# ANNUAL REPORT 2013

## Eckert & Ziegler BEBIG

**Contributing to saving lives!**

Eckert & Ziegler

# Key Figures

| Amounts in thousands EUR | 2013 | 2012 | 2011 | 2010 | CAGR (%) |
|---|---|---|---|---|---|
| | | | | | |
| Sales | 27,838 | 31,779 | 30,413 | 32,361 | -4.9% |
| Gross profit | 15,302 | 18,963 | 18,384 | 18,734 | -6.5% |
| Gross profit (in %) | 55.0% | 59.7% | 60.4% | 57.9% | |
| EBITDA | 4,893 | 7,527 | 7,528 | 6,554 | -9.3% |
| EBITDA margin (in %) | 17.6% | 23.7% | 24.8% | 20.3% | |
| EBIT | 1,958 | 5,222 | 4,983 | 4,167 | -22.3% |
| EBIT margin (in %) | 7.0% | 16.4% | 16.4% | 12.9% | |
| Net income | 3,460 | 3,869 | 1,462 | 4,322 | -7.1% |
| Net margin (in %) | 12.4% | 12.2% | 4.8% | 13.4% | |
| Research & Development expenses | 3,020 | 2,053 | 1,669 | 528 | 78.8% |
| | | | | | |
| Equity | 46,402 | 42,927 | 39,073 | 37,612 | 7.3% |
| Cash | 3,601 | 3,342 | 3,117 | 5,153 | -11.3% |
| Financial debt | 10,150 | 4,617 | 6,957 | 9,598 | 1.9% |
| Net debt (cash) position | 6,549 | 1,275 | 3,840 | 4,445 | |
| Gearing ratio | 21.9% | 10.8% | 17.8% | 25.5% | |
| Total assets | 70,897 | 61,059 | 58,104 | 59,930 | 5.8% |
| | | | | | |
| Share price at December 31 | 2.05 | 2.16 | 2.65 | 3.05 | -12.4% |
| Number of shares at December 31 | 17,554,354 | 17,554,354 | 17,554,354 | 17,554,354 | 0.0% |
| Market capitalization | 35,986 | 37,917 | 46,519 | 53,541 | -12.4% |
| Enterprise value | 42,535 | 39,192 | 50,359 | 57,986 | -9.8% |
| | | | | | |
| Earnings per share EPS (in EUR/share) | 0.20 | 0.22 | 0.08 | 0.25 | -7.9% |
| Book value per share (in EUR/share) | 2.64 | 2.45 | 2.24 | 2.14 | 7.3% |
| Price/Earnings ratio | 10.54 | 9.80 | 33.13 | 12.39 | |
| Price/Book value | 0.78 | 0.88 | 1.18 | 1.42 | |
| EV/EBITDA | 8.8 | 5.2 | 6.7 | 8.8 | |
| | | | | | |
| Employees as of December 31 | 207 | 148 | 160 | 157 | 9.7% |

# Content

# About Eckert & Ziegler BEBIG

Eckert & Ziegler BEBIG, incorporated in 1996, is a European-based company active in the medical device segment of the health care industry.

Eckert & Ziegler BEBIG's core business is the treatment of cancer using brachytherapy, a special form of radiation therapy.

Eckert & Ziegler BEBIG is a leader in brachytherapy in Europe. The company headquarters are in Belgium, with a production facility in both Germany and the USA and subsidiaries throughout Europe as well as in India and Brazil. In addition, Eckert & Ziegler BEBIG has a worldwide network of distributors and agents to support the international marketing of its product line.

The company's products and equipment are intended for use by oncologists, radiologists, urologists, and medical physicists. Eckert & Ziegler BEBIG employs more than 200 people. The company has been listed on the NYSE Euronext Brussels stock exchange since April 1997 (Euronext: EZBG; Reuters: EZBG.BR; Bloomberg: EZBG:BB).

# Share and Shareholders

**Eckert & Ziegler BEBIG is a public limited liability company ("naamloze vennootschap"/"société anonyme") within the meaning of article 438 of the Belgian Company Code. It has offered its shares to the public and is registered with the Financial Services and Markets Authority in Belgium ("FSMA").**

**The company was incorporated on February 15, 1996, under the name International Brachytherapy s.a., in short "IBt" and changed its name to Eckert & Ziegler BEBIG at the general assembly on June 6, 2011 for an open-ended period and may be dissolved by decision of the general meeting voting as for changes to statutes.**

## I. The Eckert & Ziegler BEBIG Share

### Eckert & Ziegler BEBIG Share Price

All shares are listed on NYSE Euronext - Brussels. Ticker symbols used are: Euronext EZBG; Reuters: EZBG.BR; Bloomberg: EZBG:BB.

During the year 2013, the EZBG share price decreased by 5% to close at 2.05 EUR on December 31, 2013 versus 2.16 EUR a year earlier. The volume of shares traded daily increased by 19%, going from 4,053 shares traded daily in 2012 to 4,849 shares traded daily in 2013.

The market capitalization of the group ended the year 2013 at 36.0 million EUR.

As the free float is limited to 16.04% it might result to higher volatility of the share price.

### Stock market data

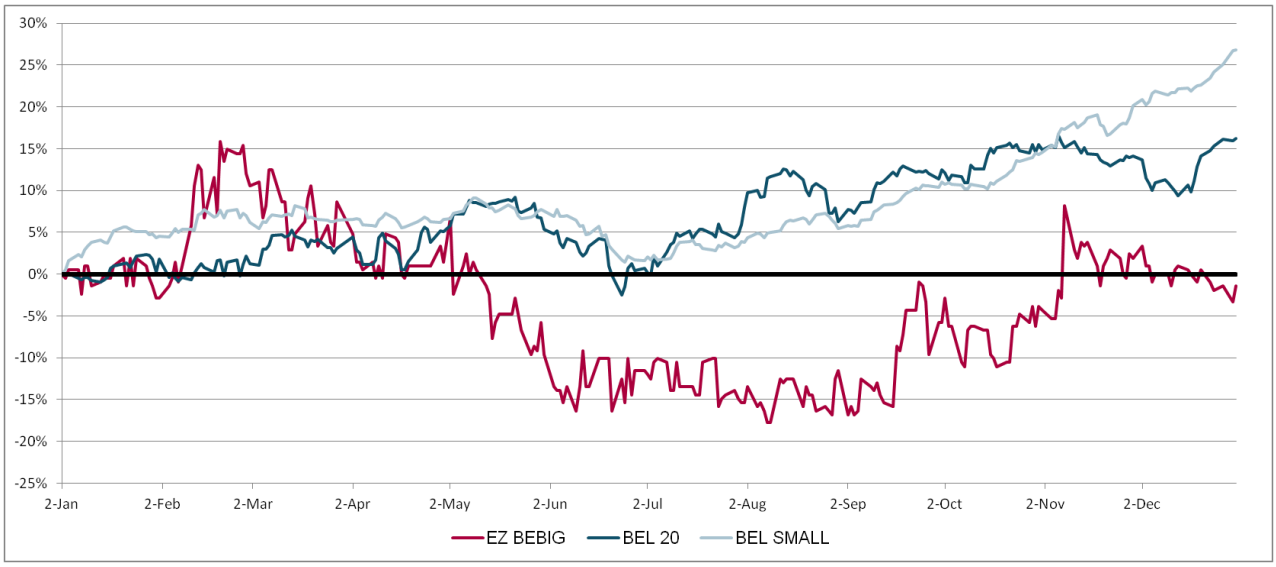
| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Minimum price (in EUR) | 1.70 | 1.35 | 1.11 | 2.16 | 2.14 |
| Maximum price (in EUR) | 2.44 | 2.70 | 3.19 | 3.75 | 5.00 |
| | | | | | |
| Closing price, December 31 (in EUR) | 2.05 | 2.16 | 2.65 | 3.05 | 3.70 |
| Number of Shares, December 31 | 17,554,354 | 17,554,354 | 17,554,354 | 17,554,354 | 17,554,354 |
| | | | | | |
| Market Capitalization (in million EUR) | 36.0 | 37.9 | 46.5 | 53.5 | 65.0 |

## Brief History of public offerings

The Eckert & Ziegler BEBIG share was first introduced on the market in April 1997 (IPO offer of 6.2 million EUR-shares issued at 2.48 EUR per share, post split). In August 1998, shares were split in a ratio to 10 new shares for one share. In January 1998, the company launched a public offering of corporate bonds, raising 12.3 million EUR, through the issuance of a zero coupon five year convertible bond. The conversion ratio allowed converting bonds in exchange for shares, at regular intervals over a period of five years. Over this period, in excess of 98% of these bonds were converted by their holders into shares at a price of 4.39 EUR per share.

No public offering of Eckert & Ziegler BEBIG shares has been made since 1998.

## Eckert & Ziegler BEBIG Share in 2013 versus indexes



## II. Transparency Declarations

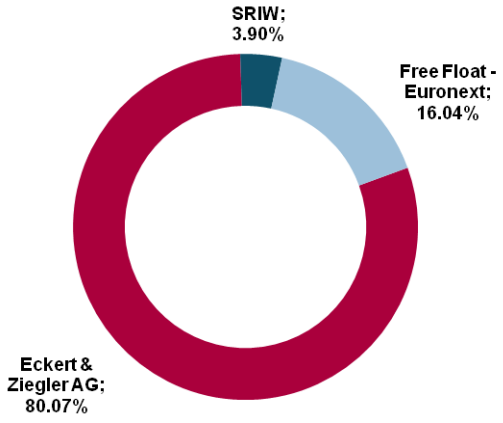
Pursuant to the Belgian law relating to the declaration of significant shareholding, the articles of association specify that any shareholder owning voting rights equal to 5% or more of the existing voting rights is obliged to declare such shareholding to the company and to the FSMA (Belgium's financial market regulator). Any rise or fall below the threshold of 5% or any multiple of 5% is subject to the above-mentioned declaration.

Based on the information made available to the company as of December 31, 2013, the shareholdership of the company is summarized in the table hereafter.

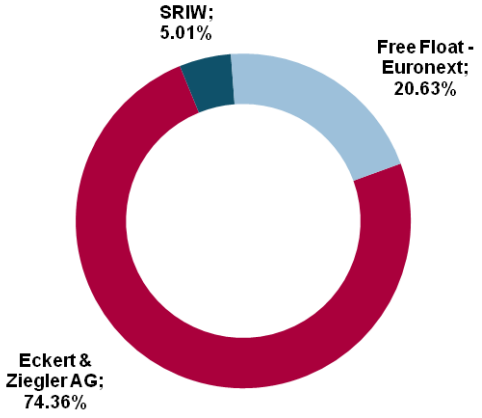
### Shareholders of Eckert & Ziegler BEBIG (as of December 31, 2013)

| | Number of Regular Shares | Number of Beneficiary Shares | Total Number of Shares | % of Voting Rights | % of Economical Rights |
|---|---|---|---|---|---|
| Eckert & Ziegler AG | 13,053,402 | 5,025,000 | 18,078,402 | 80.07% | 74.36% |
| SRIW | 879,899 | - | 879,899 | 3.90% | 5.01% |
| Free float - Euronext | 3,621,053 | - | 3,621,053 | 16.04% | 20.63% |
| **Total:** | **17,554,354** | **5,025,000** | **22,579,354** | **100.00%** | **100.00%** |

### Voting rights




### Economical rights



# Management & Financial Report

# Content

# Board of Directors' Management Report

Approved by the Board of Directors on March 20, 2014

Ladies and Gentlemen,

The Board of Directors of Eckert & Ziegler BEBIG is pleased to present and submit for your approval its report on the Group's activities for the year ending on December 31, 2013.

Overall market development of our core business continues to be positive, and Eckert & Ziegler BEBIG's order bookings grew by 10% compared to last year.

For the fifth year in a row, we were able to generate a net profit. In 2013, we achieved a net profit of 3,460 TEUR, which is a positive result, taking into account the generally decreasing reimbursement, price pressure in the permanent brachytherapy business, and the developments in certain emerging markets for the temporary brachytherapy business. The management still believes that those political and currency risks are short term nature.

Through our two successful acquisitions of the brachytherapy division of Biocompatibles, Inc., Oxford, Connecticut, USA, and Mick Radio-Nuclear Instruments, Inc. (MRNI), Mount Vernon, New York, USA, we took a significant step in our global expansion efforts.

Although we successfully implemented these corporate acquisitions, which are important for safeguarding our future, this year, we unfortunately did not generate an entirely satisfactory sales result from our own business.

With respect to our permanent brachytherapy business, our global market share has increased significantly due to the products manufactured by Eckert & Ziegler BEBIG, Inc. in Oxford. This makes us one of the three top global suppliers. Besides increasing our market presence with this acquisition, we also significantly expanded our product portfolio. We sold slightly more seeds than in 2012, but revenues declined year on year due to the unfavorable development of the reimbursement situation and the resulting price pressure.

Regarding our temporary brachytherapy business, we experienced a continuous increase in interest for our MultiSource® HDR afterloader and its HDRplus™ treatment planning software in 2013 with a strong increase of order bookings. This business was strongly exposed to the developments in certain emerging markets and their currency volatility. Furthermore, we are especially proud of the positive developments of our geographical expansion activities in the temporary brachytherapy division with successful orders from Latin America, India, China, Asia, and several European countries, such as Spain and France. Positive momentum in the temporary brachytherapy division will be supported by the above-mentioned sales presence in the United States.

Eckert & Ziegler BEBIG's HDR afterloading systems can be equipped with either an Ir-192 or Co-60 source, as the customer wishes. With our proprietary Co-60 MultiSource® HDR afterloader, we offer a

cost-effective solution for the fight against cancer. Eckert & Ziegler BEBIG has already installed over 200 MultiSource® systems worldwide. When used with the Co-60 source, the new MultiSource® HDR afterloader reduces operating costs by up to 80% compared to an Ir-192 system. The HDRplus™ 3.0 treatment planning software provides its users with functions that considerably simplify and speed up their plan preparation.

In the field of ophthalmic brachytherapy, the increase in revenue in 2013 demonstrates a growing interest in this group of products. Eckert & Ziegler BEBIG is the sole supplier of Ru-106 (Ruthenium 106) ophthalmic applicators.

Overall, revenues were lower than in 2012, as our ongoing core business was unable to recover from the impact of last year's ZAO MSM-Medimpex agreement and from the changes of eliminating a part of our unprofitable merchandise business in France.

Finally, the long-term strategy and objectives remain unchanged, as do the continuing increasing need and demand for brachytherapy solutions from Eckert & Ziegler BEBIG.

## Main Events in 2013

In March 2013, Eckert & Ziegler BEBIG s.a. and Core Oncology, Inc. signed an out-of-court settlement resolving their legal dispute over a loan repayment. Core Oncology agreed to pay 1.7 million USD to Eckert & Ziegler BEBIG s.a. to settle all claims. The payment was received in April 2013. With this out-of-court settlement, the company has avoided many years of litigation, and its financial power has also been strengthened. No further legal costs will be incurred.

In June 2013, Eckert & Ziegler BEBIG successfully launched an interstitial gynecological HDR applicator that was developed in cooperation with major key opinion leaders.

In August 2013, we entered the Brazilian medical device market with our state-of-the-art HDR brachytherapy MultiSource® afterloader. Brazil is a very attractive, dynamic market on a fast-growing continent. Thanks to our new subsidiary in Fortaleza, we are able to provide our Brazilian and Latin American customers with reliable service with shorter distances and without any language barriers. The first installation of MultiSource® took place at Angelina Caron hospital, near Curitiba in the state of Paraná. The brachytherapy department performs about 150 treatments per month, mainly of gynecological cancers.

On September 16, 2013, Eckert & Ziegler BEBIG announced its support of the brachytherapy program at Saint John Regional Hospital, in the province of New Brunswick, Canada, which is part of the Horizon HealthNetwork. The hospital's Adult Oncology Centre has been designated as a tertiary center for Radiation Oncology and is at the forefront of multidisciplinary cancer care in the province. The medical devices made available for the program by Eckert & Ziegler BEBIG included the MultiSource® HDR afterloader. The system offers exclusive features such as the fully integrated In-Vivo Dosimetry for real-time dose monitoring. This feature, along with the automatic catheter length measurement and the precise source position check, underline the afterloader's reputation of enabling a high level of accuracy.

On September 17, 2013, Eckert & Ziegler BEBIG concluded an agreement to acquire the brachytherapy business of Biocompatibles, Inc. The division was the fourth-largest supplier of seeds in the United States with a market share of around 15% and worldwide sales of approximately 8.0 million EUR. The business is based in Oxford, Connecticut (USA) and specializes primarily in the processing and optimization of prostate implants. The purchase price is 5.0 million USD plus a 30% share of sales revenues during the first year.

In September 2013, Eckert & Ziegler BEBIG participated in the ASTRO Annual Meeting in Atlanta, where the company presented its entire product portfolio. The booth was mainly visited by customers from Latin America, Asia, China, and India. The visitors' main interest was HDR brachytherapy and ophthalmic. Furthermore, there were several HDRplus™ and PSID presentations a day. Biocompatibles was also present with a booth highlighting their mission statement: "Innovative solutions for prostate brachytherapy." Communication between Eckert & Ziegler BEBIG and Biocompatibles staff took place, with mutual product presentations and introduction of key customers.

In October 2013, Eckert & Ziegler BEBIG won a tender under the Health, Population and Nutrition – Sector Development Program – Bangladesh regarding the delivery of Radiotherapy systems worth 3.1 million EUR. The development partners of this program are organizations like the World Bank, the WHO and the European Union.

On November 1, 2013, Eckert & Ziegler BEBIG and Biocompatibles, Inc. closed the asset purchase agreement signed on September 17, 2013 related to the brachytherapy business of Biocompatibles, Inc. The result of the business contributed to the Eckert & Ziegler BEBIG Group beginning November 1, 2013.

On November 5, 2013, Eckert & Ziegler BEBIG concluded an agreement relating to the acquisition of all shares of Mick Radio Nuclear Instruments, Inc. The company is based in Mt. Vernon, New York (USA), and specializes in producing consumables and accessories for brachytherapy procedures.

