

HEALTHCARE

A Research Publication by DZ BANK AG

MeVis Medical Solutions⁶⁾

Reuters: M3VGn.DE

Bloomberg: M3V GY

Year *	Sales EUR m	Adj. IFRS- Earnings per sh. EUR	Cash flow per share EUR	PER	PCF	Dividend per share EUR
2009	13.9 (-)	0.23 (-)	1.91 (-)	101.6	12.5	0.00
2010e	14.0 (-)	-0.33 (-)	2.27 (-)	-	6.7	0.00
2011e	14.9 (-)	-0.26 (-)	2.64 (-)	-	5.7	0.00
2012e	15.5 (-)	-0.02 (-)	2.78 (-)	-	5.4	0.00

* Fiscal year end December – In brackets: Figures from the last publication

Start of coverage with recommendation hold and a fair value of EUR 16 per share

- » MeVis Medical Solutions AG, founded in Bremen in 1997, develops, produces and distributes analysis and diagnostic software solutions for image-based medicine.
- » The medical importance of data derived from modern imaging processes is growing steadily with an explosive rise not only in the volume and complexity of the data involved but also in requirements in terms of the efficacy and efficiency of clinical radiology. Consequently, special software which helps physicians filter out relevant information and make it usable is becoming increasingly important.
- » Together with its industrial partners Siemens, Hologic and Invivo, MeVis is in a leading position especially in the field of breast imaging. However, this makes the company strongly dependent on products in the breast cancer indication and on above mentioned OEM partners. Through the multi-application server Visia™ Enterprise and a potential takeover of Medis, the company aims to increase its growth opportunities by developing additional distribution channels and expanding into the cardiovascular indication.
- » Apart from the growth opportunities, we also see risks in this strategy, especially if MeVis fails to find a distribution partner for the Visia™ applications or if new products are not a success. We calculate a fair value of EUR 16 per share, based on our DCF-model.

MeVis Medical Solutions is a technology and market leader in the field of software for digital breast screening and plans to leverage this know-how to other areas. This offers significant growth opportunities; however, we also see various risks involved in the new strategic direction. We therefore only recommend the stock for very risk-inclined investors. Our coverage kicks off with a hold rating.

Selected Companies	Price on 29 Nov 2010	PER 10e 11e	EV / EBITDA 10e 11e	EV / Sales 10e	Re- com.
MeVis Medical Solutions	15.10 EUR	- -	5.7 5.6	1.52	→
CompuGroup Medical	9.62 EUR	30.6 19.4	9.5 7.3	2.01	-
Merge Healthcare	3.86 USD	35.1 21.4	12.4 8.9	3.18	-
icad Inc.	1.50 USD	- -	- -	-	-
Sectra AB	30.20 SEK	30.2 16.1	9.3 5.9	1.02	-
Median for all peer group companies		30.6 19.4	9.5 7.3	2.01	-

↑ = Buy, → = Hold, ↓ = Sell, ● = not rated, n/a = not appropriate
Source: DZ BANK, I/B/E/S, FactSet

EQUITIES

Company Report 1 Dec 2010

Hold

Closing price 29 Nov 2010

(in EUR):	15.10
Fair value:	16.00

Risk classification: 5

Financial ratios 2010e:

Book value per share (in EUR):	19.07
Equity ratio (in %):	72.0
Net margin (in %):	-3.3
ROE (in %):	-1.7
Dividend yield (in %):	0.0
Free cash flow (EUR m):	3.8
Net debt (EUR m):	-0.1

Number of shares

(million units): 1.7

Market cap

(in EUR m): 25.63

Free float (in %):

38.8

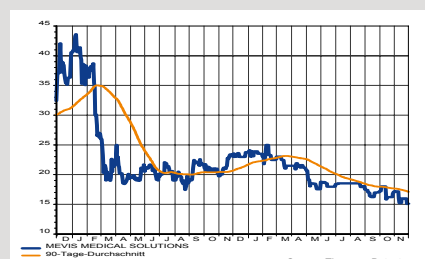
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DataStream: D:M3V

Next Newsflow:

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Author: Michael Bissinger, Analyst

DZ BANK
Bank on Germany

¹⁾⁻⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

Investment Case

MeVis Medical Solutions AG was founded in Bremen in 1997. The company develops, produces and distributes analysis and diagnostic software for image-based medicine, especially CAD software (computer-aided detection) for digital radiology. The company has been listed on Deutsche Börse's Prime Standard since 16.11.2007 and has a market capitalisation of around EUR 28m, of which around 13% are in free float.

The medical importance of data from modern digital imaging processes such as CT, MRT, ultra sound, mammography and tomosynthesis is growing steadily. This means not only a very rapid growth in the volume and complexity of data, but also in requirements in terms of effectiveness and efficiency in clinical radiology. Special software which allows physicians to filter out the relevant information and to make it useful is becoming ever more important in this context. MeVis has successfully occupied this market niche. The market for clinical screening and intervention software is set to benefit from global growth drivers such as an ageing population, greater focus on screening and also from calls for greater efficiency in healthcare systems. Market growth in CAD software is estimated at around 11%.

Together with its industrial partners, MeVis is in a leading position especially in the field of digital mammography. However, this also makes MeVis very strongly dependent on products in the breast-cancer indication (around 90% of sales) and also on OEM customers (90% of sales). MeVis sees limited growth opportunities through existing OEM distribution channels and in its existing indications. For this reason, it has developed the multi-application server Visia™ Enterprise, for which it is currently generating new distribution channels. The aim is to distribute software applications independently from equipment manufacturers. In addition, through the planned takeover of Medis, MeVis is now planning to put more emphasis on direct distribution by expanding into the cardiovascular diseases indication.

We anticipate a gradual saturation of the market for digital mammography in the US, since 71% of facilities have already switched from analogue to digital. In contrast, we still see growth opportunities outside the US. Other growth drivers in the next few years are likely to be the Visia™ platform with its applications and the consolidation of Medis from 2011. But we do see major risks, firstly if the company fails to find suitable distribution partners for Visia™ applications and secondly if products fail to generate the projected acceptance, leading to the need for additional write-offs on capitalised own development costs. In addition, weak sales in the Other Diagnostics segment are currently depressing profitability significantly.

We anticipate an EPS CAGR (10-15e) of 4.4% and regard an EBIT margin of around 20% in 2015 as possible. Based on our estimates, a DCF (WACC of 10.5% and terminal growth rate of 1%) gives a value of EUR 16 per share. A peer-group comparison is not meaningful in view of limited profitability in 2010-12. Fair value: EUR 16.

MeVis is technology and market leader for software for digital mammography and is planning to leverage this know-how to other areas. This should offer substantial growth opportunities. However, we also see a number of risks in the new strategic direction. For that reason, we would only recommend the stock to very risk-inclined investors. We kick off our coverage with a hold rating.

**Software manufacturer
for image-based medicine**

Market capitalisation: EUR 28m

**Aim:
to raise efficacy and efficiency of
clinical radiology**

**CAD a growth market;
11% growth expected**

**Leading position in the field of digital
mammography**

New strategy:

- Visia Enterprise multi-application server
- strengthening of direct distribution
- cardiovascular diseases

**Saturation in the field of digital
mammography expected in the US
market**

**Visia™ Enterprise a potential
growth driver**

Uncertainties

Fair value: EUR 16 per share

**Recommendation:
hold**

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Company profile

MeVis Medical Solutions AG was founded in Bremen in 1997. The company develops, produces and distributes software applications in the field of computer-assisted, image-based medicine, especially screening and diagnostic software for digital radiology. The company has been listed on Deutsche Börse's Prime Standard since 16.11.2007 and has a market capitalisation of around EUR 28m, of which around 13.4% are in free float.

Software manufacturer for image-based medicine

Market capitalisation: EUR 28m

Business model

The company's specialised software applications support physicians in their analysis of extensive image information from various imaging processes. MeVis software solutions are used in screening and diagnostics as well as in treatment and intervention planning in oncology – notably breast cancer – neurology and pulmonary diseases. In clinical terms, the company focuses on epidemiologically significant diseases.

Niche supplier of software for early detection and diagnostics as well as for treatment and intervention planning

SYNGO MAMMOREPORT – READING AND REPORTING STATION



Source: Siemens

The medical importance of data derived from modern imaging processes such as computer tomography (CT), magnetic resonance tomography (MRT), from ultrasound or mammography is growing steadily. Not only does this involve an enormous increase in the volume and complexity of the data in question, but also in requirements in terms of the effectiveness and efficiency of clinical radiology. Special software which allows physicians to filter out relevant information and make it useable is therefore becoming more and more important. MeVis occupies this market niche.

**Aim:
make clinical radiology more effective and efficient**

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Business segments

The company reports on two segments: Digital Mammography and Other Diagnostics.

The **Digital Mammography** segment is involved in the development and marketing of software products to support image-based diagnostics and intervention in the area of breast screening. In addition to its original products for digital mammography, in 2009 the company added new software applications for further imaging processes such as ultrasound, magnetic resonance tomography, tomosynthesis, etc. These products are not distributed directly to radiology and clinical customers, but rather via industrial partners (such as Siemens and Hologic).

The **Other Diagnostics** segment includes both products for digital radiology (e.g. for MRT, CT etc.) and also for the general analysis and diagnostic of radiology images. The segment also offers tools for image and risk analysis for use in the planning of liver operations and tumour screening in the context of clinical trials carried out by pharmaceutical companies.

Regional breakdown of sales

The company is very dependent on US-based industrial partners. In 2009, around 85% of sales in both segments were billed in the US. However, this does not directly reflect regional end markets.

Two segments:

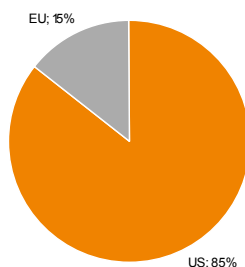
Digital Mammography

Other Diagnostics

Other Diagnostics

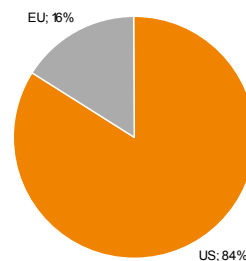
Strong dependence on US-based industrial partners

DIGITAL MAMMOGRAPHY – REGIONAL BREAKDOWN DOWN OF SALES 2009



Source: MeVis

OTHER DIAGNOSTICS – REGIONAL BREAKDOWN OF SALES 2009



Source: MeVis

Distribution

At the moment, MeVis largely operates as an OEM (original equipment manufacturer), i.e. a manufacturer of finished components or products made by the company in question in its own factory, but not distributed by it. MeVis Medical Solutions has close strategic partnerships with leading manufacturers of medical technology equipment, including

- Siemens AG (healthcare)
- Hologic, Inc.
- Invivo - Philips International B.V. (healthcare).

This makes it possible to tap into market potential and achieve a deep market penetration without the need to set up an in-house distribution arm.

