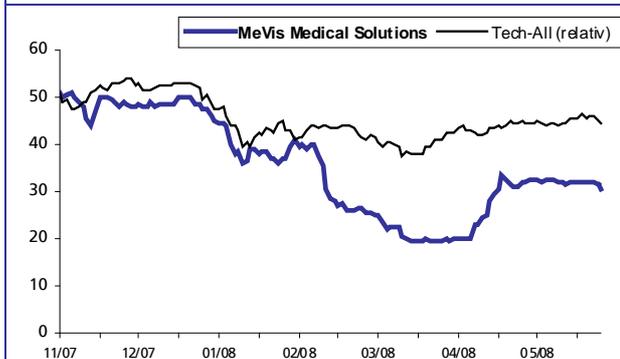


Buy Risk: Price target: **EUR 52.00** **Highly dynamic licence business**
(old: Buy) high

Bloomberg: M3V GY Price: 30.50
Reuters: M3VG.DE Tech-AS: 955,47
ISIN: DE000A0LBFE4
Internet: www.mevis.de
Segment: Prime Standard
Sector: Medical technology

On May 27, 2008, MeVis Medical Solutions AG released the figures for Q1 2008. As expected, sales developed strongly, whilst the strong personnel expansion and organic costs considerably increased (see also News-Flash of May, 23, 2008). The following table shows the figures compared with the expectations. However, the high percentage deviations are only due to a low base.



Share data: Bloomberg 26.05.2008 / Closing price

High / Low 52 W: EUR 53.89 / EUR 18.99
Market cap.: EUR 55.51 m
No. of shares: 1.82 m

Sharehol- Dr. Carl J.G. Evertsz 19.45%
Prof. Dr. Heinz-Otto Peitgen 19.45%
Dr. Hartmut Jürgens 16.53%
Pathfinder VV GmbH 2.90%
Own shares 2.07%
Free float 39.60%

Calendar:

Analysis: SES Research

Date of publication: 27.05.2008
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	Q1/2008			Prev. year
	reported	estimate	Delta	
Sales	2.43	2.33	4.3%	1.8
EBITDA	0.45	0.35	29.4%	0.8
Margin	18.5%	14.9%		-
EBIT	0.31	0.17	88.5%	0.7
Margin	12.8%	7.1%		36.2%
EBT	0.69	0.62	11.4%	0.7
Margin	28.2%	26.4%		37.1%
EpS*	0.22	0.21	4.8%	0.12

EpS in EUR (*fully diluted), all other in EUR m

The high sales growth on quarterly basis (+36.4%) is decisive in particular. **The sales growth would have been considerably above 40% without negative effects from the USD.** This is reflected in the licence sales: Licence sales increased by 58% in the segment of digital mammography which accounts for roughly 3/4 of sales. Sales raised by 25% in the segment of other findings.

The acquired lung-CT software of Hologic will probably also have a positive impact on MeVis' sales (see also News-Flash of April 11, 2008) beginning from Q3. These acquisitions are expected to lead to a considerably faster market entry in the lung segment, also due to the FDA approval of software. Overall, the estimate of sales of EUR 10.1 m (SESe) is confirmed.

Earnings in Q1 were relatively low due to higher expenses. However, the earnings estimate for 2008 (EBIT EUR 2.7 SESe) is also confirmed because MeVis benefits from the following factors in the current year:

Fiscal year ending	12/06	12/07	12/08e	12/09e	12/010e
Per Share Figures in EUR, other figures in EURm, price: EUR 30.50					
Sales	8.3	7.3	10.1	15.6	19.7
Gross margin	94.9%	93.5%	125.5%	114.3%	110.4%
EBITDA	5.0	0.5	4.1	8.5	12.0
EBITDA-margin	59.9%	7.3%	40.0%	54.3%	60.9%
EBIT	4.7	0.0	2.7	5.6	7.7
EBIT-margin	56.8%	0.3%	26.4%	35.7%	39.2%
Net Income	2.9	0.1	3.2	4.8	5.9
EpS	-	-	1.74	2.62	3.23
DPS	-	-	0.00	0.00	0.00
Dividend Yield	-	-	0.0%	0.0%	0.0%
EV/Sales	-	-	2.84	1.85	1.46
EV/EBITDA	-	-	7.10	3.40	2.39
EV/EBIT	-	-	10.74	5.17	3.72
PER	-	-	17.53	11.64	9.44
ROCE	104.1%	0.1%	8.4%	16.4%	20.7%
Adj. Free Cash Flow Yield	n.m.	1.2%	4.0%	16.6%	28.2%