After the successful completion of remediation work in its manufacturing facility in Oxford, Connecticut (USA), which resulted from the FDA warning letter in May 2013 under the accountability of Biocompatibles, Eckert & Ziegler BEBIG resumed on December 9, 2013 production and distribution of the full LDR brachytherapy portfolio, which includes the innovative core products AnchorSeed® and VariStrand™.

## Subsequent Events in 2014

In February 2014, Eckert & Ziegler BEBIG, Inc. passed through a re-inspection by the FDA with no major findings.

In February 2014, Eckert & Ziegler BEBIG, Inc. implemented a cost reduction plan, including layoffs and reduction of general and administrative costs.

# Key Consolidated Figures

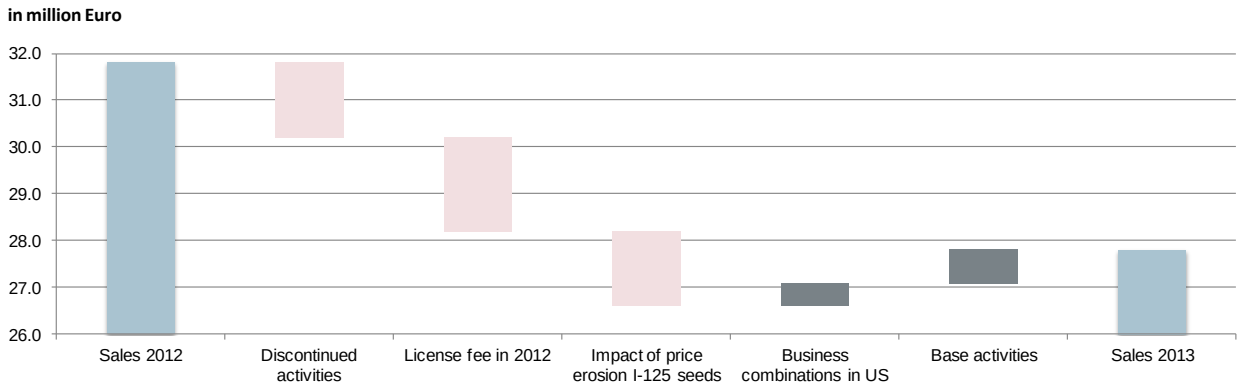
## Comparability

It should be mentioned that comparability between the years 2013 and 2012 is limited. The transactions linked to the acquisition of Mick Radio-Nuclear Instruments, Inc. and the acquisition of the brachytherapy assets of Biocompatibles, Inc. in the USA influenced items in the financial position. Major items in 2012 and 2013 related to the profit and loss statement are as follows:

- December 2012: Eckert & Ziegler BEBIG discontinued some of its activities related to trading goods in France
- December 2012: BEBIG sold a one-time license worth 2.0 million EUR to its Russian partner
- July 2012: Eckert & Ziegler BEBIG reduced the transfer price for Iodine seeds to its Russian joint venture
- March 2013: Eckert & Ziegler BEBIG reached a settlement agreement with Core Oncology, Inc.
- October 2013: Eckert & Ziegler BEBIG settled a dispute worth 1.0 million EUR related to government grants. The settlement is recognized in other income and interest.
- November 2013: Eckert & Ziegler BEBIG purchased the brachytherapy assets of Bicompatibles, Inc.
- November 2013: Eckert & Ziegler BEBIG purchased all shares of Mick Radio-Nuclear Instruments, Inc.
- December 2013: Eckert & Ziegler BEBIG management decided to conduct an extraordinary write-off of intangible assets that had become redundant due to the purchased assets of Biocompatibles, Inc. worth 1.0 million EUR

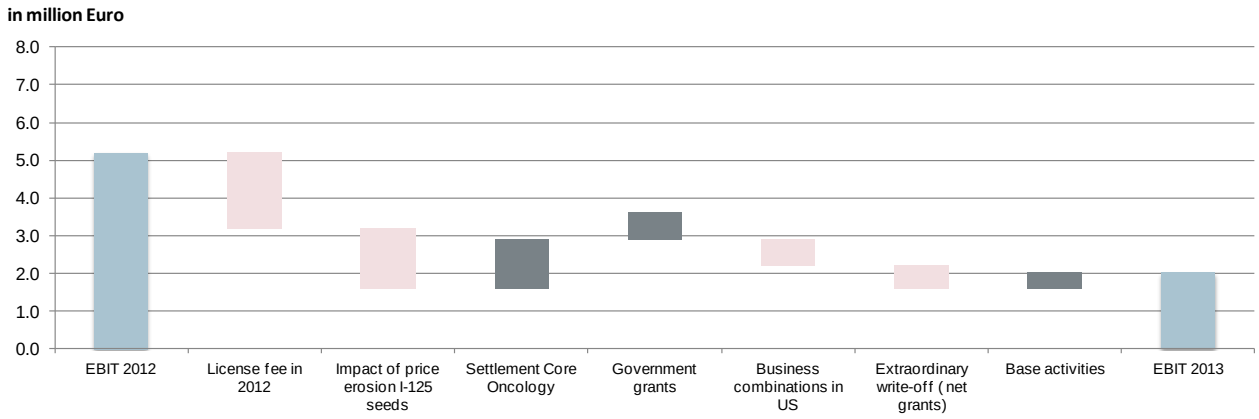
## Income Statement

Sales for 2013 were 27.8 million EUR, compared to 31.8 million EUR in 2012, a decrease of 12.4%. The following chart shows the different impacts on sales:



Consolidated gross margin reached 15.3 million EUR in 2013, compared to 19.0 million EUR in 2012, a decrease of 19.3%. As a percentage of sales, the gross margin decreased by 4.7% from 59.7% in 2012 to 55.0% in 2013.

Operating results were 2.2 million EUR in 2013, compared to 5.3 million EUR in 2012. Earnings before interest and taxes (EBIT) were 2.0 million EUR in 2013, compared to 5.2 million EUR in 2012. The following chart shows the different impacts on EBIT:




Interest showed a net income of 0.6 million EUR in 2013, compared to an expense of 0.4 million EUR in 2012. Net profit was 3.5 million EUR in 2013, compared to 3.9 million EUR in 2012.

## Balance Sheet

The Group's total equity was 46.4 million EUR on December 31, 2013, compared to 42.9 million EUR on December 31, 2012.

Trade accounts receivables were 11.0 million EUR in December 2013, compared to 8.6 million EUR in December 2012. The increase is primarily related to an upfront agreed deferred payment.

Inventories increased by 27.9% due to the business combinations in 2013.

Cash balance was 3.6 million EUR at the end of December 2013, compared to 3.3 million EUR in December 2012. The equity to assets ratio was 65.4% at the end of December 2013.

The advanced payments received decreased from 1.1 million EUR to 1.0 million EUR.

The borrowing position increased further in 2013 due to the financing of the acquisition of Mick Radio-Nuclear Instruments, Inc. and the acquisition of the brachytherapy assets of Biocompatibles, Inc. The entire Eckert & Ziegler BEBIG Group took out a total of 6.5 million EUR in new loans form credit institutions and a seller's loan valued at 1.1 million EUR. Outstanding loan payments were made as scheduled.

Other non-current assets decreased by 0.4 million EUR to 1.5 million EUR, compared to 1.9 million EUR, mainly due to the reimbursement of note receivables granted.

Balanced tax assets and liabilities increased by 0.9 million EUR to 7.1 million EUR in 2013, compared to 6.2 million EUR in 2012. Goodwill increased by 15.3% to 28,189 TEUR due to the acquisitions in 2013. Intangible assets increased by 91.8% to 5,337 TEUR mainly by the same reason.

## Research & Development

Research & Development (R&D) is an essential part of Eckert & Ziegler BEBIG's activities. In the course of 2013, R&D expenditures, on a non-capitalized basis, represented 10.9% of sales. R&D activities are focused on new products, technology, and applications development. A team of 46 people, representing more than 29% of Eckert & Ziegler BEBIG's employees, is working on specific new product and technology development, as well as providing high-level technical support for production and maintenance on some equipment at customers' sites.

## Risk Management

### General Comment

Eckert & Ziegler BEBIG, like any other company operating internationally, is exposed to a large number of opportunities, but also to risks that may influence the company's business activities. The associated consequences could affect the company's business significantly, and even the very existence of the group. At the same time, these risks and/or their perception can potentially have a material impact on the evolution of the share price listed on NYSE Euronext Brussels.

The identified risks have been regrouped into a number of categories. For each category, the risk is briefly described together with, when applicable, the estimated impact it may have on the group as a whole, and complemented by a summary of the actions undertaken to anticipate or reduce its effects. This list is not exhaustive, and the order of presentation does not reflect either the degree of seriousness or likelihood of occurrence of these risks.

### Legal and Regulatory Risks

The legal risk is tied to the negative consequences of failure to comply with regulations and/or contractual commitments. The company operates in a highly regulated sector. A multitude of inspections are carried out by independent authorities in different countries, both at product launch and during the commercial stages. Obtaining and then renewing licenses for operating production sites and for marketing products involves complex procedures, and outcomes are always uncertain.

### Intellectual Property – Patent Risks

The value of the group's activities lies to a considerable extent in its intellectual property portfolio and in the know-how it has accumulated since its creation. The risk that someone challenges its intellectual property rights and/or their potentially insufficient protection should be considered, as well as the cost of defending the same rights. Eckert & Ziegler BEBIG cannot guarantee that the defection of certain employees would not have a negative impact on its intellectual property rights.

## Strategic Market Risk

The company operates today in a highly specific market segment, proposing cancer treatment by brachytherapy through permanent or temporary implantation. The group's entire income is generated from this source. For this reason the company can be considered as acting in one market segment only. The risk is therefore linked to the highly concentrated origin of the recurring income. To reduce this risk, the company has set forth the strategic objective of significantly extending and diversifying the field of application to other types of tumors.

## Business Risks

Overall, the group attempts to manage its business risks by using a range of instruments, such as yearly interviews with technical managers and executives. 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 surveys, evaluation of scientific literature, analysis of customer complaints, financial control analysis, etc. These reports provide discussion material for the meetings of the executive committee, at which significant risks to the earnings of the group are discussed.

## Personnel Risks

In different areas, the group depends on highly specialized or skilled employees. 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, adequate compensation, and continuing education opportunities. Despite these measures, the group cannot guarantee that these employees will remain with the company or display the necessary commitment.

## Financial Risks

Financial risks regroup different types of risks, namely: liquidity, foreign exchange, interest rate, and credit risks. The liquidity risk relates to the group's ability to have at its disposal and maintain the financial resources needed for its activities, development, and future expansion. Prudent management of this risk makes it necessary to maintain sufficient liquid funds and borrowing facilities. Acquiring such facilities and maintaining them in place can never be guaranteed. This is even less so in the current context, characterized by a clear tightening of access to credit and the associated conditions.

Additionally, when financing through borrowed sources is used, it is critical to ensure that the future cash flows generated by the group will make it possible to safely cover the cash outflows associated with the required interest payments and capital reimbursements. In this context, the group is also taking measures to monitor and limit the risks associated with credit and loans by borrowing an amount that is manageable in relation to the group's overall assets.

In the area of managing exchange rate and interest rate risks, the company pursues a simultaneously active and conservative policy. Insofar as possible, this entails restricting the volatility of the results to variations in exogenous parameters such as interest rates or prices of foreign currencies. To do this, the associated income and charges are denominated in the same currency wherever and whenever possible. Similarly, debt and its interest burden are denominated in the currency of the income that the financing of

the investment made it possible to generate. Options, forward contracts, and swaps are some of the instruments used to implement this risk management policy.

Finally, the credit risk is linked to the risk of the customer's insolvency or inability to pay. This risk has risen significantly insofar as the company now deals essentially with a broader base of customers and also ventures into emerging markets. Requirement of pre-payments and/or usage of letters of credit make it possible to reduce this risk.

## Production Risks

The production process 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. Also, official licenses and permits are needed for the production and the dispatch of products in many different countries, and Eckert & Ziegler BEBIG can only exert indirect influence when these are issued or renewed. The manufacturing risk relates to the possibility of the occurrence of irreparable damage to the manufacturing lines. This risk is tempered, but not eliminated, by the fact that the manufacturing of implants is achieved with two production lines located in two different buildings.

## Commercial and Healthcare Reimbursement Risks

These are linked, in particular, to the success of individual products and commercial policies, the competitive situation in a particular country, the renewal of distribution contracts, the conditions governing the reimbursement of medical treatment in different countries, etc. In this respect, major sales and revenue risks continue to lie in developing the European market for permanent implants for the treatment of prostate cancer, since it is generating significant portion of the current business of the group. In European countries this treatment method faces the problem that reimbursement by health insurance programs – public or private – is essential for its economic success. For the sales associated with temporary brachytherapy treatment, 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 the high capital expenditures and follow-up costs that these machines represent. As such, these risks can of course not be covered. Even so, the group takes measures to ensure that no one market or distribution channel comes to represent too large a portion of the group's overall revenue. Additionally, the possibility cannot be excluded that improved processes and efforts on the part of the competition might lead to the loss of important markets, or that development efforts will remain unsuccessful and that new business fields can only be developed too late, or inadequately, or not at all.

## Other Operational Risks

Other operational risks are linked to risks relating to information technology, personal health and safety, etc. The group uses insurance to cover all catastrophic hazards in all cases where insurance is compulsory, and also when insurance represents the best economic solution for transferring risk.

### Reputation Risks

The historic performance of Eckert & Ziegler BEBIG, its approach to ethics and governance, its organization, and its responsibility to exercise an abundance of caution in dealing with its customers, the community, and stakeholders contribute to the group's renown. Safeguarding this sound reputation is essential.

## Statutory Items – Eckert & Ziegler BEBIG s.a.

### Appropriation of the Result

The statutory accounts were drawn up in accordance with Belgian accounting legislation. The Board of Directors will propose to the Annual General Meeting of June 12, 2014 to approve the non-consolidated accounts closed on December 31, 2013 and which close with a net profit (group share) of 2.9 million EUR. It will also propose to the meeting to approve the deferral of the accumulated loss of 27.4 million EUR.

### Risk Management

The risks incurred at group level are essentially the same as those prevailing at the level of the consolidating parent company (see description above).

The Board of Directors,

Seneffe, March 20, 2014

Deloitte Reviseurs d'Entreprises
Office Park Alleur
Rue Alfred Deponthière 46
4431 Liège (Loncin)
Belgium
Tél. + 32 4 349 34 10
Fax + 32 4 349 34 11
www.deloitte.be

# Eckert & Ziegler BEBIG SA

## Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2013

To the shareholders

As required by law, we report to you on the statutory audit mandate which you have entrusted to us. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Eckert & Ziegler BEBIG SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated financial position as at 31 December 2013, the consolidated statement of income and comprehensive Income, the consolidated Statement of Shareholder's Equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant reporting rules and other explanatory notes. The consolidated financial position shows total assets of 70,897 (000) EUR and the consolidated statement of income and comprehensive income shows a consolidated profit (group share) for the year then ended of 3,460 (000) EUR.

*Responsibility of the board of directors for the preparation of the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Statutory auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

*Unqualified opinion*

In our opinion, the consolidated financial statements of Eckert & Ziegler BEBIG SA give a true and fair view of the group's net equity and financial position as of 31 December 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

## Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the context of our mandate.

Liège, 21 March 2014

**The statutory auditor**

**DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises**
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Julie Delforge

# Eckert & Ziegler BEBIG Group

# Financial Statements

## Consolidated Statement of Income and Comprehensive Income

**(Following the "cost of sales method")**

| Amounts in thousands EUR except for "per share" data | Note | 2013 | 2012 |
|---|---|---|---|
| **Sales** | 1. | **27,838** | **31,779** |
| Cost of sales | 2. | -12,536 | -12,816 |
| **Gross profit on sales** | | **15,302** | **18,963** |
| Sales and marketing expenses | 3. | -8,198 | -7,939 |
| General and administration expenses | 4. | -4,765 | -4,829 |
| Research and development expenses | 5. | -3,020 | -2,053 |
| **Other operating income** | 8. | 3,200 | 1,231 |
| **Other operating expenses** | 9. | -354 | -110 |
| **Operating result** | | **2,165** | **5,263** |
| Other financial result | 10. | -207 | -41 |
| Result of participations accounted for under equity method | 11. | 0 | 0 |
| **Earnings before interest and taxes** | | **1,958** | **5,222** |
| Interest income | | 1,062 | 343 |
| Interest expenses | | -465 | -728 |
| **Profit before tax** | | **2,555** | **4,837** |
| Income tax | 13. | 905 | -968 |
| **Net profit (loss)** | | **3,460** | **3,869** |
| **Earnings per share** (in EUR) | 15. | | |
| Basic | | 0.20 | 0.22 |
| Diluted | | 0.20 | 0.22 |
| **Average number of shares in circulation** (in thousand) | | **17,554** | **17,554** |
| **Group statement of comprehensive income:** | | | |
| **Net profit (loss)** | | **3,460** | **3,869** |
| Adjustment of balancing item from currency translation of foreign subsidiaries | | 15 | -15 |
| **Net income and value adjustments recorded in shareholder equity** | | **3,475** | **3,854** |

