

Annual Report

MeVis Medical Solutions AG

2018/2019



MeVis

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LETTER TO THE SHAREHOLDERS

*Dear shareholders, Customers,
Business Associates and Employees*

Fiscal year 2018/2019 was another very successful year for MeVis. Revenues rose slightly over the previous year, although there was no significant change in their composition. Thus, development services and license business increased over the previous year, while maintenance business declined as expected. With slightly higher costs, earnings after taxes developed positively.

To the financial figures in detail:

Revenues in the past fiscal year 2018/2019 amounted to € 18.1 million (compared to € 17.8 million in fiscal year 2017/2018). 29 % (previous year: 29 %) of sales revenues are attributable to license business of € 5.3 million (previous year: € 5.2 million), 38 % (previous year: 40 %) to revenues from maintenance contracts (software service contracts) of € 6.9 million (previous year: € 7.1 million) and 33 % (previous year: 31 %) to other revenues of € 5.9 million (previous year: € 5.5 million). The improvement in revenues compared to the previous year, including license revenues, is mainly due to the significant increase in the average USD exchange rate, since the majority of invoices are invoiced in USD.

The **results** are still very satisfactory. Thus, an **EBIT** (earnings before financial result and taxes) of € 8.0 million was generated in 2018/2019, compared to € 7.6 million in 2017/2018. The EBIT margin of 44 % was slightly higher than the previous year's figure of 43 %.

MeVis' **net interest income** of € 0.2 million at the end of the fiscal year was only slightly different from the previous year and primarily comprises interest income from fixed-interest loans.

Due to the fiscal unity, only minor **income taxes** in the amount of € 0.1 million were incurred in the past fiscal year, identical to the previous year.

This results in **earnings after taxes** of € 8.1 million (45 % margin) for fiscal 2018/2019, compared to € 7.6 million (43 % margin) in 2017/2018. The profit of € 8,071 thousand will be transferred to Varex Imaging Deutschland AG under the control and profit transfer agreement.

For the **fiscal year 2019/2020** a significant decrease in revenues to € 15.5 million to € 16.0 million is expected. In addition to the expected decrease in revenues with the customer Hologic, declining revenues in the area of development services are expected, as fewer development services are performed compared to 2018/2019. Earnings before interest and taxes (EBIT) are expected to decrease to between € 4.5 million and € 5.0 million. The forecasted decrease in revenues, an expected break-even result from exchange rate differences and an expected decrease in income from investments are the main drivers for the EBIT decline.

The medium and long-term prospects for the future remain very much clouded by the change in collaboration initiated by Hologic years ago and the related expected decline in revenues from activities for Hologic, although we expect this decline to be partially offset by a positive development in development services and other activities.

MeVis' major challenges remain: our dependence on Hologic remains very high, accounting for 53 % of sales compared with 62 % in the previous year. We expect that the situation with Hologic will now have a significant negative impact on sales and earnings from fiscal 2019/2020 onwards. New business with our products for lung cancer screening has slowly gained momentum in 2018/2019 and the outlook for the coming years is promising. The development services we performed very successfully last fiscal year for Varian Medical Systems and Varex, both for medical and industrial software applications, will also play a major role as a revenue component in 2019/2020. In the market for our historic core business of medical software solutions, we are continuing to observe a sustained trend towards complete solutions that are fully integrated into the existing IT landscape,

making it increasingly difficult to offer added value with our dedicated workflow and diagnostics software that convinces clinical end customers of the need for separate software applications. Here it will be increasingly important for us to succeed in expanding and further commercializing our offerings in the areas of cloud-based systems, software as a service (SaaS), imaging modules, services and artificial intelligence technology.

However, we remain convinced that MeVis is well equipped to meet the challenges of the future. Our experienced, highly qualified and motivated employees continue to represent the most valuable pillar of our sustained competitiveness, guaranteeing that we will be able to maintain our high innovation potential. Moreover, in Varex Imaging we have a strong majority shareholder from the medical sector at our side, which will support us in every way possible in mastering the challenges ahead.

We would like to take this opportunity to once again thank all our employees for their extraordinary performance and our business partners, customers and shareholders for their trust!

A handwritten signature in black ink, appearing to read 'Marcus Kirchhoff', with a stylized flourish at the end.

Marcus Kirchhoff
CEO

REPORT OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR 2018/2019

Dear Shareholders,

In fiscal year 2018/2019, the Supervisory Board of MeVis Medical Solutions AG continued its trusting and goal-oriented cooperation with the Executive Board. In this respect, it performed the duties incumbent on it by law, the articles of Association and the rules of procedure, it accompanied and monitored the Executive Board in an advisory capacity. The Executive Board regularly informed the Supervisory Board both, orally and in writing, about the business situation and development, the current earnings situation, possible risks, planning as well as investments and organizational measures. The Supervisory Board was involved in all important decisions and passed the resolutions required by law, the Articles of Association and the Rules of Procedure. Our decisions were based on the reports and proposed resolutions of the Executive Board, which we examined in detail.

