

2003

Quarterly Report III



Dear Shareholder,

A series of positive developments marked the start of the second half of the year. These included the successful market introduction of Perflexion®, an innovative flexible surface source, also of the Micro-PET source series as well as a cesium therapeutic radiation source. In the therapeutic area, efforts to gain recognition for prostate products yielded some significant results. The German Ministry of Health and Social Security included seed implantation in its decision on the standard hospital remuneration system for the year 2004 (*Verordnung zum Fallpauschalensystem für Krankenhäuser für das Jahr 2004*) and thus in the reimbursement catalogue for health insurance companies. NEMOD AG's successful change in status to a limited company created the preconditions for acquiring additional investors as well as for significantly lowering the tax burden, because losses from NEMOD can now be balanced with profits within the corporation.

Overall sales in the oncology segment showed the same level as last year, with the decline in the US following the sale of the seed business early this year offset by growth on the European market. Despite considerable price pressure, the nuclear imaging segment showed a growth rate of 4.5% adjusted for currency conversion. The industrial and miscellaneous segments put in slight losses. In the cardiology segment, the loss of 2.4 million EUR corresponds to the overall decline in sales adjusted for the consolidation rate. The overall development in sales for the first nine months of the year was not entirely satisfactory, however, as it lagged approximately 7% behind our expectations.

Nevertheless, due to considerable savings in costs, pre-tax results for the core business were slightly above expectations at 1.6 million EUR. For the biotechnology segment, however, approximately 400,000 EUR more than originally planned had to be spent, so the overall result after taxes currently lies somewhat below expectations. A clear rise in revenue is anticipated for the fourth quarter, when the sale of a production facility should enter the accounts as planned. Overall, Eckert & Ziegler should be able to close the year with a profit of at least 20 cent per share.

Liquid funds and securities once again showed a positive development in the third quarter, with a gain of an additional million euros over the June 30 level to 9.1 million EUR. Milestone payments received (although not yet revenue-inducing) from the sale of the US seed business exerted a positive effect here. A further payment is expected in the fourth quarter.

As of 1 July 2003, Eckert & Ziegler AG's dormant holding in NEMOD Biotherapeutics GmbH & Co. KG will be fully consolidated in accordance with FIN 46. The initial consolidation yielded losses of 1.3 million EUR due to changes in the accounting regulations. These are purely book losses, however, which the Eckert & Ziegler corporate group is not expected to realize.

Research and Development

In the oncology segment, the production facility for prostate implants sold to Theragenics Corp. was successfully transferred to the USA. Animal testing was successfully concluded for PankoMab®, one of the leading products in the immunology segment. In pre-clinical trials, the antibody significantly suppressed tumor growth in mice that had artificially induced human tumors. The therapeutic effect was especially evident for small tumor masses.

Staff


The total number of staff throughout the corporate group was 187 as of September 30. An additional 19 are employed by the biotech holding.

Outlook

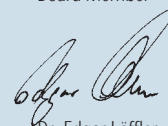
The rest of the year will be marked by concluding the delivery of the production system to the USA, the acceptance of which will lead to significantly higher sales figures for the fourth quarter. In the therapeutic field, efforts will concentrate on preparations for increased marketing of prostate implants in Germany, and the immunology segment will be working on presenting the pre-clinical PankoMab® data to strategic partners.



Dr. Andreas Eckert
Chairman of the Management Board



Gerald Pohland
Board Member



Dr. Edgar Löffler
Board Member

Berlin, October 31, 2003

Milestones

- The production facility sold to Theragenics Corp. was successfully transferred to the USA.
- The Californian subsidiary Isotope Products Laboratories Inc. was accredited by the German Calibration Service (*Deutscher Kalibrierdienst*) as an isotope engineering laboratory.
- The NEMOD Immuntherapie GmbH biotech holding passed over its entire operations to the newly founded NEMOD Biotherapeutics GmbH & Co. KG.
- The MOBILE BRACHYTHERAPY, a new service for clinics, was successfully introduced in Istanbul.
- Production was launched for "Perflexion[®]", an innovative surface source for calibrating gamma cameras.
- Seed implants for prostate cancer were included in the decision on the standard hospital remuneration system in Germany for 2004 (*Verordnung zum Fallpauschalensystem für Krankenhäuser für das Jahr 2004*) and thus in the reimbursement catalogue for insurance companies.