# Consolidated Statement of Cash Flows

**Years ended December 31, 2013 and 2012**

| Amounts in thousands EUR | Note | 2013 | 2012 |
|---|---|---|---|
| | | | |
| **Cash flow from operating activities:** | | | |
| Net profit | | 3,460 | 3,869 |
| Adjustments for: | | | |
| Depreciation and amortization | 7. | 2,930 | 2,305 |
| Release of deferred income from grants | | -405 | -100 |
| Interest expenses (+) / income (-) | | -597 | 384 |
| Interest paid | | -275 | -317 |
| Interest received | | 706 | 343 |
| Tax expenses (+) / income (-) | | -905 | 968 |
| Tax on earnings paid | | -274 | -355 |
| Expense (+) / income (-) from share option plan | | 0 | 0 |
| Unrealized foreign currency gains/ losses | | 16 | -2 |
| Change in long-term provisions, other non-current liabilities | | -22 | -99 |
| Loss (+)/ gain (-) on the disposal of non-current assets | 36. | 37 | 9 |
| Others | | 138 | -877 |
| Change in working capital | | | |
| Receivables | | -996 | -2,844 |
| Inventories | | -346 | 468 |
| Prepaid expenses, deferred charges and other current assets | | -393 | -189 |
| Trade account payable and other current liabilities | 37. | 84 | 516 |
| **Cash inflow generated from operating activities** | | **3,158** | **4,079** |
| | | | |
| **Cash flow from investing activities:** | | | |
| Additions to intangible non-current assets | | -1,255 | -954 |
| Additions to tangible non-current assets | | -697 | -774 |
| Sale of intangible non-current assets | 36. | 0 | 0 |
| Sale of tangible non-current assets | 36. | 16 | 25 |
| Acquisition of consolidated companies | | -5,404 | 0 |
| Sale of shareholdings | | 0 | 0 |
| **Cash outflow from investing activities** | | **-7,340** | **-1,703** |
| | | | |
| **Cash flow from financing activities:** | | | |
| Receipts from take-up of borrowings | | 6,500 | 0 |
| Repayment of borrowings | | -2,055 | -2,136 |
| **Cash outflow from financing activities** | | **-4,445** | **-2,136** |
| | | | |
| Effect of exchange rates on cash and cash equivalents | | -4 | -15 |
| Change in cash and cash equivalents | | 259 | 225 |
| **Cash and cash equivalents at the start of the period** | | **3,342** | **3,117** |
| **Cash and cash equivalents at the end of the period** | | **3,601** | **3,342** |

# Consolidated Statement of Shareholders' Equity

**As of December 31, 2013, 2012 and 2011**

| Amounts in thousands EUR | Capital | Issue premium | Reserves | Translation differences | Equity |
|---|---|---|---|---|---|
| **Balance as of December 31, 2011** | **10,875** | **50,186** | **-22,018** | **30** | **39,073** |
| Net profit | | | 3,869 | | 3,869 |
| Deconsolidation | | | | | |
| Translation differences | | | | -15 | -15 |
| Capital increase | | | | | |
| **Balance as of December 31, 2012** | **10,875** | **50,186** | **-18,149** | **15** | **42,927** |
| Net profit | | | 3,460 | | 3,460 |
| Deconsolidation | | | | | |
| Translation differences | | | | 15 | 15 |
| Capital increase | | | | | |
| **Balance as of December 31, 2013** | **10,875** | **50,186** | **-14,689** | **30** | **46,402** |

# Consolidated Financial Position

**As of December 31, 2013 and 2012**

| Amounts in thousands EUR | Note | 2013 | 2012 |
|---|---|---|---|
| | | | |
| **Assets:** | | | |
| Non-current assets | | | |
| Goodwill | 16. | 28,189 | 24,459 |
| Intangible assets | 17. | 5,377 | 2,803 |
| Property, facilities and equipment | 18. | 7,704 | 8,633 |
| Financial investments reported according to the equity method | | 0 | 0 |
| Trade accounts receivables | 23. | 2,853 | 1,886 |
| Deferred tax assets | 22. | 7,629 | 6,535 |
| Other assets | 19. | 1,550 | 1,931 |
| **Total non-current assets** | | **53,302** | **46,247** |
| Current assets | | | |
| Cash and cash equivalents | 21. 32. 33. | 3,601 | 3,342 |
| Trade accounts receivables | 23. 31. 33. | 8,162 | 6,747 |
| Inventories | 24. | 4,606 | 3,602 |
| Other assets | 25. | 1,226 | 1,121 |
| **Total current assets** | | **17,595** | **14,812** |
| **Total Assets** | | **70,897** | **61,059** |
| | | | |
| **Equity and liabilities:** | | | |
| Shareholders' equity | 26. | | |
| Subscribed capital | | 10,875 | 10,875 |
| Capital reserves | | 50,186 | 50,186 |
| Retained earnings | | -14,689 | -18,149 |
| Other reserves | | 30 | 15 |
| **Total shareholders' equity** | | **46,402** | **42,927** |
| Non-current liabilities | | | |
| Long-term portion of borrowings and finance lease obligations | 27. 34. | 8,305 | 2,562 |
| Deferred income from grants and other deferred income | 28. | 31 | 436 |
| Provision | 29. | 6,780 | 7,302 |
| Deferred tax liabilities | 22. | 501 | 364 |
| Other non-current liabilities | 29. | 10 | 10 |
| **Total non-current liabilities** | | **15,627** | **10,674** |
| Current liabilities | | | |
| Short-term portion of borrowings and finance lease obligations | 27. 33. 34. | 1,845 | 2,055 |
| Trade accounts payables | 37. | 2,707 | 2,289 |
| Advance payments received | | 992 | 1,124 |
| Deferred income from grants and other deferred income | 28. | 109 | 150 |
| Short-term portion of provisions | 20. | 1,109 | 0 |
| Current tax payable | | 46 | 64 |
| Other current liabilities | 30. | 2,060 | 1,776 |
| **Total current liabilities** | | **8,868** | **7,458** |
| **Total equity and liabilities** | | **70,897** | **61,059** |

# Eckert & Ziegler BEBIG Group

# Reporting Rules

## Background and principles

### a. Organization and brief description of business activities

Eckert & Ziegler BEBIG s.a. (hereinafter referred to also “the company“) is a holding and operating 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 or of related products (together referred to as “Eckert & Ziegler BEBIG”, “Eckert & Ziegler BEBIG Group” or “the group”). The main areas of application for group products are in medical technology, particularly in cancer therapy. In this area, the products of Eckert & Ziegler BEBIG Group are primarily aimed at radiation therapists and radiation oncologists.

The company operates in a market characterized by rapid technological progress and constant new scientific discoveries. This market is subject to strict supervision by local regulatory authorities. Therefore, the company is directly affected by changes in technology and in products used in cancer treatment, by government regulations related to the industry in which the Eckert & Ziegler BEBIG Group operates, and by the general business environment within the healthcare sector. For a more detailed risk analysis, please refer to the “Management Report”.

### b. Reporting principles and legal basis

Pursuant to the Royal Decree of December 4, 2003, and European Regulation No. 1725/2003, the consolidated financial statements of the group have been prepared in accordance with the International Financial Reporting Standards (IFRS). All standards have been taken into account, applicable within the EU, defined by the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Committee (IFRIC) and the Standing Interpretations Committee (SIC) in force at the closing date. The financial statement conveys an effective picture of the group’s position on its assets, liabilities and earnings. The financial statements are presented in thousands of Euro (TEUR). According to the applicable IFRS standards, the valuation basis used for preparing the financial statements is cost, net realizable value, fair value or recoverable value. Where IFRS standards leave a choice between cost and another valuation basis (such as systematic revaluation), the cost method has been applied.

The closing accounting of subsidiaries were done on December 31, 2013, which is the closing date of Eckert & Ziegler BEBIG. The financial statement includes the period from January 1, 2013 until December 31, 2013. The profit and loss statement was prepared in accordance with the “cost of sales method”.

Preparing financial statements that are in conformity with IFRS standards requires management to make judgments, estimates and assumptions that affect the application of the policies and the reported amounts of assets, liabilities, income and charges. The estimated and related assumptions are based on the

experience of the past and on various other factors. The current results can differ from the estimated results. Judgments made by management in applying IFRS, which can significantly impact the financial statements and estimates and which present a major risk of producing significant adjustments in the course of a subsequent accounting period, are set out in the notes below.

## c. Overview of new and revised International Financial Reporting Standards (IFRSs)

**New accounting standards and amendments mandatorily effective for years ending 31 December 2013**

| IFRS | Effective for annual periods beginning on or after | Application | Impact of application on the future financial statement |
|---|---|---|---|
| IFRS13 Fair Value Measurement | 1 January 2013 | Prospective Application | low |
| 'The package of five'<br><br>IFRS10 Consolidated Financial Statements<br>IFRS11 Joint Arrangements<br>IFRS12 Disclosure of Interests in Other Entities<br>IAS27 Separate Financial Statements (as revised in 2011)<br>IAS28 Investments in Associates and Joint Ventures (as revised in 2011) | 1 January 2013* | Retrospective application, with specific transitional provisions (amended by Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance). | low |
| IAS 19 Employee benefits (2011) | 1 January 2013 | Retrospective application, with specific transitional provisions | non |
| Amendments to IFRS1 Government Loans | 1 January 2013 | Retrospective application | non |
| Amendments to IFRS7 Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 | Retrospective application | low |
| Amendments to IAS1 Presentation of Items of Other Comprehensive Income | 1 July 2012 | Retrospective application | low |
| Annual Improvements to IFRSs 2009-2011 Cycle | 1 January 2013 | Retrospective application | low |
| IFRIC 20 Stripping costs in the production phase of a surface mine | 1 January 2013 | This Interpretation should be applied to production stripping costs incurred on or after the beginning of the earliest period presented, with specific transitional provisions. | non |

* For entities applying IFRS as adopted for use in the European Union, application of 'the package of five' is for annual periods beginning on or after 1 January 2014. Early application is permitted only if all five standards are applied.

### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value where that is required or permitted by other standards. As such, its scope is broad including, for example investment properties, biological assets and intangible assets as well as all types of financial instruments.

The IFRS 13 framework is based on a single definition of fair value, being "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This might be characterized as an 'exit value' approach to fair value.

In applying this definition, IFRS 13 requires a number of other concepts to be incorporated:

- The unit of account for measuring fair value (i.e., at an individual asset or liability or groups of assets or liabilities level) should be consistent with the unit of account applied by the standard requiring or permitting the use of fair values.

- For non-financial assets, fair value is based on the 'highest and best use' of that asset, regardless of whether the entity chooses to use the asset in a different way.

- 'Non performance risk' (the risk that a party to the item will not perform under its obligations) must be incorporated into the valuation of both assets and liabilities.

- The fair value of a liability is based on the concept of a transfer value, rather than settlement value.

- The valuation assumes that the asset is sold or the liability transferred in the principal (or most advantageous) market to which the entity has access.

If the price for an asset or liability can be observed directly, this value is determined to be fair value. If not, the standard discusses three widely used valuation techniques, with entities required to use a technique consistent with one or more of these approaches.

| The market approach | The cost approach | The income approach |
|---|---|---|
| A valuation approach that uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities such as a business. | A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). | Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. |

IFRS 13 requires extensive quantitative and qualitative disclosures about the techniques used to determine fair values and the inputs to those techniques. This includes disclosing the level within the fair value hierarchy within which fair value measurements are categorized.

**IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces the requirements previously included in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities on when and how to consolidate an investee over which the entity has control. It makes no changes to the mechanics of consolidation, or to the accounting for a loss of control or a change in stake in a subsidiary (the 'how') but does change the requirements for identification of a subsidiary (the 'when').

IFRS 10 provides a single basis for consolidation for all entities, regardless of the nature of the investee and that basis is control. The definition of control includes three elements:

1. power over an investee;

2. exposure or rights to variable returns of the investee; and

3. the ability to use power over the investee to affect the investor's return.

Power exists when the investor has existing rights that give it the current ability to direct the 'relevant activities' that significantly affect the investee's returns. Power most commonly arises through voting rights granted by equity instruments, but it can also arise through other contractual arrangements (for example potential voting rights derived from share options or a contract to manage the investee's activities). The

second criterion refers to an exposure to variable returns from an investee which could be either positive or negative. The third criterion focuses on the interaction between power and exposure, since an investor must have not only power but also the ability to use that power to affect its returns from the investee.

The application of IFRS 10 requires significant judgment in a number of areas as follows:

- Identification of an investee's 'relevant activities'. This may be particularly challenging in the context of a 'special purpose entity' that has activities with a limited scope.
- Consideration of whether the investor has the practical ability to exercise a right (i.e., whether the right is substantive), or whether a right is 'protective' (i.e., designed only to protect the interests of the investor, but not to give power over the investee).
- Assessment of whether an investee has the practical ability to direct relevant activities unilaterally even though it does not have the majority of voting rights (this is sometimes referred to as 'de facto control').
- Determination of whether a decision maker is acting on its own account (as 'principal') or on behalf of another party (as 'agent'). This consideration may arise in a number of circumstances, including the fund management industry.

IFRS 10 requires investors to make a balanced assessment of all relevant factors and to reassess the conclusion whenever facts and circumstances indicate that there are changes to any element of control, with consolidation of an investee commencing or ceasing whenever control is obtained or lost.

**IFRS 11 Joint Ventures**

IFRS 11 deals with the identification of and accounting for a joint arrangement – defined as 'an arrangement of which two or more parties have 'joint control'. Joint control is further defined as 'the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.' Control in this definition has the same meaning as in IFRS 10.

Once a joint arrangement has been identified, it must be classified as either a 'joint venture' or a 'joint operation'.

| Type of joint arrangement | Features | Accounting under IFRS 11 |
|---|---|---|
| Joint venture | Joint venturers have rights to the net assets of the arrangement. | Equity method of accounting – proportionate consolidation is not allowed. |
| Joint operation | Joint operators have rights to the assets and obligations for the liabilities of the arrangement. | Each joint operator recognizes its assets and liabilities (including its share of assets and liabilities held or incurred jointly) and its revenue and expenses (including its share of revenue from sales made by the joint operation and of expenses incurred jointly). |

Classification as a joint operation reflects an economic reality that the assets and liabilities of the joint operation are, in effect, assets and liabilities of the joint operators. This will be the case when the joint

arrangement is not conducted through a separate vehicle, but joint operation classification may also result when the existence of such a vehicle is overcome as a result of:

- the legal form of the separate vehicle not conferring separation between the parties to the vehicle and its assets and liabilities;
- the terms of the contractual arrangement governing the joint arrangement specifying that the parties have rights to its assets and obligations for its liabilities; or
- other facts and circumstances demonstrating that the arrangement's activities primarily aim to provide the parties with an output (giving rights to the arrangement's assets) and that the arrangement depends on the parties on a continuous basis for settling its liabilities (giving obligations for those liabilities).

'Other facts and circumstances' in this context will most frequently mean a contractual obligation for the parties to purchase substantially all of a joint arrangement's output.

**IFRS 12 Disclosure of interests in other entities**

IFRS 12 consolidates the requirements for disclosures in respect of subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. As well as aggregating the existing disclosure requirements in respect of such interests, it introduces additional requirements.

The new requirements extend the scope of disclosures on interests in other entities in a number of significant ways, including:

- information about the significant judgments and assumptions made in applying IFRS10 and IFRS11 (for example, explaining how an entity has determined that it has control over an investee despite having a minority of the voting rights or that it has determined that a joint arrangement structured through a separate vehicle should be classified as a joint operation);
- additional information on the nature of a non-controlling interest in the entity's subsidiaries (including the name and summarized financial information of each subsidiary with a material non-controlling interest); and
- summarized financial information about each material joint venture and associate.

The disclosure requirements are extensive and significant effort may be required to accumulate the necessary information.

*IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures*

The revised versions of IAS27 and IAS28 comprise the requirements for separate financial statements and for accounting for associates and joint ventures. IAS28 makes changes to the mechanics of equity accounting in limited circumstances such as changes in ownership interest and plans to dispose of a portion of an investment in an associate or joint venture.

**IAS 19 Employee benefits (2011)**

The amendments to IAS19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income so that for the net pension asset or liability recognized in the consolidated statement of financial position reflects the full value of the plan deficit or surplus.

Another significant change to IAS19 relates to the presentation of changes in defined benefit obligations and plan assets with changes being split into the following components.

- Service cost – recognized in profit or loss and includes current and past service cost as well as gains or losses on settlements.
- Net interest – recognized in profit or loss and calculated by applying the discount rate at the beginning of the reporting period to the net defined benefit liability or asset at the beginning of each reporting period.
- Remeasurement – recognized in other comprehensive income and comprises actuarial gains and losses on the defined benefit obligation, the excess of the actual return on plan assets over the change in plan assets due to the passage of time and the changes, if any, due to the impact of the asset ceiling.

As a result, profit or loss will no longer include an expected return on plan assets. Instead, finance income on the plan assets is recognized as part of the net interest cost. Any actual return above or below the imputed finance income on plan assets is recognized as part of remeasurement in other comprehensive income.

Net interest is calculated using a high quality corporate bond yield. For plans with a significant amount of assets, this will generally result in a reduction in the entity's profit as the expected return on assets (calculated using a typically higher rate) is replaced by a net interest figure.

New and revised IFRSs available for early application in years ending 31 December 2013

The following new and revised IFRSs are not mandatorily effective for the year ended 31 December 2013. However, they are available for early application. Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

| New Standards and interpretations | Effective for annual periods beginning on or after | Application | Impact of application on the future financial statement |
|---|---|---|---|
| IFRS 9 Financial Instruments | 1 January 2017* | Retrospective application, with specific transitional provisions | low |
| IFRIC 21 Levies | 1 January 2014 | Retrospective application | low |
| Amendments to IFRS10, IFRS12 and IAS27 Investment Entities | 1 January 2014 | Retrospective application, with specific transitional provisions | low |
| IAS 32 Offsetting Financial Assets and Financial Liabilities | 1 January 2014 | Retrospective application | low |
| IAS 36 Recoverable Amount Disclosures for Non Financial Assets | 1 January 2014 | Retrospective application | medium |
| IAS 39 Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 | Retrospective application with specific transition provisions | low |

* Upon publication of the general hedge accounting element of IFRS 9, the mandatory effective date of 1 January 2015 was removed from the Standard. At its November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

**IFRS 9 Financial Instruments**

The comprehensive project to replace IAS 39 was instigated in response to the global financial crisis and was split into a number of phases. At the current time, some of these phases have been completed and are available for early adoption, some have not.

**IFRIC 21Levies**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

**Amendments to IAS 36 – Recoverable amount disclosures for non financial assets**

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13); and

- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

**Amendments to IAS 39 on novation of derivatives**

The amendment allows the continuation of hedge accounting (under IAS 39 and the IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

## Amendments to other IFRSs

### Amendments to IFRS 1 Government Loans

The amendments provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.

### Amendments to IAS 32 and IFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

### Amendments to IAS 1Presentation of Items of Other Comprehensive Income

The amendments to IAS 1require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories:

- items that will not be reclassified subsequently to profit or loss; and
- items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis.