- Sales are expected to increase once again on quarterly basis in the current year. In contrast, the costs are set to rise considerably underproportionately. The new products DynaCad Neuro (brain), DynaCad Prostat (prostate) and "MeVis Visa Lung CT" (lung, acquired technology) alone are expected to lead to additional sales revenues of roughly EUR 1 m in 2008 in Q3/Q4 2008.
- Legal and consultancy fees to the tune of EUR 120k incurred in Q1 are expected to normalise in the course of the year (compare Q1: EUR 42 k).
- The expenses for the acquisition of personnel of EUR 101 k are also expected to decline slightly again, as the staff expansion is expected to slow down. The increase of employees of 30% (SESe) in 2009 (annual average) is considerably below the reported personnel increase by almost 100% in Q1.
- Additionally, the company could succeed in improving once again the billing modalities with Phillips which would have a considerably positive earnings effect (see also research note of March 7, 2008). However, this is currently still pending.
- If the new products in DynaCad environment will be terminated as planned, MeVis could book an additional development cost subsidy (EUR 0.5 – EUR 0.6 m).

A considerable exceeding of estimate seems realistic if all these aspects materialise. However, the factors are considered only partially in the estimates.

The newsflow is expected to be **impacted mainly by product releases** in addition to the quarterly figures in the current year. The new products (see above) will show that MeVis' comprehensive development activity leads to successful releases. Solely in Q1 roughly EUR 1.2 m of non-capitalised services are expected to have been invested in the development of products (incl. capitalised parts EUR 1.7 m), which mainly do not contribute to sales yet. This underpins implicitly the extremely high profitability of the group.

The valuation does not reflect this profitability and in particular the high licence growth yet. The company has liquid funds of EUR 25.2 m and roughly 48 k own shares (market value approx. EUR 1.5 m). Adjusted by these funds the EV is currently EUR 30 m or 3.5x EBITDA (2009e). **The PT is EUR 52. The rating is BUY.**

Income Statement MeVis Medical Solutions

Income Statement (in EUR m)	2006	2007	2008e	2009e	2010e
Sales	8.3	7.3	10.1	15.6	19.7
Change in inventories / Assets capitalised	0.0	0.0	2.7	3.5	3.6
Total Sales	8.3	7.3	12.8	19.1	23.4
COGS	0.4	0.5	0.1	1.2	1.6
Personnel expenses	2.3	4.1	7.2	9.7	10.4
Other operating income	0.9	1.0	0.6	2.5	3.2
Other operating expenses	1.5	3.3	2.0	2.2	2.6
EBITDA	5.0	0.5	4.1	8.5	12.0
Depreciation on fixed assets	0.2	0.5	0.1	0.3	0.2
EBITA	4.8	0.0	4.0	8.2	11.8
Amortisation of intangible assets	0.0	0.0	1.3	2.6	4.1
Impairment charges and Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
EBIT	4.7	0.0	2.7	5.6	7.7
Interest income	0.1	0.3	1.3	1.0	1.0
Interest expense	0.3	0.2	0.1	0.1	0.1
Financial Result	-0.3	0.1	1.2	1.0	1.0
Result from Ordinary Operations	4.5	0.1	3.9	6.5	8.7
Extraordinary Result	0.0	0.0	0.0	0.0	0.0
EBT	4.5	0.1	3.9	6.5	8.7
Taxes	1.5	0.1	0.7	1.8	2.8
Net Profit of continued operations	2.9	0.1	3.2	4.8	5.9
Net Profit of discontinued operations	0.0	0.0	0.0	0.0	0.0
Net Profit before Minorities	2.9	0.1	3.2	4.8	5.9
Minority Interests	-1.8	0.0	0.0	0.0	0.0
Net Profit	2.9	0.1	3.2	4.8	5.9
Income Statement (in % of Sales)	2006	2007	2008e	2009e	2010e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Change in inventories / Assets capitalised	0.0%	0.0%	26.5%	22.3%	18.4%
Total Sales	100.0%	100.0%	126.5%	122.3%	118.4%
COGS	5.1%	6.5%	1.0%	8.0%	8.0%
Personnel expenses	27.9%	55.2%	71.5%	62.0%	52.5%
Other operating income	10.8%	14.0%	6.0%	16.0%	16.0%
Other operating expenses	17.9%	45.0%	19.9%	14.0%	13.0%
EBITDA	59.9%	7.3%	40.0%	54.3%	60.9%
Depreciation on fixed assets	2.7%	6.7%	0.7%	1.9%	1.1%
EBITA	57.1%	0.6%	39.4%	52.5%	59.8%
Amortisation of intangible assets	0.3%	0.4%	12.9%	16.8%	20.6%
Impairment charges and Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	56.8%	0.3%	26.4%	35.7%	39.2%
Interest income	0.8%	4.3%	12.5%	6.4%	5.2%
Interest expense	4.0%	2.6%	0.5%	0.3%	0.3%
Financial Result	-3.2%	1.7%	12.0%	6.1%	5.0%
Result from Ordinary Operations	53.7%	2.0%	38.4%	41.8%	44.2%
Extraordinary Result	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	53.7%	2.0%	38.4%	41.8%	44.2%
Taxes	18.5%	0.8%	7.2%	11.2%	14.4%
Net Profit of continued operations	35.2%	1.2%	31.2%	30.6%	29.8%
Net Profit of discontinued operations	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit before Minorities	35.2%	1.2%	31.2%	30.6%	29.8%
Minority Interests	-22.0%	0.0%	0.0%	0.0%	0.0%
Net Profit	35.2%	1.2%	31.2%	30.6%	29.8%