OEM

Distribution through cooperations with global medical technology companies

Deep market penetration possible without in-house distribution

¹⁾ – ⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

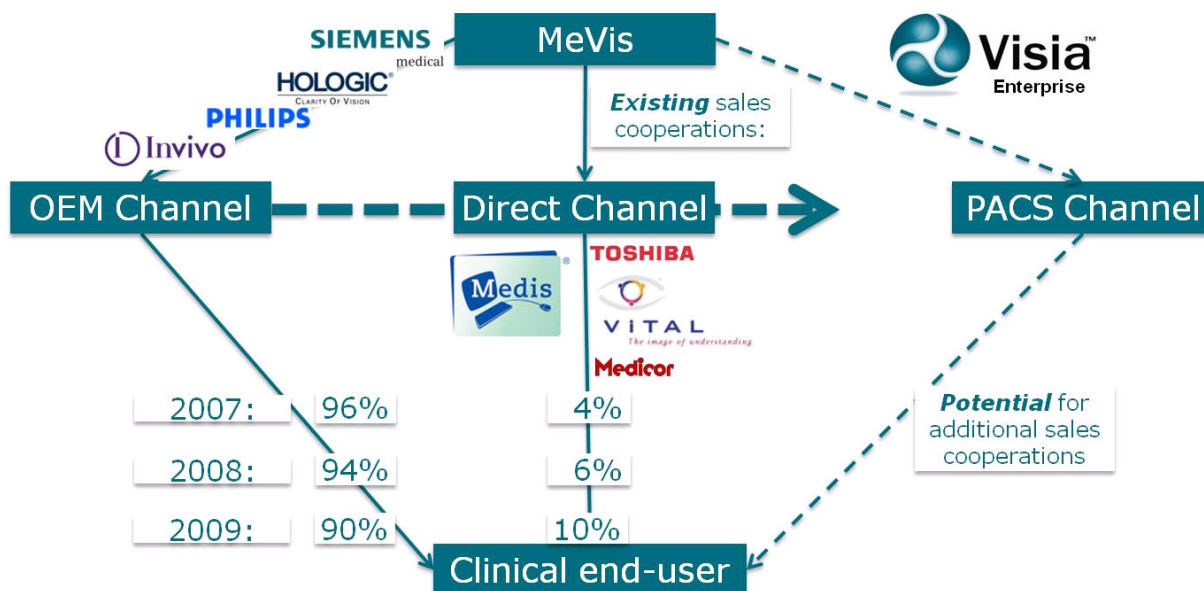
In 2009, around 90% of distribution was through the equipment manufacturers mentioned above and only 10% of products were sold through direct distribution channels. However, the proportion of direct distribution together with specialised distribution partners has risen sharply in the past and is set to rise further.

MeVis planning to build up new distribution channels

Apart from the concept of multilateral partnerships, MeVis Medical Solutions also pursues a strategy of operational independence. The main features of this approach are independent product development, mainly on the company's own initiative and at its own risk, market access through various strong OEM partners in the respective segment, and the fact that the MeVis product range is universal by sticking to industrial standards. At the same time, independence from individual OEM partners forms the precondition for an optimum use of clinical networks and cooperation with R&D partners.

Strategy aimed at operational independence

DEVELOPMENT OF DISTRIBUTION STRUCTURE



Source: MeVis

Historical sales and earnings performance

Sales trend

The Digital Mammography segment accounts for around 72% of the company's total sales. In the past five years, Digital Mammography sales rose by an average of 48% p. a. In the last two years, however, the figure solely benefited from the carve-out of the Hologic business from the Siemens joint venture. Adjusted for this consolidation effect, sales in Digital Mammography fell by 2% p.a. in the period 2006 to 2009. This trend mainly reflected the postponement/reduction of investment plans on the part of hospitals and radiology centres and a slowing-down in sales cycles in the key US market. The US market has been picking up again slightly since Q4 2009.

Sales rose 10.5% against a weak previous year in 9M 2010. However, there are still signs that the key US market is losing momentum with respect to new business in Digital Mammography, although this has been offset partly by a positive trend outside the US. Whereas licence revenue was down overall, there was a very healthy performance from maintenance revenue (+70%).

The Other Diagnostics segment accounts for around 28% of the company's total sales. Sales in Other Diagnostics rose by an average of 57% p.a. in the last five years and by an average of 18% p.a. in the last three years. The increase is largely based on the introduction of new products.

Sales in Other Diagnostics were uneven in 9M 2010 as markets stagnated overall. Despite new products in neurology, prostate and lung diagnostics, 9M 2010 have been generally disappointing for the company. A 7.5% decrease in sales was below company expectations, and new products in particular failed to reach the expected volume sales figures.

In 2009, new products contributed around EUR 1.5m (+11%) and acquisitions over EUR 4.5m (> 30%) to sales revenue.

Digital Mammography:

five-year comparison: +48% p.a.

three-year comparison: adj. -2% p.a.

9M 2010:

sales +10.5%, positive trend for maintenance revenue

Other Diagnostics:

five-year comparison: +57% p.a.

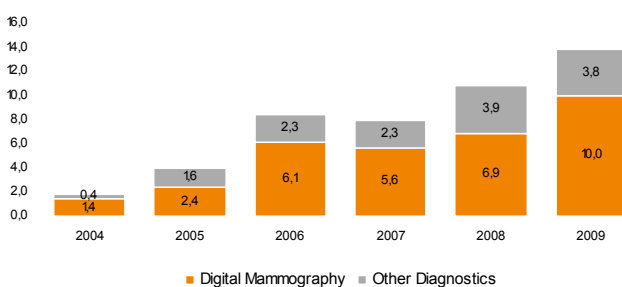
three-year comparison: +18% p.a.

9M 2010:

sales -10.5%, performance behind company guidance

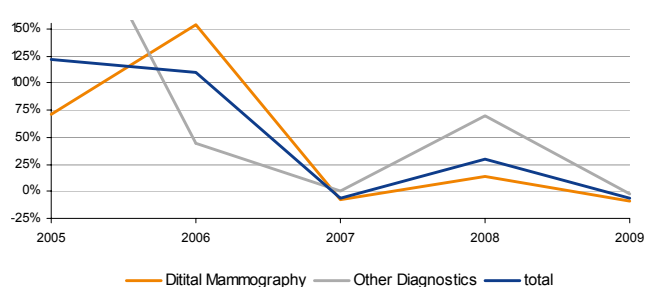
Sales driven by acquisitions and new products

SALES IN EUR M



Source: MeVis

ORGANIC SALES GROWTH YOY AS %



Source: MeVis

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EBIT performance

The EBIT performance was very uneven. Whereas Digital Mammography posted a stable EBIT margin of 50% - 60%, profitability in Other Diagnostics has been strongly affected by development costs and, since 2009, also by planned write-offs on capitalised development costs. These costs have risen sharply, especially in the last few years, on the back of the development of the Visia™ Enterprise platform technologies.

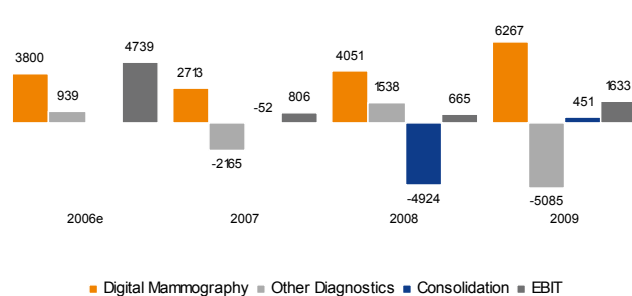
Stable EBIT margin of 50% to 60% in Digital Mammography

Other Diagnostics strongly affected by development costs

Whereas EBITDA rose from EUR 2.6m to EUR 3.5m in 9M 2010, and the EBITDA margin rose from 21.7% to 26.5%, EBIT was flat in relation to the previous year on the back of an increase in write-offs on development costs. EBIT in Digital Mammography was in line with the previous year at EUR 4.4m; however, the EBIT margin fell from 60.8% to 53.6%. Compared to the previous year, the EBIT loss in Other Diagnostics improved slightly from EUR 4.0m to 3.5m, although there was a slight improvement in EBIT margin from -140% to -130%.

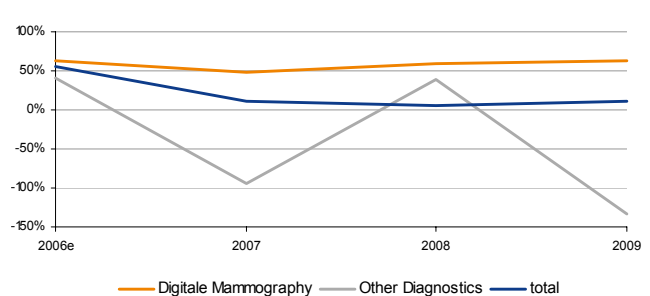
9M 2010 hit by write-offs

EBIT BY SEGMENT, IN EUR '000



Source: MeVis

EBIT MARGIN BY SEGMENT



Source: MeVis

Current positioning and relevant market

Digital Mammography

Based on FDA figures, 71% of mammography facilities in the US have now switched from analogue to digital. At the same time, the market in the US has declined slightly as reflected in a fall in the number of facilities from 8,833 in 2007 to 8,643 in October 2010. We suspect that this reflects a trend towards specialised facilities each processing a larger number of cases. It is therefore becoming increasingly important to optimise work processes in order to be able to handle a growing volume of cases per facility. Through its partner Hologic, MeVis has an indirect market share of around 60% in the field of digital mammography in the US.

Digital Mammography: around 71% of facilities have already switched to digital

Around 60% market share in the US

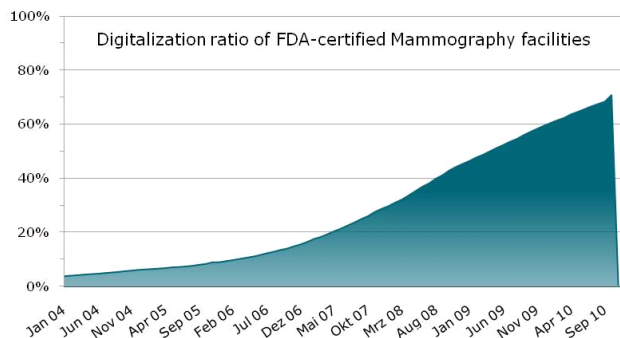
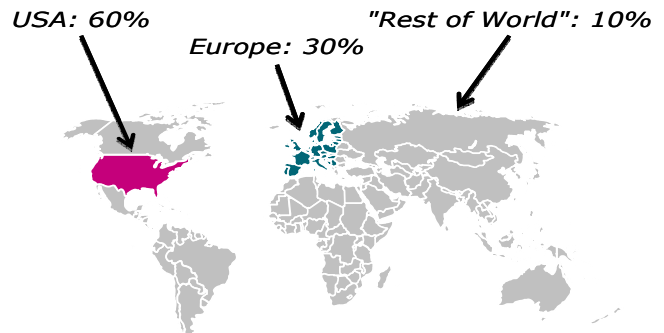
It is likely that growth in the US in the field of digital mammography is set to slow down in the medium term since 70% of facilities offering this service have now switched from analogue to digital and the positive effect from this switch is dwindling. In addition, various states announced on 17.08.2010 that they intend to cut back their budget for breast-cancer screening programmes.

Marked in the US expected to slow down

In contrast, there are still significant growth opportunities outside the US, since here the switch from analogue to digital equipment has so far been much slower and only around 30% of equipment has been switched. Frost & Sullivan puts market growth in the European market for mammography systems in the period 2007 – 2014 at around 5% to 7%.