PERSONAL DATA

During the reporting period, the Supervisory Board of the Company consisted of Mrs. Kimberley Honeysett (Chairperson), Mr. Clarence Verhoef (Vice Chairman) and Mr. Matthew Lowell. No committees were formed.

At the end of the first half of the year, Dr. Robert Hannemann, CFO of the Company since October 2010, resigned from the Executive Board at his own request. Mr. Marcus Kirchhoff has managed the Company since the beginning of April 2019 as sole member of the Executive Board.

SUMMARY OF THE MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held four ordinary meetings in fiscal year 2018/2019, each with the participation of the Executive Board. In addition to the Company's results of operations, financial position and net assets, the main focus in the year under review was on the general market development and the opportunities and risks arising from it for the Company. A further focus was on the expansion of existing customer relationships and the establishment of new ones and the expansion of the product portfolio, especially in the area of new technologies and artificial intelligence.

Supervisory Board meeting on January 23, 2019

The main subject of this first meeting was the Executive Board's report on the course of business in the fiscal year from October 1, 2017 to September 30, 2018, the current business situation and the Annual General Meeting 2019. For this purpose, the Executive Board presented the annual financial statements and management report of MeVis Medical Solutions AG prepared in accordance with the provisions of the German Commercial Code (HGB) as well as the individual financial statements and management report of the Company for the fiscal year 2017/2018 prepared voluntarily in accordance with the International Financial Reporting Standards (IFRS). The meeting was attended not only by the Executive Board but also by the auditor in charge, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, who reported in detail to the Supervisory Board on the main results of the audit. The financial statement documents were discussed together with the Executive Board and the auditor. Following the meeting, both financial statements were approved and thus adopted by the Supervisory Board. The report of the Supervisory Board and the agenda for the Annual General Meeting of MeVis Medical Solutions AG on March 21, 2019 including the necessary resolution proposals to the Annual General Meeting were also approved.

Supervisory Board meeting on March 21, 2019

The second meeting of the Supervisory Board in fiscal year 2018/2019 was held as a face-to-face meeting following the Annual General Meeting. The Executive Board and the Supervisory Board drew a positive balance of the Annual General Shareholders' Meeting held in the morning. Subsequently, the Executive Board reported in detail on the current business situation of the Company and the Supervisory Board reviewed the efficiency of its activities at this meeting.

Supervisory Board meeting on July 10, 2019

The focus of the third meeting of the Supervisory Board, which was held as a video conference, was on the Executive Board's reporting on the Company's business situation, including the net assets, financial position and results of operations for the first nine months. Furthermore, existing business relationships were discussed and new activities were reported, such as in the field of lung cancer screening and increasing efforts in the area of artificial intelligence.

Supervisory Board meeting on September 25, 2019

The fourth meeting of the Supervisory Board, which was held as a video conference too, focused on the Management Board's report on the Company's business situation, including the net assets, financial position, results of operations and the risk report, as well as on the discussion and approval of the business plan for fiscal year 2019/2020. Furthermore, the meeting dates for fiscal year 2019/2020 were coordinated and the financial calendar was presented.

CORPORATE GOVERNANCE

The Executive Board and Supervisory Board support the initiative of the Government Commission on the German Corporate Governance Code, which summarizes the standards of good and responsible corporate governance, and jointly issue a regularly updated Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). A detailed description of corporate governance at MeVis including information on Section 289f of the German Commercial Code, the Supervisory Board's objectives for its future composition and the most recent declaration of conformity issued jointly by the Supervisory Board and the Executive Board on September 9, 2019 can be found in the corporate governance report in these annual financial statements or published on the Company's website. The Supervisory Board has reviewed these disclosures and explanations, which in its opinion are complete, and has adopted them as its own. There were no conflicts of interest of members of the Executive and Supervisory Boards that would have had to be disclosed to the Supervisory Board in financial year 2018/2019.

ANNUAL ACCOUNTS

The annual financial statements and management report of MeVis Medical Solutions AG for fiscal year 2018/2019, which were prepared in accordance with the accounting provisions of the German Commercial Code (HGB), were audited by the auditing firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, which was elected by the Annual General Meeting and engaged by the Supervisory Board and an unqualified auditor's report was issued. The annual financial statements and the management report for fiscal 2018/2019 were submitted to the Supervisory Board by the Board of Management in good time together with the corresponding audit report and were examined by the Supervisory Board. These documents were discussed at the Supervisory Board's balance sheet meeting on January 15, 2020. The Supervisory Board had the opportunity to consult with the auditor, who attended the meeting. The Supervisory Board had no objections to the annual financial statements prepared by the Executive Board in accordance with the German Commercial Code (HGB) as of September 30, 2019 following the meeting by circular resolution. The annual financial statements in accordance with HGB are thus adopted.

The Supervisory Board would like to thank the Executive Board and all employees for their performance. The Supervisory Board would also like to thank customers and shareholders for the confidence they have shown in us in fiscal year 2018/2019.

