%. It was established that this utility value exceeded the book value of the capitalized development costs thus obviating the need for any value adjustment. If the development is delayed further and sales are not achieved as planned there may be a need for a value adjustment in 2008. At present the Company assumes that the development will be completed on schedule and that no value adjustment will be required.

The equipment for the radio-pharmaceutical synthesis was completed in December 2007 and is scheduled to be depreciated over a period of 5 years. The other capitalized development costs are not currently being depreciated, as the development of the systems has not been finalized and the assets, therefore, cannot be used by the Company as yet. In the income statement the depreciation on intangible assets has been allocated on the basis of the functional area of the relevant intangible assets to manufacturing costs, sales costs, research and non-capitalized development costs or general administrative costs (see also notes under point 12).

The movements of the intangible assets between January 1 and December 31, 2007 are shown in the fixed asset movement schedule.

23. Property, plant and equipment

Movements in property, plant and equipment from January 1 to December 31, 2007 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, 2007 to EUR 237 thousand (2006: EUR 316 thousand).

In addition to current replacement investments, the additions during financial year 2007 mainly concern expansion of existing production plant.

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 0 thousand and EUR 12 thousand in 2007 and 2006 respectively. Borrowing costs eligible for capitalization were based on a cost of capital of 11.56 percent.

Own work capitalized totaled EUR 0 thousand (2006: EUR 130 thousand) in the year. Net book values of the internally generated assets in property, plant and equipment amount, as of December 31, 2007 to EUR 1,507 thousand (2006: EUR 2,245 thousand).

24. Other loans

Other loans relate to rental deposits of EUR 29 thousand (2006: EUR 31 thousand) and cash paid into a decontamination fund of EUR 15 thousand (2006: EUR 17 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.

25. Other non-current assets

Other non-current assets include an interest-currency swap of EUR 954 thousand (2006: EUR 967 thousand) and an interest swap of EUR 181 thousand (EUR 104 thousand shown under other current assets). These are derivatives recognized in accordance with IAS 39.9 as financial assets affecting the current period at fair value. Further information on these derivative financial instruments can be found in the notes under point 38.

Contractual rights to reimbursement in connection with environmental restoration provisions of EUR 352 thousand (2006: EUR 327 thousand) are shown under other assets.

In addition, cash equivalents of EUR 85 thousand (2006: EUR 141 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 assets. The cash is subject to restricted access.



26. Cash and cash equivalents

Cash and cash equivalents of EUR 4,375 thousand (2006: EUR 4,683 thousand) are represented by checks, cash in hand and cash at banks maturing within three months.

27. Securities

All of the securities are classified as available for-sale financial assets. The following summary shows the composition of securities as of December 31, 2007 and 2006:

	Dec. 31, 2007			
	Costs	Unrealized	Unrealized	Fair Value
		gains	gains	
TEUR	TEUR	TEUR	TEUR	
Bonds	176	4	-2	178
Investment funds	797	68	-10	855
Total marketable securities	973	72	-12	1,033

	Dec. 31, 2006			
	Costs	Unrealized	Unrealized	Fair Value
		gains	gains	
TEUR	TEUR	TEUR	TEUR	
Bonds	248	6	-3	251
Investment funds	797	42	-9	830
Total marketable securities	1,045	48	-12	1,081

The fair value of securities is determined by quoted prices.

Bonds have a remaining period to redemption of between 2 and 16 months as of December 31, 2007.

28. Trade accounts receivable

Trade accounts receivable consist of the following items as of December 31, 2007 and 2006:

	2007	2006
	TEUR	TEUR
Trade accounts receivable	11,968	11,553
Less allowances	-509	-443
Balance as of Dec. 31	11,459	11,110

29. Inventories

Inventories consist of the following items as of December 31, 2007 and 2006:

	2007	2006
	TEUR	TEUR
Raw materials, consumables and supplies	6,073	4,826
Finished products	1,505	954
Work in progress	322	274
	7,900	6,054
Less allowances for obsolescence	-187	-166
Balance as of Dec. 31	7,713	5,888

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

Adjustments made on the basis of a comparison of net realizable value against book value increased by EUR 21 thousand.

30. Other short-term assets

The item Other Short-term Assets amounting to EUR 2,200 thousand (2006: EUR 1,204 thousand) mainly includes deferrals, prepayments made, amounts owed by tax authorities and loans made.

The directors of Eckert & Ziegler Cesio s.r.o., who are also minority shareholders, were each granted a loan by Eckert & Ziegler AG. As at December 31, 2007 the amounts owed, including interest, were EUR 499 thousand (2006: EUR 489 thousand). The loans are due for repayment on September 30, 2008 and were, therefore, re-classified as short-term assets.

31. Shareholders' equity and minority interest

The movements of the shareholders' equity and the minority interest are shown in the equity movement schedule.

On June 12, 2007 the Annual General Meeting resolved to use the net profit of Eckert & Ziegler for the previous year amounting to EUR 1,170 thousand to pay a total dividend of EUR 786 thousand or EUR 0.25 in respect of each eligible share certificate and to allocate an amount of EUR 385 thousand to other revenue reserves.



The share capital of the Company amounted to EUR 3,250,000.00 as at December 31, 2007 and is divided into 3,250,000 fully paid-up nonpar shares.

According to the German Aktiengesetz any dividend that may be distributed to the shareholders has to relate to the net profit for the year shown in the financial statements that are based on German commercial law. The AGM has been asked to pay the shareholders a dividend of EUR 786 thousand (0.25 EUR per share) out of the net profit of Eckert & Ziegler AG for 2007.

Authorized capital

Through a resolution of the shareholders' meeting on May 30, 2006 the Executive Board was authorized, with the approval of the Supervisory Board, 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 unsued 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.

Reserves

Reserves consist of unappropriated past earnings of consolidated Group companies.

In addition, reserves include adjustments resulting from the first application of the IFRS. Reserves also

include conversion differences of EUR 3,776 thousand (2006: EUR 2,701 thousand) resulting from the conversion of the financial statements of the foreign subsidiary.

Also included in the reserves are value changes of the available-for-sale securities (after tax) amounting to EUR 42 thousand (2006: EUR 22 thousand) that do not affect the operating result. During the reporting period expenses of EUR 104 thousand (2006: EUR 116 thousand) associated with the issue of share options were also included in the reserves.

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 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, 51,000 own shares (2007: 2,700 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 2007, 200 of the company's own shares, which were used for servicing employee stock options, were repurchased on the Stock Exchange.

Transactions in own shares gave rise to a total profit in 2007 of EUR 12 thousand (2006: EUR 170 thousand), which was appropriated to the capital reserve for own shares with no effect on net income. The balance of own shares stood at 106,835 shares as of December 31, 2007. This corresponds theoretically to a share of 3.3% of the company's share capital.

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

The number of shares in circulation in the 2007 and 2006 financial years was as follows:

	2007	2006
	Units	Units
Balance as of Jan 1	3,140,665	3,120,551
Utilization of own shares to service employee options or for acquisitions	2,700	20,114
Return of own shares (share buyback scheme)	-200	0
Balance as of Dec. 31	3,143,165	3,140,665



32. Borrowings and financial leasings

Borrowings consist of the following items as of December 31, 2007 and 2006:

	2007	2006
	TEUR	TEUR
Bank borrowings	5,803	7,283
Other borrowings	6,374	3,401
Balance as of Dec. 31 in total	12,177	10,684
- of which current	8,256	3,365
- of which non-current	3,921	7,319

The following table gives an overview of borrowings as of December 31 in each of the financial years:

		2007	2006
	Interest rate p.a.	TEUR	TEUR
Loans from former shareholders resulting from takeover of shares	4% to 6.5%	5,203	2,394
Loans from Deutsche Industrie Bank AG (IKB)	8,6% plus 3% on realization of profit	1,795	1,776
Loans from Landesbank Berlin	4.85% to 5.72%	1,008	1,480
Loans from minority interest shareholders	5.00%	852	811
Loan from Comerica Bank (USA)	6.50%	504	784
Loan from Deutsche Bank AG	3-month EURIBOR + 1%	1,750	2,000
Other overdraft facilities	variabel	50	131
Reconstruction credit loan from Commerzbank AG	7.38%	306	454
Other loans	4.0% to 9.8%	709	854
Total borrowings as of Dec. 31		12,177	10,684

In the 2007 financial year borrowings increased again compared with the previous year. This increase can essentially be attributed to the acquisition of Eckert & Ziegler EURO-PET Köln/Bonn GmbH as part of which a loan of EUR 3,084 thousand payable by the company to the former shareholders was assumed. This loan is due for repayment by December 31, 2008.