Growth potential of 5% to 7% p.a. expected outside the US

¹⁾ – ⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

DIGITALISATION OF US MAMMOGRAPHY FACILITIESSource: FDA, MeVis; <http://tiny.cc/gTwdU>**REGIONAL BREAKDOWN OF INSTALLED BASE**

Source: MeVis estimates

CAD – computer-aided detection or computer-assisted diagnostics

A CAD system supports the physician in the analysis of image data and diagnosis. Various studies demonstrate that the use of CAD can reduce the risk of diagnostic errors by up to 20%. These systems are used among other things in the field of mammography, lung, pancreatic and colon cancer. Mammography currently accounts for around 85% of the US market for CAD systems. Along with a Siemens solution, the R2 Technology's Image Checker which MeVis acquired in 2008 is the only CAD system for diagnosing lung cancer that is FDA approved. Provisional results of the long-term National Lung Screening Trial (NLST) carried out by the US National Cancer Institute published at the beginning of November 2010 have shown that the mortality rate in lung cancer can be cut by over 20% by using CT screening.

MeVis has developed various products in this field which are already on the market or will be launched in the next few years. Opportunities are seen mainly in the lung and colon indications. The market for colon CAD (virtual colonoscopy) is expected to grow to around USD 70m in the next three years. So far, only iCad has FDA approval in this field. Overall, the market is still relatively small and dominated by just a few major players such as Hologic, FUJIFILM, GE or Siemens and by specialised suppliers such as iCad and Carestream Health. MeVis is mainly present in this area as an OEM partner for Hologic, Siemens and Philips.

Based on a study carried out by Elsevier Business Intelligence dated January 2010, the computer-aided diagnosis (CAD) market is expected to grow by around 11% p.a. until 2013. The market should then be worth around USD 185m by 2013.

Vision and strategic aims

MeVis sees itself as technology and market leader in the field of digital mammography and now intends to use this know-how in other areas. MeVis's corporate vision is aimed at becoming the world's leading independent manufacturer (in cooperation with a team of experts from around the world) and supplier of disease-oriented software applications for image-assisted diagnostic, intervention and surgical planning processes in medicine. As part of the process, the company will concentrate on image-based early detection and diagnosis of epidemiologically significant diseases, especially cancer. The company is now extending its focus to the area of cardiovascular diseases through the acquisition of a holding in Medis in 2010.

CAD:**Computer-assisted diagnostics**

CAD in the field of lung cancer can cut mortality rate by over 20%

Significant potential in lung and colon screening

CAD Market growth of around 11% expected

Aim: leading manufacturer of disease-oriented software

Focus on:

- **early detection and diagnosis**
- **image-based treatment areas**
- **cancer & cardiovascular**

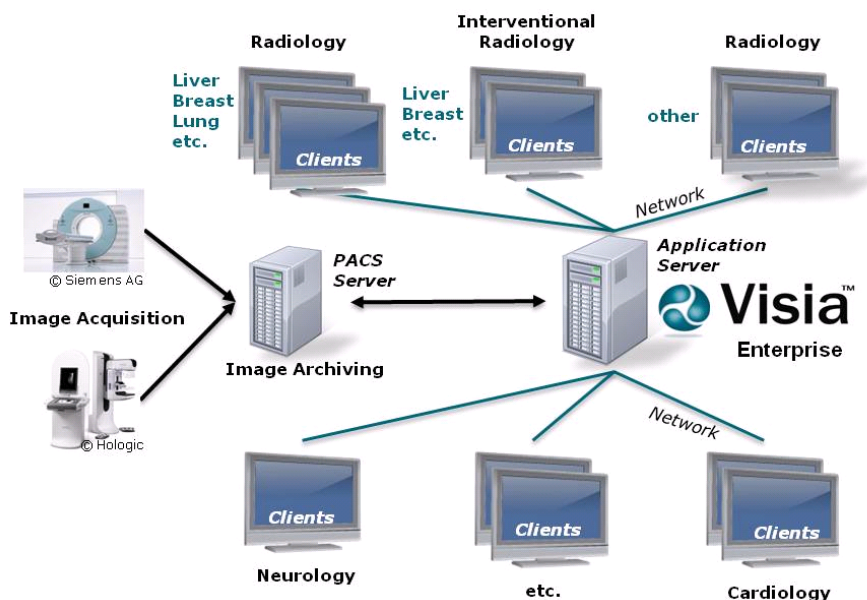
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The Visia™ Enterprise multi-application server based on the MeVisAP platform is becoming a much more central part of the implementation of the new company strategy in future. Visia™ Enterprise comes with basic functionalities which are also required in most MeVis products, such as calling up patient and trial data from a data archive, displaying this information on a screen, interactive navigating into accompanying image data, marking the image data or carrying out simple geometric measurements on these images. Apart from the basic functions mentioned for calling up and displaying patient and image data and for collating diagnostic information, Visia™ Enterprise also offers fundamental software components for storing and distributing the data in a client-server environment, communicating with other servers using the DICOM standard for memory and resource management, etc.

Visia™ Enterprise becoming central to strategy in order to...

...secure strong growth

VISIA™ ENTERPRISE



Source: MeVis

The implementation of these functions onto a joint platform can help speed up the development of new software products significantly, since a large part of the functionality is available centrally and will not therefore have to be developed all over again for each new product. In addition, it will be possible to make available components which have already been developed for a product in the context of the platform for the development of other products – even across business areas – thus avoiding parallel developments and using synergies. Since hospitals are generally unlikely to want to increase the number of workstations even further, we believe that there is a market for a client server such as Visia™ Enterprise.

Development of new products can be accelerated with Visia™

¹⁾ – ⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

Extending distribution channels

The company's strategy envisages a greater expansion of direct distribution as well as distribution through third parties apart from current OEM partners, e.g. with PACS manufacturers (picture archiving and communication system) or with service providers in the field of imaging using the independent Visia™ Enterprise. MeVis Medical Solutions already has a smaller direct distribution arm through the acquisition of a stake in Medis at the beginning of 2010. For us it is likely that Medis will be acquired in full in 2011.

An important element for the success of the strategy, and especially for Visia™ Enterprise, will be for MeVis to find a partner for its direct distribution in the next few months.

However, the company does not plan to concentrate on direct distribution alone. Rather, the strategy also envisages intensifying its OEM partnerships and expanding them further. Substantial potential is seen in this area, above all outside the US.

Current products and pipeline

Various products were launched in 2009 which are expected to lead to increases in sales revenue from 2010 onwards. These include various products which are distributed by industrial partner Siemens, such as an application for the new multi-functional ultrasound breast scanner ACUSON S2000 or applications for the syngo.MammoReport which offers important clinical functions, such as providing the radiologist a diagnostic evaluation of MRT breast images and facilitating the taking of a tissue sample to clarify important clinical findings, if necessary. According to Siemens AG, sales of the ACUSON 2000 have started promising. MeVis supplies reading and reporting software for industrial partner Hologic's SecurView diagnostic workstation providing innovative, cross-modal work processes.

As the next illustration shows, the focus is now on product launches under the company's own brand Visia with applications in conjunction with the Visia™ Enterprise platform. The market launch of Visia Enterprise is scheduled from Q3 2010 onwards via Medis's distribution arm. Products such as the Visia Lung Suite, which allows a precise monitoring of the progress of lung tumours, treatment monitoring, pre-operative planning of surgical procedures on the lungs and the analysis of pulmonary vessel diseases, are expected to be launched in 2011. Market launch of the Visia virtual colonoscopy product is expected after 2011.

In addition, the first joint product with Medis in the field of cardiovascular diseases based on the Visia platform will be launched at the end of 2010/beginning of 2011. Following the takeover of Medis, MeVis is expected to place a much greater emphasis on cardiovascular diseases.

Direct distribution to be expanded

Medis acquisition an important part

Complete takeover expected in 2011

MeVis currently searching for a partner for direct distribution

OEM distribution remains a major pillar

Various product launches in 2009

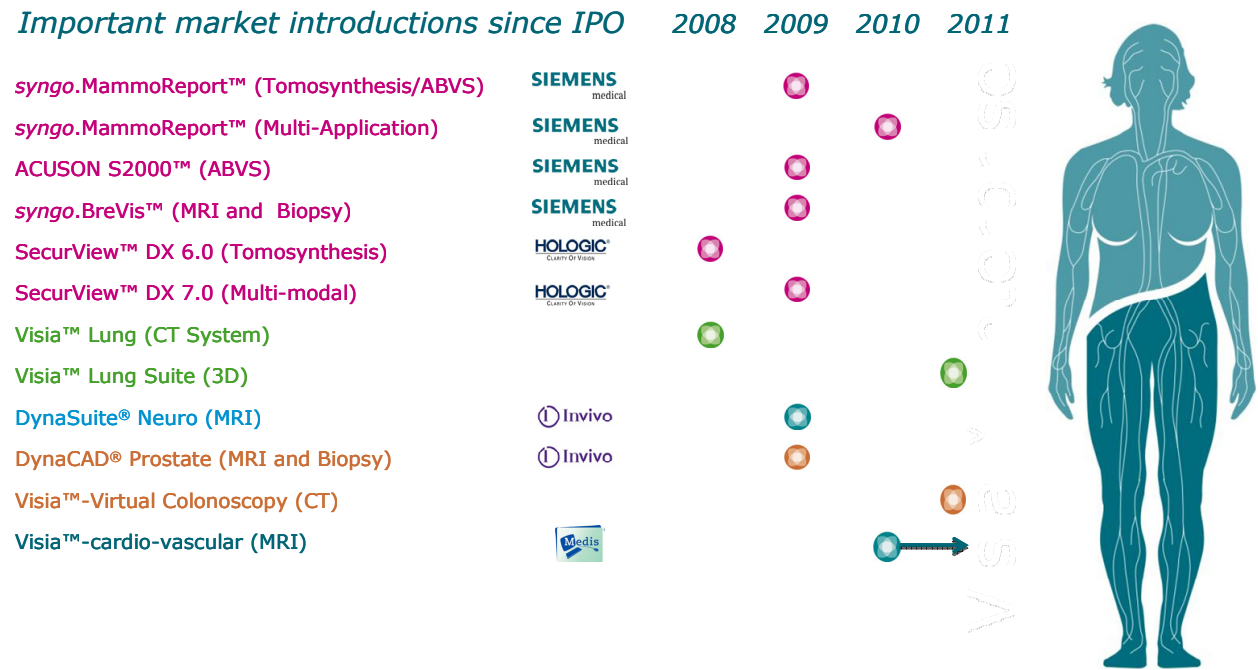
Various product launches in 2010 and 2011

Spotlight on Visia applications from 2011 onwards

Focus on cardiovascular diseases

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MEVIS PRODUCTS AND PRODUCT LAUNCHES



Source: MeVis

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Relevant diseases for the business model

As already outlined in the business model section, the company's clinical focus is on epidemiologically significant diseases – and until now, this has meant mainly cancer, but more recently, it has extended to take in cardiovascular diseases.

Cancer

According to WHO statistics, there are around 12.7m new cancer cases p.a. (around 6.6m men and around 6m women). In addition, around 7.6m people die of cancer every year.

Lung and prostate cancer are the most prevalent types of cancer worldwide among men (34% and 28.5% of all cases respectively). However, the incidence varies significantly from one region to another. In Germany for example, prostate and colon cancer are the most prevalent types of cancer at 26% and 15.8% respectively according to RKI figures.

In the case of women, the most prevalent forms of cancer worldwide are breast (39%) and cervical cancer (15.2%). In Germany, breast cancer accounts for around 30% of new cancer cases and colon cancer for around 16%.