Annual Improvements to IFRSs 2009 2011 Cycle

The Annual Improvements include amendments to five IFRSs which have been summarized below:

**Annual Improvements to IFRSs 2009-2011 Cycle**

| Standard | Subject of amendment | Details | Possible impact of application on the future financial statement |
|---|---|---|---|
| IFRS 1 First-time Adoption of International Financial Reporting Standards | Repeated application of IFRS 1 | The amendments clarify that an entity may apply IFRS 1 if it's most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs, even if the entity applied IFRS 1 in the past. An entity that does not elect to apply IFRS 1 must apply IFRSs retrospectively as if there was no interruption. An entity should disclose:<br>a) the reason why it stopped applying IFRSs;<br>b) the reason why it is resuming the application of IFRSs; and<br>c) the reason why it has elected not to apply IFRS 1, if applicable. | non |
| | Borrowing costs | The amendments clarify that borrowing costs capitalized under previous GAAP before the date of transition to IFRSs may be carried forward without adjustment to the amount previously capitalized at the transition date. As for borrowing costs incurred on or after the date of transition to IFRSs that relate to qualifying assets under construction at the date of transition, the amendments clarify that they should be accounted for in accordance with IAS 23 Borrowing Costs. The amendments also state that a first-time adopter can choose to apply IAS 23 at adapt earlier than the transition date. | low |
| IAS 1 Presentation of Financial Statements | Clarification of the requirements for comparative information | The amendments to IAS 1 clarify that an entity is required to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy, restatement or reclassification has a material effect on the information in the third statement of financial position and that the related notes are not required to accompany the third statement of financial position. The amendments also clarify that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1.However, if additional comparative information is provided; the information should be presented in accordance with IFRSs, including related note disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements. | medium |
| IAS 16 Property, Plant and Equipment | Classification of servicing equipment | The amendments clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. | low |
| IAS 32 Financial Instruments: Presentation | Tax effect of distribution to holders of equity instruments | The amendments clarify that income tax on distributions to holders of an equity instrument and on transaction costs of an equity transaction should be accounted for in accordance with IAS 12. | low |
| IAS 34 Interim Financial Reporting | Interim financial reporting and segment information for total assets and liabilities | The amendments clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. | low |

## d. 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.

## e. Foreign currency: Conversion of financial statements – Transactions – Balance sheet item translations

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 an economic and organizational standpoint, the functional currency of the companies included in the consolidation corresponds to their respective national currency. Assets and liabilities are translated at market rates on the balance sheet date.

### Conversion of the subsidiaries' results and financial position

Each subsidiary's financial statements are drawn up in its operating currency. The consolidated financial statements are then subsequently prepared and presented in Euro, which is the group's operating currency.

The exchange rates used in translating financial items upon consolidation are:

- Balance sheet items: exchange rate on December 31
- Income statement items: arithmetical average exchange rate for the year
- Equity items: historical exchange rate

The resulting translation differences are reported under "translation differences" in equity.

### Translation of assets and liabilities denominated in foreign currencies

At the end of the financial year, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of the period and the resulting difference, due to the different exchange rate used at the time the entry was made, is accounted for as financial income/expenses in the income statement for the period. Non-monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are estimated at fair value are translated into Euro at the prevailing exchange rate on the date of establishment of such fair value.

### Gains or losses resulting from transactions using foreign currencies

Profits and losses resulting from transactions in foreign currencies are accounted for as financial income/expenses in the income statement for the period.

## f. Intangible assets

### Research and Development expenses

Research expenses incurred in order to acquire new scientific or technical knowledge and agreements are charged to the income statement when incurred and during the financial period in which they are incurred.

Development expenses, as a result of which research results are applied to the planning or design of the production of new or improved products or processes, are accounted for as assets where (1) the product or process is technically and commercially feasible, (2) where there are probable economic benefits, and (3) if Eckert & Ziegler BEBIG Group has sufficient resources to develop them fully. The expenses capitalized in this way are the raw materials costs and direct salary costs. All other development costs are charged to the income statement when they are incurred. Capitalized development expenses are shown in the balance sheet at acquisition cost. Amortization is applied on a straight-line basis as a function of the estimated useful life of the asset in question and is calculated from the date that the asset is ready for use.

### Advertising and promotion expenses

These expenses are always charged in full to the income statement of the relevant period.

### Patents

Patents are capitalized at the cost to acquire them and amortized over their legal protection period, with impairment losses recorded if necessary.

## g. Tangible assets

Tangible assets are carried at historical cost less accumulated depreciation and less any applicable impairment losses. Cost includes all directly imputable charges required to render the asset operational for its intended function. Depreciation is applied on a straight-line basis as a function of the estimated useful life of the asset in question and is calculated from the date that the asset is ready for use. At each balance sheet closing date, assets are examined to determine whether their carrying value is recoverable in the form of future benefits. If not, an impairment loss is recorded.

Land is not depreciated.

Fixed assets that have been lease-financed are recorded according to the useful lifetime period for the asset concerned, regardless of the term of the financial contract.

Depreciation periods:

| | |
|---|---|
| Buildings | 20 years |
| Machinery and equipment | 3 to 10 years |
| Office equipment and tools | 3 years |
| IT equipment | 3 years |
| Vehicles | 5 years |

## h. Leasing

If the conditions for a finance lease are satisfied, the leased assets in use are capitalized according to IAS 17 as property, facilities and equipment and depreciated in full over the useful lifetime of the asset. At the commencement of the lease term, both the leased asset and the related lease obligation is recorded in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, to the present value of the minimum lease payments, each determined at the inception of the lease.

## i. Inventories

Inventories are recorded in the balance sheet at production cost. This production cost includes the direct purchasing or the manufacturing costs together with an allocation of overheads incurred in bringing the inventories to their present location or condition. Finished products which can no longer be sold due to radioactive decay are written off.

Inventories consist (IAS 2 § 6) of assets held in order to be sold in the normal course of business, assets in production for such sale and assets in the form of raw materials or supplies to be consumed in the production process.

## j. Provisions

A provision is set up whenever the company has a legal or implicit obligation at balance sheet date resulting from a past event, which will probably engender an outflow of resources, the amount of which can be reliably estimated (IAS 37 § 14).

The amount of the provision is the best possible estimate of the costs and expenditures needed to completely fulfill the obligation, given the probability of the occurrence of the event at the end of the financial period.

**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 costs 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 equipment and buildings, to determine by measurement that they are free from contamination and to allow them to be accessible for general use again without danger. Accordingly, the estimate of costs includes labor costs for the demolition of the facilities, costs for the preparation of waste so that it can be decontaminated, costs 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. Therefore, only the radioactive waste from the decontamination of assets 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. 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. Expected cost increases are taken into account. The value of the obligation is checked on each balance sheet date. In the event of changes to the value, the property, plant and equipment, the provisions are adjusted accordingly.

## k. Trade receivables and payables

Trade and other receivables are recorded at their net present value less valuation allowances. At the end of the accounting period, an estimate of doubtful receivables is made, based on the total amount of unsettled amounts. A value allowance is also recorded in the income statement resulting from the difference between the carrying value of the receivable and the estimated net present value of the related future cash flow after appropriate discounting.

Trade payables are stated at their nominal value with no discounting applied.

## l. Interest-bearing borrowings

Interest-bearing loans are recorded initially at their fair value less related transaction costs. After initial booking, interest-bearing loans are recorded at amortized cost.

## m. Financial instruments

Cash and cash equivalents refer to cash, sight accounts, short-term, highly liquid investments, which do not present any major risk of change in value. Bank loans and overdrafts are accounted for the amount of the net proceeds received. Financial charges, including any settlement or redemption premiums, are charged over the term of the facility.

## n. Income

An income item is recognized once it is probable that the future economic benefits will flow to the company, and providing that these benefits can be reliably evaluated.

### Revenue

Turnover consists only of sales to third parties. It is recognized when the significant risks and rewards attached to the ownership of the goods are transferred to the buyer. Turnover is recorded only when it can be reliably measured and when it is probable that the economic benefits linked to the transaction will be received by the entity.

### Subsidies and government grants

Investment grants are initially recorded as amounts receivable when there is reasonable assurance that they will be received and that the conditions are fulfilled. Subsidies received as compensation for expenses incurred by the company are accounted for as other operating income during the period in which the corresponding expenses are incurred.

### Financial income

Financial income consists of the interests received on investments, dividends, gains on the translation of foreign currencies, gains on foreign currency hedging, gains on hedging instruments which are not part of a hedge accounting relationship, and income on financial assets held for sale. Interest income is recorded when acquired (taking into account the time elapsed and the effective return on the asset), except where doubt exists as to its actual receipt. Dividends are recorded in the income statements on the date at which they are declared.

### o. Financial Charges

Financial charges consist of interests due on borrowings, foreign exchange losses, charges relating to foreign exchange hedging instruments, charges relating to foreign exchange instruments that are not part of a hedge accounting relationship and charges on financial assets held for sale. All interests and other costs incurred with respect to borrowings or financial transactions are charged to the income statement as financial charges. Interest expenses relating to lease contract payments are recognized in the income statement using the effective interest rate method.

### p. Fringe benefits

These covers all benefits of any kind provided by a company in return for the services rendered by its personnel.

Short-term benefits are the various elements making up employee remuneration. They are accounted as expenses under operating result in the income statement.

For post-employment benefits, the company has a certain number of “defined contribution plans” in place and for which contributions are paid to distinct entities. The group is under no obligation to pay additional contributions if the funds do not have sufficient assets to serve all the benefits corresponding to services rendered by personnel during the present and previous accounting periods (IAS 19 § 7).

### q. Taxes

Income taxes recorded in the income statement are current taxes on the taxable profit for the period and deferred taxes, calculated by using the tax rates prevailing at the balance sheet closing date.

Deferred tax assets are recognized where taxable profits are likely to be realized, against which the deferred tax assets will be imputed. In the same way, the tax assets will be reduced where this probability no longer exists. Deferred tax liabilities are recognized separately if they will not be payable against a tax authority where a deferred tax asset exist in a higher or equal amount.

### r. Consolidation principles

Consolidation of investments in subsidiaries is carried out in accordance with IFRS 3 (Business Combinations) under the purchase method. Under this norm, the assets and liabilities acquired are measured at their “fair value” on the date of purchase. Next, the costs incurred in order to acquire the purchased shares are netted against the proportionate share of the newly valued shareholders’ equity in the subsidiary. A positive difference resulting from this will be included under intangible assets as goodwill; a negative difference will be included affecting the operating result in the income statement. The initial consolidation is carried out as of the date of purchase.

All receivables and payables as well as transactions between related entities of the group have been eliminated as part of the consolidation process.

## s. Participation in joint ventures

A joint venture is based on a contractual agreement in which the group and other parties to the contract undertake a business venture under common leadership; this is the case if the strategic financial and business policies pursued as part of the joint venture require the agreement of all parties. Shares in joint ventures are recorded on the balance sheet in accordance with the equity method. The group statement of income and accumulated earnings contains the group's share of earnings and expenses as well as changes in equity of the "at-equity" interests on the balance sheet. If the group's share in the joint venture's loss exceeds the "at-equity" share on the balance sheet, the share is written down to zero. Further losses are not recorded unless the group has a contractual obligation or has made payments to the benefit of the joint venture. Unrealized gains or losses from transactions by group companies with the joint venture are eliminated against the value of holdings of the joint venture (maximum losses up to the amount of the value of holdings).

Joint venture "NanoBrachyTech": In financial year 2009, Eckert & Ziegler BEBIG founded the joint venture "NanoBrachyTech" together with Santis LLC and the Russian state fund corporation "RUSNANO". Eckert & Ziegler BEBIG contributed intangible assets to the joint venture and received a fifteen percent (15%) share in the "NanoBrachyTech" joint venture in return.

## t. Forward-looking statements

This report contains qualifications as well as forward-looking information and estimates concerning the company's future performance. It can contain words that anticipate the future development. The declarations and estimates are based on various suppositions and assessments of risks, uncertainties and others factors that appeared reasonable at the time they were made but that may or may not turn out to be correct. Events are not predictable and can depend on factors that lie outside the control of the company and that can turn out significantly differently from what had been anticipated.

## u. Evaluations and estimates

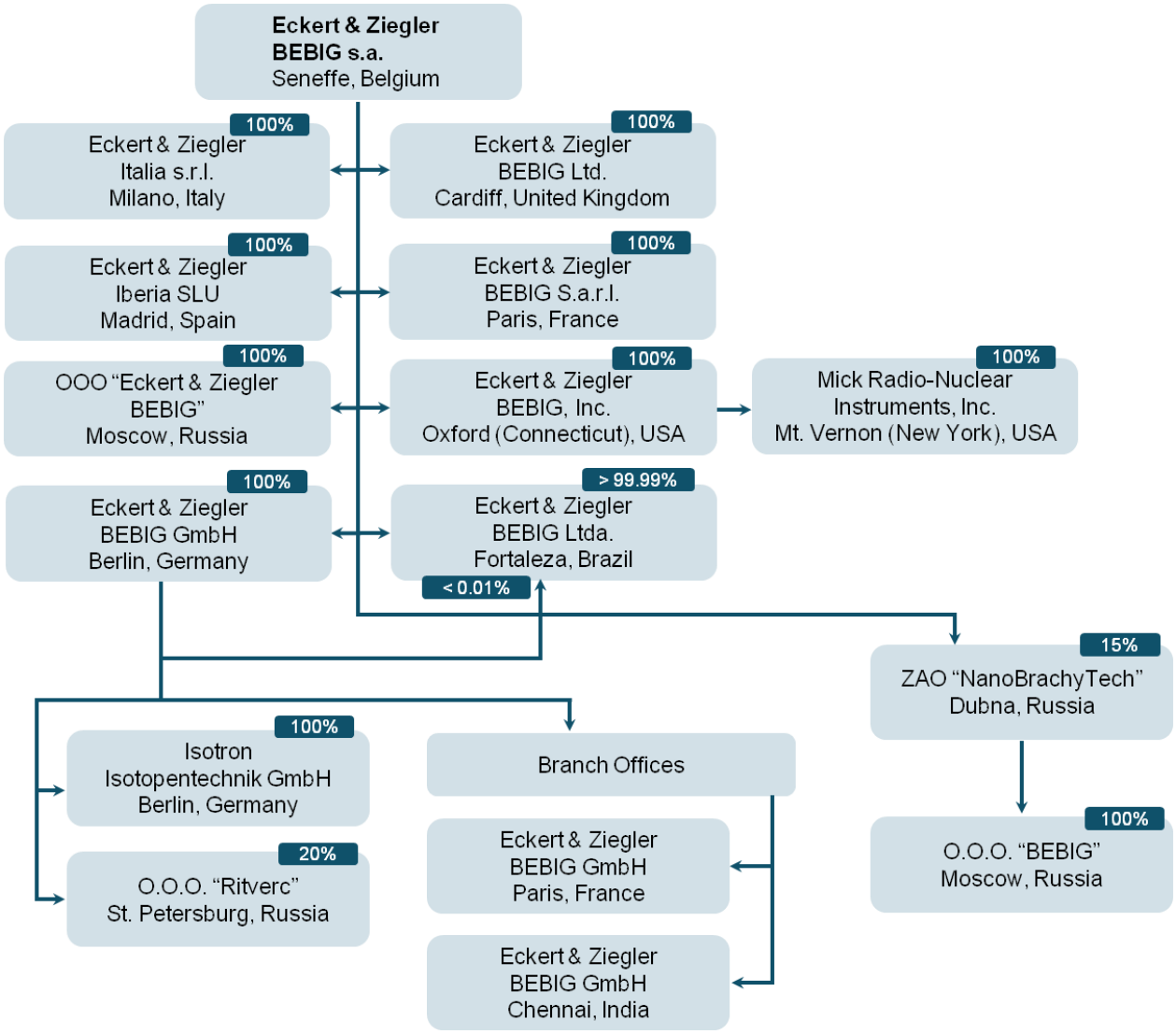
For the preparation of group financial statements in compliance with IFRS, it is necessary that estimates and assumptions are made that affect the amount and disclosure of recognized asset values and liabilities, income and expense. Significant assumptions and estimates are made concerning useful life, earnings attainable from intangible assets and property, facilities and equipment, realization of receivables, the recognition and measurement of provisions, the portfolio and realization of deferred tax assets with respect to 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. The sensitivity of book values with respect to assumptions and the estimates that underlie the book values were evaluated by means of sensitivity analyses. In case of a significant effect due to altered estimates, disclosures are made according to IAS 1.125.

# Eckert & Ziegler BEBIG Group

# Notes to the Financial Statements

## Preliminary Note - Consolidation scope

### Structure of the group



## Subsidiaries of Eckert & Ziegler BEBIG s.a.

**(directly or indirectly owned) as of December 31, 2013**

| | |
|---|---|
| Eckert & Ziegler BEBIG Ltd., Cardiff, United Kingdom | 100% |
| Eckert & Ziegler BEBIG Inc., Oxford (Connecticut), USA | 100% |
| Eckert & Ziegler BEBIG GmbH, Berlin, Germany | 100% |
| Eckert & Ziegler Iberia S.L.U., Madrid, Spain | 100% |
| Eckert & Ziegler Italia s.r.l, Milano, Italy | 100% |
| Eckert & Ziegler BEBIG Ltda., Fortaleza, Brazil | 100% |
| Eckert & Ziegler BEBIG s.a.r.l., Paris, France | 100% |
| OOO "Eckert & Ziegler BEBIG", Moscow, Russia | 100% |
| Isotron Isotopentechnik GmbH, Berlin, Germany | 100% |
| Mick Radio-Nuclear Instruments, Inc., Mt. Vernon (New York), USA | 100% |

## Branches

Eckert & Ziegler BEBIG France, Paris
Eckert & Ziegler BEBIG India, Chennai

## Participations at equity

| | |
|---|---|
| OOO "Ritverc", St. Petersburg, Russia | 20% |
| ZAO "NanoBrachyTech" (NBt), Dubna, Russia | 15% |

## Joint Venture "NanoBrachyTech"

The scope of activities of the joint venture as well as the structure of shareholders remains the same as reported in the annual report of 2012. Based on the information received by the Joint Venture and own judgments the equity according IFRS is still negative with an estimated value of 2.267 TEUR. The negative equity share of the group is 340 TEUR (15%).