Accounting and Valuation Methods

See also the information in the 2002 annual report on the accounting and valuation methods.

According to the new GAAP regulations in the USA, the holding in NEMOD Biotherapeutics GmbH & Co. KG must be included in the full consolidation as of 1 July 2003. This does not change the present results. As before, total losses for the holding are shown for Eckert & Ziegler AG without indicating the shares held by third parties. In the initial consolidation, however, an additional loss of 1.3 million EUR must be shown as a result of changes to the accounting regulations. In terms of content, this refers to the value of negative equity ascribed to the holding company before participation by Eckert & Ziegler AG. However, Eckert & Ziegler AG is not required to make compensation for these losses.

As of January 1, 2003, the company has been applying the new Statement of Financial Accounting Standards No. 143, entitled "Accounting for Asset Retirement Obligations". According to these regulations, disposal provisions must be set up to cover all the requirements for decontaminating facilities that have been radioactively contaminated. A new consideration here is the requirement that disposal costs must be calculated as if an unaffiliated third party were commissioned today to do the work. Previous calculations had been based on much of the work being performed under our own direction in the course of normal operations—as in the past. This corresponds to standard practice and is of course considerably less expensive.

Changes that arise from applying this regulation for the first time are listed under "One-time adjustments from the first application of SFAS 143".

In the third quarter, 20% of the shares of Isotope Products Cesio s.r.o., Prague were transferred back to the managing director and founders there. Third-party shares in profit and equity should therefore be shown for the year 2003.

Statement of Shareholders' Equity (in thousand EUR)

	Common Stock	Additional paid-in capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
Balance, January 01, 2002	3,250	26,637	4,435	1,524	0	35,846
Dividends paid			- 1,462			- 1,462
Net income			346			346
Changes in Other Comprehensive Income				- 1,803		- 1,803
Balance, December 31, 2002	3,250	26,637	3,319	- 279	0	32,927
Balance, January 01, 2003	3,250	26,637	3,319	- 279	0	32,927
Purchase of capital stock					- 1,072	- 1,072
Stock-based compensation		24				24
Net Income			- 2,087			- 2,087
Changes in Other Comprehensive Income				- 1,042		- 1,042
Balance, September 30, 2003	3,250	26,661	1,232	- 1,321	- 1,072	28,750

Stock and stock options

	Management Board and Supervisory Board	September 30, 2003	
		Stocks	Stock options
Dr. Andreas Eckert (Eckert Consult GmbH)	Management Board	10 (1,260,446)	13,000 (0)
Dr. Edgar Löffler	Management Board	0	20,250
Gerald Pohland	Management Board	4,750	21,500
Prof. Dr. Wolfgang Maennig	Supervisory Board	0	0
Prof. Dr. Ronald Frohne	Supervisory Board	75,000	0
Prof. Dr. Detlev Ganten	Supervisory Board	0	0
Ralf Hennig	Supervisory Board	141	0
Frank Perschmann	Supervisory Board	1,000	0