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.

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 noncurrent assets.

IPL has been granted a credit line by a bank of up to USD 4,500 thousand (EUR 3,057 thousand). In addition, there is a further credit facility in the form of a guarantee for up to USD 1,875 thousand (EUR 1,274 thousand) which has been utilized as security for the decontamination plan.

Eckert und Ziegler AG and its German subsidiary have joint credit lines available of EUR 4,075 thousand of which EUR 1,800 thousand has been utilized.

The interest rate agreed for the loan of EUR 1,750 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, 2007 and 2006 are as follows:

	2007	2006
	TEUR	TEUR
Up to 1 year	8,256	3,365
1 to 5 years	3,921	7,319
Over 5 years	0	0
Total borrowings as of Dec. 31	12,177	10,684

33. 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:

	2007	2006
	TEUR	TEUR
Current deferred income from grants	859	873
Other deferred income	76	87
Current deferred income from grants and other deferred income	935	960
Non-current deferred income from grants	1,369	1,270
Balance as of Dec. 31	2,304	2,230



34. Retirement benefit obligations

Pension undertakings have been made for a former member of the Management Board 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. The determination of present value involves using a discount rate of 5.25 percent (2006: 4.5 percent). As the 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:

	2007	2006
	TEUR	TEUR
Present values of defined benefit retirement obligations	384	398
Plan assets at fair value	-302	-253
Actuarial gains (+) and losses (-)	16	-16
Retirement benefit obligations as of Dec. 31	98	129

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

	2007	2006
	TEUR	TEUR
Retirement benefit obligations as of Jan. 1	129	128
Payments of pensions	18	16
Allocation of actuarial losses (+) and gains (-)	0	18
Payments into the fund or plan assets	-27	-27
Interest receivable on plan assets	-22	-6
Retirement benefit obligations as of Dec. 31	98	129

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

	2007	2006
	TEUR	TEUR
Interest expense	18	16
Allocation of actuarial losses (+) and gains (-)	0	18
Income from the fund or plan assets	-22	-6
Total amounts recognized	-4	28

A pension plan is also in place for a current board member and designed as an employee-financed contributory defined benefit (deferred compensation). The level of deferred compensation for the pension plan amounted to EUR 100 thousand in 2007 (2006: EUR 0 thousand). The defined benefit is financed through a fully covered relief fund.

35. Other non-current liabilities

The main element of other non-current liabilities is the provision pursuant to IAS 37.

The following table gives an overview of the movements in other non-current liabilities in 2007 and 2006.

	2007	2006
	TEUR	TEUR
Environmental restoration provisions	3,478	3,062
Other	175	387
Other non-current liabilities as of Dec. 31	3,653	3,449

Movements in the provisions for environmental restoration in 2007 are as follows:

	2007	2006
	TEUR	TEUR
Environmental restoration provisions as of Jan. 1	3,062	3,466
Additions/ retirements	405	-386
Compounding interest	146	151
Currency translation	-135	-169
Environmental restoration provisions as of Dec. 31	3,478	3,062



For valuation of environmental restoration provisions in 2007 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 4.0 and 4.7 percent. Retaining the previous year's interest rates of 4.5 to 4.7% would have resulted in a provision for environmental restoration which was EUR 8 thousand lower.

For some sites amounts have been paid into a fund whose use is restricted to future restoration. These payments are shown under other loans and amount to EUR 15 thousand (2006: EUR 17 thousand). Contractual rights to reimbursement in connection with obligations for restoration in an amount of EUR 352 thousand (2006: EUR 327 thousand) are shown under other non-current assets.

36. Provisions

Short-term provisions have changed in 2007 as follows (see table below):

37. Other current liabilities

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

	2007	2006
	TEUR	TEUR
Liabilities to associated persons and companies	0	6
Other short-term liabilities	1,633	1,184
Balance as of Dec. 31	1,633	1,190

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

38. Additional information on financial instruments

This section gives an overview of the importance of financial instruments for Eckert & Ziegler AG and provides additional information on the balance sheet positions containing financial instruments.

Overview of financial assets and liabilities

The following table shows the book values of all categories of financial assets and liabilities:

	2007	2006
	TEUR	TEUR
Financial assets		
Cash and cash equivalents	4,375	4,683
zur Veräußerung verfügbare		
Financial assets available for sale	1,033	1,081
Loans and receivables	13,364	12,786
Derivative financial instruments	1,135	1,071
	19,907	19,621
Financial liabilities		
Financial liabilities relating to		
continued acquisition costs	18,160	16,445
	18,160	16,445

Loans and receivables are made up as shown in table A on the next page.

	2006	Utilized	Addition	Release	2007
	TEUR	TEUR	TEUR	TEUR	TEUR
Accruals for profit-sharing and bonuses	1,127	1,091	1,477	36	1,477
Other staff-related accruals	713	712	830	1	830
Accruals for ground rent	226	0	9	0	235
Accruals for year-end audit	75	71	109	4	109
Accruals for Supervisory Board fees	62	62	64	0	64
Other provisions and accruals	1,768	1,689	2,424	79	2,424
Provisions as of Dec. 31	3,971	3,625	4,913	120	5,139



The financial liabilities relating to continued acquisition costs are composed as shown in table B (see below):

The breakdown of loan obligations and finance lease obligations is illustrated in point 32.

Fair values of financial assets and liabilities

The following table shows the fair values and the book values of the financial assets and liabilities which are valued at initial costs or continued initial costs:

	2007		2006	
	Fair value TEUR	book value TEUR	Fair value TEUR	book value TEUR
Financial assets valued at initial costs or continued initial costs				
Cash and cash equivalents	4,375	4,375	4,683	4,683
Receivables from goods and services and other receivables	11,459	11,459	11,110	11,110
Other non-derivative financial assets	1,905	1,905	1,676	1,676
	17,739	17,739	17,469	17,469

Table A

		2007	2006
		TEUR	TEUR
Receivables for goods and services	short-term	11,459	11,110
Claims against associated persons and companies	long-term (as of Dec. 31, 2007 short-term)	503	516
Claims against the Tax Office	short-term	471	76
Claims in the event of recourse	long-term	352	327
Other receivables	long-term / short-term	579	757
		13,364	12,786

Table B

		2007	2006
		TEUR	TEUR
Loan obligations	short-term	8,172	3,146
Loan obligations	long-term	3,786	7,240
Finance lease obligations	short-term	84	79
Finance lease obligations	long-term	135	219
Trade accounts payable	short-term	3,885	3,860
Liabilities to staff	short-term	375	100
Other liabilities	short-term	1,547	1,415
Other liabilities	long-term	176	386
		18,160	16,445

	2007		2006	
	Fair value TEUR	book value TEUR	Fair value TEUR	book value TEUR
Financial liabilities valued at initial costs or continued initial costs				
Trade accounts payable	3,885	3,885	3,860	3,860
Obligations to credit institutions and other financial indebtedness	12,063	11,958	10,605	10,386
Obligations from finance leasing	219	219	298	298
Other non-derivative financial liabilities	2,098	2,098	1,901	1,901
	18,265	18,160	16,664	16,445

The fair value of cash assets and cash asset equivalents, of short-term credits, of trade accounts payable and of other short-term liabilities is approximately equivalent to the book value. The reason for this is primarily the short term of such instruments.

The company determines the fair value of obligations to credit institutions and other financial indebtedness, obligations arising from finance leasing and other long-term financial obligations by deducting from the expected future payment flows the interest applying for similar financial debts with a comparable remaining term.



The following table shows the financial assets and liabilities valued at the fair value:

	2007	2006
	TEUR	TEUR
Financial assets valued at the fair value		
Financial assets available for sale	1,033	1,081
Derivative financial instruments	1,135	1,071
	2,168	2,152

Risk analysis

In the course of its operational activities, the Group is exposed to credit, liquidity and market risks in the finance sector. Market risks relate in particular to interest rate changes and foreign exchange risks.