One example of strong regional differences based on figures collated by the German Cancer Society is breast cancer. In the US, over six times as many women get breast cancer as in Japan; in Germany, almost five times as many. There is hardly any change in the breast-cancer risk of Japanese women who move to the States; however, the risk for their daughters and even more so for their grand-daughters moves close to the high risk facing American women.

Company focus based on high-incidence diseases

12.7m new cases of cancer p.a.

Most prevalent worldwide among men:

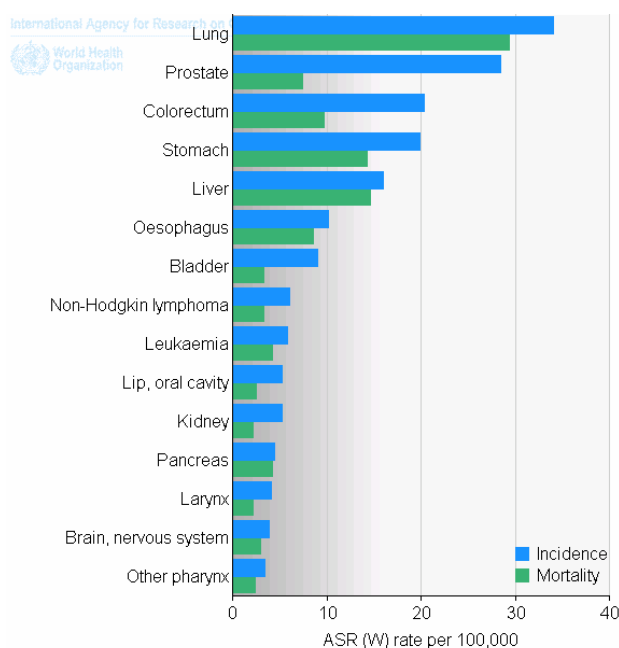
- lung cancer
- prostate cancer

Most prevalent among women worldwide:

- breast cancer
- cervical cancer

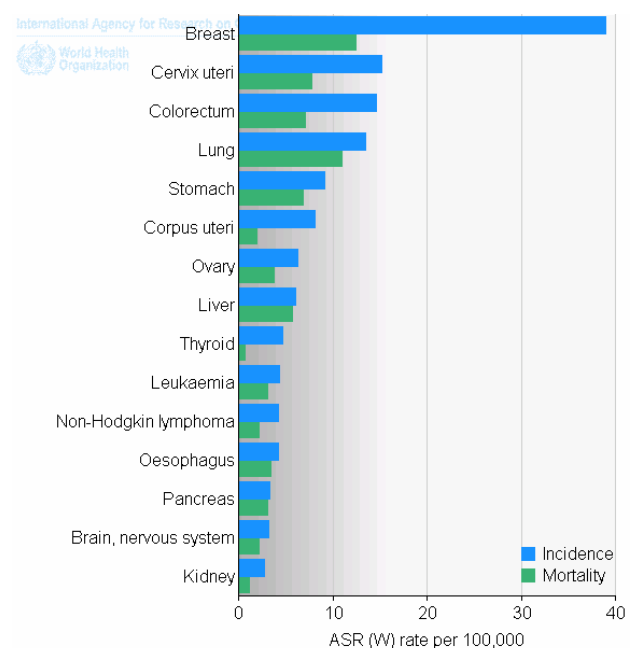
Marked regional differences in terms of incidence

INCIDENCE AND MORTALITY AMONG MEN



Source: WHO

INCIDENCE AND MORTALITY AMONG WOMEN



Source: WHO

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Cardiovascular diseases

MeVis has extended the field of software applications for cardiovascular diseases through the acquisition of a stake in Medis in 2010.

Cardiovascular diseases are a class of diseases involving the heart and/or blood vessels. More broadly speaking, the term includes all diseases involving the cardiovascular system. According to WHO figures, more people die of cardiovascular diseases (CVDs) every year than of all other diseases together.

In 2004, around 17.1m people died of CVDs, accounting for around 29% of all deaths worldwide. Of these, around 7.2m died of coronary heart disease and around 5.7m of stroke. Countries with low and middle incomes account for 82% of all CVD-related deaths.

It is estimated that the number of CVD-related deaths is set to rise to around 23.6m p.a. by 2030. The main causes will still be heart disease and stroke.

Cardiovascular diseases are the most frequent cause of death in Germany. Around every second death is related to CVD and older people are especially badly affected.

There are many reasons for CVDs. As typical civilization diseases, cases are fuelled by a number of “cardiovascular” risks factors. These include:

- age
- obesity
- high-blood pressure (hypertension)
- high cholesterol (hypercholesterinaemia)
- diabetes
- drinking
- smoking

Cardiovascular diseases a major cause of death

CVDs accounted for 17.1m deaths in 2004

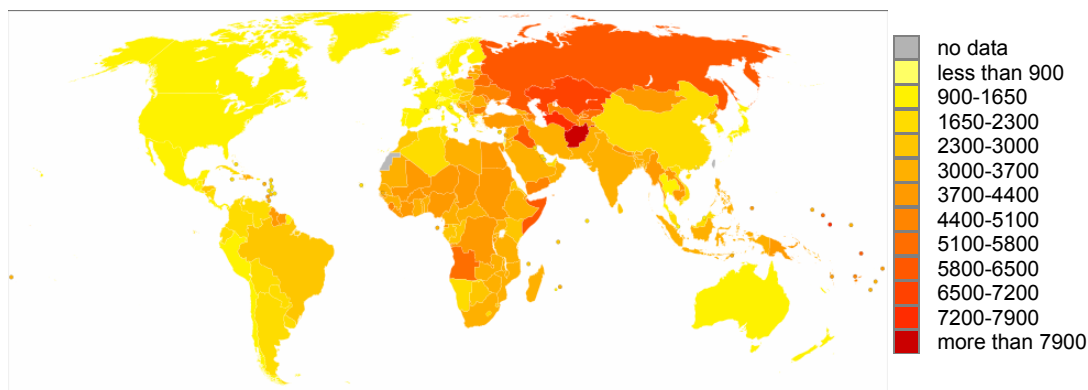
Sharp increase in CVD expected

CVDs account for every second death in Germany

**Reason:
civilization diseases**

PREVALENCE OF CARDIOVASCULAR DISEASES

VON 100.000



Source: http://en.wikipedia.org/wiki/File:Cardiovascular_diseases_world_map_-_DALY_-_WHO2004.svg

^{1) - 9)} Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

Company guidance

Guidance for 2010

Since Q4 2009, the company has seen a slight upturn in the US market. Until Q3 2010 the market dynamic has yet not returned to pre-2009 crisis level. According to MeVis this is mainly due to reluctance to investment of clinical endcustomers especially in the important US-market. This will burden the development in 2010.

Overall, the company expects for the group a moderate increase in sales by around 1% to EUR 14m. Digital Mammography is expected to contribute around 75% to sales and Other Diagnostics around 25%.

The company expects a small negative EBIT based on the forecast of slight sales growth. Profitability is likely to be depressed by a rise in write-off requirements on capitalised own R&D work.

Medium-term outlook

In the medium term, a significant contribution to sales growth is expected mainly from Other Diagnostics with VisiaTM Enterprise and related applications. The VisiaTM Enterprise projects currently in development and related applications should be ready within the next 12 to 18 months. The company expects the projects to make a substantial contribution to sales growth after market launch, and the current R&D team will be able to start on new projects, especially in the field of cardiovascular diseases.

The new VisiaTM Lung has been developed based on VisiaTM Enterprise technology and is the first product in a series of disease-oriented applications which are scheduled to be brought to market in the next few markets. These new products relate to applications in liver, breast, lung, neurology, prostate and colon, and are set to have a marked impact on sales and profitability in the next two years. MeVis has indicated that it is holding back before it files for FDA approval for the virtual colcoscopy application, as a result of which, it will not be among the first movers in this area.

If sales do not increase as expected, a reduction in the cost base could also be a possibility. The imbalance between write-offs on, and the capitalisation of own work is expected to be evened out again from 2011 onwards.

Market has picked up momentum again slightly

Slight sales growth expected in 2010

Small negative EBIT

Other Diagnostics segment as growth driver

Current projects should be completed in 12 - 18 months

MeVis not a first mover in virtual colcoscopy

Reduction in high R&D costs also a possibility

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DZ BANK view**Current balance-sheet figures**

The company had cash and cash equivalents of around EUR 13.6m on 30.09.2010. Against this, it had outstanding liabilities totalling around EUR 12.3m from the acquisition of Hologic's business and of the R2 Image Checker-CT. The situation of liquidity was described as sufficient by the company.

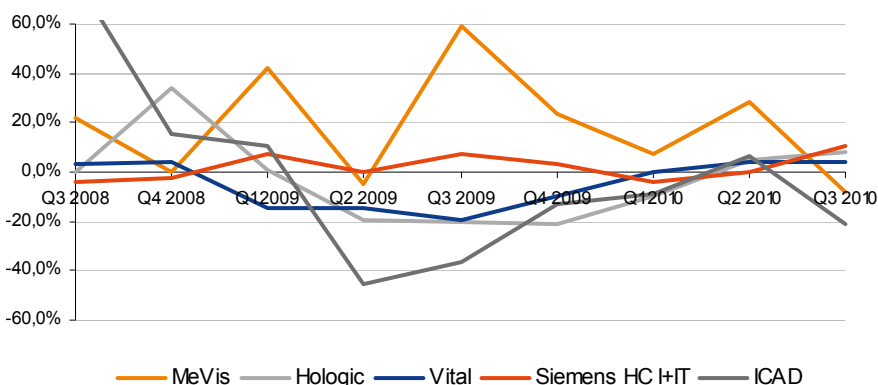
The company reports intangible assets of around EUR 27.4m. Of this, reported goodwill accounts for around EUR 16.6m, of which EUR 12.5m from the takeover of the Hologic business and around EUR 4m from the takeover of the R2 Image Checker-CT.

The company reported equity of around EUR 33.1m at 30.09.2010, of which underlying intangible assets account for around 83% and underlying goodwill for around 50%. The equity ratio was 64% on 30.06.2010.

Intangible assets are relatively high compared with equity at 83%. For this reason, there is a danger that equity could be eaten up if the performance of the respective product does not go according to plan and write-offs have to be made on the respective goods and capitalised development costs. Overall, however, as things stand at present, the balance sheet can be described as healthy.

Expected sales trend

As the following graph shows, there has been a slight upturn in sales for peer-group companies since the end of 2009. We have only used the most closely comparable segments for this analysis.

PEER GROUP: SALES TREND YOY% IN RELEVANT SEGMENTS

Source: Bloomberg; DZ BANK

Overall, we regard the market for software in the field of computer-aided diagnosis as very interesting and promising. This area is likely to benefit from global growth drivers such as an ageing population, greater emphasis on screening and also from calls for more efficiency in healthcare systems. As outlined in the section on positioning, we expect just under two-digit market growth in the medium term.

However, in its current guise as an OEM company, MeVis is strongly dependent on the success of its respective industrial partners. Various healthcare reforms aimed at slowing down the rise in spending on healthcare have led to a decline in investment

Cash of around EUR 13.6m and liabilities from acquisitions of around EUR 12.9m

EUR 27.4m in intangible assets

**Equity ratio: 64%
underlying goodwill accounts for 50% of equity**

Risk from write-offs

Healthy balance sheet overall

Slight market upturn since the end of 2009

CAD – a growth market

Currently strong dependence on success of OEM partners

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in large medical equipment in the US since 2006. It is also possible that the recession will lead to a further delay in investment, especially in the US, but also in European countries with a large state debt and budget deficits. It is much more difficult to win customers over to new and innovative equipment and software at times of tight investment budgets, unless they bring clear cost advantages.

