

ECKERT & ZIEGLER AG

STRAHLEN- UND MEDIZINTECHNIK



Quarterly Report
II/1999

Dear shareholder,

Eckert & Ziegler Strahlen und Medizintechnik AG, Berlin achieved notable growth in sales (+400%) and in net earnings for usual business activity (+130%) for the first half of 1999 as compared to the previous half year. In the first half year, the cumulative sales proceeds of the group increased to a total of 4.9 million euros (previous year 1.0 million euros), and the net earnings of usual business activity to 0.6 million euros (previous year 0.2 million euros). Business performance, i. e. the sum of sales proceeds, inventory changes, non-market output of goods and services, and other business income, exceeded 7.2 million euros during the first six months, a figure that surpasses planned values by nearly 20%.

The most decisive factors in this partially unanticipated growth were favorable business developments for the medical reference sources of the California subsidiary, Isotope Products Laboratories, and more rapid creation of production facilities. The latter led to a substantial increase in non-market output of goods and services.

Sales development

Broken down by segments, the majority of sales consisted of radiation sources for measurement and scientific purposes (2.9 million euros) as well as of medical reference sources (1.2 million euros). The growth areas of oncological and cardiological components contributed approximately 0.8 million euros to total sales.

On the cost side, proportional increases in material and personnel expenses as well as higher depreciations offset the higher sales and non-market output of goods and services in the first half year. Concerning the other expenses, there were substantial increases in scheduled costs due to the rise in the value of the dollar of up to 1.02 euros. This weakened the positive net income from the higher sales and non-market output of goods and services.

Milestones

- Successful initial public offering despite difficult market conditions
- Market approval (510 K) by the American Food and Drug Administration for radioactive iodine implants against prostate cancer
- Long-term basic contract at a value of up to 45 million euros with a leading medical equipment manufacturer for the development and production of radioactive components
- European license for radioactive iodine implants for the treatment of prostate cancer (CE type)
- Appointment of Gerald Pohland as Chief Financial Officer
- Acquisition of an additional production and administration building, start-up of a production line for radioactive implants

Research and development

Eckert & Ziegler AG invested approximately 1.1 million euros in the development of new components and the construction of additional production lines in the first half year of 1999.

Result

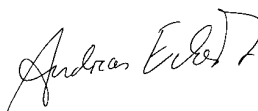
The result for normal business activity in the first half year amounted to approximately 0.8 million euros. This is reduced by the net interest income (-0.2 million euros), the costs of the stock exchange listing (-1.2 million euros), extraordinary exchange rate expenses (-0.2 million euros), and taxes (-0.4 million euros) to a total semiannual result after taxes of -1.2 million euros. Thus the projected overall result for the first half year was achieved despite the unanticipated exchange losses.

Employees

The number of employees increased in the first half year of 1999 from 44 to 118. The California subsidiary IPL is responsible for 55 of these employees. A third senior officer was appointed on June 1, 1999.

Outlook

Due to the completion and authorization of a number of production lines, Eckert & Ziegler AG expects a considerable increase in sales for the oncology area during the second half year. Start-up of new production modules is planned for the area of cardiological components, a measure expected to partly relieve the bottlenecks in capacity which restricted effective expansion of sales profits over recent months. The order situation for the medical components is otherwise very good, both in terms of current orders and with respect to forming further strategic development and production alliances.



Dr. Andreas Eckert
Chairman of the Board



Jürgen Ziegler
Board Member



Gerald Pohland
Board Member

Berlin, August 11, 1999



Profit and Loss Statement

(in thousand EUR)

	First HY 99	First HY 98
Sales	4,865	958
Increase/decrease in inventory	123	-46
Capitalization of self-built assets	1,000	758
Other operating income	1,253	515
Total operating performance	7,241	2,185
Cost of material	-1,470	-621
Personnel costs	-2,352	-683
Depreciation expenses	-744	-217
Other operating expenses	-1,866	-405
Financial results	-249	-19
Results from ordinary activities	560	240
Extraordinary items	-1,457	
Profit before taxes	-897	240
Income taxes	-350	-123
Net loss/income of the year	-1,247	117
Earning per share (EUR)	-0.42	0.04



Consolidated Balance Sheet (HGB)

(in thousand EUR)

	June 30, 1999	June 30, 1998
Assets		
Fixed assets		
Intangible assets	2,231	35
Property, plant and equipment	7,820	2,661
Financial assets	312	103
	10,363	2,799
Current assets		
Inventory	1,553	310
Receivables and other assets	1,634	349
Cash and cash equivalents	11,381	567
	14,568	1,226
Prepaid expenses	32	9
Deferred taxes	62	
	25,025	4,034
Equity and Liabilities		
Equity		
Common stock	3,000	51
Capital reserve	9,791	7
Retained earnings	274	236
Net income	-1,247	117
Currency translation differences	193	
	12,011	411
Deferred income – investment grants	2,648	1,480
Accruals	1,656	652
Liabilities	8,710	1,491
	25,025	4,034



Consolidated Cash Flow Statement (HGB)

(in thousand EUR)

	First HY 99	First HY 98
Operating activities		
Net profit according to HGB	-1,247	117
Costs in connection with the IPO	1,257	
Depreciation and amortisation	744	217
Changes in deferred income – investment grants	257	-39
Changes in pension accruals	10	10
Increase in current assets	-166	165
Increase in current liabilities	877	181
Net cash from operating activities	1,732	651
Investing activities		
Purchase of investments	-3,815	-2
Purchase of other long term assets	-2,805	-909
Net cash used in investing activities	-6,620	-911
Financing activities		
Proceeds from issuance of share capital	8,978	
Principal from long term borrowings	2,630	543
Net cash from financing activities	11,608	543
Net increase in cash and cash equivalents	6,720	283
Cash and cash equivalents on January 1	4,804	284
Cash and cash equivalents on June 30	11,524	567



Reconciliation

(in thousand EUR)

	First HY 99	First HY 98
Net profit according to HGB	-1,247	Monthly US-GAAP transitional calculations were not performed in 1998.
Capitalization of patent costs	16	
Fixed assets (costs of construction)	-91	
Investment grant	24	
Inventory valuation	-37	
Currency translation	35	
Costs of issuance of new shares (IPO)	774	
Purchase price allocation at IPL	-29	
	692	
Deferred taxes	335	
Profit after tax according to US-GAAP	-220	



Company calendar

November 15, 1999: Quarterly report III/99
 March 29, 2000: Balance press conference
 March 30, 2000: Annual report 1999
 April 12, 2000: General meeting of shareholders

(subject to changes)

Eckert & Ziegler
 Strahlen- und Medizintechnik AG
 Robert-Rössle-Str. 10
 D-13125 Berlin
 Tel. (+49 30) 94 10 84-0
 Fax (+49 30) 94 10 84-12
 e-mail ez_ag@t-online.de
 Internet <http://www.ezag.de>
 Security Code Number: 565 970