Credit risk

Credit risk or risk of non-payment is the risk that a customer or contractor of the Eckert & Ziegler group cannot meet its contractual obligations. The result of this is on the one hand the risk of depreciation of financial instruments due to issues of solvency and on the other hand the risk of partial or complete loss of contractually agreed payments.

For the Group a possible credit risk arises essentially from its receivables from goods and services. Exposure is primarily influenced by the size of the customer and region-specific regulations and customs for handling the reimbursement of medical services by public authorities.

In general a rating is obtained for new customers and initial deliveries are in principle made against cash in advance. For deliveries to customers who because of their size or location are regarded as permanently unreliable, cash in advance or letters of credit are used as a safeguard.

As part of the group-wide risk management, the credit risk is monitored by means of regular analysis of overdue payments of all receivables from goods and services.

Exposure:

The maximum loss risk corresponds to the book value of the financial assets on the balance-sheet date in an amount of EUR 15,532 thousand (2006: EUR 14,938 thousand).

With the exception of receivables for goods and services the balance sheet does not contain any overdue or depreciated financial assets. The Company esti-

mates the loss risk of these other financial assets as very low.

The maximum credit exposure at the date of the annual accounts with respect to receivables from goods and services was, by geographical regions, as follows:

	2007	2006
	TEUR	TEUR
Europe	7,449	7,236
North America	3,031	2,372
Other	983	1,529
	11,463	11,137

The age structure of due, but not depreciated receivables is shown as at December 31, 2007 as follows:

	2007
	TEUR
Not due	6,331
1 to 90 days	3,157
Over 90 days	1,975
	11,463

The overdue, but not yet depreciated receivables relate essentially to claims on doctors' practices and foreign clinics. On the basis of past experience, inpayment is expected at the above-mentioned level.

Customer-specific details are used to determine the depreciation on receivables from goods and services. The movement in depreciation on receivables from goods and services is shown below:

	2007	2006
	TEUR	TEUR
Balance as of Jan. 1	443	512
Net allocations	90	34
Availment	-15	-96
Exchange rate effects	-9	-7
Balance as of Dec. 31	509	443

Liquidity risk

The liquidity risk is the risk that the Group is not able to meet its financial obligations on time. The aim and function of liquidity management is to ensure that the provision of borrowed funds and capital resources is always adequate.



As part of financial planning, a liquidity forecast is produced from which among other things it is possible to identify the borrowed fund financing requirement in advance.

The Group generates its financial means mainly from its operating business. Eckert & Ziegler AG and its subsidiaries have at their disposal credit lines amounting to EUR 7,132 thousand (2006: EUR 6,027 thousand) if required for this purpose. In some cases new third-party financing is taken up according to the above framework conditions for extraordinary investments and acquisitions and to repay due loans.

As at the date of the annual accounts the consolidated balance sheet shows various short-term and long-term obligations also to credit institutions. For the future liquidity of the company, it is necessary for this third-party financing to continue and for it to be refinanced in the short term.

In principle it should be noted that the Group has an equity ratio of 54% and therefore in principle it is possible for the level of borrowing to increase. The Executive Board has not identified any effects from the subprime crisis on the Group. The Company has various

offers of new financing and refinancing from which it is apparent that future financing is ensured.

From the possibilities for third-party financing and the predicted liquidity requirement it can be deduced that the company has adequate financial means at the present time to be able to secure its existence and its further development. It also sees itself in a position to fulfil all its payment obligations even if a slight increase in the debt ratio were necessary in coming financial years in order to be able to ensure growth by means of additional acquisitions and finance development of new products.

Exposure:

The contractually agreed due dates for financial obligations including interest payments are shown in the tables A and B below:

An interest rate in 2007 of 4.76 per cent (2006: 4.49 per cent) is used as the basis for payment outflows for variable-interest-rate obligations.

Foreign exchange risks

The Group's international business activity exposes it to foreign exchange risks which result from the influ-

Table A

2007

Analysis of contractually agreed due dates		TEUR	Cash outflow			
			Total	Up to 1 year	1 to 5 years	Over 5 years
		TEUR	TEUR	TEUR	TEUR	TEUR
Loan obligations	fixed interest rate	10,151	11,315	6,662	4,507	146
Loan obligations	variable interest rate	1,807	1,893	1,893	0	0
Finance lease obligations	fixed interest rate	219	280	113	113	54
Trade accounts payable	interest-free	3,885	3,885	3,885	0	0
Obligations to staff	interest-free	375	375	375	0	0
Other liabilities	interest-free	1,723	1,723	1,547	160	16
		18,160	19,471	14,475	4,780	216

Table B

2006

Analysis of contractually agreed due dates		TEUR	Cash outflow			
			Total	Up to 1 year	1 to 5 years	Over 5 years
		TEUR	TEUR	TEUR	TEUR	TEUR
Loan obligations	fixed interest rate	8,255	9,543	2,110	7,333	100
Loan obligations	variable interest rate	2,131	2,227	1,499	728	0
Finance lease obligations	fixed interest rate	298	331	92	239	0
Trade accounts payable	interest-free	3,860	3,860	3,860	0	0
Obligations to staff	interest-free	100	100	100	0	0
Other liabilities	interest-free	1,801	1,801	1,415	374	12
		16,445	17,862	9,076	8,674	112



ence of exchange rate fluctuations on business and assets and liabilities denominated in foreign currency (transaction risks). The main foreign currency transactions in the Eckert & Ziegler Group concern the US dollar as a result of loan repayments of the American subsidiaries and export business of the German subsidiaries. The effect is only partially compensated by the operating activity of a subsidiary which buys mainly in US dollars and sells mainly in Euros. In addition to US dollars there are further surpluses of foreign currency as a result of exports in the foreign currencies, Japanese yen, Polish zloty and Swedish krone. In these currencies there are virtually no cost positions so that the complete conversion into foreign currency is exposed to the currency risk.

Various measures counter the above-described transaction risks. The loans to the American subsidiaries are in some cases secured by an interest-foreign currency swap on the following conditions:

Interest-currency swap	
Transaction date:	Feb. 8, 2001
Start date:	Feb. 12, 2001
End date:	Jan. 31, 2011

As at the balance-sheet date, the Company still has a payment obligation arising from this business amounting to USD 2,315 thousand (2006: USD 2,604 thousand)

at a fixed interest rate of 10.0% p.a. Against this it receives EUR 2,497 thousand (2006: EUR 2,809 thousand) at a fixed interest rate of 8.77% p.a. The fair value of this swap business as at 12.31.2007 is EUR 954 thousand (2006: EUR 967 thousand). The expenditure from the change in market valuation has been shown under foreign currency losses. The Company was notified of the fair value by the credit institution with which it had concluded the swap business. According to a statement by the credit institution, all EUR and/or USD cash flows have been discounted, added and balanced using the relevant zero interest rates (calculated from the current EUR and/or USD interest rate trends) to determine the current cash value of cross-currency swaps (EURUSD; fix against fix). For this purpose the USD cash flows have been converted into EUR using the current EUR-USD exchange rate. The resulting balances then show a positive and a negative cash value from the existing contractual relationship for the contractors.

Export business in Japanese yen and Polish zloty are guaranteed by means of foreign currency options and forward business. As at the balance-sheet date there were no open positions arising from foreign currency forward and option business.

Exposure:

The exposure of the Group in respect of transaction risk as at the date of the annual accounts was as follows (see table below):

Foreign currency exposure Converted to thousand EUR	2007			2006		
	USD	CHF	SEK	USD	CHF	YEN
Cash	212	118		242	60	
Receivables from goods and services	977	44	18	452	40	181
Trade accounts payable	-47			-61		
Balance-sheet exposure	1,142	162	18	633	100	181
Contractual payment obligations from interest-currency swap	-1,573			-1,972		
Net exposure	-431	162	18	-1,339	100	181

Sensitivity analysis

As at the date of the annual accounts an increase in the Euro of 10% compared with the following currencies would have led – subject to otherwise unchanged assumptions – to the increases (decreases) in equity and the annual result indicated as follows:



Effect in thousand EUR	2007			2006		
	USD	CHF	SEK	USD	CHF	YEN
Equity	0	0	0	0	0	0
Annual result	39	-15	-2	122	-9	-16

As at the date of the annual accounts, a reduction in the Euro of 10% compared to the above-mentioned currencies would have led to an identical, but opposite effect on the currencies mentioned.