## Changes to companies included in the consolidation

In the financial year 2013 the following changes were made to the companies included in the consolidation:

- The following 100% subsidiaries were acquired
  - Mick Radio-Nuclear Instruments, Inc., Mt. Vernon (New York), USA

# Notes on the Consolidated Income Statement

## 1. Revenue

The company generates its income mainly from the sale of goods and equipment and, to a lesser extent, from services provided. The revenues have decreased in the financial year 2013 from 31,779 TEUR to 27,838 TEUR. This 12.4% decrease was primarily the result of the abandonment of a product line and lower license revenues. The revenue is broken down as follows:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| **Sales** | | |
| Revenue from sales of goods | 27,031 | 29,204 |
| Revenue from services | 707 | 490 |
| Revenue from construction contracts | 100 | 0 |
| Revenue from licenses and similar rights granted | 0 | 2,085 |
| | | |
| **Total Sales** | **27,838** | **31,779** |

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| **Construction contracts** | | |
| Revenue recognition | 100 | 0 |
| Order costs | 10 | 0 |
| Profit | 290 | 0 |
| Deferred income | 0 | 200 |

## 2. Costs of goods sold

The “Costs of goods sold” include all the direct costs associated with the materials used in the manufacturing of the goods that will be sold together with the labor cost and the depreciation of the assets directly attributable to the products sold, as well as other indirect costs attributable to the products sold.

## 3. Sales and marketing expenses

All expenditures on advertising and other sales-related costs are charged to the expense as incurred. Sales and marketing expenses are broken down as follows:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| Personnel | 4,031 | 4,026 |
| Depreciation | 638 | 813 |
| Other | 3,529 | 3,100 |
| **Total** | **8,198** | **7,939** |

## 4. General and administration costs

General and administration costs include:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| Personnel | 798 | 976 |
| Rent and Depreciation | 1,000 | 1,185 |
| Services | 1,921 | 1,882 |
| Other | 1,046 | 786 |
| **Total** | **4,765** | **4,829** |

## 5. Research and development costs

All research costs, together with the development costs that were not eligible for capitalization, have been expensed as incurred. They amounted to 3,020 TEUR in 2013 (2012: 2,053 TEUR). The costs that have been capitalized during 2013 are related to the development of new products. The company continues to develop its portfolio in the temporary brachytherapy including the range of available applicators and treatment options. The amount capitalized in 2013 is 1,415 TEUR (2012: 1,091 TEUR) in tangible and intangible assets. Due to the acquisition of the brachytherapy assets of Biocompatibles, Inc. one of the development projects has stopped. The intangible asset was written off extraordinary with an impairment loss of 937 TEUR.

## 6. Number and cost of employees

The items in the income statement include staff costs of 9,463 TEUR (2011: 8,912 TEUR). The increase of 6.2% in personnel costs primarily relates to the staff costs of the US businesses acquired end of 2013. US staff costs for the relevant months of November and December 2013 were 625 TEUR. Without those acquisitions the staff costs would be reduced again in 2013 by 0.8%.

Staff costs for the financial years 2013 and 2012 were as follows:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Wages and salaries | 8,021 | 7,508 |
| Social security contributions | 1,442 | 1,404 |
| **Total personnel costs** | **9,463** | **8,912** |

On December 31, 2013 a total of 207 (2012: 148) people were employed by group companies.

| | 2013 | 2012 |
|---|---|---|
| | | |
| Production | 61 | 38 |
| Research and development | 46 | 40 |
| General and administrative | 8 | 6 |
| Sales and marketing | 77 | 53 |
| Quality management | 15 | 11 |
| **Total persons** | **207** | **148** |

Those employees have contributed to the group's result in 2013, generating approximately 161 TEUR (2012: 215 TEUR) in sales/person on annual average base. The personnel costs include dismissal costs in the amount of 164 TEUR.

## 7. Depreciation and amortization

In 2013, the amortization and depreciation of assets represent 2,935 TEUR compared with 2,305 EUR TEUR in 2012. The increase of 27.3% is due to an extraordinary write off of self-made intangible assets worth 937 TEUR. Without this write-off, the asset amortization and depreciation decreased further by 13.3% to 1,998 TEUR.

## 8. Other operating income

This relates to other miscellaneous revenue items linked to the company's operations. In general, this category includes: received reimbursement of certain expenses by export agencies, services provided, abandonment of claims, reversal of accruals, etc.

In 2013, following special items occurred:

- out of court settlement with Core Oncology, Inc worth 1,326 TEUR
- dispute settlement related to government grants worth 679 TEUR
- release of government grants related to extraordinary write-off assets worth 399 TEUR
- reduction of an anticipated earn-out claim related to the business assets acquired from Biocompatibles, Inc. worth 388 TEUR

Other operating income is comprised of the following:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| Sale of fixed assets | 14 | 25 |
| Release of and other income from government grants | 1,194 | 151 |
| Services and allocations to Eckert & Ziegler Group | 30 | 55 |
| Reversal of accruals / abandonment of claims | 1,962 | 1,000 |
| **Total** | **3,200** | **1,231** |

## 9. Other operating expenses

Other operating expenditures primarily relates to write-offs. The main portion is related to write-off's in receivables worth 227 TEUR. The remaining 127 TEUR consist of minor items.

## 10. Other financial result

Other financial results are broken down as follows:

Dividends paid by Ritverc worth 8 TEUR

Losses from foreign currencies worth 215 TEUR

## 11. Results from participations accounted for under equity method

No results from participations accounted for under equity method is recognized in 2013.

## 12. Exchange rates used for consolidated foreign subsidiaries and branches

When it comes to managing foreign exchange risk, the company pursues a conservative policy consisting, in as much as it is possible, of reducing the volatility of its results caused by exogenous parameters. To achieve this, income and the related charges are, whenever feasible, denominated in the same currency. Similarly, debt financing and interest charges are denominated in the currency of the income stream they have served to produce. Options, forward contracts, and swaps are some of the instruments available for implementing this risk management policy. It is group policy to centralize the management of this foreign exchange risk in the parent company, thereby relieving subsidiaries of the related administrative burden.

The following exchange rates were used:

| Currency | December 31, 2013 | December 31, 2012 | Average rate 2013 | Average rate 2012 |
|---|---|---|---|---|
| GBP | 0.8377 | 0.816 | 0.8221 | 0.812 |
| RUB | 44.8968 | 40.226 | 40.6783 | 40.475 |
| BRL | 3.2576 | 2.709 | 2.6641 | 2.573 |
| USD | 1.3791 | | 1.3131 | |

## 13. Income tax income/expense

No current income tax was incurred by Eckert & Ziegler BEBIG s.a. The parent company has a large amount of tax losses that can be carried forward with no limitation in time under Belgian law.

The amount of current taxes reported in the results of the group essentially relate to income taxes incurred by Eckert & Ziegler BEBIG GmbH. The applicable tax rate for the computation of the tax charge in Germany for corporate tax and trade tax purposes during the financial year was 30.175%. The tax rate used for Eckert & Ziegler BEBIG is 34%.

The tax income of the group is comprised as follows:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| **Income tax expenditure consists of** | | |
| Income tax current year | 1,288 | 687 |
| Income tax for previous years | -68 | -285 |
| Deferred taxes on temporary differences | 40 | 117 |
| Deferred taxes on losses carried forward | -2,165 | 450 |
| **Total according profit (-) and loss (+) statement** | **-905** | **969** |
| | | |
| **Tax rate reconciliation** | | |
| Income before tax (according statement of income) | **2,555** | **4,837** |
| Applicable tax rate (in %) | **34%** | **34%** |
| Expected tax expenditure based on the applicable tax rate | **869** | **1,645** |
| Expected effects of different tax rates of subsidiaries operating in other countries | -63 | -98 |
| Taxes for previous years | -68 | -285 |
| Non-deductible expenditure | 211 | 169 |
| Tax-free income | -384 | -14 |
| Usage of non-activated deferred tax on losses carried forward | 0 | -49 |
| Increase (-) / decrease (+) in the value of capitalized deferred taxes on losses carried forward | -1,651 | -428 |
| Non-capitalized deferred taxes on losses in the financial year | 174 | 63 |
| Other | 7 | -34 |
| **Total according profit (-) and loss (+) statement** | **-905** | **969** |

## 14. Profit/loss attributable to minority interest

No minority interest was recorded in 2013.

## 15. Earnings per share

The net result per share is obtained by dividing the net result recorded by the group by the weighted average number of shares in circulation during the year. The diluted net result per share is calculated in the same way, also taking into account the potential increase in the number of shares that may result from the exercise of options granted under the conditions of existing option plans. By definition (IAS 33), when a company posts a loss, the diluted result per share may not be less than the undiluted result per share.

Earnings per share have been calculated as follows:

| | 2013 | 2012 |
|---|---|---|
| Numerator | | |
| Net profit/loss (in TEUR) | 3,460 | 3,869 |
| Denominator | | |
| Weighted average number of shares | 17,554,354 | 17,554,354 |
| | | |
| **Net profit per share (in EUR)** | **0.20** | **0.22** |

# Notes on the Consolidated Balance Sheet

## 16. Goodwill

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| **Goodwill as of January 1** | **24,459** | **24,459** |
| Increase (+) / decrease (-) | 3,751 | 0 |
| Currency translation | -21 | 0 |
| **Goodwill as of December 31** | **28,189** | **24,459** |

Pursuant to IAS 36, a goodwill impairment test was conducted in 2013. Goodwill is allocated to the relevant cash-generating units (CGU). This is the lowest level in which such assets are controlled for the purpose of management and is equal to the group level. As result, the goodwill is tested at the total group level since there is only one segment identified. The goodwill is tested with the methodology according to the value in use. The result essentially depends on estimations regarding future development on revenue and costs of the CGU. The test basis is internal planning, whereas regarding IAS 1.121 the company is not required to publish budgetary information. The result of the test does not imply impairment of goodwill. An analysis of sensitivity determines a medium to high level of risk of an impairment of goodwill within the following financial reporting period. The headroom remains stable on 10,334 TEUR (2012: 10,797 TEUR). The following ratios should give an indication to the audience of the sensitivity of the equity value.

| **Change related to base case** | **Base Case** | **Scenario 1** | **Scenario 2** | **Scenario 3** | **Scenario 4** | **Scenario 5** |
|---|---|---|---|---|---|---|
| | | | | | | |
| Change sales | 0% | - 5% | - 10% | 0% | 0% | - 10% |
| Change cost of sales | 0% | - 4% | - 8% | 0% | 0% | - 8% |
| Change WACC | 0% | 0% | 0% | + 2% | + 4% | + 3% |
| | | | | | | |
| Cumulative sales 5 years | 100% | 95% | 90% | 100% | 100% | 90% |
| Cumulative EBIT 5 years | 100% | 82% | 64% | 100% | 100% | 64% |
| Cumulative FCF 5 years | 100% | 79% | 58% | 100% | 100% | 58% |
| | | | | | | |
| Entity value | 100% | 82% | 63% | 79% | 64% | 56% |
| Entity value/ carrying amount ratio | 1.21 | 0.98 | 0.76 | 0.95 | 0.77 | 0.53 |
| Impairment loss | no | yes | yes | yes | yes | yes |

The value in use is calculated based on discounted future cash flows, which are budgeted in detail for a period of five years. The cash flows resulting from periods beyond the periods budgeted in detail are taken into account perpetual with a perpetual growth rate of 1%. The test will be performed every year on December 31th and additionally if triggering events occur. No triggering events occurred during 2013. The risk premium is adjusted due to the fact, that the cash flows of the written-off development project are no longer part of the underlying budget. The following rates and estimates were used to determine the entity value of the cash generating unit.

| Determining rates and estimations | 2013 | 2012 |
|---|---|---|
| Base rate (risk free) | 2.75% | 2.12% |
| Market risk premium | 6.50% | 9.50% |
| Tax rate | 34% | 34% |
| WACC | 9.10% | 12.56% |
| Beta factor (levered, adjusted) | 0.976 | 1.145 |
| Used growth rate for the years after detailed evaluation period | 1.00% | 1.00% |
| WACC pre tax | 13.21% | 17.62% |

In order to justify the result of the test under the rules of value in use, the company additionally determines the results of a simplified test. The impairment is determined as market capitalization of the company minus the book value of the equity, due to the fact the composition of the CGU is the complete group. As of December 31, 2013, the market capitalization is significantly lower than the recognized value of assets and liabilities. Nonetheless, there are other facts to be considered for this result. The following list is not exhaustive, but as information the following facts must be taken into account:

- volume of shares traded in relation to the measured asset
- de/increase in the volume of shares traded
- control over an asset
- current information available

Based on the low liquidity and limited free float on the relevant markets, as well as considering the aspect of having one controlling shareholder, the company uses the value in use methodology. It should be mentioned that if the general environment regarding transaction volume changes to a great extent, the company might decide to weight the market capitalization more strongly than it currently does.

## 17. Intangible assets

Intangible assets include goodwill, customer relations, covenants to compete, patents and technologies, licenses and software and capitalized development costs. Intangible assets not subject to scheduled amortization are goodwill.

The net book values of the intangible assets subject to scheduled amortization are as follows:

**Intangible assets initial values**
Amounts in thousands EUR

| | As of January 1, 2012 | Currency translation | Additions | Disposals | Reclass-ification | Clearing of Prepayments | As of December 31, 2012 |
|---|---|---|---|---|---|---|---|
| 1. Licenses/software | 2,552 | 0 | 13 | -14 | 0 | 0 | 2,551 |
| 2. Intellectual property | 72 | 0 | 0 | 0 | 0 | 0 | 72 |
| 3. Capitalized development costs | 1,298 | 0 | 941 | 0 | 0 | 0 | 2,239 |
| 4. Customer base | 150 | 3 | 0 | 0 | 0 | 0 | 153 |
| 5. Prepaid assets | 17 | 0 | 0 | 0 | 0 | -17 | 0 |
| **Total** | **4,089** | **3** | **954** | **-14** | **0** | **-17** | **5,015** |

**Intangible assets cumulative amortization**
Amounts in thousands EUR

| | Cumulative amortization | | | | | Net value | |
|---|---|---|---|---|---|---|---|
| | As of January 1, 2012 | Currency translation | Additions | Disposals | As of December 31, 2012 | As of January 1, 2012 | As of December 31, 2012 |
| 1. Licenses/software | 1,674 | 0 | 437 | -14 | 2,097 | 878 | 454 |
| 2. Intellectual property | 34 | 0 | 1 | 0 | 35 | 38 | 37 |
| 3. Capitalized development costs | 0 | 0 | 46 | 0 | 46 | 1,298 | 2,193 |
| 4. Customer base | 19 | 0 | 15 | 0 | 34 | 131 | 119 |
| 5. Prepaid assets | 0 | 0 | 0 | 0 | 0 | 17 | 0 |
| **Total** | **1,727** | **0** | **499** | **-14** | **2,212** | **2,362** | **2,803** |

**Intangible assets initial values**
Amounts in thousands EUR

| | As of January 1, 2013 | Currency translation | Acquisitions | Additions | Disposals | As of December 31, 2013 |
|---|---|---|---|---|---|---|
| 1. Licenses/software | 2,551 | 0 | 6 | 0 | -60 | 2,497 |
| 2. Intellectual property | 72 | 0 | 2,756 | 10 | 0 | 2,838 |
| 3. Capitalized development costs | 2,239 | 0 | 0 | 1,245 | -937 | 2,547 |
| 4. Customer base | 153 | -4 | 0 | 0 | 0 | 149 |
| 5. Prepaid assets | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **5,015** | **-4** | **2,762** | **1,255** | **-997** | **8,031** |

**Intangible assets cumulative amortization**
Amounts in thousands EUR

| | Cumulative amortization | | | | | Net value | |
|---|---|---|---|---|---|---|---|
| | As of January 1, 2013 | Currency translation | Additions | Disposals | As of December 31, 2013 | As of January 1, 2013 | As of December 31, 2013 |
| 1. Licenses/software | 2,097 | 0 | 387 | -44 | 2,440 | 454 | 57 |
| 2. Intellectual property | 35 | 0 | 47 | 0 | 82 | 37 | 2,756 |
| 3. Capitalized development costs | 46 | 0 | 976 | -937 | 85 | 2,193 | 2,462 |
| 4. Customer base | 34 | -2 | 15 | 0 | 47 | 119 | 102 |
| 5. Prepaid assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **2,212** | **-2** | **1,425** | **-981** | **2,654** | **2,803** | **5,377** |

## 18. Property, plant and equipment

Tangible assets are recorded at cost less cumulative depreciation and impairment losses.

Leased assets are recorded as financial leases when, under the terms of the contract, the risks and benefits of ownership are substantially transferred to the lessee. In this case, the assets held are reported under the group's assets at fair value. The corresponding debt to the lessor is accounted for as a financial leasing obligation. Lease payments are split between financial charges and reduction of the related debt.

A number of the assets that have been acquired under lease contracts have been made available for use by customers.