The restructuring of MeVis's distribution arm with a greater emphasis firstly on direct distribution through the acquisition of a stake in Medis which has its own distribution and secondly through distribution in cooperation with specialised distribution partners should open up significant growth opportunities. At the same time, however, this move will also involve major risks. In particular, the risk of rising fixed costs for direct distribution and the risk involved in the choice of a suitable partner for distribution (especially for the Visia™ Enterprise) should not be underestimated.

In Digital Mammography, the company's biggest segment, we expect the sale of new licences in the US to decline in the next few years in view of an already high switch rate from analogue to digital equipment (71%). However, we assume that maintenance revenue should continue to rise slightly and will continue to provide a steady inflow in view of the increase in installed base. In contrast, we still see significant development opportunities outside the US and anticipate growth of around 7% p.a. In addition, new applications such as for the ACUSON S2000 should make a bigger contribution to sales in future.

In the Other Diagnostics segment, the future sales trend is likely to depend to a very large extent on the success of Visia™ Enterprise and applications which have been developed for this system. MeVis expects to be able to name a partner for the distribution of the Visia™ Enterprise by 2011.

Overall, the company's performance in 9M 2010 and expansion of its market position with new products in neurology, prostate and lung diagnostics was uneven and on balance disappointing in a stagnating overall market. From 2H onwards, Other Diagnostics and notably the Visia™ CT Lung product, should contribute to sales growth, reflecting the web-based integration in to Vital Images's Vitrea Enterprise Suite which took place at the end of Q2. The suite has a large installation base.

We assume that Medis will be fully taken over in 2011. According to the company, the purchase price could be paid for in full in own shares. The consolidation of and cooperation with Medis and hence the extension of MeVis's business model to the field of applications for cardiovascular diseases should be a major step forward for MeVis on the road to achieving critical mass. In the longer term, this larger unit should be able to cope with a current strong expansion in the R&D activities including current business ties with Fraunhofer MEVIS (formerly MeVis Research GmbH). We assume that the possible first-time consolidation of Medis in 2011 will lead to an increase in sales revenue of around EUR 3m.

Overall, we expect a sales CAGR (2010-13) of around 4.7%. A potential consolidation of Medis would increase the CAGR (2010-13) to around 12.7%. We have assumed a marked improvement in acceptance for the new products and in sales generated from these products in relation to 2010. However, estimates are subject to various risks and uncertainties. Firstly, we see a big risk for our forecast if MeVis fails to find a suitable distribution partner for the new core products based on the Visia™ Enterprise platform. We also see risks if the company is unable to sign any

Risks and opportunities in extension of distribution strategy

Digital Mammography:

- **decline in US market**
- **growth opportunities outside the US**
- **new products should contribute to growth**

Other Diagnostics:
we expect development to be strongly dependent on success of Visia Enterprise

9M well below expectations

First-time consolidation of Medis expected in 2011

Big step towards critical mass

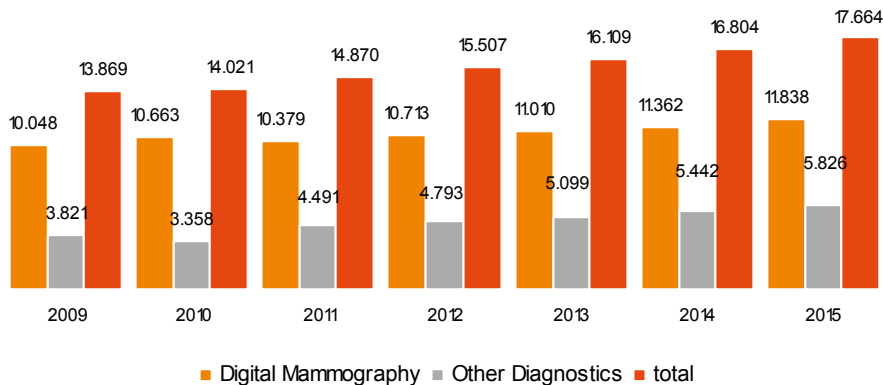
Sales CAGR (10-13): 4.7%...

...but with a number of uncertainties attached

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further OEM contracts or cannot carry on existing contracts, since we regard the OEM distribution channel as the most important as strongest in terms of volume.

EXPECTED SALES PERFORMANCE



Source: DZ BANK estimates

Projected EBIT performance

We expect a decline in margin in Digital Mammography in the next few years; this assumes a sharper rise in sales outside the US where licence prices are lower.

There should be a sharp rise in EBIT in Other Diagnostics. Firstly, the expected sales growth should contribute to an improvement in margin and secondly, we assume that high development costs, especially for the Visia™ Enterprise, can be brought down again after market launch.

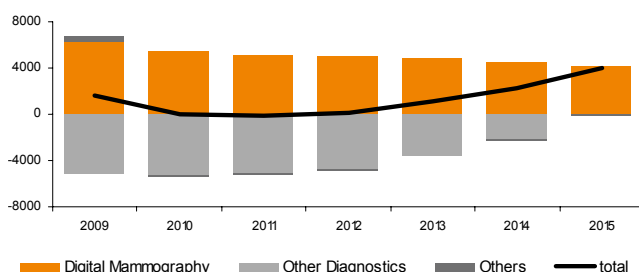
Overall, we assume that MeVis will generate a fairly low margin in 2010 and 2011 as a result of the negative impact of development costs, the extension of its distribution concept and the integration of Medis. The EBIT margin could rise to around 20% by 2015. However, if sales in Other Diagnostics remain well behind estimates, then higher internal and external R&D costs would neutralise any earnings. This would then call for a substantial restructuring programme.

Digital Mammography:
decline in margin expected

Other Diagnostics:
marked recovery in margin expected

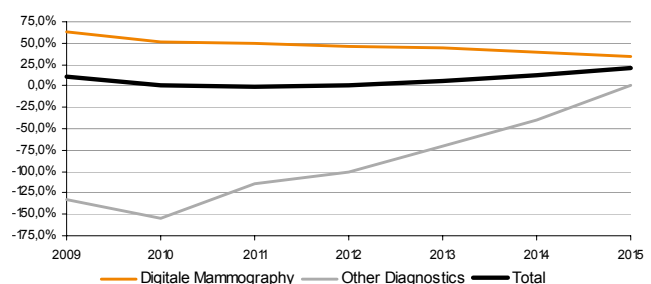
Target EBIT margin: just under 20%

EXPECTED EBIT PERFORMANCE



Source: DZ BANK estimates

MARGIN PERFORMANCE BY SEGMENT



Source: DZ BANK estimates

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VALUATION

Our valuation of the company is based on a DCF analysis to work out the stock's fair value and a market-oriented peer-group comparison.

DCF analysis

Our DCF analysis (terminal growth rate of 1% and WACC of 10.5%) gives a current fair value of EUR 16 per share. We expect an EBIT margin of around 20% in the perpetuity year. Around 80% of the figure should come from the perpetuity year.

DCF value: EUR 16 per share

DCF ANALYSIS

Data from company to be valued						
Growth rate of perpetuity	1.0%					
Weighted average cost of capital (WACC)	10.45%					
(Capital cost are specifically calculated for each particular period)						
Euro m	2010e	2011e	2012e	2013e	2014e	2015e
Adjusted EBIT	0.0	-0.2	0.1	1.2	2.3	4.0
Taxes on EBIT	0.0	0.0	0.0	-0.2	-0.7	-1.2
Cash Taxes	0.0%	0.0%	0.0%	18.3%	30.0%	30.0%
Net Operating Profit After Tax (NOPAT)	0.0	-0.2	0.1	1.0	1.6	2.8
+ Depreciations (-Reversals)	4.4	4.9	4.7	4.6	4.4	4.2
- Investments (+Proceeds from sale)	-3.9	-4.3	-3.7	-3.9	-4.1	-4.1
Change in working capital	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
Other changes	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	0.4	0.3	1.1	1.5	1.7	2.8
Present value of free cash flows	21.6					
Market value of non-operating assets	0.0					
Financial and liquid assets	16.4					
Enterprise value, beginning of period	38.0					
Liabilities	-14.5					
Provisions (inc. provisions for pensions)	0.0					
Equity value incl. minority interest, bop	23.5					
Value of minority interest	0.0					
Correction of liabilities by convertible bonds	0.0					
EQV excl. minority interest, bop	23.5					
Accumulation till effective valuation date (with KE-rate)	3.6					
EQV excl. minority interest at valuation date	27.1					
Equity value per share, diluted (EUR)	16.0					
Fiscal year end December						
Source: MeVis Medical Solutions and DZ BANK estimates						

Source: DZ BANK

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Peer-group comparison

In our peer-group valuation, we have worked out a value for MeVis based on a multiples comparison with its peers. For this valuation, we selected a group of peers among listed companies which concentrate on similar activities.

We have identified the following companies as suitable peers:

Comparison of MeVis with listed peers

Peer group

- **CompuGroup** is one of the leading eHealth companies in Europe. The company designs software and communication solutions for physicians, dentists, hospitals, associations or networks and for various service providers to help with the organisation of their workflow as well as in diagnostics and treatment. The company also offers a platform for the networking of all the parties involved in the healthcare system. The company generated sales of EUR 293.4m in 2009 with a workforce of 2,800.
- **iCAD, Inc.** produces software in the field of CAD and workflow solutions for mammography (film-based), digital radiography (DR), computed radiography (CR), magnetic resonance imaging (MRI) and computer tomography (CT). The company offers solutions for early cancer detection for breast, colon, prostate, and in future also lung cancer. The company generated sales of USD 28.1m in 2009 against USD 37.5m in 2008 and has a staff of 103.
- **Medipattern** produces software solutions in the field of computer aided detection for breast ultrasound screening and breast MRI. The company generated sales of USD 0.2m in FY 2009.
- **Merge Healthcare** offers solutions for imaging and information management for use in radiology, cardiology and orthopaedics. The company also provides networking solutions and PACS solutions. It offers CAD MRI for breast, liver and prostate cancer. In 2009, the company generated sales of around EUR 66.8m against EUR 56.8m in 2008.
- **Pro Medicus** is an Australian medical IT and e-health provider. It offers radiology information systems (RIS), picture archiving communication systems (PACS) and 2D, 3D and 4D software. The company generated sales of AUD 15.6m in FY 2009.
- **RaySearch** develops software for radiation therapy. The company supplies companies such as Philips and Varian as an OEM. Its products are used among other things to optimise the radiation dose. The company generated sales of SEK 83.7m in FY 2009 with a workforce of 52 and an operating margin of 48.8%.
- **Sectra** offers solutions in the area of RIS/PACS, mammography and orthopaedics. The company generates around 89% of its sales in its Medical Systems division, in which in turn, the IT Systems segment for radiology accounts for around 88% of sales. The company generated sales of SEK 848m in FY 2009/10 with a staff of 584.
- **Vital Images** offers advanced visualization and software analysis solutions. The solutions transform data from the diagnostic imaging into functional

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digital pictures. The company is active in the cardiovascular, neuro and cancer indications. It also offers a virtual colonoscopy product. In 2009, the company generated sales of USD 58.2m against USD 68.1m in 2008.