The currency conversion rates indicated under item 4 have been used as the basis for the sensitivity analysis.

Interest rate risks

The Group is exposed to risks in interest rate changes essentially in the area of medium-term to long-term financial assets and liabilities subject to interest as a result of fluctuations in market interest rates.

No safeguarding measures have been taken for items which cause no payment effect in the event of interest rate changes.

In order to limit the risk of interest rate changes when procuring short-term credit the Company arranged an interest swap with a maturity of 12 years in October 2005. A purchase amount of EUR 2,000 thousand at a fixed interest rate of 3.53% was secured. For this Eckert & Ziegler AG pays a fixed quarterly amount of EUR 17,650 until October 2017. Against this, the bank pays variable amounts quarterly (in each case the 3-month EURIBOR) until the agreement has expired. The fair value of this swap business as at 12.31.2007 is EUR 181 thousand (2006: EUR 104 thousand) and is shown in the balance sheet under other long-term assets. The income from the change in market valuation has been shown in the profit and loss account under other sundry financial results. The credit institution with which the swap business was concluded notified the Company of the fair value. According to a statement by the credit institution, all payments to be made by the customer or the bank calculated from the valuation date to the end of the agreement have been discounted, added and balanced on the basis of the current interest structure trend in order to determine the current cash value of the interest swap. The variable interest payments (EURIBOR) were deducted on the basis of the forward interest rates for the corresponding period calculated from the current interest structure trend. The resulting balances then show a positive and a negative cash value from the existing contractual relationship for the contracting parties.

Exposure:

As at the balance-sheet date, the Company has the following medium-term and long-term interest-bearing assets and liabilities:

Medium-term and long-term interest-bearing assets and liabilities	2007	2006
	TEUR	TEUR
Interest-bearing financial assets	3,020	2,968
of which variable interest rate	1,208	1,158
of which fixed interest rate	1,812	1,810
Interest-bearing financial liabilities	12,177	10,684
of which variable interest rate	1,807	2,131
of which fixed interest rate	10,370	8,553

Sensitivity of the fair values for fixed-interest financial instruments:

Assets available for sale amounting to EUR 178 thousand (2006: EUR 248 thousand) are shown under fixed-interest assets. A fall in the market interest rate in a margin of 100 base points would have led to an increase of the fair value by EUR 2 thousand (2006: EUR 3 thousand) which would have been recorded in equity. An increase in the market interest rate in a margin of 100 base points would have resulted in a reduction in the fair value or equity by EUR 2 thousand (2006: EUR 3 thousand).

Furthermore the interest and currency swap and the interest swap are shown under fixed-interest financial assets. A fall in the market interest rate by 100 base points would – with otherwise the same assumptions – result in a reduction of the fair value and hence the annual result by EUR 131 thousand (2006: EUR 141 thousand). An increase in the market interest rate by 100 base points would result in an increase in the fair value and/or the annual result by EUR 129 thousand (2006: EUR 117 thousand).

All other fixed-interest financial instruments are valued at continued acquisition costs. Therefore a change in the market interest rate would not have affected the valuation of these financial instruments as at the balance-sheet date.



Sensitivity of payment flows for variable-interest financial instruments:

Taking into account the interest swap arranged, a rise in the market interest rate of 100 base points as at the date of the annual accounts would result – subject to otherwise unchanged assumptions – in the increases (decreases) in the annual result given below:

Effect in thousand EUR	2007		2006	
	+100 base points	-100 base points	+100 base points	-100 base points
Interest result for variable-interest financial instruments	-5	5	-13	13
Safeguarded by interest swap	20	-20	20	-20
Net effect on annual result	15	-15	7	-7

Capital management

Capital at risk forms the basis for capital management. All lendings, investments and guarantees which Eckert & Ziegler AG has given to and/or for subsidiaries are used for this purpose. The EBIT of the segment is compared with the capital at risk. The quotient from both values gives the return on capital at risk. The trend of this risk for the segments is observed by the Executive Board over the course of time and used for backward-oriented valuations and forward-oriented targets.

Eckert & Ziegler AG (parent company) is subject to the provisions of company and commercial law in Germany of minimum capitalisation in accordance with paragraph 92 of the AktG (Companies Law). According thereto an extraordinary general meeting must be called if the sum of the equity under commercial law of the parent company falls below 50% of the share capital. This did not occur in the financial year 2007.

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.

39. 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.

40. 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.

41. 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.



Other disclosures

42. Company acquisitions and disposals

a) Sale of shareholding in Pharmtrace GmbH

In September 2007 Eckert & Ziegler Radiopharma GmbH sold its 30 % shareholding in Pharmtrace klinische Entwicklung GmbH, Berlin (in short: Pharmtrace) to the other incorporators. Within the Group Pharmtrace was valued at equity. The sales price was EUR 15 thousand and the at equity book value amounted to EUR 6 thousand resulting in a gain from the sale of EUR 9 thousand.

b) Acquisition of MC Pharma GmbH

On September 17, 2007 Eckert & Ziegler f-con Europa GmbH acquired 100 % of the shares of MC Pharma GmbH, Bonn. Eckert & Ziegler AG holds 61 % of the voting shares in Eckert & Ziegler f-con Europe GmbH. The total purchase consideration amounted to EUR 843 thousand of which EUR 600 thousand was paid in cash. A part of the purchase price amounting to EUR 181 thousand was provided by the vendor as an additional loan repayable at the end of 2008. An amount of EUR 62 thousand was incurred as additional expenses in connection with the acquisition of the shares.

The acquisition was included in the consolidated accounts in accordance with the acquisition method whereby the results of the company are included in the present set of accounts as from the date of acquisition. The purchase price, which includes the additional expenses associated with the acquisition, was allocated to the assets acquired on the basis of their fair values at the time of the acquisition. This allocation of the purchase price produced a bad will of EUR 120 thousand, which was taken to income and appears under the item "Other Income" in the income statement. The allocation of the purchase price on the basis of the estimated fair values of the assets was as follows (see table A on the right):

As a result of the acquisition of MC Pharma GmbH cash amounting to EUR 474 thousand was obtained. Prior to the acquisition the book value of the net assets acquired amounted to EUR 672 thousand. The profit of Eckert & Ziegler EURO-PET Köln/Bonn GmbH included in these consolidated financial statements amounts to EUR 69 thousand. If the company had already been included in the consolidated accounts as from January 1, 2007 Group turnover would have been higher by EUR 2,245 thousand and the consolidated profit would have been higher by EUR 219 thousand.

c) Acquisitions and disposals since the balance sheet date

In February 2008 Eckert & Ziegler AG injected its shareholding in Eckert & Ziegler BEBIG GmbH as a non-cash capital contribution into International Brachytherapy S.A. (IBt), Seneffe (Belgium) and received in return as consideration resulting from a capital increase 38.5% of the common stock (or 29.9% of the voting stock) of IBt. In addition, it was granted an option to acquire additional voting stock. The nominal value of the 6.75 million shares of common stock newly issued in conjunction with the capital increase was fixed at EUR 3.47 per share or EUR 23.4 million in total.

Table A

	Book value at the time of acquisition	Reval- uation	Market value at the time of acquisition
	TEUR	TEUR	TEUR
Intangible assets	132	0	132
Property, plant and equipment	2,663	69	2,732
Inventories	25	0	25
Receivables	979	0	979
Non-current assets and prepaid expenses	97	0	97
Money in the bank and cash assets	474	0	474
Deferred tax receivables	0	244	244
Loan liabilities	-3,237	0	-3,237
Provisions	-226	0	-226
Liabilities	-49	0	-49
Other current liabilities	-186	0	-186
Deferred tax	0	-22	-22
Net identifiable Assets	672	291	963
Badwill			-120
Purchase price for the company acquisition			843
Less money in the bank and cash assets acquired			-474
Net cash flow from acquisition of subsidiaries			369



Details of the purchase price allocation and the presentation of the transactions in the consolidated accounts are currently being prepared. Owing to the complexity of the transactions and the proximity of the acquisition date to the due date for the presentation of the consolidated financial statements it was not practically possible to include these details in these consolidated financial statements.