**Tangible assets initial values**
Amounts in thousands EUR

| | | As of January 1, 2012 | Acquisitions | Additions | Disposals | Re-classifi-cation | Clearing of Pre-payments | As of December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| 1. | Land and buildings | 4,546 | 0 | 41 | -89 | 12 | 0 | 4,510 |
| 2. | Machine and equipment | 13,551 | 0 | 325 | -1,064 | 1,590 | 0 | 14,402 |
| 3. | Other equipment | 5,085 | 0 | 227 | -330 | -180 | 0 | 4,802 |
| 4. | Prepaid assets | 2,910 | 0 | 181 | 0 | -1,422 | 0 | 1,669 |
| 5. | Asset retirement obligation | 1,336 | 0 | 647 | 0 | 0 | 0 | 1,983 |
| **Total** | | **27,428** | **0** | **1,421** | **-1,483** | **0** | **0** | **27,366** |

**Tangible assets accumulated depreciation**
Amounts in thousands EUR

| | | Accumulated depreciation | | | | | Net value | |
|---|---|---|---|---|---|---|---|---|
| | | As of January 1, 2012 | Additions | Disposals | Re-classifi-cation | As of December 31, 2012 | As of January 1, 2012 | As of December 31, 2012 |
| 1. | Land and buildings | 2,680 | 283 | -55 | 13 | 2,921 | 1,866 | 1,589 |
| 2. | Machine and equipment | 11,783 | 727 | -1,064 | 219 | 11,665 | 1,768 | 2,737 |
| 3. | Other equipment | 3,538 | 684 | -330 | -232 | 3,660 | 1,547 | 1,142 |
| 4. | Prepaid assets | 0 | | | | | 2,910 | 1,669 |
| 5. | Asset retirement obligation | 373 | 114 | 0 | 0 | 487 | 963 | 1,496 |
| **Total** | | **18,374** | **1,808** | **-1,449** | **0** | **18,733** | **9,054** | **8,633** |

**Tangible assets initial values**
Amounts in thousands EUR

| | | As of January 1, 2013 | Currency translation | Acquisitions | Additions | Disposals | Re-classifi-cation | As of December 31, 2013 |
|---|---|---|---|---|---|---|---|---|
| 1. | Land and buildings | 4,510 | 0 | 0 | 13 | -96 | 22 | 4,449 |
| 2. | Machine and equipment | 14,402 | -7 | 220 | 192 | -27 | 1,499 | 16,279 |
| 3. | Other equipment | 4,802 | 0 | 7 | 311 | -492 | 0 | 4,628 |
| 4. | Prepaid assets | 1,669 | -1 | 30 | 180 | 0 | -1,521 | 357 |
| 5. | Asset retirement obligation | 1,983 | 0 | 0 | -503 | 169 | 0 | 1,649 |
| **Total** | | **27,366** | **-8** | **257** | **193** | **-446** | **0** | **27,362** |

**Tangible assets accumulated depreciation**
Amounts in thousands EUR

| | | Accumulated depreciation | | | | | Net value | |
|---|---|---|---|---|---|---|---|---|
| | | As of January 1, 2013 | Currency translation | Additions | Disposals | As of December 31, 2013 | As of January 1, 2013 | As of December 31, 2013 |
| 1. | Land and buildings | 2,921 | 0 | 252 | -87 | 3,086 | 1,589 | 1,363 |
| 2. | Machine and equipment | 11,665 | -2 | 603 | -23 | 12,243 | 2,737 | 4,036 |
| 3. | Other equipment | 3,660 | 0 | 494 | -469 | 3,685 | 1,142 | 943 |
| 4. | Prepaid assets | 0 | 0 | 0 | 0 | 0 | 1,669 | 357 |
| 5. | Asset retirement obligation | 487 | 0 | 156 | 1 | 644 | 1,496 | 1,005 |
| **Total** | | **18,733** | **-2** | **1,505** | **-578** | **19,658** | **8,633** | **7,704** |

## 19. Other non-current assets

The amount of 1,550 TEUR primarily consists of reclassified receivables from trade account receivables to loans. These loans amounting to 1,891 TEUR (2012: 2,150 TEUR), less the current portion of 395 TEUR (2012: 295 TEUR) are accounted for in other current assets. The remaining 54 TEUR consists of minor items, such as deposits, etc.

## 20. Business combinations

In 2013 Eckert & Ziegler BEBIG Group acquired the Brachytherapy business of Mick Radio-Nuclear Instruments, Inc., Mt. Vernon (New York), USA and the Brachytherapy business of Biocompatibles, Inc., Oxford (Connecticut), USA.

- The brachytherapy business of Biocompatibles, Inc.

The Brachytherapy business of Biocompatibles, Inc. was acquired via an asset deal on November 1, 2013, whereas all existing tangible assets of the brachytherapy business were transferred to Eckert & Ziegler BEBIG's preexisting daughter company Eckert & Ziegler BEBIG, Inc. All intangible assets were transferred to Eckert & Ziegler BEBIG s.a. The allocation of the purchase price was done preliminarily in 2013, due to time constraints of the 2013 year closing.

The related business activities were stopped by Biocompatibles in 2013 due to an FDA warning letter related to multiple non-compliances in the QM system. All non-compliances were resolved after the acquisition of the assets. The business was restarted at the end of November 2013. Due to further restructuring and the ramp-up phase, the business contributed a net loss of 214 TEUR to the 2013 results. The business contributed 52 TEUR of sales. If the business would have contributed for the full year 2013 sales worth 8,000 TEUR and net profit worth 0 TEUR would have been recognized in the financial statements of the company. Those numbers are based on 2012 figures and considered ongoing production over the year 2013, taking not into account the voluntary production stop from May until November 2013. If the business would have contributed with its real 2013 activities it would have resulted in a major loss, but such figures were not made available by the seller. Eckert & Ziegler BEBIG, Inc. passed through a reinspection by the FDA in February 2014 with no major findings.

The purchase price was 5,000 TUSD (3,657 TEUR). In addition there is a liability for an earn-out of 30% of the related sales in North America for 1 year after restart of the business. This earn-out was expected at the time of the acquisition to be 2,040 TUSD (1,492 TEUR). Due to the unexpected abandonment of a major contract after the purchase, the earn-out expectation is reduced to 1,530 TUSD (1,109 TEUR). The respective income of 510 TUSD (388 TEUR) is recorded under other operating income. The Goodwill of 1,812 TEUR resulting from the preliminary purchase price allocation is expected to be deductible for tax purposes under US tax law. Acquisition related costs amounted approximately to 30 TEUR and are recorded as an expense in general & administrative.

The purchase price is preliminary allocated as follows:

| Amounts in thousands EUR | Book value at the date of acquisition | | Preliminary fair value at the date of acquisition |
|---|---|---|---|
| | | | |
| **Assets** | | | |
| Intangible assets * | 2,756 | | 2,756 |
| Tangible assets | 227 | | 227 |
| Inventories | 287 | | 287 |
| Receivables | 58 | | 58 |
| Other assets | 9 | | 9 |
| | | | |
| **Liabilities** | | | |
| Other short-term liabilities | -1,492 | | -1,492 |
| | | | |
| Book value of purchased assets and liabilities | 1,845 | | 1,845 |
| | | | |
| **Goodwill** | | | **1,812** |
| | | | |
| Purchase price of company acquisition | | | 3,657 |
| | | | |
| **Net cash flow from business combination in 2013** | | | **3,657** |

* Intangible assets were recognized preliminary based on a contractual agreement related to the allocation of the purchase price

- The Brachytherapy business of Mick Radio-Nuclear Instruments, Inc.

The Brachytherapy business of Mick Radio-Nuclear Instruments, Inc was acquired via a share deal on November 5, 2013, whereas all shares were transferred to Eckert & Ziegler BEBIG's preexisting daughter company Eckert & Ziegler BEBIG, Inc. The allocation of the purchase price was done preliminarily in 2013, due to time constraints of the 2013 year closing.

The business contributed 421 TEUR of sales and net loss of 87 TEUR. If the business would have contributed for the full year 2013 sales worth 4,091 TEUR and net profit worth 182 TEUR would have been recognized in the financial statements of the company. Those numbers are estimated from 2012/2013 actual numbers.

The purchase price is 3,000 TUSD (2,194 TEUR). Additionally, a seller's loan of 1,500 TUSD (1,097 TEUR) is attributed to Mick Radio-Nuclear Instruments, Inc. Acquisition related costs amounted approximately to 20 TEUR and are recorded as an expense in general & administrative.

The purchase price is preliminary allocated as follows:

| Amounts in thousands EUR | **Book value at the date of acquisition** | | **Preliminary fair value at the date of acquisition** |
|---|---|---|---|
| | | | |
| **Assets** | | | |
| Intangible assets | 10 | | 10 |
| Tangible assets | 30 | | 30 |
| Inventories | 372 | | 372 |
| Receivables | 583 | | 583 |
| Other assets | 58 | | 58 |
| Cash and equivalents | 447 | | 447 |
| | | | |
| **Liabilities** | | | |
| Long-term portion of borrowings | -1,097 | | -1,097 |
| Trade payables and other short-term liabilities | -148 | | -148 |
| | | | |
| Book value of purchased assets and liabilities | 255 | | 255 |
| | | | |
| **Goodwill** | | | **1,939** |
| | | | |
| Purchase price of company acquisition | | | 2,194 |
| less acquired cash and cash equivalents | | | -447 |
| | | | |
| **Net cash flow from company acquisition in 2013** | | | **1,747** |

## 21. Cash and cash equivalents

Cash and cash equivalents amounted to 3,601 TEUR (2012: 3,342 TEUR) and were represented by cash in hand, cash at banks, and short-term deposits maturing within three months. Investments in “high yield” financial assets were neither made during the year nor outstanding at the end of the year.

## 22. Deferred tax assets

Deferred tax assets are recorded based on different valuations of assets and liabilities between the IFRS closing and the applicable tax statements, as well as calculations based on the available tax deductible losses carried forward. Deferred tax assets and liabilities are balanced as far as possible under the rules of IAS 12. Tax assets are subject to an impairment test regarding existence and value.

The accounting for tax assets is based on assumptions and forward looking planning done by the company; which is by nature not definite. The impairment test of the tax assets on losses carried forward is based on a five year base plan of the company.

The amount is allocated as follows:

| Amounts in thousands EUR | Tax assets | | Tax liabilities | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | | | | |
| **On taxable losses carried forward** | 7,715 | **8,845** | | |
| | | | | |
| Deferred tax assets on temporary difference | | | | |
| Fixed assets | 0 | 0 | 1,195 | 520 |
| Provisions & asset retirement obligations | 1,687 | 1,316 | 0 | 0 |
| Receivables | 111 | 87 | 0 | 237 |
| Payables & prepayments received | 0 | 0 | 0 | 0 |
| Inventories | 0 | 20 | 0 | 0 |
| Others | 22 | 0 | 0 | 0 |
| **Total deferred tax assets on temporary differences** | **1,820** | **1,423** | **1,195** | **757** |
| | | | | |
| **Total deferred tax assets** | 9,498 | 10,268 | 1,195 | 757 |
| Set-off | -694 | -393 | -694 | -393 |
| **Deferred tax assets** | **8,841** | **9,875** | **501** | **364** |
| Valuation reserve | -1,212 | -3,340 | | |
| **Deferred tax assets/liabilities recognized** | **7,629** | **6,535** | | |

The valuation reserve of 1,212 TEUR (2012: 3,340 TEUR) represents the total amount of unrecognized tax assets on tax deductible losses carried forward.

## 23. Trade accounts receivables

Trade account receivables less allowances increased by 27.6%, whereas the portion overdue more than 90 day's increased by 65.2%, the portion not due increased by 6.3%. Trade account receivables are comprised as follows:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Trade accounts receivables | 11,939 | 9,833 |
| Less allowances | -924 | -1,201 |
| **Balance as of December 31** | **11,015** | **8,632** |

| Amounts in thousands EUR | As of December 31, 2012 | Net allocations | Utilization | As of December 31, 2013 |
|---|---|---|---|---|
| | | | | |
| **Development write-down receivables** | -1,201 | -227 | 504 | -924 |

## 24. Inventories

Inventories consist of the following items as of December 31, 2013:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Raw materials and supplies | 2,983 | 2,197 |
| Finished products | 574 | 1,338 |
| Unfinished products | 1,323 | 230 |
| **Total** | **4,880** | **3,765** |
| | | |
| Less value correction | -274 | -163 |
| **As of December, 31** | **4,606** | **3,602** |

Raw materials, consumables and supplies mainly consist of nuclides and components needed for the fabrication of end products. Adjustments were made on the basis of a comparison of net realizable value against the recorded book value.

## 25. Other short-term assets

The other short-term assets worth 1,226 TEUR (2012: 1,121 TEUR) primarily consist of the following:

Receivables from tax authorities worth 534 TEUR

Prepayments for assets still to be received worth 187 TEUR

Other deferred expenses are worth 110 TEUR. The short-term portion of loans granted included in other short-term assets amounts to 395 TEUR.

## 26. Shareholders' equity

### Capital

Eckert & Ziegler BEBIG subscribed capital amounts to 10.9 million EUR and the Issuance Premium account amounts to 50.2 million EUR. The par value per share stands at 25 BEF, or approximately 0.62 EUR per share.

Authorized capital amounts to 10,879,026.72 EUR.

### Number of shares

The total number of shares outstanding amounts to 17,554,354 shares without nominal value. For a detailed description of the rights and privileges linked to shares and beneficiary shares, see section "Eckert & Ziegler BEBIG Share and Shareholders".

The company does not hold any treasury bonds or own shares.

## 27. Debt

Borrowings consist of the following items as of December 31, 2013:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| Bank borrowings | 7,000 | 905 |
| Other borrowings | 3,150 | 3,713 |
| **Balance as of December 31** | **10,150** | **4,618** |

The following table gives an overview of the loans, broken down according to maturity.

| Amounts in thousands EUR | Total | duration < 1 year | duration between 1 and 5 years | duration > 5 years |
|---|---|---|---|---|
| Bank loans | 7,000 | 195 | 6,805 | 0 |
| Seller‘s Loan with Eckert & Ziegler AG | 2,063 | 1,650 | 413 | 0 |
| Seller’s Loan with Sellers of Mick Radio-Nuclear Instruments | 1,087 | 0 | 1,087 | 0 |
| **Total borrowings as of December 31** | **10,150** | **1,845** | **8,305** | **0** |

The interest rates attached to the borrowings are between 3.99% and 10.00%. Attached Covenants are related to equity asset ratios and debt EBITDA ratios.

## 28. Deferred income from grants and other deferred income

The item “Deferred income from grants and other deferred income” is comprised of the following as of December 31, 2013:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| Other current deferred income | 66 | 107 |
| Current deferred income from grants | 43 | 43 |
| Other non-current deferred income | 0 | 0 |
| Non-current deferred income from grants | 31 | 436 |
| **Balance as of December 31** | **140** | **586** |

## 29. Provisions and other non-current liabilities

The main element of other non-current liabilities are the provisions recorded pursuant to IAS 37 and IAS 16, as adjusted in accordance with IFRIC 1. They are related to asset retirement obligations, i.e., for assets contaminated during the production process with radioactive nuclides. The following table gives an overview of the movements in other provisions

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Disposal provisions | 6,697 | 7,219 |
| Other provisions | 83 | 83 |
| **Other provisions as of December 31** | **6,780** | **7,302** |
| | | |
| **Movements in the provisions for environmental restoration are as follows** | | |
| Disposal provisions as of January 1 | 7,219 | 6,247 |
| Additions (+) / reductions (-) balanced | -335 | 646 |
| Addition of interest | -187 | 326 |
| **Disposal provisions as of December 31** | **6,697** | **7,219** |

The other provisions include obligations that relate to the removal of changes to rented property, partial retirement and received security deposits.

Interest rates used for discounting of long-term provisions are in the range of 0.51% to 2.21% for 2013 (2012: 0.49% to 1.70%). Inflation is assumed to be 2% on long-term basis, which equals the target rate of the European Central Bank. Using the interest rates of previous year the provision for environmental restoration would be 217 TEUR higher at a value of 6,914 TEUR.

## 30. Other current liabilities

The position is related to liabilities to social security's, salary and similar items, as well as to accruals for auditors, commissions and VAT etc.

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Personnel costs, social security and related items | 1,445 | 1,474 |
| Others | 615 | 302 |
| **Balance as of December 31** | **2,060** | **1,776** |

## Financial risks analysis

For a general risk analysis, please refer to the Management Report. The notes hereafter refer more specifically to some of the financial risks. 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.

### 31. Credit risk

Credit risk or risk of non-payment is the risk that a customer or contractor of the group cannot meet its contractual obligations. The result of this is, on the one hand, the risk of write-down 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, initial deliveries are in principle made against cash in advance or letters of credit, 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.

The age structure of due, but not written down receivables, is shown as at December 31, 2013 as follows:

| Accounts receivables (less write-down receivables) by due date in thousands EUR | **2013** | **2012** |
|---|---|---|
| not due | 5,567 | 5,239 |
| 1 to 90 days | 3,347 | 2,122 |
| > 90 days | 2,101 | 1,272 |
| **Total** | **11,015** | **8,633** |

The overdue, but not yet written down receivables relate essentially to claims due from doctors' practices and foreign clinics. Based on past experience, payment is expected at the above-mentioned level.

The receivables for countries with high and long overdue values are recognized with an appropriate discounting rate in the range of 2.1% to 4.5% (2012: 3.8% to 4.9%). The 2013 impact is a deduction of 194 TEUR (2012: 286 TEUR) in sales and 121 TEUR in interest income (2012: 159 TEUR) for discounted receivables from the previous years.

### 32. 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 it is possible to identify the borrowed fund financing requirements in advance.

As at the date of the closing, the consolidated balance sheet shows various short-term and long-term obligations both to Eckert & Ziegler AG, an important shareholder of the group, and also to various credit institutions. So far, the company has experienced limited effects from the financial crisis on the availability of financing.

The group has credit lines with a number of financial institutions, providing access to 2,535 TEUR (2012: 2,535 TEUR) of short term funding, of which 2,208 TEUR are unused.

## 33. Foreign exchange risks

The group's international business activities exposes it to foreign exchange risks resulting from the influence of exchange rate fluctuations on business and assets and liabilities denominated in foreign currencies (transaction risks). At present, the main foreign currency risk within the group relates to the fluctuations in the EUR GBP and EUR USD rates, and to a lesser extent, to CHF, BRL, RUB, CAD, INR. In the case of these currencies, there are few costs incurred in the same currency. As a result, the complete revenues generated in those currencies are exposed to the currency risk.