EQUITY VALUE MULTIPLES

Equity ratios company	Price in local currency	Currency	Market cap.	P/CF			P/E			EPS CAGR	
	29.11.2010		(m EUR)	2010e	2011e	2012e	2010e	2011e	2012e	09-13e	2010e
CompuGROUP Holding AG	10,0	EUR	530,3	10,3	8,6	7,0	31,7	20,1	14,6	35,3%	0,9
icad Inc.	1,5	USD	51,6	n/a	n/a	n/a	neg.	neg.	n/a		
Medicsight PLC	4,9	GBP	9,2	n/a	n/a	n/a			n/a		
Medipattern Corp.	0,1	CAD	3,2	n/a	n/a	n/a	neg.	n/a	n/a		
Merge Healthcare Inc. *	3,9	USD	251,0	n/a	196,0	11,9	35,6	21,8	13,5	20,9%	1,7
Pro Medicus Ltd.	0,5	AUD	37,7	n/a	n/a	n/a	13,1	9,3	9,0	8,2%	1,6
RaySearch Laboratories AB *	34,5	SEK	130,0	69,0	20,1	17,1	44,8	23,5	17,9	34,3%	1,3
Sectra AB *	30,0	SEK	120,6	12,4	9,6	8,2	30,0	16,0	10,7	74,5%	0,4
Vital Images Inc. *	13,5	USD	145,3	n/a	n/a	n/a	neg.	1348,0	89,9		
MeVis Medical Solutions AG	15,10	EUR	25,6	6,7	5,7	5,4	neg.	neg.	neg.	22,6%	
Geom. Mean			63,8	20,7	23,8	10,4	28,8	35,7	17,7	27,4%	1,1
Deviation				-68%	-76%	-48%					
Median			120,6	12,4	14,8	10,1	31,7	20,9	14,0	34,3%	1,3
Deviation				-47%	-61%	-46%				-34%	

Source: FactSet, DZ BANK

In view of the limited profitability of MeVis and of most companies in the peer group, a comparison based on equity value multiples does not seem meaningful.

Equity ratios not meaningful

EV MULTIPLES

EV ratios company	EV (m EUR)		EV/Sales		EV/EBITDA			EBITDA margin			EBITDA CAGR	EV/EBITDA to EBITDA-CAGR
	2010e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	09-13e	2010e
CompuGROUP Holding AG	665,8	2,0	1,6	1,5	9,5	7,3	6,5	21,1%	22,2%	23,1%	16,1%	0,6
icad Inc.	51,6				n/a	n/a	n/a					
Medicsight PLC	9,2				n/a	n/a	n/a					
Medipattern Corp.	3,2	14,1										
Merge Healthcare Inc. °	377,9	3,2	2,1	1,8	12,5	9,0	7,3	25,6%	23,2%	24,6%	34,8%	0,4
Pro Medicus Ltd.	34,9	2,6	2,6	2,4	7,8	6,0	5,3	32,9%	43,1%	44,5%	15,2%	0,5
RaySearch Laboratories AB	120,5	9,5	7,1	6,3	16,5	11,1	9,2	57,4%	64,3%	68,5%	36,4%	0,5
Sectra AB	103,1	1,0	0,9	0,7	9,1	5,8	4,4	11,0%	14,6%	16,4%	43,4%	0,2
Vital Images Inc.	55,3	1,2			14,1	n/a	n/a	8,4%	8,2%			
MeVis Medical Solutions AG	25,5	1,5	1,5	1,4	5,7	5,6	5,2	26,4%	27,2%	27,3%	6,4%	0,9
Geom. Mean		3,1	2,2	2,0	11,2	7,6	6,4	21,4%	23,6%	30,9%	26,6%	40,2%
Deviation		-51%	-32%	-28%	-49%	-27%	-18%					122%
Median		2,6	2,1	1,8	11,0	7,3	6,5	23,4%	22,7%	24,6%	34,8%	0,5
Deviation		-41%	-28%	-21%	-48%	-24%	-20%					96%

Source: FactSet, DZ BANK

Fairly valued

¹⁾ – ⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

The company is fairly valued based on EV multiples. However, it is important to bear in mind that MeVis books very high write-offs which largely wipe out EBITDA.

Overall, a peer-group comparison is very difficult since the leading companies in question are mostly subsidiaries of large conglomerates such as Siemens, GE and Phillips, and their multiples cannot be used because of the dominance of other activities. The few listed companies are relatively small. Few estimates are available and the companies in question are not yet profitable. For this reason, a peer-group comparison is not particularly meaningful.

Peer-group comparison not particularly meaningful overall

SWOT ANALYSIS

Strengths	<ul style="list-style-type: none"> • Leading market position in the area of software for digital mammography • Partnerships with leading meditec companies • Extensive portfolio of CAD products • Strong cash flow from Digital Mammography segment • Strong development team • Access to and relationship with Fraunhofer-MeVis research institute and to network of international experts • Limited number of competitors in relevant market • Stable shareholder structure 	<ul style="list-style-type: none"> • Strong dependence on digital mammography • Strong dependence on major clients (90% of sales generated with three clients) • So far, limited acceptance for new products • Active in a relatively small and regulated market • Strong dependence on US dollar trend • High intangible assets • Cash and cash equivalents almost totally eaten up by purchase price obligations • New CFO 	Weaknesses
	<ul style="list-style-type: none"> • Visia™ Enterprise will open up new opportunities if a strong distribution partner can be found • Visia Enterprise extends the relevant market and will make MeVis more independent of OEM partners • Introduction of lung cancer screening in the US • Importance of healthcare screening continues to grow • Growing acceptance of CAD products • Penetrating new customer groups and distribution channels • Rising investment budgets for software to increase efficiency in healthcare • Expansion of direct distribution contributes to rise in margin • Expansion of healthcare systems in emerging markets • Potential takeover of MeVis 	<ul style="list-style-type: none"> • Cost-cutting programmes and ongoing investment bottleneck in healthcare • Strong R&D focus on Visia Enterprise; success dependent on potential distribution partner • No further OEM contracts • Persistently low acceptance of new products • Overly scientific development of new products • Potential write-offs on intangible assets • Rising competition and cost pressure • Hospital budgets increasingly influenced by non-users • Me-too products from China 	Risks

Source: DZ BANK

In view of a strong position in digital mammography, of partnerships built up with leading medical technology companies and a high level of technical know-how, MeVis stands a good chance of transferring these competencies to other areas. However, we also foresee various risks within the company. We see a strong focus on the development of the Visia™ Enterprise platform in particular and a low acceptance at the moment for new products as the main risks. All in all, we rate the risk-opportunity profile as evenly balanced.

Evenly balanced risk-opportunity profile

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Investment recommendation

We calculate a fair value of EUR 16 per share based on our DCF analysis. We therefore kick off our coverage of MeVis Medical Solutions AG with a hold rating.

Recommendation: hold
Fair value: EUR 16 per share

We regard special software which will allow physicians to filter out important information for picture data and make it useable as a market for the future, which MeVis should occupy successfully. We estimate market growth at around 11%.

CAD a growth market
11% growth expected

We see the following as major catalysts for the stock's future performance (effect):

Catalysts

- results for FY 2010 (+/-)
- possible write-offs on intangible assets (--)
- announcement of a suitable distribution partner for Visia™ Enterprise (++)
- successful market launch of Visia™ Enterprise applications (+)
- spread of digital mammography outside the US (+)
- acceptance of new products (+/--)
- introduction of reimbursed lung cancer screening in the US (+++)
- full take-over of Medis in 2011 (+/-)
- potential take-over of MeVis (+)

All in all, we would currently recommend that investors should wait until the risk-opportunity profile moves into positive territory on the back of positive news flow on the above-mentioned events. If investing, it is important to bear in mind a market capitalisation of around EUR 30m and limited free float of around 13%.

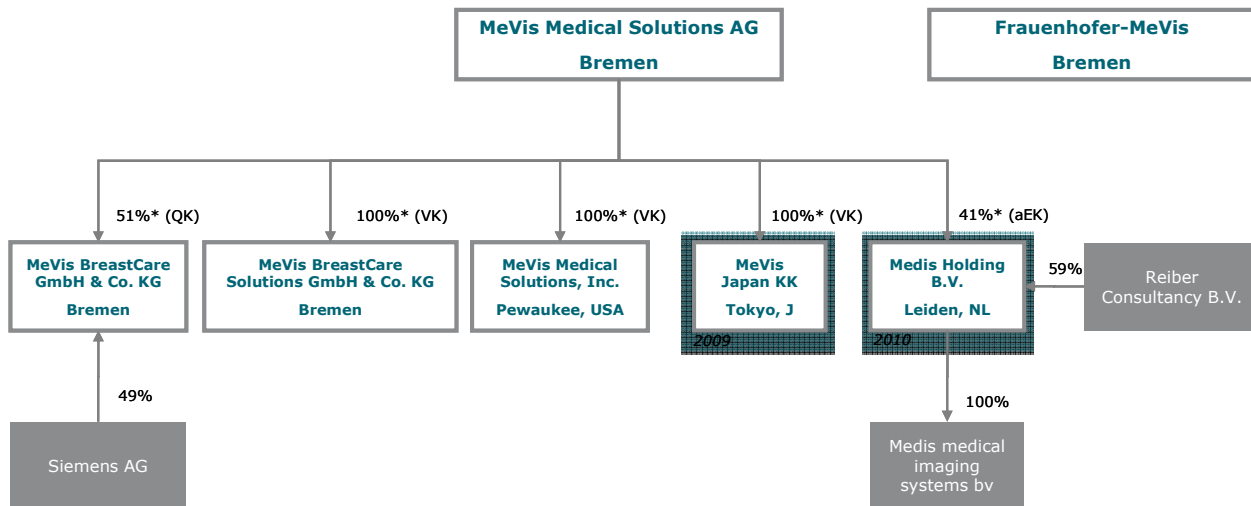
Investors should wait until the risk-opportunity profile becomes positive

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Appendices

Company

COMPANY STRUCTURE



Source: MeVis, DZ BANK

MeVis Medical Solutions AG (MMS AG) owns various subsidiaries. As part of a joint venture with Siemens AG, MMS AG owns a 51% stake in MeVis BreastCare GmbH & Co. KG (MBC KG). MBC KG mainly specialises in the field of multi-modal diagnostic systems for early detection, diagnostic and therapy support in breast disease. The software applications are included in the diagnostic workstations which are distributed by industrial partner Siemens under the MammoReport, syngo BreVis and ACUSON S2000 brand names.

Various subsidiaries:

As per contract dated 21.10.2008, the business with industrial partner Hologic was carved from MBC KG with back-dated effect from 1.07.2008 and included into the newly created MeVis BreastCare Solutions GmbH & Co. KG (MBS KG). First-time consolidation was on 1.11.2008. Industrial partner Hologic's diagnostic workstations are distributed under the brand name SecurView.

Hologic business carved out from MBC KG in 2008

MeVis Medical Solutions, Inc. (MMS Inc.) supports the MeVis Group in distributing its products outside the US market. MeVis Japan KK was founded in 2009 and aims to support distribution in Japan.

Foreign subsidiaries:

- MMS Inc.
- MEVIS Japan

MeVis acquired an initial stake in Medis Holding B.V. in 2010; the company is active in the field of cardiovascular imaging.