43. 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 2006 (8th tranche/tranche 2006) may be first exercised during the second quarter of 2008.

In 2007 the vesting period for the options granted in 2005 (7th tranche/tranche 2005) expired. It was established in the financial year that the performance criteria were not satisfied in relation to the

options granted in 2005. All options of these tranches have thus lapsed.

In 2006 the vesting period for the options granted in 2004 (6th tranche/tranche 2004) expired. It was established in 2006 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 2005 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 exercise 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. The remaining options in these tranches lapsed on that date.

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



	2007		2006	
	Options Number	Weighted average effective price EUR	Options Number	Weighted average effective price EUR
Outstanding at start of year	140,350	10.18	119,150	9.69
Issued	0	0.00	24,500	12.19
Exercised	2,700	7.63	2,900	7.45
Lapsed	51,500	13.85	400	5.17
Outstanding at end of year	86,150	8.07	140,350	10.18
Exercisable at end of year	67,650	6.94	83,350	9.47

The weighted average share price on the dates on which share options were exercised in the year under review of the options exercised on the effective date in the year under review was EUR 11.69.

The following table gives an overview of the share options outstanding at December 31, 2007:

Tranche	Effective price EUR	Outstanding options on December 31, 2007 Number	Remaining exercise period Years
4th Tranche/ Tranche 2002	5.04	11,600	1.65
5th Tranche/ Tranche 2003	5.30	11,050	2.57
6th Tranche/ Tranche 2004	7.84	45,000	3.65
8th Tranche/ Tranche 2006	12.19	18,500	5.37
		86,150	

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 2007 and 2006 staff costs arising from the application of IFRS 2 amounting to EUR 104 thousand and EUR 117 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. In 2007 no new options were issued. The following assumptions were made in the calculation of option prices for the share options issued in 2006:

	2006
Expected dividend income per share	EUR 0.15
Risk-free interest rate	3.83%
Expected volatility	38.44%
Expected lifetime	2.18 years
Fair Value	EUR 4.17

44. Leasing agreements

a) Financial commitments as lessee

The company has entered into capitalized leasing agreements (capital and finance leases) and non-capitalized leasing agreements (operating leases) relating to equipment, vehicles, and land and buildings. Rental and leasing expense amounted in the financial years ending December 31, 2007 and 2006 to EUR 1,038 thousand and EUR 838 thousand respectively.

The company has entered into a long-term operating lease in connection with the self-constructed administration and production building in Berlin (capital and finance lease). 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.

The 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, 2007 are as follows:



	Sundry rental and leasing agreements	Of which financial leases	Present values of the financia leases
	TEUR	TEUR	TEUR
At the year-end (December 31) in each case			
2008	1,182	113	85
2009	1,094	113	90
2010	770	54	44
2011	550	0	0
2012	521	0	0
Thereafter	1,011	0	0
Total minimum rental or lease payments	5,128	280	219

The finance leases are solely in respect of property, plant and equipment. The net book value of the assets on December 31, 2007 was EUR 237 thousand. In the year under review EUR 113 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) Future operating income as lessor

The company as lessor is recording income from operating leases from property, plant and equipment. The expected operating income will amount to EUR 40 thousand for 2008 to 2011 and EUR 23 thousand for 2012 respectively.

45. Sundry financial commitments and 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. 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 709,752.63 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.

At the time of the report, Eckert & Ziegler AG, Eckert & Ziegler Bebig GmbH and Eckert & Ziegler Eurotope GmbH are undergoing an audit. The consequences of this audit are uncertain, particularly as there are various effects which will partially compensate for each other and there are individual matters which have not been finally clarified yet. It is possible that a one-sided interpretation by tax office staff could lead to a payment of tax arrears or the risk of litigation.

46. Segmental reporting

The Eckert & Ziegler Group has organized its business activities into three operational 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 3). 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 is focused on product development, manufacture and market introduction as well as the sale of radioactive products for the treatment of cancer. The main priorities are the treatment of prostate cancer with radioactive iodine seeds. Low and high-dose rate radiotherapy equipment are another important component of the segment. The product range, which is directed mainly at radiotherapists, is complemented with iridium wire sources as well as different therapy accessories.



Dec. 1, 2007	Nuclear Imaging and Industry	Therapy	Radiopharmacy	Others	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Sales to external customers	24,966	20,822	8,629	27	54,444
Sales to other segments	76	520	20	974	1,590
Total segmental sales	25,042	21,342	8,649	1,001	56,034
Depreciation & amortization	-1,159	-1,513	-937	-122	-3,731
Non-cash income and expense	-98	43	-277	-766	-1,098
Segment profit before minority interests	2,822	742	-925	-528	2,111
Segmental assets	27,820	18,740	17,384	37,982	101,926
Segmental liabilities	-12,591	-15,410	-20,034	-5,215	-53,250
Capital investment	825	2,109	4,542	3	7,479

Dec. 1, 2006	Nuclear Imaging and Industry	Therapy	Radiopharmacy	Others	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
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*	289	-30	881	-322	818
Segment profit from continuing operations before minority interests	3,194	833	-978	361	3,410
Segment profit from relinquished operations	0	0	-670	78	-592
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

* Non-cash income and expense had to be corrected for 2006.
The segmental allocation was not correct.



With business premises in Berlin, Bonn and Milan, Radiopharmacy is the newest and fastest-growing segment in the Group. Products in the segment include radioactive contrast media for positron emission tomography (PET) and synthesis modules for manufacturing radio-pharmaceuticals. The equipment is used both in the practice of nuclear-medical diagnostics and research.

A further segment which represents the costs and operating income of the Berlin holding company is not operationally active.

Reconciliation to Group financial statements	2007	2006
	TEUR	TEUR
Group net income / loss before minority interest		
Total segments	2,111	3,410
Elimination of inter-segmental gains (-) / losses	39	-273
Consolidated Group net income / loss before minority interest	2,150	3,137
Segmental assets		
Total segments	101,926	95,358
Elimination of inter-segmental shares, equity investments and receivables	-37,420	-35,302
Deferred tax assets	3,081	4,118
Consolidated total assets	67,587	64,174
Segmental liabilities		
Total segments	53,250	46,939
Elimination of inter-segmental liabilities	-23,493	-20,801
Deferred tax liabilities	1,339	1,706
Consolidated liabilities	31,096	27,844

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

Sales by geographic region (EUR in millions)	2007		2006	
	EUR	%	EUR	%
North America	19.0	35	18.4	36
Europe	30.8	56	26.1	52
Asia/Pacific	2.6	5	2.8	6
Others	2.0	4	3.1	6
Totals	54.4	100	50.4	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 geographic region

	Year 2007		
	TEUR	TEUR	TEUR
	Assets	Liabilities	Investments
North America	20,958	6,372	623
Europe	43,491	23,352	3,839
Totals	64,449	29,724	4,462

Assets, liabilities & investment by geographic region

	Year 2006		
	TEUR	TEUR	TEUR
	Assets	Liabilities	Investments
North America	22,722	7,117	683
Europe	37,333	19,021	3,495
Totals	60,055	26,138	4,178

Major customers

In the segment 'Therapy', approximately EUR 1.3 million of sales were to one major customer during 2007 (equates to approximately 2% of the consolidated Group sales).

47. Related persons and enterprises

Under IAS 24, transactions with persons or enterprises which Eckert & Ziegler AG controls or is controlled by are to be disclosed. Transactions by Eckert & Ziegler AG with related persons and enterprises are performed under the conditions for outside third parties.

a) Management members in key positions



Executive Board

Dr. Andreas Eckert (Chief Executive Officer, responsible for the divisions Management, Investor Relations, Finance, Business Development as well as the Nuclear Medicine and Industry segment), Berlin, businessman

In other committees: Chairman of the Board of Directors Eckert & Ziegler Isotope Products Inc. (IPL), Burbank, USA

Dr. Edgar Löffler (member of the Executive Board, responsible for the Therapy segment), Berlin, medical physicist

In other committees: Member of the Board of Directors Eckert & Ziegler Isotope Products Inc. (IPL), Burbank, USA

until December 31, 2007:

Dr. Andreas Hey (member of the Executive Board, responsible for the Radiopharmacy segment), Berlin, physician

In other committees: Member of the Board of Directors Eckert & Ziegler Isotope Products Inc. (IPL), Burbank, USA

from March 1, 2008:

Dr. André Heß (member of the Executive Board, responsible for the Radiopharmacy segment), Berlin, certified chemist and industrial engineer

In other committees: None

Supervisory Board

The following were members of the Supervisory Board during 2007:

Prof. Dr. Wolfgang Maennig (Chairman), Berlin, university professor

In other control committees: Ecodasa AG, Berlin; Berliner Verkehrsbetriebe (BVG) AöR, Berlin; Hamburgisches WeltWirtschaftsinstitut (HWWI) GmbH, Hamburg

Ralf Hennig, Berlin (Vice-Chairman), 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 Management Report.