The exposure of the group in respect of transaction risk as at the date of the annual accounts was as follows:

| Amounts in thousands currency | EUR | USD | CHF | BRL | RUB | INR | GBP | Total in EUR |
|---|---|---|---|---|---|---|---|---|
| **Assets and liabilities per currency** | | | | | | | | |
| Bank accounts | 2,513 | 1,292 | 0 | 84 | 0 | 1,622 | 90 | **3,601** |
| Accounts receivable | 10,108 | 798 | 17 | 0 | 0 | 7,303 | 192 | **11,015** |
| Accounts payable | 2,115 | 731 | 0 | 51 | 179 | 2,235 | 13 | **2,707** |

## 34. Interest rate risks

As at the balance-sheet date, the company has the following mid-term and long-term interest-bearing liabilities:

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Interest-bearing liabilities | 10,150 | 4,618 |
| of which have variable interest rate | 0 | 0 |
| of which have fixed interest rate | 10,150 | 4,618 |

## 35. “Off balance sheet” items

The company uses leased vehicles and rented facilities on an operating basis. The liabilities from those leasing and renting contracts are comprised as follows:

**Minimum future rental payments**
Amounts in thousands EUR

| Total liability | 2014 | 2015 | 2016 | 2017 | 2018 | thereafter |
|---|---|---|---|---|---|---|
| | | | | | | |
| **3,295** | 636 | 560 | 463 | 323 | 315 | 998 |

## 36. Disposal of non-current assets

Non-current assets disposed in 2013 were mainly fully amortized.

## 37. Trade accounts payable and other current liabilities

The main change of payables relates to the increase of collected advanced payments from customers for goods and services. The trade payables were stable.

## 38. Concentration of risk

The company is active in most markets in the world. The table below shows a geographical analysis of the sales and the non-current assets, without tax assets and goodwill, of the group. As the cash generating unit is a combination of all subsidiaries of the group, the goodwill cannot be allocated to a specific country.

| | Sales | | Non-current assets | |
|---|---|---|---|---|
| Amounts in thousands EUR | 2013 | 2012 | 2013 | 2012 |
| | | | | |
| Belgium & Netherlands | 2,388 | 2,546 | 6,323 | 2,572 |
| Russia | 2,371 | 8,598 | 1,359 | 3,685 |
| France | 4,216 | 6,206 | 24 | 64 |
| UK & Ireland | 1,364 | 1,659 | 101 | 119 |
| Spain & Portugal | 2,664 | 2,303 | 29 | 58 |
| Germany | 2,430 | 1,991 | 7,850 | 8,750 |
| Italy | 182 | 408 | 4 | 0 |
| USA | 321 | 0 | 278 | 0 |
| Others | 11,902 | 8,068 | 22 | 5 |

It should be emphasized that the dependence on the Russian market has decreased. One (2012: one) customer which accounts for more than 10% of the group sales is located in Russia and represents 11.6% of the group’s sales.

## 39. Related parties

IAS 24 should ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

In 2012, the legal entities of the group having the EUR and GBP as their domestic currencies entered into a cash-pool agreement, whereas Eckert & Ziegler BEBIG s.a. is working as master and the other entities as slaves. The transactions under the cash pool agreement are not included in the following tables. The balances of the accounts will be granted interest with daily rated EONIA 1M, GBPLIBOR 1M and USDLIBOR 1M and mark-ups between 0.3% and 2.3%.

All transactions within the group were undertaken based on the evaluation of the mutual economic benefit for all the parties involved. All such transactions are entered into at an arm's length basis. The applicable conditions are based on equitable negotiation criteria and respect the principle of free trade and competition.

The following table offers an overview of the transactions done within the group. In order to keep it clear, arranged long-term and short-term balance sheet items are combined. Transactions covered from one direction are not repeated showing the other direction (i.e. if Eckert & Ziegler BEBIG GmbH versus Eckert & Ziegler BEBIG Ltd. is disclosed, Eckert & Ziegler BEBIG Ltd. versus Eckert & Ziegler BEBIG GmbH will not be disclosed, as it is a mirror).

| Amounts in thousands EUR | as of December 31, 2012 | | for the reporting period | |
|---|---|---|---|---|
| | **Receivables** | **Liabilities** | **Income** | **Expenses** |
| | | | | |
| **Eckert & Ziegler BEBIG s.a.** | | | | |
| versus | | | | |
| Eckert & Ziegler BEBIG GmbH | 4,370 | 1,467 | 1,202 | 8,739 |
| Eckert & Ziegler Iberia SLU | 1,524 | 0 | 380 | 0 |
| Eckert & Ziegler Italia s.r.l. | 212 | 0 | 212 | 0 |
| Eckert & Ziegler BEBIG s.a.r.l. | 1,586 | 2 | 454 | 0 |
| OOO Eckert & Ziegler BEBIG | 7 | 0 | 0 | 0 |
| Eckert & Ziegler BEBIG Ltd. | 424 | 0 | 299 | 0 |
| | | | | |
| **Eckert & Ziegler BEBIG GmbH** | | | | |
| versus | | | | |
| Eckert & Ziegler Iberia SLU | 89 | 0 | 1,625 | 0 |
| Eckert & Ziegler Italia s.r.l. | 92 | 0 | 271 | 0 |
| Eckert & Ziegler BEBIG s.a.r.l. | 95 | 4 | 1,481 | 0 |
| Isotron Isotopentechnik GmbH | 466 | 12 | 1,489 | 0 |
| Eckert & Ziegler BEBIG Ltd. | 21 | 0 | 1,086 | 0 |

| Amounts in thousands EUR | as of December 31, 2013 | | for the reporting period | |
|---|---|---|---|---|
| | **Receivables** | **Liabilities** | **Income** | **Expenses** |
| | | | | |
| **Eckert & Ziegler BEBIG s.a.** | | | | |
| versus | | | | |
| Eckert & Ziegler BEBIG GmbH | 919 | 2.147 | 806 | 8,739 |
| Eckert & Ziegler Iberia SLU | 1,593 | 0 | 378 | 0 |
| Eckert & Ziegler Italia s.r.l. | 87 | 0 | 38 | 0 |
| Eckert & Ziegler BEBIG s.a.r.l. | 1,610 | 0 | 476 | 0 |
| OOO Eckert & Ziegler BEBIG | 29 | 0 | 0 | 0 |
| Eckert & Ziegler BEBIG Ltd. | 49 | 0 | 211 | 0 |
| Eckert & Ziegler BEBIG, Inc. | 3,757 | 0 | 23 | 0 |
| | | | | |
| **Eckert & Ziegler BEBIG GmbH** | | | | |
| versus | | | | |
| Eckert & Ziegler Iberia SLU | 51 | 0 | 1,678 | 0 |
| Eckert & Ziegler Italia s.r.l. | 37 | 0 | 175 | 0 |
| Eckert & Ziegler BEBIG s.a.r.l. | 30 | 0 | 1,620 | 0 |
| Isotron Isotopentechnik GmbH | 262 | 13 | 1,361 | 0 |
| Eckert & Ziegler BEBIG Ltd. | 27 | 0 | 888 | 0 |
| Eckert & Ziegler BEBIG, Inc. | 74 | 6 | 1 | 6 |
| Mick Radio-Nuclear Instruments, Inc. | 0 | 0 | 0 | 17 |

Eckert & Ziegler AG is the ultimate controlling shareholder of Eckert & Ziegler BEBIG s.a. The following table offers an overview of the transactions done with Eckert & Ziegler AG and its affiliates. In order to keep it clear, arranged long-term and short-term balance sheet items are combined. Transactions covered from one direction are not repeated showing the other direction (i.e. if Eckert & Ziegler BEBIG GmbH versus Eckert & Ziegler AG is disclosed, Eckert & Ziegler BEBIG GmbH versus Eckert & Ziegler AG will not be disclosed, as it is a mirror). All transactions with Eckert & Ziegler AG and its affiliates are short term in nature, except the loan described under note 27.

| Amounts in thousands EUR | as of December 31, 2012 | | for the reporting period | |
|---|---|---|---|---|
| | **Receivables** | **Liabilities** | **Income** | **Expenses** |
| | | | | |
| **Eckert & Ziegler BEBIG s.a.** | | | | |
| versus | | | | |
| Eckert & Ziegler AG | 0 | 3,713 | 0 | 213 |
| | | | | |
| **Eckert & Ziegler BEBIG GmbH** | | | | |
| versus | | | | |
| Eckert & Ziegler AG | 0 | 60 | 54 | 1,548 |
| Eckert & Ziegler Eurotope GmbH | 0 | 0 | 9 | 18 |
| Eckert & Ziegler Cesio s.r.o | 0 | 0 | 7 | 5 |
| Eckert & Ziegler Radiopharma GmbH | 0 | 0 | 9 | 0 |
| Eckert & Ziegler Nuclitec GmbH | 0 | 26 | 1 | 81 |

| Amounts in thousands EUR | as of December 31, 2013 | | for the reporting period | |
|---|---|---|---|---|
| | **Receivables** | **Liabilities** | **Income** | **Expenses** |
| | | | | |
| **Eckert & Ziegler BEBIG s.a.** | | | | |
| versus | | | | |
| Eckert & Ziegler AG | 0 | 2,063 | 0 | 141 |
| Eckert & Ziegler Isotope Products, Inc. | 0 | 67 | 0 | 67 |
| Eckert & Ziegler Cesio s.r.o. | 9 | 0 | 18 | 0 |
| | | | | |
| **Eckert & Ziegler BEBIG GmbH** | | | | |
| versus | | | | |
| Eckert & Ziegler AG | 0 | -37 | 4 | 1,558 |
| Eckert & Ziegler Eurotope GmbH | 0 | 0 | 18 | 29 |
| Eckert & Ziegler Cesio s.r.o. | 0 | 0 | 0 | 7 |
| Eckert & Ziegler Isotope Products, Inc. | 0 | 0 | 0 | 2 |
| Eckert & Ziegler Radiopharma GmbH | 0 | 0 | 3 | 0 |
| Eckert & Ziegler Nuclitec GmbH | 0 | 0 | 0 | 1 |
| Kompetenzzentrum für sichere Entsorgung GmbH | 0 | 0 | 0 | 49 |
| Chemotrade Chemiehandelsgesell. mbH | 0 | -71 | 0 | 491 |
| BSM Diagnostica Ges.m.b.H. | 9 | | 52 | 0 |

Several companies of Eckert & Ziegler BEBIG Group entered into a cash pool agreement, whereas Eckert & Ziegler BEBIG s.a. is the master and its subsidiaries the slaves. Balances out of the related transactions aren't shown in the tables above. The cash pool is operated by Commerzbank AG, Germany and includes accounts operated by Commerzbank AG from the following companies:

| | |
|---|---|
| Eckert & Ziegler BEBIG Ltd., Cardiff, United Kingdom | 100% |
| Eckert & Ziegler BEBIG GmbH, Berlin, Germany | 100% |
| Eckert & Ziegler Iberia S.L.U., Madrid, Spain | 100% |
| Eckert & Ziegler BEBIG s.a.r.l., Paris, France | 100% |
| Isotron Isotopentechnik GmbH, Berlin, Germany | 100% |
| Eckert & Ziegler BEBIG GmbH, Paris, France (Branch) | 100% |

The cash pool includes accounts in EUR, GBP and USD.

With regard to the remuneration of the key management please refer to the corporate governance section.

# Eckert & Ziegler BEBIG s.a. – Extracts

# Non-Consolidated or Statutory Financial Statements

Only the consolidated financial statements reproduced above present a faithful picture of the group's financial situation and results.

In conformity with Belgian legislation, the non-consolidated financial statements, an extract of which are included here below, accompanied by the management report of the Board of Directors, and that of the Statutory Auditor, will be filed with the National Bank of Belgium.

The auditor will issue an unqualified opinion. This certifies that the non-consolidated financial statements present a true and faithful view of the company's financial situation in accordance with legal and statutory provisions.

These documents are available on request at:

Eckert & Ziegler BEBIG s.a.
Investor Relations
Zone Industrielle C
B-7180 Seneffe

## Non-Consolidated Statement of Income

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| Sales and services | 12,578 | 13,465 |
| Cost of sales and services | 11,599 | -11,835 |
| **Operating result** | **979** | **1,631** |
| Net financial result | 606 | 53 |
| Net extraordinary result | 1,338 | 589 |
| **Result before tax** | **2,923** | **2,273** |
| Income tax | 0 | -2 |
| **Net result** | **2,932** | **2,271** |

## Non-Consolidated Balance Sheet

| Amounts in thousands EUR | 2013 | 2012 |
|---|---|---|
| | | |
| **Assets** | | |
| Intangible assets | 2,717 | 0 |
| Tangible assets | 1,383 | 1,922 |
| Financial assets | 29,998 | 29,953 |
| Inventories | 20 | 160 |
| Amounts receivable after one year | 1,376 | 1,886 |
| Amounts receivable within one year | 5,846 | 6,514 |
| Investments, cash and cash equivalents | 2,614 | 2,273 |
| **Total** | **44,090** | **42,709** |
| | | |
| **Liabilities** | | |
| Capital | 10,879 | 10,879 |
| Issue premium | 50,186 | 50,186 |
| Deferred loss | -27,403 | -30,326 |
| Provisions | 3,632 | 3,870 |
| Amounts payable after one year | 718 | 2,763 |
| Amounts payable within one year | 6,079 | 5,338 |
| **Total** | **44,090** | **42,709** |

## References

### Affiliated parties – intra-group transactions

This item was dealt with in the “Notes” above (cf. note 39).

### Events after the closing date

This item was dealt with in the Board of Directors’ Management Report.

### Statutory Auditor

This item will be dealt with in the ‘Corporate Governance’ section (following chapter).

### Structure of the capital

This item was dealt with in the section ‘Eckert & Ziegler BEBIG s.a. – Share and shareholders’.

### Statement from the responsible persons:

Pursuant to legal requirements and to the Royal Decree of November 14, 2007, Dr. Andreas Eckert, Chairman of the Board; Dr. Edgar Löffler, Managing Director and Abel Luzuriaga, Managing Director, declare that, to the best of their knowledge:

(1) The consolidated financial statements for 2013 have been prepared in accordance with applicable accounting standards and accurately reflect the assets, financial position, and earnings of Eckert & Ziegler BEBIG Group and its subsidiaries included in the consolidation;

(2) The management report includes a fair view of the business progress, the earnings, and the position of Eckert & Ziegler BEBIG Group and the subsidiaries included in the consolidation as well as a description of principal risks and uncertainties they face.

# Corporate Governance Statement

Eckert & Ziegler BEBIG has adopted the 2009 Belgian Code on Corporate Governance ("the code") as its reference code. The code can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).

Eckert & Ziegler BEBIG believes that a good corporate governance system is a necessary condition to ensure its long term success. This implies an effective decision-making process. It has to allow for an optimal balance between a culture of entrepreneurship and highly effective steering and oversight processes.

Eckert & Ziegler BEBIG has prepared a Corporate Governance Charter in order to describe the main aspects of its corporate governance policy. This charter is updated from time to time; its most recent version was approved by the board on August 8, 2012, and is available on the company's website (www.bebig.eu > Investor Relations > Corporate Governance > Corporate Governance Charter).

As a company incorporated under Belgian law and listed on NYSE Euronext Brussels, Eckert & Ziegler BEBIG is committed to follow the nine corporate governance principles set forth in the code, namely:

- The company shall adopt a clear governance structure.
- The company shall have an effective and efficient board making decisions in the corporate interest.
- All directors shall demonstrate integrity and commitment.
- The company shall have a rigorous and transparent procedure for the appointment and evaluation of the board and its members.
- The board shall set up specialized committees.
- The company shall define a clear executive management structure.
- The company shall remunerate directors and executive managers fairly and responsibly.
- The company shall enter into a dialogue with shareholders and potential shareholders based on a mutual understanding of objectives and concerns.
- The company shall ensure adequate disclosure of its corporate governance.

This chapter describes the practical application of these governance rules during the financial year ending on December 31, 2013.

## 1. Compliance with the Corporate Governance Code

Under the provisions of the code, companies have to report annually in their corporate governance statement to what extent they have followed the code, and if they do not, they are invited to explain why they have chosen to deviate from some of the provisions of the code.

During the financial year ending on December 31, 2013, the company fully complied with the provisions of the code with the exception that the board decided not to set up an audit committee.

According to Article 526 of §1 of the Company Code, the establishment of an audit committee is not mandatory in listed companies that meet at least two of the following criteria on a consolidated basis:

- fewer than 250 employees on average during the financial year;
- balance sheet total not exceeding 43,000,000 EUR; and
- net annual turnover not exceeding 50,000,000 EUR.

Eckert & Ziegler BEBIG has currently fewer than 250 employees on average during the financial year and a net annual turnover not exceeding 50,000,000 EUR.

## 2. Governance Structure

The company is headed by a board of directors acting as collegial body. The board's role is to pursue the long-term success of the company by providing entrepreneurial leadership and enabling risks to be assessed and managed. The board pays attention to corporate social responsibility and diversity.

The board has appointed a company secretary who gives advice the board on all corporate governance matters (including all questions with respect to the application of articles 523 and 524 of the Belgian Company Code) and who shall report to the board on how procedures are complied with and whether the board acts in accordance with its statutory obligations and its obligations under the articles of association. The company secretary assists the chairman in the logistics associated with the affairs of the board (information, agenda, etc.) and is responsible to draft the minutes of the meetings of the board.

The company has set up a management committee in accordance with Article 23*ter* of the articles of association of the company and article 524bis of the Belgian Company Code. The management committee is a corporate body established by the board and acting under its supervision, to which all powers of the board can be delegated, with the exception of the general policy of the company and all acts which are reserved for the board by the Company Code. Without prejudice of the powers granted to the management committee and as provided for by Article 522 of the Belgian Company Code, the board is the ultimate decision-making body in the company, except with respect to such areas which are reserved to the shareholders' meeting by law or by the company's articles of association.

The board of directors is assisted in its role by the nomination and remuneration committee.

With respect to its monitoring responsibilities, the board shall:

- approve and review the existence and functioning of a system of internal control, including adequate identification and management of risks (including those relating to compliance with existing legislation and regulations);
- describe the main features of the company's internal control and risk management systems in the Corporate Governance Statement;
- take all necessary measures to ensure the integrity and timely disclosure of the company's financial statements and other material financial and non-financial information disclosed to the shareholders and the potential shareholders;
- review executive management performance and the realization of the company's strategy;
- supervise the performance of the external auditor and supervise the internal audit function;
- monitor and review the effectiveness of its committees;

The board decides on the executive management structure and determines the powers and duties entrusted to the executive management. Furthermore, the board supports the dialogue with all shareholders and potential shareholders of the company and encourages the company's controlling shareholder(s) to comply with the code.