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

	9-monthly report 01 – 09/2003	9-monthly report 01 – 09/2002 previous year
Net profit/loss	- 2,087	32
Adjustments for:		
Depreciation and amortization	2,760	2,761
Proceeds from grants, net	- 1,657	983
Deferred taxes	- 319	- 429
Unrealized foreign currency gains (-)/losses	232	880
Long-term accruals, other long-term liabilities	1,435	- 212
Loss from first time consolidation NEMOD	1,218	-
Gains (-)/losses on holding of investments	-	2,103
Others, net	110	84
Changes in short-term assets and short-term liabilities:		
Accounts receivable	333	- 329
Inventories/Work in progress	- 971	- 153
Prepaid expenses and other current assets	- 134	- 354
Accounts payable and accounts payable to affiliates	2,012	- 575
Tax reserves	241	- 672
Other liabilities	404	- 474
Cash flows from operating activities	3,577	3,645
Purchases and sales of property, plant and equipment	- 1,041	- 1,793
Investments in or sales of affiliates	5	- 1,995
Purchases and sales of available-for-sale-securities	- 794	1,265
Other	- 6	- 41
Cash flows from investing activities	- 1,836	- 2,564
Dividends paid	-	- 1,463
Change in long-term borrowing	- 161	- 277
Change in short-term borrowing	- 689	329
Purchase of treasury stock	- 1,072	-
Cash flows from financing activities	- 1,922	- 1,411
Effect of exchange rates on cash and cash equivalents	19	- 13
Net increase (decrease) in cash and cash equivalents	- 162	- 343
Cash and cash equivalents at beginning of period	6,138	4,448
Cash and cash equivalents at end of period	5,976	4,105
+ Short term investments	3,183	2,326
= Cash and short term investments at the end of period	9,159	6,431

Consolidated Income Statement – US GAAP (in thousand EUR)

	Quarterly report III/2003 07 – 09/2003	Quarterly report III/2002 07 – 09/2002 previous year	9-monthly report 01 – 09/2003	9-monthly report 01 – 09/2002 previous year
Revenues	5,970	7,782	18,916	23,771
Cost of Revenues	- 3,060	- 3,704	- 10,378	- 12,280
Gross profit/loss	2,910	4,078	8,538	11,491
Selling and Marketing expenses	- 757	- 905	- 2,288	- 2,435
General and administrative expenses	- 1,476	- 1,736	- 4,514	- 5,874
Research and development expenses	- 586	- 898	- 1,796	- 2,565
Other operating income and expenses	131	449	813	413
Operating income/loss	222	988	753	1,030
Interest income and expenses	- 102	- 39	- 231	- 115
Foreign currency exchange gains/losses	35	1	- 250	- 693
Other income/expense	- 131	- 17	- 24	114
Result before income tax and minority interest	24	933	248	336
Income tax	458	- 268	- 243	- 304
Net income from continuing operations	482	665	5	32
Weighted average shares outstanding (basic)	2,930	3,250	2,999	3,250
Weighted average shares outstanding (diluted)	2,932	3,250	3,000	3,250
Net earnings per share (basic)	0.16	0.20	0.00	0.01
Net earnings per share (diluted)	0.16	0.20	0.00	0.01
Cumulative effect of change in accounting principle (SFAS 143 and FIN 46)	- 1,338	-	- 2,024	-
Minority interests in net income of consolidated subsidiaries	- 68	-	- 68	-
Net income/loss	- 924	665	- 2,087	32
Net income per share (basic)	- 0.32	0.20	- 0.70	0.01
Net income per share (diluted)	- 0.32	0.20	- 0.70	0.01

Consolidated Balance Sheet– US GAAP (in thousand EUR)

Assets

9-monthly report 01 – 09/2003 Annual report 01 – 12/2002

	9-monthly report 01 – 09/2003	Annual report 01 – 12/2002
Current assets		
Cash and cash equivalents	5,976	6,138
Short-term investments/marketable securities	3,183	2,326
Trade accounts receivable	2,708	3,277
Accounts receivable due from related parties	848	865
Inventories/Work in progress	5,473	3,634
Deferred tax asset	815	867
Prepaid expenses and other current assets	659	519
Total current assets	19,662	17,626
Non current assets		
Property, plant and equipment	15,639	17,693
Intangible assets	4,193	4,788
Goodwill	6,467	7,165
Investments	143	396
Notes receivable/loans	42	59
Deferred taxes	1,488	1,257
Other assets	1,233	744
Total non current assets	29,205	32,102
Total assets	48,867	49,728