As of December 31, 2007, there were no advance payments or loans in existence to members of the Executive Board or Supervisory Boards of Eckert & Ziegler AG.

b) Other related persons and enterprises

– 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"), in which Eckert Consult has an indirect holding (via NEMOD Immuntherapie GmbH). Dr. Eckert is one of the general managers of NEMOD Verwaltungs GmbH.

– Glycotope GmbH which is 37.41 percent owned by Eckert Consult.

– Mr. I. Simmer and Mr. J. Sadlo, general managers and, at the same time, minority interest shareholders of the subsidiary, Eckert & Ziegler Cesio s.r.o.

– Mr. A. Schmidt, general manager and, at the same time, minority interest shareholder of the subsidiary, Eckert & Ziegler f-con Europe GmbH.

– Dr. Stabell, general manager and, at the same time, minority interest shareholder of Eckert & Ziegler EURO-PET Berlin GmbH.

In 2007 and 2006, the following transactions were conducted with these related persons and enterprises:



Eckert & Ziegler AG provided various administrative services in the year under review for Nemod Immuntherapie GmbH and Nemod Verwaltungs GmbH. For this, expenses of EUR 4.0 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 under review, Eckert & Ziegler BEBIG GmbH received EUR 13 thousand for services rendered.

In 2004, Eckert & Ziegler AG granted the general managers and minority interest shareholders 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.

Mr. Schmidt granted the subsidiary, Eckert & Ziegler f-con Europe GmbH, two loans. As of December 31, 2007, the loan amounted to EUR 455 thousand including interest.

Dr. Stabell receives goods deliveries from the subsidiary, Eckert & Ziegler EURO-PET Berlin GmbH, at market prices. Invoices amounted to EUR 30 thousand for the financial year. As of December 31, 2007, receivables stood at EUR 4 thousand.

The balances which the Eckert & Ziegler Group has with related persons and enterprises in respect of accounts receivable, loan receivables, accounts payable and loan payables as of December 31, 2007 and 2006, are as follows:

	2007	2006
	TEUR	TEUR
Trade accounts receivable from related persons and enterprises	12	27
Loans receivable from related persons and enterprises	499	489
Trade accounts payable to related persons and enterprises	10	6
Borrowings from related persons	455	177

48. Post-balance sheet events

In February 2008, Eckert & Ziegler AG transferred the shares of its implant business in Eckert & Ziegler BEBIG GmbH as a non-cash investment to International Brachytherapy S.A. (IBt), Seneffe (Belgium), and for this received 38.5 percent of IBt's ordinary shares

(which equates to 29.9 percent of the voting rights) from a capital increase.

Other disclosures required under HGB

49. Other operating income/expense

Other operating income/expense contains income and expense relating to other accounting periods of EUR 194 thousand (2006: EUR 268 thousand) and EUR 39 thousand (2006: EUR 173 thousand) respectively. The income consists of the release of provisions and income from the sale of non-current assets. The expense represents losses from the disposal of non-current assets.

50. Cost of materials

In financial year 2007, the cost of materials amounted to EUR 16,928 thousand (2006: EUR 16,349 thousand).

51. Auditors' fees

In financial year 2007, audit fees of EUR 185 thousand (2006: EUR 165 thousand) were charged in respect of the audit of the annual consolidated financial statements as well as fees of EUR 5 thousand for consultation relating to the preparation for a planned due diligence process. The auditors did not carry out any other functions.

52. 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.

53. 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 permanently to shareholders through the company's website.



Executive Board and Supervisory Board, Dec. 31, 2007

		Stock	Stock options
Dr. Andreas Eckert (Eckert Consult GmbH)	Executive Board	2,010 (1,230,446)	10,000 (0)
Dr. Andreas Hey	Executive Board	0	0
Dr. Edgar Löffler	Executive Board	10,250	16,000
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0
Ralf Hennig	Supervisory Board	141	0
Prof. Dr. Ronald Frohne	Supervisory Board	0	0
Prof. Dr. Nikolaus Fuchs	Supervisory Board	0	0
Hans-Jörg Hinke	Supervisory Board	0	0
Frank Perschmann	Supervisory Board	1,000	0



Movements in Group non-current Assets

In the financial Year from January 1 to December 31, 2007

	Balance	Additions from company acquisitions	Costs		Disposal	Transfers	Currency translation	Balance
	Jan. 1, 2007		Other Additions	TEUR				TEUR
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Non-current assets								
I. Intangible assets								
1. Goodwill	11,414	0	4	0	0	-929	10,489	
2. Other intangible assets	12,513	132	2,228	8	0	-541	14,324	
	23,927	132	2,232	8	0	-1,470	24,813	
II. Property, plant and equipment								
1. Buildings on third-party land	8,044	0	367	95	268	-317	8,267	
2. Plant and machinery	22,845	2,648	1,451	446	141	-372	26,267	
3. Other plant and equipment, fixtures and fittings	2,609	14	471	42	0	-89	2,963	
4. Plants under construction	934	0	164	0	-409	-91	598	
	34,432	2,662	2,453	583	0	-869	38,095	
	58,359	2,794	4,685	591	0	-2,339	62,908	



Depreciation and amortization						Net book value	
Balance Jan. 1, 2007	Additions	Disposal	Transfers	Currency translation	Balance Dec. 31, 2007	Balance Jan. 1, 2007	Balance Dec. 31, 2007
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
641	0	0	0	-100	541	10,773	9,948
5,301	1,021	0	0	-284	6,038	7,212	8,286
5,942	1,021	0	0	-384	6,579	17,985	18,234
2,072	367	7	0	-100	2,332	5,972	5,935
14,430	1,970	383	0	-268	15,749	8,415	10,518
2,010	373	40	0	-74	2,269	599	694
0	0	0	0	0	0	934	598
18,512	2,710	430	0	-442	20,350	15,920	17,745
24,454	3,731	430	0	-826	26,929	33,905	35,979



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, March 26, 2008

Eckert & Ziegler Strahlen- und Medizintechnik AG

The Executive Board

Dr. Andreas Eckert

Dr. Edgar Löffler

Dr. André Heß

Assurance from the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Berlin, March 14, 2008

The Executive Board

Dr. Andreas Eckert

Dr. Edgar Löffler

Dr. André Heß



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 2007 to 31 December 2007. 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, March 14, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kronner
Wirtschaftsprüfer

Brandt
Wirtschaftsprüfer



To increase public trust of the management and to monitor German joint-stock corporations which are listed on the stock exchange, the commission appointed by the German federal government presents recommendations for responsible corporate management in the German Corporate Governance Code, which is updated regularly.

In addition to legal regulations, the German Corporate Governance Code contains internationally and nationally recognized standards for good and responsible corporate management.

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, the company adhered in the main to the recommendations of the German Corporate Governance Code. Only for well-founded reasons were there exceptions to the recommendations.

As a company listed on the stock exchange, Eckert & Ziegler is obliged in accordance with § 161 of the German Stock Companies Law to submit an annual declaration of compliance with the German Corporate Governance Code. This declaration must make it clear that the German Corporate Governance Code has been and is being complied with or which recommendations have not been or are not being applied:

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 the following in accordance with §161 of the German Stock Companies Law:

Eckert & Ziegler Strahlen- und Medizintechnik AG will comply with the recommendations of the German Corporate Governance Code – the version of June 14, 2007 – with the following exceptions:

Deductible amount with the D&O insurance:

The D&O insurance policy taken out for the Executive Board and the Supervisory Board provides for no deductible amount.