Stake in Medis

Important milestones:

2007

The MeVisLab software technology was acquired from MRE GmbH in 2007 for the purpose of rapid prototyping of software solutions in the field of imaging medicine. The software stands out by enabling a modular joining of various previously developed applications in the field of image-based medicine; it leads to a significant reduction in existing development processes. The software was acquired for EUR 925,000.

M&A activities

MeVisLab

"Rapid Prototyping"

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April 2008

MeVis acquired the ImageChecker CT Lung CAD business from R2 Technologies, a company in the Hologic Group, in April 2008. The software was launched in Q3 2008 and now trades under the name VistaCT Lung. This is highly specific software for the automatic detection of lung nodules or patches and of pulmonary embolisms in multilayer screening using CT. Computer-aided detection (CAD) helps physicians in the early detection of lung cancer. Purchase costs amounted to a total of USD 9m and are due in several tranches up to 30.09.2010. The purchase led to goodwill of EUR 3.6m. At the time of acquisition, the division generated sales of around EUR 372,000 and an annual loss of EUR 664,000.

R2 ImageChecker CT**CAD for lung diseases****October 2008**

Software Colotux was acquired in October 2008 for a total of EUR 220,000. Half the purchase price was paid for in own shares. The product in question is a software solution for virtual coloscopy. The colon can quickly be skimmed over in both directions using rapid 3D surface visualisation of CT picture data, and suspicious polyps can be spotted using CAD.

Colotux**Virtual coloscopy****October 2008**

MeVis signed a contract with Siemens for the full carve-out of the Hologic business unit from the MeVis BreastCare GmbH & Co. KG joint venture and ensuing proportionate acquisition of the business in question. The acquisition involves 49% of Siemens's share in subsidiary MBS KG's net assets. The purchase price amounted to a total of EUR 17.5m and consists of a cash component plus a licence credit and is due in several tranches up to probably 2013. The purchase price comes with a number of conditions and the acquisition has led to goodwill of EUR 12.5m.

Carve-out of Hologic business from MeVis BreastCare JV with Siemens**January 2009**

Return of 25.1% stake in MeVis Research GmbH to the Free Hanseatic City of Bremen as part of a conversion of the non-profit GmbH into the Fraunhofer-Institut für Bildgestützte Medizin MeVis. The conversion of the MeVis Research GmbH research institute into an institute of the Fraunhofer Company aims to widen the group's research base even further. There are plans to double research capacity at the Fraunhofer MEVIS-Institut für Bildgestützte Medizin in the next few years.

Return of stake in MeVis-Research**January 2010**

A contract was signed on 15 January covering the merger of business activities together with a gradual acquisition of a stake in the capital of Medis Holding B.V., Leiden, up to 100%. The acquisition will go ahead in three set steps up to 2011 and could go hand-in-hand with a subsequent earn-out. As a first step, a cash capital payment of EUR 0.4m will be made, equating to a stake in the company of around 14%.

Gradual acquisition of Medis Holding B.V.**Acquisition of 14% stake as a first step**

Medis develops software solutions which allow cardiologists, technicians and researchers a precise quantification of cardiovascular image data. The company's products are geared to the image-based diagnosis of cardiovascular diseases using MRT, CT, X-rays and intravascular ultrasound.

Medis: focus on cardiovascular diseases**June 2010**

A further 27% of Medis was acquired in June 2010. The price of EUR 0.87m consists of a cash component of EUR 0.5m plus own shares to a value of EUR 367.

Acquisition of further 27% in Medis Holding

^{1) - 9)} Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

Overall, the company has spent around EUR 25m on acquiring technologies in the last few years. Of this, there were still liabilities outstanding of around EUR 12.3m at 30.09.2010, of which around EUR 6.2m are due for payment in 2H 2010.

Around EUR 25m spent on acquisitions

Management

The Executive Board of MeVis Medical Solutions AG consists of three members.

Dr. Carl J.G. Evertsz (CEO) is co-founder of MeVis-Research GmbH and of MeVis Medical Solutions AG. He studied Physics, obtaining his doctorate in Groningen, and worked as a scientist at Yale University. He has written over 60 publications in the field of medical image data analysis, computer-aided diagnosis, financial mathematics and fractal geometry.

**CEO,
Dr. Carl J. G. Evertsz**

On 23.07.2010, the company announced the appointment of Dr. Robert Hannemann as CFO with effect from 1.10.2010. Dr. Hannemann studied Chemistry and worked as consultant and project leader of the Boston Consulting Group and in various management positions in various sectors. He replaced Christian Seefeldt, who had been the company's CFO since 1.01.2009; Herr Seefeldt resigned from his post for personal reasons.

**New CFO as per 1.10.2010,
Dr. Robert Hannemann**

Thomas E. Tynes (Marketing & Sales) has been a member of the board of MeVis Medical Solutions AG since August 2007. He studied Business Management in the US and has worked among other things as General Manager at IGC Medical Advances; he co-founded Eye Prosthetics of Wisconsin and was Director Clinical Solutions of Invivo Corporation (now Philips).

**Marketing & Sales,
Thomas E. Tynes**

IPO

MeVis Medical Solutions has been listed on the Prime Standard since 16.11.2007.

IPO on 16.11.2007

The IPO consisted of a total of 776,866 shares of which 520,000 shares from a capital increase, 159,366 shares from the holdings of existing shareholders and up to a further 97,500 shares from a Greenshoe option. All shares on offer were allocated. At EUR 55, the placing price was at the lower end of the price range of EUR 55-65 per share. The issue raised EUR 42.7m, of which EUR 28.6m went to the company.

Inflow of funds of around EUR 29m

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Creation of authorised capital

The AGM on 10.06.2010 rescinded the previous authorised capital of EUR 650,000, of which only EUR 130,000 EUR 130,000 was left after use.

Rescinding of previous authorised capital

At the same time, the AGM allowed new authorised capital of up to EUR 910,000 through one or several issues of new registered shares against cash or assets in kind up to 9 June 2015.

New authorised capital of EUR 910,000

- 50% of current share capital
- if needed, strengthening of company's own funds
- use of opportunities and means to fight off hostile takeovers

Authorisation to buy back own shares

In addition, the company has been authorised to buy back up to 10% of the share capital up to June 2015. A previous authorisation ran out at the beginning of 2010.

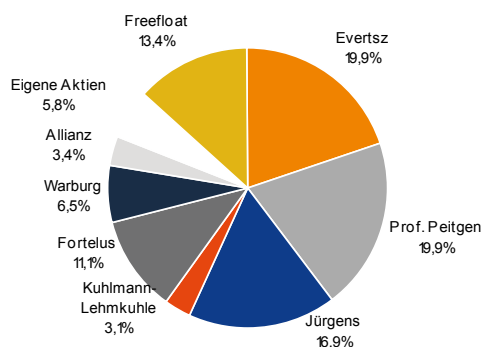
Potential buyback of 10% of own shares

Shareholder structure

The majority of shares (around 57%) are held by the founding members, of which Dr. Carl J. G. Evertsz (CEO) holds ~19.9%, Prof. Dr. Heinz-Otto Peitgen (Chairman of the Supervisory Board) ~19.9% and Dr. Hartmut Jürgens ~16.9%. The company itself owns around 5.8% of its shares; these are to be used among other things to fund the acquisition of Medis.

Free float ~13%

SHAREHOLDER STRUCTURE



Source: MeVis

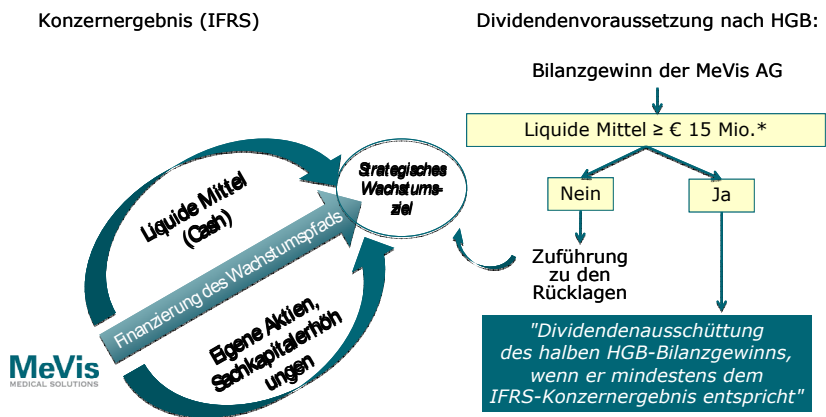
Dividend policy

The company's dividend policy envisages that a dividend will be paid out under the following conditions:

1. if cash and cash equivalents exceed EUR 15m
2. HGB net profit \geq IFRS group earnings

Under these conditions, half the HGB net profit should be paid out.

DIVIDEND POLICY



* Entspricht ca. der Hälfte der immateriellen Vermögenswerte

Source: MeVis

Frauenhofer-MEVIS

Frauenhofer-MEVIS originally arose from the Centrum für Medizinische Diagnosesysteme und Visualisierung GmbH, which was founded in August 1995 by Prof. Dr. Heinz-Otto Peitgen, Dr. Carl J. G. Evertsz and Dr. Hartmut Jürgens as a non-profit making institute of the University of Bremen. Until the end of 2008, the shareholders of MeVis GmbH, which later changed its name to MeVis Research GmbH, were the Land of Bremen and, from June 2007 to June 2008, also MeVis Medical Solutions AG. The development of MeVis Research and its research activity have been supported by the shareholders through public financing and by an advisory committee of international scientists.

Frauenhofer-MeVis

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Profit and loss account

Euro m	2009	2010e	2011e	2012e	2013e	2014e
Sales	13.9	14.0	14.9	15.5	16.1	16.8
Change in inventory/Own work	2.3	2.8	2.6	2.4	2.2	2.2
Total output	16.2	16.8	17.5	17.9	18.3	19.0
% against prev. year		4%	4%	3%	2%	4%
Cost of materials	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6
Personnel expenses	-9.8	-10.4	-11.2	-11.5	-11.7	-12.4
Other operating income	1.8	1.4	1.5	1.5	1.6	1.6
Other operating expenses	-3.3	-2.8	-2.5	-2.5	-1.8	-1.0
Extraordinary income/expenses	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	4.5	4.4	4.8	4.9	5.7	6.7
For information: EBITDA adjusted	4.5	4.4	4.8	4.9	5.7	6.7
Depreciation	-2.8	-4.4	-4.9	-4.7	-4.6	-4.4
thereof on goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	1.6	0.0	-0.2	0.1	1.2	2.3
For information: EBIT adjusted	1.6	0.0	-0.2	0.1	1.2	2.3
% against prev. year		-98%	-632%		727%	93%
Interest paid / received	-0.5	-0.2	-0.4	-0.2	0.1	0.2
Profit before tax	1.2	-0.2	-0.6	0.0	1.2	2.5
For information: EBT adjusted	1.2	-0.2	-0.6	0.0	1.2	2.5
% against prev. year		-116%				104%
Income taxes from continuing operations	-0.8	-0.4	0.1	0.0	-0.3	-0.7
Tax rate	66%	-198%	23%	9%	27%	26%
Net profit from continuing operations	0.4	-0.6	-0.4	0.0	0.9	1.8
Net profit from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.4	-0.6	-0.4	0.0	0.9	1.8
Profit or loss attributable to minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Profit or loss attributable to shareholders	0.4	-0.6	-0.4	0.0	0.9	1.8
thereof from continuing operations	0.4	-0.6	-0.4	0.0	0.9	1.8
thereof from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Weighted average number of shares, diluted (m)	1.700	1.700	1.700	1.700	1.700	1.700
IFRS earnings per share, diluted	0.23	-0.33	-0.26	-0.02	0.53	1.09
Adjusted earnings per share, diluted (contin.)	0.23	-0.33	-0.26	-0.02	0.53	1.09