Sources: MeVis (reported data), SES Research (estimates)

Balance sheet MeVis Medical Solutions

Balance sheet (in EUR m)	2006	2007	2008e	2009e	2010e
ASSETS					
Intangible Assets	0.4	0.5	2.0	2.9	2.6
Fixed Assets	0.3	0.1	0.3	0.3	0.5
Financial Assets	0.0	0.0	0.0	0.0	0.0
Long-Term Assets	0.7	0.6	2.2	3.2	3.1
Receivables and Other Current Assets	2.4	3.7	2.7	3.9	4.8
Cash and Cash Equivalents	5.4	28.0	28.7	29.5	32.8
Current Assets	8.4	32.4	32.0	34.1	38.4
Total Assets	9.1	33.0	34.3	37.3	41.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Common Stock	0.1	1.8	1.8	1.8	1.8
Additional Paid-In Capital	0.0	26.8	26.8	26.8	26.8
Retained Earnings	0.0	0.9	-1.1	0.1	2.9
Accumulated other Comprehensive Income	2.6	0.1	3.2	4.8	5.9
Total Equity	2.7	29.5	30.7	33.5	37.4
Minority Interest	0.0	0.0	0.0	0.0	0.0
Provisions	2.3	0.3	0.3	0.3	0.3
Financial Liabilities	2.6	1.6	1.6	1.6	1.6
Other Liabilities	1.5	1.5	1.6	1.9	2.2
Total Liabilities	4.1	3.1	3.3	3.5	3.8
Total Liabilities and Shareholders' Equity	9.1	33.0	34.3	37.3	41.4
Balance sheet (in % of Balance Sheet Total)					
ASSETS					
Intangible Assets	4.3%	1.5%	5.7%	7.8%	6.2%
Fixed Assets	3.2%	0.2%	0.8%	0.8%	1.2%
Financial Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Long-Term Assets	7.4%	1.7%	6.6%	8.6%	7.4%
Receivables and Other Current Assets	26.3%	11.4%	8.0%	10.5%	11.7%
Cash and Cash Equivalents	59.6%	85.1%	83.6%	79.1%	79.3%
Current Assets	92.6%	98.3%	93.4%	91.4%	92.6%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Common Stock	0.5%	5.5%	5.3%	4.9%	4.4%
Additional Paid-In Capital	0.0%	81.3%	78.1%	71.7%	64.6%
Retained Earnings	0.0%	2.6%	-3.1%	0.3%	6.9%
Accumulated other Comprehensive Income	28.6%	0.3%	9.2%	12.8%	14.2%
Total Equity	29.1%	89.6%	89.6%	89.6%	90.1%
Minority Interest	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions	25.5%	1.0%	0.9%	0.8%	0.8%
Financial Liabilities	28.7%	4.9%	4.7%	4.3%	3.9%
Other Liabilities	16.7%	4.5%	4.8%	5.2%	5.2%
Total Liabilities	45.4%	9.4%	9.5%	9.5%	9.1%
Total Liabilities and Shareholders' Equity	100.0%	100.0%	100.0%	100.0%	100.0%

Sources: MeVis (reported data), SES Research (estimates)