Formation of commissions:

The Supervisory Board has established no commissions, in particular no auditing commission or nomination commission.

Executive Board remuneration:

There is currently no regulation concerning Executive Board remuneration through components with a long-term incentive effect and risk character.



Age limit for members of the Executive Board and Supervisory Board:

No age limits have been set either for members of the Executive Board or for members of the Supervisory Board.

Supervisory Board remuneration:

The members of the Supervisory Board receive no performance-based remuneration. Since the declaration of compliance on December 3, 2006, Eckert & Ziegler Strahlen- und Medizintechnik AG has complied in full with the recommendations of the German Corporate Governance Code – the version of June 12, 2006 – excluding the exceptions stated in the Declaration.

Berlin, December 3, 2007

For the Executive Board:

Dr. Andreas Eckert

Dr. Edgar Löffler

For the Supervisory Board:

Prof. Dr. Wolfgang Maennig

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

The Executive Board takes the following stance – also on behalf of the Supervisory Board – in relation to the exceptions to the recommendations of the German Corporate Governance Code specified in the declaration of compliance of December 3, 2007:

Deductible amount with the D&O insurance

The agreement of a deductible amount with the D&O insurance (liability insurance for members of the Executive Board and Supervisory Board) has been dispensed with as it is not apparent that this fundamentally boosts the motivation and sense of responsibility of the members of the boards. In addition, there are currently no generally recognized principles for the appropriateness of such an arrangement.

Formation of commissions

The need to form commissions, in particular an auditing commission or nomination commission, is not viewed as a matter of priority by the Supervisory Board because of the small number of members on the Supervisory Board and the specific circumstances of the company. All of the duties conferred on such committees are therefore undertaken by the Supervisory Board itself.

Executive Board remuneration

On the basis of the experience gained with the earlier share option program, in particular in relation to how it was received by employees, no comparable follow-up program has so far been concluded for senior managers.

Age limit for members of the Executive Board and Supervisory Board

The Executive and Supervisory Boards are of the opinion that a general age limit for members of the Executive Board and Supervisory Board does not represent an appropriate criterion for searching for and excluding members of these bodies. Rather, when it comes to appointing people to the Executive Board and Supervisory Board, the fundamentally important factor is whether the members have the necessary knowledge, skills and specialist experience required.

Supervisory Board remuneration

The Executive and Supervisory Boards are of the opinion that remuneration linked to the profits of the business 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.



Monitoring and consulting with the Executive Board

The Executive Board regularly and fully informed the Supervisory Board in fiscal year 2007 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:

- Strategic focus, in particular in the area of radiopharmacy
- Restructuring within the Group
- Acquisitions
- Risk management

Examination of the 2007 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 March 26, 2008 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.

Other

Supervisory Board member Prof. Dr. Ronald Frohne was able to participate in only two meetings of the Supervisory Board during fiscal year 2007 due to professional commitments abroad.

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 2007.

Berlin, March 2008

The Supervisory Board

Prof. Dr. Wolfgang Maennig
Chairman



	2007	2006
	TEUR	TEUR
1. Net sales	1,001	2,040
2. Other operating income	344	817
	1,345	2,857
3. Staff costs		
a) Wages and salaries	-1,355	-1,380
b) Social security and old-age provision	-108	-136
- of which for pensions TEUR -21 (previous year: TEUR -25)	-1,463	-1,516
4. Depreciation and amortization		
a) intangible assets of non-current assets and property, plant and equipment	-209	-498
b) on current assets if these exceed the normal depreciation applied in the company	0	-778
	-209	-1,276
5. Other operating expense	-741	-882
6. Income from equity investments	890	352
7. Income arising from profit or loss takeover agreements	0	1,512
8. Income from other securities and from loans included under long-term investments	316	384
9. Interest receivable and similar income	1,471	1,419
10. Write-downs on long-term investments and on marketable securities	-355	-361
11. Expense from absorption of losses	0	-1,077
12. Interest payable and similar expense	-282	-313
13. Net income/loss (-) from ordinary activities	972	1,099
14. Income tax expense	-30	5
15. Net income/loss (-) for the year	942	1,104
16. Release of treasury stock	7	67
17. Unappropriated retained earnings/losses (-)	949	1,171



Balance Sheets (Parent Company)

Assets of Eckert & Ziegler Aktiengesellschaft as of December 31

	2007	2006
	TEUR	TEUR
Assets		
A. Non-current assets		
I. Intangible assets		
Patents, licenses, trade marks and similar rights and software	649	854
II. Property, plant and equipment		
Other plant and equipment, fixtures and fittings	16	18
III. Long-term investments		
1. Shares in affiliates	11,472	11,546
2. Loans to affiliates	3,769	4,606
	15,241	16,152
Total non-current assets	15,906	17,024
B. Current assets		
II. Receivables and other assets		
1. Trade accounts receivable	4	2
2. Amounts due from affiliates	19,686	18,918
3. Other assets	809	997
	20,499	19,917
II. Securities		
1. Own shares	360	366
2. Other securities	965	1,038
	1,325	1,404
III. Cash at bank	493	999
Total current assets	22,317	22,320
C. Prepaid and deferred expenses	13	26
D. Deferred tax	77	87
Total assets	38,313	39,457



	2007	2006
	TEUR	TEUR
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		
2. Treasury stock	360	366
4. Other retained earnings	1,069	684
	1,429	1,050
IV. Unappropriated retained earnings/losses (-)	949	1,171
Total shareholders' equity	32,794	32,637
B. Deferred income from government grants	157	206
C. Reserves		
1. Pension reserves	356	335
2. Tax reserves	10	0
3. Other reserves and accruals	634	550
	1,000	885
D. Liabilities		
1. Bank borrowings	1,750	2,000
2. Trade accounts payable	14	27
3. Amounts due to affiliates	364	1,521
4. Other liabilities	2,234	2,181
(of which for taxes EUR 95; 2006 TEUR 57)		
(of which for social security TEUR 0; 2006 TEUR 0)		
Total liabilities	4,362	5,729
Total liabilities and shareholders' equity	38,313	39,457



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. Several sessions are usually necessary.

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

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 irradiation with a minimal distance between the source of radiation and the tissue which is to be irradiated.

D&O Insurance Directors' and officers' liability insurance. Liability insurance for the company management of a joint-stock corporation; in this case it is for the 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.

DOTA-peptides Peptides which bind to very specific cell receptors (e.g. in specific tumors) and induce regulative effects there.

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

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

Fluorodeoxyglucose (FDG) Glucose marker. Radioactively labeled glucose (sugar).

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

IFRS (Abbreviation for International Financial Reporting Standards) Standards to which the present Group financial statements were drawn up.

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

Implantation Placement or insertion of foreign materials into an organism.

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

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

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).

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

Calibration Referencing of measuring instruments to specified standards.

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

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.

Contrast medium Medicinal product which improves the representation of structures and functions of the body in imaging processes.

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.

Ophthalmology Science of the eye and eye diseases.

Peptide Organic chemical compound derived from linking several amino acids.

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

PET scanner Device used for positron emission tomography (PET), 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.

Positron Elementary particle with the mass of an electron, but 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).

Radiochemistry Field of nuclear chemistry concerned with the production of radionuclides.

Radiodiagnosics Diagnostic radiopharmaceuticals. See also Radiopharmaceuticals.

Radiography Conventional X-raying.

Radioisotope See Radionuclide.

Radionuclide Radioactive isotope.

Radio-oncology Also radiotherapy. An area 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 of radiopharmaceuticals.

Raw isotope Radioactive starting substance for producing radiation sources.

Seed Small metal pins containing radioisotopes for interstitial radiation therapy.

SPECT Abbreviation for Single Photon Emission Computer Tomography. Imaging method in nuclear medicine, and also PET.

Emitter Here: device that transmits radioactive rays. Sometimes also referred to as "source".