The management committee is entrusted with all the board's powers, with the exception of the general corporate policy and all acts which are reserved by the company code or the articles of association to the board.

The management powers of the management committee include, in particular, the following:

- implement the mission, strategy and targets set by the board and make proposal to the board with respect to the company's general policy and strategy (including the general policies concerning financial management, risk management, and preparation of the Business Plan and the budget);
- submission to the board of an exhaustive, punctual, reliable and accurate preparation of financial statements, in conformity with financial and accounting standards and with the company's policies as well as a clear and objective evaluation of the company's financial position;
- the drawing up, preparation and presentation of proposals to the board or to its delegated committees in any matter within their remit;
- the operational management of the company;
- providing the board in good time with all the information necessary to the execution of its responsibilities;
- assisting the managing director(s) in the performance of its (their) duties;
- communicating with the outside world;

- maintaining a continuous dialogue and interaction with the members of the board in an atmosphere of openness and a climate of trust;
- maintaining excellent relationships with important customers, suppliers and the authorities.
- performing such other duties as may be assigned to it from time to time by the managing director(s) or the board.

Without prejudice of the powers of the management committee, the company's executive management is also composed of Managing Directors ("*gedelegeerd bestuurder*"/"*administrateur délégué*"). Each managing director is entrusted with the day-to-day management of the company and represents the company with respect to such matters. The Managing Directors report directly to the board.

The board is assisted by specialized committees to analyze specific issues and advise the board on those issues. The decision-making remains within the collegial responsibility of the board, except for the powers granted by the board to the management committee. Apart from the management committee the board is assisted by the nomination and remuneration committee. The nomination and remuneration committee makes recommendations to the board on the appointment and remuneration of the members of the board and the executive managers.

## 3. The Board of Directors and its Committees

### Composition

The board is composed of a maximum of ten members, who can be individuals or legal entities and who need not be shareholders. The directors are appointed for a term of no more than four years by the shareholders' meeting, which is entitled to dismiss them at any time. At the end of 2013, the board consisted of eight directors of which six were non-executive directors, and three were independent within the meaning of the Belgian Company Code.

The board and its nomination and remuneration committee make all efforts with a view of complying with the requirements of the Gender Equality Act of July 28, 2011 which provides that at least one third of the board must be composed of members of the opposite gender by January 1, 2017. As a first step to achieve this goal, one of the two in 2012 elected new directors was female.

The management committee must be composed of at least two members who need not be directors and who are appointed by the board. At the end of 2013, the management committee consisted of the two Managing Directors, who were appointed for their term of office. The members of the management committee may be dismissed at any time by the board.

The nomination and remuneration committee comprises at least three (3) directors. All members of the nomination and remuneration committee must be non-executive directors, and a majority of the members of the committee must be independent. At the end of 2013, the nomination and remuneration committee consisted of three directors, who were appointed for their term of office. Two of them are independent. The members of the nomination and remuneration committee are appointed and may be dismissed at any

time by the board. At least one of the members of the remuneration committee has the necessary expertise regarding remuneration.

The composition of the board of directors and its committees during the financial year 2013 is shown hereafter:

| Name | Main duties within the Board of Directors | Primary Duties outside of Eckert & Ziegler BEBIG | Term of Office | Board attendance |
|---|---|---|---|---|
| **Dr. Andreas Eckert** | Director, Chairman of the Board; Chairman of the Nomination and Remuneration Committee | Chairman of the Executive Board of Eckert & Ziegler AG, Berlin (D) | June 2011 - June 2015 | 5 (100%) |
| **Dr. Edgar Löffler** | Managing Director; Member of the Management Committee | Member of the Executive Board of Eckert & Ziegler AG, Berlin (D) | June 2013 - June 2016 | 5 (100%) |
| **Abel Luzuriaga** | Managing Director; Member of the Management Committee | | June 2012 - June 2015 | 5 (100%) |
| **Dr. André Hess** | Director | Member of the Executive Board of Eckert & Ziegler AG, Berlin (D) | June 2011 - June 2015 | 5 (100 %) |
| **Martin Hölscher** | Independent Director; Member of the Nomination and Remuneration Committee | Global Head of IT, Chief Information Officer at Triumph International Services AG, Bad Zurzach (CH) | June 2013 - June 2016 | 5 (100%) |
| **Frank Perschmann representing SMI Steglitz MedInvest GmbH** | Director | | March 2010 - June 2015 | 4 (80%) |
| **Susanne Becker** | Independent Director | Attorney, German Employers' Associations (BDA) | June 2012 – June 2015 | 3 (60%) |
| **Dr. Michael Friebe** | Independent Director; Member of the Nomination and Remuneration Committee | Managing Director of m2f investment Ltd., Recklinghausen (D) and IDTM GmbH, Recklinghausen (D) | June 2012 – June 2015 | 4 (80%) |

## Board meetings in 2013 and Directors' attendance

The board meets sufficiently regularly to fulfill its duties effectively but in any case not less than four times a year. During the financial year 2013, the board held four meetings during which the following main topics were reviewed:

- Review of the company's growth strategy
- Acquisition of the brachytherapy business of Biocompatibles, Inc.
- Acquisition of Mick Radio-Nuclear Instruments, Inc., Mt. Vernon NY (USA)
- Discussion and approval of the budget for 2014

The overall attendance rate of the meetings of the board was 90%, whereas no director attended less than 50% of the meetings during their individual terms of office.

### Remuneration committee meetings in 2013 and Directors' attendance

The remuneration committee meets sufficiently regularly to fulfill its duties effectively but in any case not less than two times a year. During the financial year 2013, the committee held two meetings during which the following main topics were reviewed:

- Proposing the remuneration policy for directors and members of the management committee
- Proposing the individual remuneration of directors, and members of the management committee
- Preparing the annual remuneration report

The overall attendance rate of the meetings of the committee was 83%, whereas no director attended less than 50% of the meetings during their individual terms of office.

### Conflicts of Interests

The directors should arrange their personal and business affairs so as to avoid conflicts of interest with the company. Any director with a conflicting financial interest as set forth in Article 523 of the Belgian Company Code on any matter before the board must bring it to the attention of both the statutory auditor and fellow directors, and shall not take part in any deliberations related hereto.

During the year 2013 none of the directors informed the board about having a conflict of interest within the meaning of Article 523 of the Belgian Company Code.

## 4. Remuneration Report

### Procedure

The board determines the remuneration policy for non-executive directors and executive managers based on proposals made by the nomination and remuneration committee which includes proposals pertaining to variable remuneration, severance packages and long-term incentives, and regarding the arrangements on early termination.

### Remuneration of Directors

The mandate of directors is free of charge, unless decided otherwise by the shareholders' meeting. The shareholders' meeting resolved to remunerate non-executive members with a fixed amount of 6,000 EUR per year. No remuneration is granted for the membership in any board committee. Non-executive directors will not receive any performance-related remuneration, nor will any options or warrants be granted to them in their capacity as director. With the exception of Dr. Andreas Eckert and Dr. André Hess all non-executive directors requested payment of the remuneration.

| Name | Main duties within the Board of Directors | Total remuneration in 2013 |
|---|---|---|
| **Dr. Andreas Eckert** | Director, Chairman of the Board; Chairman of the Nomination and Remuneration Committee | none |
| **Dr. André Hess** | Director | none |
| **Martin Hölscher** | Independent Director; Member of the Nomination and Remuneration Committee | 6,000 EUR |
| **Frank Perschmann representing SMI Steglitz MedInvest GmbH** | Director | 6,000 EUR |
| **Susanne Becker** | Independent Director | 6,000 EUR |
| **Dr. Michael Friebe** | Independent Director; Member of the Nomination and Remuneration Committee | 6,000 EUR |
| **TOTAL** | | **24,000 EUR** |

The Managing Directors are remunerated for their function as managing director on the basis of their management contracts only.

We do not expect any change in the remuneration policy. The group does not grant any incentives like shares, options or other rights to acquire shares. There is no evaluation process for the individual directors in place.

## Remuneration of the Managing Directors

The remuneration of the Managing Directors is determined by the board on the basis of recommendations of the nomination and remuneration committee, which shall benchmark such remuneration to ensure that it is competitive and allows attracting the best person for the job.

Following recommendations of the remuneration and nomination committee in view of the requirements of the code and the Corporate Governance Act of April 6, 2010, the board decided to modify the remuneration policy relating to the variable remuneration for the Managing Directors.

Following that decision, the variable remuneration now comprises a short-term variable remuneration and a long-term variable remuneration. While the short-term variable remuneration is linked to certain qualitative performance criteria defined in order to improve operative performance or execute special projects to be achieved within the actual business year, the long-term variable remuneration is based on the achievement of a defined percentage rate of the three-year moving average of the group's EBIT as compared to the three-year moving average of the group's annual sales revenues, subject to a correction factor applied in case of extraordinary growth of the business volume during any year. Non-achievement of the performance criteria results in a payment of zero. The variable remuneration always carries a cap and normally makes up between 30-60% of the total remuneration, whereas at least 50% of the variable remuneration is based on the long term performance over three years.

Apart from the variable remuneration, the Managing Directors receive a fixed salary and perquisites (company car, insurances, mobile phones and others). No options were granted during the year 2013. All

allowances for health and retirement insurances are included and reported under the fixed salary. The total remuneration of the Managing Directors for 2013 amounts to 493,901 EUR and consists of the following individual payments:

| | Fixed salary | Variable remuneration | Perquisites | Total |
|---|---|---|---|---|
| **Dr. Edgar Löffler** | 186,000 EUR | 95,400 EUR | 37,111 EUR | 318,511 EUR |
| **Abel Luzuriaga** | 120,000 EUR | 43,076 EUR | 12,612 EUR | 175,688 EUR |

There are no promises regarding severance payments for Managing Directors. We do not expect any change in the remuneration policy. There is no right of recovery of variable remuneration granted, based on incorrect financial data.

# 5. Share and Shareholders

## Structure of the Capital

The Eckert & Ziegler BEBIG capital amounts to 10,879,026.72 EUR and is represented by 17,554,354 regular shares, without any nominal value, each representing 1/17,554,354th of the capital.

The general assembly authorized the board for a period of respectively five years and three years in case of a takeover bid to make use of the authorized capital amounting to 10,879,026.72 EUR. The board is further authorized when making use of the authorized capital to limit or cancel the preferential subscription rights of the shareholders, provided that certain legal requirements are met. On December 31, 2013, the balance of the authorized capital available stood at this same level.

Pursuant to the Belgian Company Code, the shareholders may authorize the company and its subsidiaries to acquire the shares of Eckert & Ziegler BEBIG up to a maximum of 10%. No such authorization is currently in place.

As of December 31, 2013, there were 5,000,000 “Beneficiary Shares A” and 25,000 “Beneficiary Shares B” in existence.

The “Beneficiary Shares A” convey the right to one vote per beneficiary share at the general assembly of shareholders (within the limits attached to beneficiary shares as defined by the Belgian Company Code), but they do not entitle their holder to any dividends or to any liquidation surplus should the company be wound up or to any economical benefit. In short and despite their denomination, they could be assimilated to "shares with voting rights attached only".

The “Beneficiary Shares B” have exactly the same rights as ordinary shares, except for the applicable limitations provided under Belgian law and relating to voting at the general assembly of shareholders.

### Shareholder Structure

Based on the transparency report made available to the company as of December 31, 2013, the shareholdership of the company is summarized here after:

| | Number of Regular Shares | Number of Beneficiary Shares | Total Number of Shares | % of Voting Rights | % of Economical Rights |
|---|---|---|---|---|---|
| Eckert & Ziegler AG | 13,053,402 | 5,025,000 | 18,078,402 | 80.07% | 74.36% |
| SRIW | 879,899 | 0 | 879,899 | 3.90% | 5.01% |
| Free float | 3,621,053 | 0 | 3,621,053 | 16.03% | 20.63% |
| **Total:** | **17,554,354** | **5,025,000** | **22,579,354** | **100.00%** | **100.00%** |

Given the existence of a controlling shareholder, the board shall endeavor to have the controlling shareholders make a considered use of their position and respect the rights and interests of minority shareholders.

Given the existence of a controlling shareholder, Article 524 of the Belgian Company Code shall be strictly interpreted and applied in order to avoid that any transaction between the company and any of its affiliated companies not be in the company's best corporate interest or not be at arm's length.

## 6. Report on internal control and risk-management systems

The board is responsible for the monitoring of effectiveness of risk management and internal control systems.

Eckert & Ziegler BEBIG has set up its risk management and internal control systems adapted to its functioning and to the environment in which it operates, based on the COSO model. The COSO model is based on five areas: the control environment, risk analysis, control activities, information and communication, and monitoring.

### Control Environment

It is the overall responsibility of the board to review the existence and functioning of a system of internal control, including adequate identification and management of risks (including those relating to compliance with existing legislation and regulations).

The accounting and control organization consists of (i) the accounting teams in the different legal entities, responsible for the preparation and reporting of the financial information, and (ii) the controllers at the different levels in the organization, responsible *inter alia* for the review of the financial information in their area of responsibility.

The company's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) which have been endorsed by the European Union. Such financial statements are also in compliance with the IFRS as issued by the International Accounting Standards Board. Employees involved in the preparation of the accounts are regularly trained.

## Risk Assessment

As a standard procedure, the management performs an annual internal study designed to classify the company's major risks, by order of importance and frequency occurrence, and to determine the level of control of these risks. The conclusions of the study are summarized in the risk management report, which will be reviewed by the board in order to take measures to control and limit the potential impact of each of the risks identified.

Further, appropriate measures are taken to ensure a timely and qualitative reporting and to reduce the potential risks related to the financial reporting process, including: (i) proper coordination between both the corporate communication department and controlling department of the company, (ii) careful planning of all activities, (iii) guidelines which are distributed prior to the quarterly reporting, including relevant points of attention, and (iv) follow-up and feedback of the timeliness and quality in order to strive for continuous improvement.

## Control Activities

Policies and procedures are in place for the most important business processes (sales, procurement, investments, treasury, etc.), and control activities have been developed to address the risks we are confronted with. These policies, procedures and control activities are subject to: (i) an evaluation by the respective management teams, and (ii) regular controls by internal audit.

Specifically, the proper application by the legal entities of the accounting principles, as well as the accuracy, consistency and completeness of the reported information, is reviewed on an ongoing basis by the control organization.

Clear roles and responsibilities in the Closing Process of the Group Financial Statement have been defined. A very detailed closing calendar is established, which includes in detail cross-divisional preparatory meetings, deadlines for ending of specific processes, exact date when IT sub-systems are locked and reporting deliverables.

For every process, different controls are performed, including preventive controls, where information is tested before being processed, as well as detective controls, where the outcome of the processing is being analyzed and confirmed.

Specific attention is given to reasonableness tests, where financial information is being analyzed by more underlying operational drivers, and coherence tests, where financial information from different areas is brought together to confirm results or trends, etc..

Tests on individual accounting entries are performed for material or non-recurrent transactions and on a sample basis for others.

### Information and Communication

In all companies of the group, the company has deployed a global ERP system platform to support the efficient processing of business transactions and provide its management with transparent and reliable management information to monitor, control and direct its business operations.

The provision of information technology services to run, maintain and develop those systems is organized by its internal IT department, which is directed and controlled through appropriate IT governance structures. Appropriate measures are taken on a daily basis to sustain the performance, availability and integrity of the company's IT systems.

Proper assignment of responsibilities and coordination between the pertinent departments ensure an efficient and timely communication process of periodic financial information to the market. In the first and third quarter a trading update is released, whereas at mid-year and year-end all relevant financial information is disclosed. Prior to the external reporting, the sales and financial information is subject to (i) the appropriate controls by the above-mentioned control organization, (ii) review by management, and (iii) approval by the board of directors.

### Monitoring

Each process owner is responsible for reviewing and improving its business activities on a regular basis: this includes beside others the process documentation, reporting on indicators and monitoring of those.

In order to have an objective review and evaluation of the activities of each organization department, Internal Audit department conducts regular audits across the company's operations.

Financial data are reviewed on a monthly basis, whereas unexpected discrepancies from historical numbers as well as discrepancies from planned numbers are leading to a depth investigation of such discrepancies.

The results are presented to the management committee, which is taking the monitoring function. Necessary corrective actions are implemented and communicated immediately after revealing weaknesses in related processes.

## 7. Auditor

The current group and statutory auditor is Deloitte Réviseur d'Entreprises, Berkenlaan 8b, 1831 Diegem, represented by Julie Delforge. The auditor is appointed for a three-year renewable term (the current mandate will expire at the end of the 2016 AGM called to approve the annual accounts for the year closing on 31 December 2015).

For his task of certifying the accounts in 2013, the auditor will receive an estimate based remuneration that was approved by the general assembly of shareholders in June 2013. His fees for the audit of the statutory accounts of Eckert & Ziegler BEBIG and of the consolidated financial statements of the Eckert & Ziegler BEBIG Group are estimated at closing date to 105 TEUR (2012: 94 TEUR), including the statutory audit of the subsidiary Eckert & Ziegler BEBIG GmbH and the statutory audit of the subsidiary Eckert & Ziegler BEBIG Ltd. that was delegated to Deloitte UK.

No non-audit fees have been billed by Deloitte Réviseur d'Entreprises or a company that is part of its network.

# Financial Calendar 2014

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|---|---|
| Interim Statement 1Q-2014 | Tuesday, May 6, 2014 |
| Annual General Meeting | Thursday, June 12, 2014 (11:30 am) |
| Half-Year Results 2014 | Tuesday, August 5, 2014 |
| Interim Statement 3Q-2014 | Thursday, November 6, 2014 |

# Contact

Eckert & Ziegler BEBIG s.a.

**Att. Investor Relations & Communication**

Zone Industrielle C
7180 Seneffe (Belgium)
Tel: +32 64 520 808
Fax: +32 64 520 801
E-mail: ir@bebig.eu
Website: www.bebig.eu

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