Liabilities
and
Shareholders'
Equity

Current liabilities		
Short-term dept and current portion of long-term dept and capital lease obligations	259	1,055
Trade accounts payable	633	1,233
Advance payments received	2,668	40
Accrued expenses	1,559	1,735
Deferred revenues	1,588	1,423
Income tax payable	498	214
Deferred taxes	201	145
Other current liabilities	1,215	803
Total current liabilities	8,621	6,648
Non current liabilities		
Long-term dept, less current portion and capital lease obligations	3,973	2,948
Deferred revenues	3,013	4,483
Deferred taxes	993	1,245
Pension accrual	139	127
Others	3,254	1,350
Minority interests	124	-
Total non current liabilities	11,496	10,153
Shareholders' equity		
Share capital	3,250	3,250
Additional paid-in capital	26,661	26,637
Retained earnings	1,232	3,319
Accumulated other comprehensive income/loss	- 1,321	- 279
Treasury stock	- 1,072	-
Total shareholders' equity	28,750	32,927
Total liabilities and shareholders' equity	48,867	49,728

01–09/2003

	Industry & Nucl. Imaging	Cardiology & Oncology	Immunology	Others	Consoli- dation	Totals
Sales to external customers	13,244	5,028	22	622		18,916
Sales to other segments	89	127	17	1,098	- 1,331	
Total segment sales	13,333	5,155	39	1,720	- 1,331	18,916
Depreciation and amortization	- 804	- 1,820	- 26	-111	1	- 2,760
Interest income	19	63		1,225	- 1,135	172
Interest expenses	- 601	- 632	- 26	- 289	1,145	- 403
Net income from continuing operations	490	245	- 948	237	- 19	5
Income tax	- 309	- 105	358	- 166	- 21	- 243
Segment assets	20,083	14,959	14	34,627	- 20,816	48,867
Segment liabilities	- 6,805	- 7,181	- 76	- 729	12,460	- 2,331
Equity investments		68		75		143
Additions to fixed assets (without financial investments)	178	833	10	15		1,036

01–09/2002 (previous year)

	Industry & Nucl. Imaging	Cardiology & Oncology	Immunology	Others	Consoli- dation	Totals
Sales to external customers	15,648	7,479		644		23,771
Sales to other segments	130	604		969	- 1,703	
Total segment sales	15,778	8,083		1,613	- 1,703	23,771
Depreciation and amortization	- 873	- 1,574		-314		- 2,761
Interest income	34	117		1,518	- 1,384	285
Interest expenses	- 822	- 706		- 254	1,382	- 400
Net income from continuing operations	605	794	- 1,548	245	- 64	32
Income tax	- 588	- 450	555	140	39	- 304
Segment assets	25,009	16,570		33,325	- 26,062	48,842
Equity investments		78		74		152
Additions to fixed assets (without financial investments)	189	1,618		2		1,809

Sales by geographic areas 01–09/2003

	million EUR	%
North America	12.7	67
Europe	5.5	29
Asia/Pacific	0.6	3
Others	0.1	< 1
	18.9	100

Financial calendar

November 11, 2003

Quarterly Report III/2003

November 26, 2003

Company presentation at
Deutsches Eigenkapitalforum Frankfurt

March 29, 2004

Annual Report 2003

March 29, 2004

Balance press conference in Berlin

March 30, 2004

Analyst presentation in Frankfurt

Spring 2004

Company presentation at the
4th Berlin MedTech Day

May 11, 2004

Quarterly Report I/2004

May 25, 2004

Annual general meeting in Berlin

August 10, 2004

Quarterly Report II/2004

November 09, 2004

Quarterly Report III/2004

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