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

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

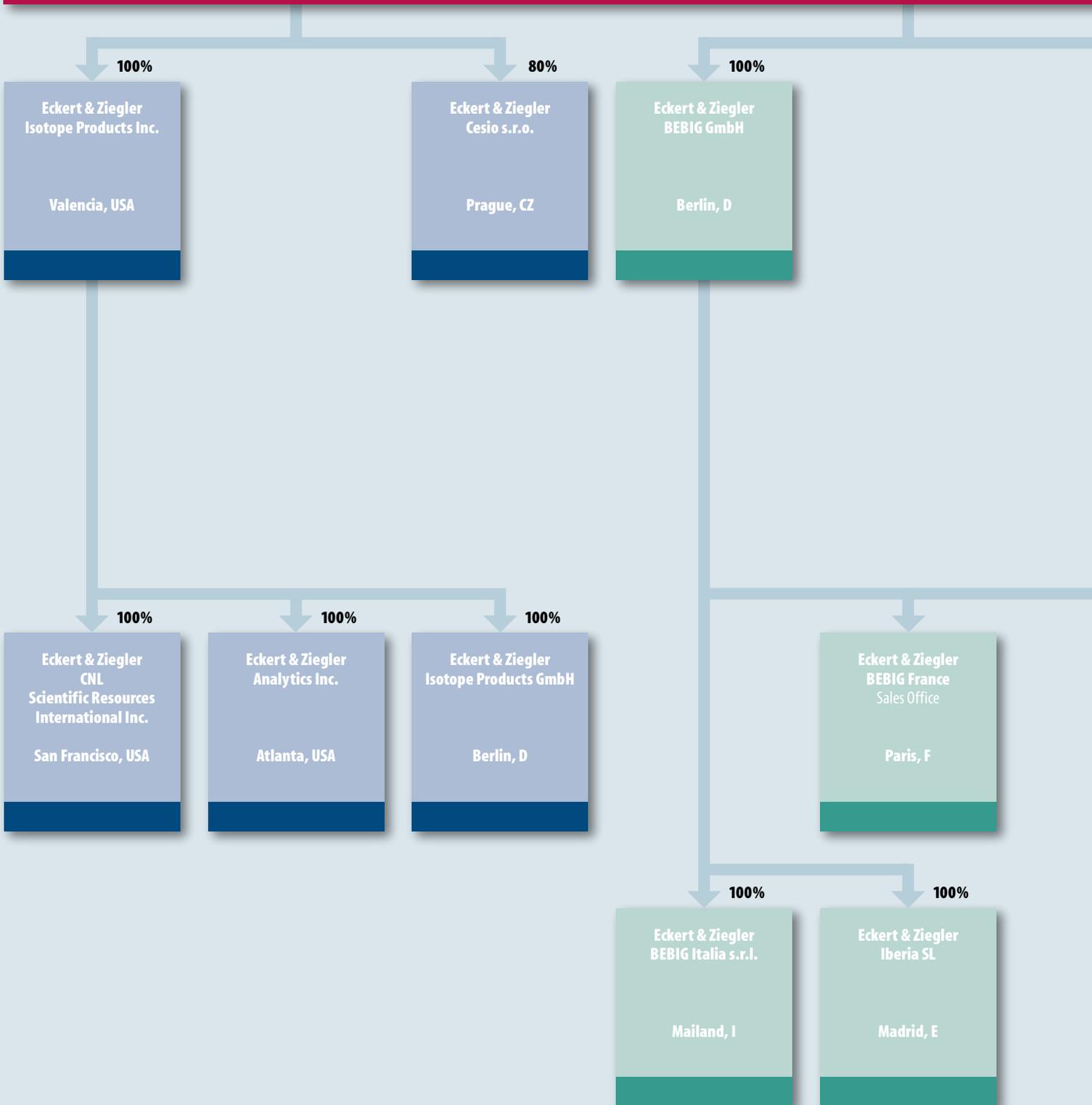
Scintillator Fluorescent material for detecting charged particles and gamma rays.

Therapy accessories Microprocessor-controlled devices used in treatments carried out using radioactive material, e.g. block and compensator cutting equipment and crucibles.

Cyclotron Circular particle accelerator for production of radioactive substances.

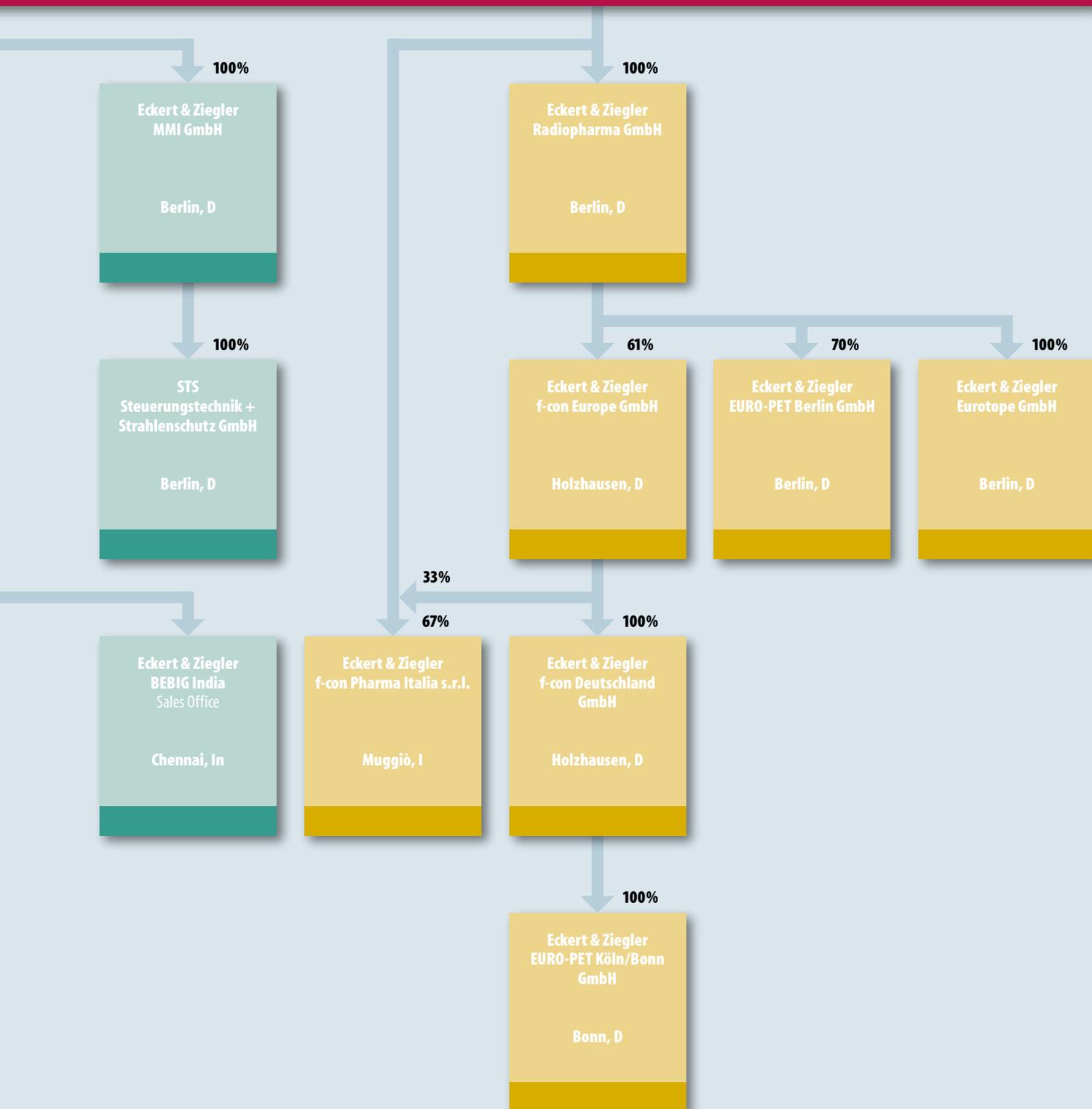


Eckert & Ziegler Strahlen- und Medizintechnik AG



Nuclear Medicine and Industry segment

Therapy segment



Radiopharmaceutical segment



Financial Calendar

March 28, 2008

Annual Report 2007

March 28, 2008

Balance Press Conference in Berlin

April 15, 2008

Medtech Day in Frankfurt

May 6, 2008

Quarterly Report I/2008

June 11, 2008

Annual General Meeting in Berlin

August 5, 2008

Quarterly Report II/2008

November 4, 2008

Quarterly Report III/2008

November 2008

German Equity Capital Forum in Frankfurt

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