Fiscal year end December

Source: MeVis Medical Solutions and DZ BANK estimates

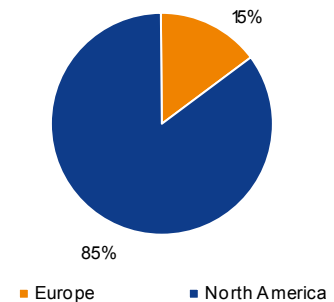
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RATIOS

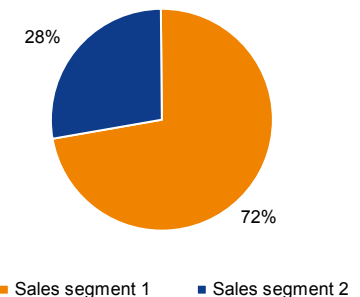
Euro	2009	2010e	2011e	2012e	2013e
Profit and loss ratios					
Total output (m)	16.2	16.8	17.5	17.9	18.3
EBITDA margin	27.7%	26.4%	27.2%	27.3%	31.4%
EBIT margin	10.1%	0.2%	-1.0%	0.8%	6.4%
Net margin	2.5%	-3.3%	-2.5%	-0.2%	4.9%
Investment ratio	46.9%	23.8%	24.4%	20.4%	21.1%
R&D as % of total output					
Net other operating costs as % of total output	8.9%	8.4%	5.6%	5.5%	1.4%
Net financial income as % of total output	-2.9%	-1.3%	-2.2%	-1.0%	0.3%
Interest cover	4.1	0.1		0.9	18.2
Average sales growth next five years	3.3%				
Average earnings growth next five years	35.9%				
Profitability ratios					
ROE	1.2%	-1.7%	-1.4%	-0.1%	2.7%
ROCE	5.5%	0.1%	-0.6%	0.5%	4.3%
Productivity ratios					
Sales per employee ('000)	87.92	91.06	91.81	91.37	90.70
EBIT per employee ('000)	8.88	0.18	-0.94	0.72	5.82
Balance sheet ratios					
Equity ratio	64.0%	72.0%	76.6%	82.4%	82.7%
Long term debt and equity / Fixed assets	132.7%	129.8%	117.3%	111.5%	117.3%
Liquidity (quick ratio)	181.9%	256.7%	186.3%	151.4%	178.7%
Receivables as % of total output	26.1%	26.3%	26.8%	27.3%	27.7%
Investment (net of GW) / Depreciation		90.7%	86.5%	77.1%	84.7%
Working capital as % of total output	6.8%	7.1%	7.7%	8.3%	8.9%
Net debt (m)	-0.6	-0.1	0.8	-0.1	-1.6
Net debt complete (m)	-1.9	-1.6	-0.7	-1.7	-3.1
Figures per share					
Earnings per share, diluted	0.23	-0.33	-0.26	-0.02	0.53
Diluted cash earnings per share	1.91	2.27	2.64	2.78	3.22
Dividend per common share	0.00	0.00	0.00	0.00	0.00
Cash per share, diluted	4.54	2.82	2.50	1.29	2.15
Net debt per share, diluted	-0.36	-0.06	0.47	-0.08	-0.94
Valuation ratios					
Enterprise value / Sales	2.5	1.5	1.5	1.4	1.3
Enterprise value / EBITDA	8.9	5.7	5.6	5.2	4.2
Enterprise value / EBIT	24.3	760.8		179.6	20.5
EV/Sales to sales growth		0.46	0.46	0.43	0.40
PEG ratio - common shares					
Fiscal year end December					

Source: MeVis Medical Solutions, DZ BANK estimates

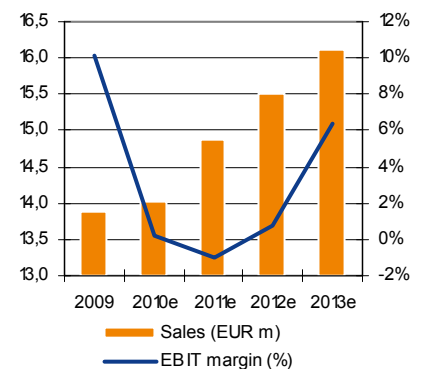
SALES BY REGION 2009



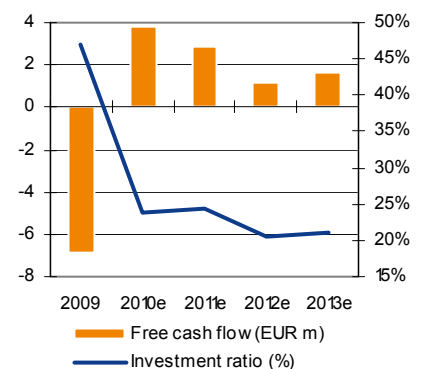
SALES BY BUSINESS SEGMENT 2009



SALES AND MARGIN DEVELOPMENT



FREE CASH FLOW AND INVESTMENT RATIO



BALANCE SHEET

IFRS - Euro m	2009	2010e	2011e	2012e	2013e	2014e
ASSETS						
Non current assets	29.9	30.5	30.8	29.7	29.0	29.0
Intangible assets	27.1	26.9	26.4	25.5	24.9	24.7
thereof goodwill	16.6	17.4	18.2	18.2	18.2	18.2
Tangible assets	1.2	1.0	0.8	0.6	0.5	0.4
Financial assets	0.0	1.1	2.0	1.9	2.1	2.3
Other long-term assets	1.6	1.5	1.6	1.6	1.5	1.5
Current assets	21.1	14.6	11.0	9.1	10.8	12.7
Inventories	0.1	0.2	0.2	0.2	0.2	0.2
Trade receivables	4.2	4.4	4.7	4.9	5.1	5.3
Financial assets	8.7	4.9	1.6	1.6	1.6	1.6
Other receivables and short-term assets	0.4	0.3	0.3	0.3	0.3	0.3
Liquid assets	7.7	4.8	4.3	2.2	3.7	5.4
Assets available for sale	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	51.0	45.0	41.7	38.8	39.7	41.6
LIABILITIES						
Shareholders' equity	32.6	32.4	32.0	32.0	32.8	34.7
Share capital	1.8	1.8	1.8	1.8	1.8	1.8
Reserves	33.4	32.9	32.4	32.4	33.3	35.2
Other equity	1.5	1.5	1.5	1.5	1.5	1.5
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Treasury stock	-4.2	-3.8	-3.8	-3.8	-3.8	-3.8
Non current liabilities	7.0	7.1	4.1	1.1	1.1	1.1
Provisions for pensions	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities	6.6	6.7	3.7	0.7	0.7	0.7
Other payables	0.4	0.4	0.4	0.4	0.4	0.4
Current liabilities	11.3	5.5	5.6	5.7	5.8	5.8
Trade payables	1.1	0.9	0.9	1.0	1.0	1.1
Other provisions	0.2	0.1	0.1	0.1	0.1	0.1
Financial liabilities	7.9	1.4	1.4	1.4	1.4	1.4
Other liabilities	2.1	3.1	3.2	3.2	3.2	3.3
Liabilities assoc. with assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity and liabilities	51.0	45.0	41.7	38.8	39.7	41.6
Fiscal year end December						

Source: MeVis Medical Solutions and DZ BANK estimates

1) - 9) Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

DISCOUNTED CASH FLOW VALUATION

Data from company to be valued						
Growth rate of perpetuity	1.0%					
Weighted average cost of capital (WACC)	10.45%					
(Capital cost are specifically calculated for each particular period)						
Euro m	2010e	2011e	2012e	2013e	2014e	2015e
Adjusted EBIT	0.0	-0.2	0.1	1.2	2.3	4.0
Taxes on EBIT	0.0	0.0	0.0	-0.2	-0.7	-1.2
Cash Taxes	0.0%	0.0%	0.0%	18.3%	30.0%	30.0%
Net Operating Profit After Tax (NOPAT)	0.0	-0.2	0.1	1.0	1.6	2.8
+ Depreciations (-Reversals)	4.4	4.9	4.7	4.6	4.4	4.2
- Investments (+Proceeds from sale)	-3.9	-4.3	-3.7	-3.9	-4.1	-4.1
Change in working capital	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
Other changes	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	0.4	0.3	1.1	1.5	1.7	2.8
Present value of free cash flows	21.6					
Market value of non-operating assets	0.0					
Financial and liquid assets	16.4					
Enterprise value, beginning of period	38.0					
Liabilities	-14.5					
Provisions (inc. provisions for pensions)	0.0					
Equity value incl. minority interest, bop	23.5					
Value of minority interest	0.0					
Correction of liabilities by convertible bonds	0.0					
EQV excl. minority interest, bop	23.5					
Accumulation till effective valuation date (with KE-rate)	3.6					
EQV excl. minority interest at valuation date	27.1					
Equity value per share, diluted (EUR)	16.0					
Fiscal year end December						

Source: MeVis Medical Solutions and DZ BANK estimates

^{1) - 9)} Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

DISCOUNTED CASH FLOW VALUATION

Market data						
Risk-free interest rate	2.70%					
Market premium	5.00%					
Data from comparable company						
Levered beta factor	1.9000					
Data from company to be valued						
Growth rate of perpetuity	1.0%					
Weighted average cost of capital (WACC)	10.45%					
(Capital cost are specifically calculated for each particular period)						
Euro m	2010e	2011e	2012e	2013e	2014e	2015e
Adjusted EBIT	0.0	-0.2	0.1	1.2	2.3	4.0
Taxes on EBIT	0.0	0.0	0.0	-0.2	-0.7	-1.2
Cash Taxes	0.0%	0.0%	0.0%	18.3%	30.0%	30.0%
Net Operating Profit After Tax (NOPAT)	0.0	-0.2	0.1	1.0	1.6	2.8
+ Depreciations (-Reversals)	4.4	4.9	4.7	4.6	4.4	4.2
- Investments (+Proceeds from sale)	-3.9	-4.3	-3.7	-3.9	-4.1	-4.1
Change in working capital	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
Other changes	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	0.4	0.3	1.1	1.5	1.7	2.8
Present value of free cash flows	21.6					
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Financial and liquid assets	16.4					
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Value of minority interest	0.0					
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EQV excl. minority interest, bop	23.5					
Accumulation till effective valuation date (with KE-rate)	3.6					
EQV excl. minority interest at valuation date	27.1					
Equity value per share, diluted (EUR)	16.0					
Fiscal year end December						

Source: MeVis Medical Solutions and DZ BANK estimates

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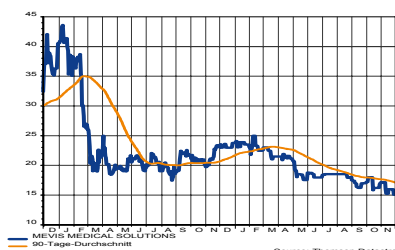
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Source: Thomson Datastream

RATING HISTORY

Recommendation	Date	Price
Hold	1 Dec 2010	15.10 EUR

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