Statement of Cash Flows MeVis Medical Solutions

Statement of Cash Flows (in EUR m)	2006	2007	2008e	2009e	2010e
EBT	4.5	0.1	3.2	4.8	5.9
Depreciation on Fixed Assets	0.2	0.5	0.1	0.3	0.2
Amortisation of Goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of Intangible Assets	0.0	0.0	1.3	2.6	4.1
Changes in Long-Term Provisions	-0.2	-2.0	0.0	0.0	0.0
Other Non-Cash related payments	-0.3	0.0	0.0	0.0	0.0
Cash Flow	4.2	-1.4	4.5	7.7	10.2
Changes in Inventories	0.0	0.0	0.0	0.0	0.0
Changes in Accounts Receivables	-0.3	-1.3	1.0	-1.2	-0.9
Changes in Accounts Payable	0.7	0.0	0.2	0.3	0.2
Changes in other constituents of Working Capital	0.0	0.0	0.0	0.0	0.0
Changes in Working Capital	0.4	-1.4	1.1	-0.9	-0.7
Cash Flow from Operating Activities	4.6	-2.8	5.7	6.7	9.5
CAPEX	-0.4	-0.4	-3.1	-3.9	-4.1
Cash Paid for Aquisitions	0.0	0.0	0.0	0.0	0.0
Purchases of Marketable Securities	0.0	0.0	0.0	0.0	0.0
Proceeds from Sale of Property and Equipment	0.1	0.0	0.0	0.0	0.0
Cash Flow from Investing Activities	-0.3	-0.4	-3.1	-3.9	-4.1
Dividend payment	0.0	0.0	0.0	0.0	0.0
Changes in Debt	-0.9	-1.0	0.0	0.0	0.0
Repurchase of Stock	0.0	0.0	0.0	0.0	0.0
Issuance of Common Stock	0.0	26.8	0.0	0.0	0.0
Other	0.0	0.0	-2.0	-2.0	-2.0
Cash Flow from Financing Activities	-0.9	25.8	-2.0	-2.0	-2.0
Effect of exchange rate changes	0.0	0.0	0.0	0.0	0.0
Net Changes of Cash and Cash Equivalents	3.4	22.6	0.6	0.9	3.3
Cash and Cash Equivalents, end of period	5.4	28.0	28.7	29.5	32.8

Sources: MeVis (reported data), SES Research (estimates) *incl. IPO costs (partially capitalised) of EUR 2.5 m

Financial Ratios MeVis Medical Solutions

	2006	2007	2008e	2009e	2010e
Operational Efficiency					
Total Operating Costs / Sales (%)	43.2%	99.7%	100.0%	86.6%	79.2%
EBIT-Margin (%)	56.8%	0.3%	26.4%	35.7%	39.2%
Operating Return (%)	304.9%	19.1%	214.2%	298.4%	322.8%
ROA (%)	434.2%	15.7%	140.7%	147.6%	191.2%
Efficiency of Capital Employment					
Plant Turnover	29.1	132.4	34.9	50.0	40.0
Operating Assets Turnover	5.1	2.6	5.4	5.5	5.3
Capital Employed Turnover	1.1	0.2	0.3	0.4	0.5
Return on Capital					
ROCE (%)	104.1%	0.1%	8.4%	16.4%	20.7%
EBITDA / Average Capital Employed (%)	109.6%	2.7%	12.6%	24.9%	32.2%
ROE (%)	110.6%	0.3%	10.3%	14.2%	15.8%
ROIC (%)	38.3%	0.3%	9.7%	13.4%	14.9%
Solvency					
YE Net Debt	-2,812.0	-26,420.0	-27,039.0	-27,898.3	-31,229.3
Net Gearing	-106.0%	-89.4%	-88.1%	-83.4%	-83.6%
Debt / Equity (%)	98.6%	5.5%	5.3%	4.8%	4.3%
Current Ratio	2.0	10.5	9.9	9.6	10.2
Acid Test Ratio	1.3	9.5	9.0	8.8	9.3
EBITDA / Interest Paid	15.1	2.8	81.1	169.4	240.3
Interest Cover	14.4	0.1	53.5	111.3	154.8
Cash Flow					
Free Cash Flow (EURm)	4,148.0	-3,192.0	2,619.0	2,859.4	5,331.0
Free Cash Flow / Sales (%)	49.7%	-43.4%	25.9%	18.3%	27.0%
Adj. Free Cash Flow (EURm)	4,800.1	353.2	1,160.6	4,773.3	8,113.2
Adj. Free Cash Flow / Sales (%)	57.5%	4.8%	11.5%	30.6%	41.1%
Free Cash Flow / Net Income (%)	1.4	-36.0	0.8	0.6	0.9
Interest Received / Average Cash (%)	1.8%	1.9%	4.5%	3.4%	3.3%
Interest Paid / Average Debt (%)	11.3%	9.0%	3.1%	3.1%	3.1%
Dividend Payout Ratio	0.0	0.0	0.0	0.0	0.0
Funds Management					
Capex / Sales (%)	-5.4%	-5.5%	-30.2%	-24.9%	-20.9%
Maintenance Capex / Sales (%)	2.7%	6.7%	0.7%	1.9%	1.1%
Capex / Depreciation (%)	-176.7%	-78.6%	-222.1%	-133.8%	-96.5%
Average Working Capital / Sales (%)	15.8%	32.8%	25.1%	15.6%	16.4%
Trade Creditors / Trade Debtors (%)	427.6%	799.5%	400.0%	400.0%	400.2%
Inventory processing period (days)	1.3	1.8	1.8	1.8	1.8
Receivables collection period (days)	82.0	160.0	80.0	80.0	80.0
Payables payment period (days)	19.2	20.0	20.0	20.0	20.0
Cash conversion cycle (days)	64.1	141.8	61.8	61.8	61.8

Sources: MeVis (reported data), SES Research (estimates)

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