Bremen, January 27, 2020

On behalf of the Supervisory Board

Kimberley E. Honeysett
(Chairperson)

CORPORATE GOVERNANCE REPORT

(CORPORATE GOVERNANCE STATEMENT)

Corporate Governance means responsible, transparent corporate management and control geared to long-term creation of value. In accordance with the requirements of the German Corporate Governance Code (DCGC), the Executive Board and Supervisory Board report annually on the Company's corporate governance. The following disclosures are also to be understood as the Corporate Governance Statement pursuant to Section 289f of the German Commercial Code HGB and thus part of the management report. The principles of corporate governance and the Corporate Governance Statement are also available on the Company's website.

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 OF THE GERMAN CORPORATION ACT (AKTG)

The Executive Board and Supervisory Board of MeVis Medical Solutions AG declared on September 9, 2019, pursuant to Section 161 of the German Stock Corporation Act that the recommendations of the "German Corporate Governance Code Government Commission" in the version of February 7, 2017 have been and will in future be met with the following exceptions:

- There are currently no plans to include a deductible within the D&O Insurance for the Supervisory Board (section 3.8 GCGC). In principle, MeVis Medical Solutions AG does not believe that the commitment and responsibility with which the Supervisory Board members carry out their duties will be influenced by a deductible.
- According to section 4.2.1 sentence 1 GCGC, the Executive board shall be composed of several persons and shall have a chairperson and a spokesperson. Since April 1, 2019, the Executive Board of the Company consists of only one member. Due to the scope of the Company's business activities and its size, the Supervisory Board does not believe that the Company needs an Executive Board consisting of several persons. Accordingly, there is also no chairperson or spokesperson.
- Pursuant to section 4.2.3 GCGC, the monetary remuneration components of the Executive Board remuneration shall comprise fixed and variable components. The Supervisory Board has decided to abolish the variable compensation component as of the beginning of fiscal 2017/2018. This was done because the members of the Executive Board are also members of the Executive Board of Varex Imaging Deutschland AG, which holds a majority interest in the Company and with which a domination and profit and loss transfer agreement exists. At Varex Imaging Deutschland AG, the members of the Executive Board receive variable remuneration based on the Group's success. As a result of the domination and profit and loss transfer agreement, the Company's success is no longer an indicator of the success of the managerial performance, so the variable remuneration no longer seemed to be meaningful to the Supervisory Board.
- There are currently no caps on severance payments in Executive Board contracts (Section 4.2.3 GCGC). The Supervisory Board is of the opinion that existing Executive Board contract regulations are reasonable. Having a cap on severance payments also runs counter to our basic understanding of an Executive Board contract, that is concluded to cover the full term of the member's appointment and does not in principle provide for the possibility of ordinary termination by notice.
- The Supervisory Board of the Company currently abstains from the formation of committees with sufficient expertise (Section 5.3.1 GCGC); in particular there has been no formation of an audit committee (Section 5.3.2 GCGC) nor a nomination committee (Section 5.3.3 GCGC). Due to the specific circumstances of the company, and especially the size of the Supervisory Board of the MeVis Medical Solutions AG, the Supervisory board does not believe that the formation and appointment of such committees as stipulated by the code is necessary or appropriate.
- According to Section 5.4.2 of the GCGC (German Corporate Governance Code) the Supervisory Board shall include an appropriate number of independent members. The Supervisory Board consists of three members. Since the previous Supervisory Board election, all Supervisory Board seats are filled with persons who are employed by companies of Varex Imaging Corporation Group. The Varex Imaging Corporation

currently holds the majority of shares in the Company via the Varex Imaging Deutschland AG. Deviating from Section 5.4.2 of the GCGC the Supervisory Board includes no independent members. For this reason, a number of independent members cannot be taken into account when naming the objectives for the composition of the Supervisory Board pursuant to section 5.4.1 of the GCGC. The Company considers the complete occupation of the Supervisory Board with members that are employed by companies of the majority shareholder as appropriate in view of the integration of the company into the Varex Group.

- Pursuant to a shareholders resolution dated June 7, 2016 and the corresponding amendment to the bylaws the Supervisory Board members receive no remuneration by the Company for fiscal years after January 1, 2016. As a purely precautionary measure, it is pointed out that accordingly as opposed to section 5.4.6 para. 1 sentence 2 of the GCGC the Chair and Deputy Chair positions in the Supervisory Board are not reflected in the remuneration and as opposed to section 5.4.6 para. 3 sentence 1 of the GCGC no Supervisory Board remuneration can be reported individually in the notes or management report.
- MeVis Medical Solutions AG is deviating from the recommendations with regards to the publication terms of the Financial Statements and Interim Reports (Section 7.1.2 Phrase 4 GCGC). The Company considers the current regulations of the Frankfurt Stock Exchange for issuers listed in the Regulated Market (Prime Standard segment) to be adequate. These require companies to publish consolidated financial statements within deadlines that are longer than those contained in the Code.

BODIES OF THE COMPANY

The Executive Board, Supervisory Board and shareholders' meeting are the bodies of the Company according to law and statutes. As a public company, the MeVis Medical Solutions AG has a dual management system, which is characterized by a clear separation between the Executive Board, as the management body and the Supervisory Board as the supervisory body.

EXECUTIVE BOARD AND ITS PROCEDURES

The Executive Board manages the Company on its own responsibility with the aim of creating sustainable value. It runs the Company in accordance with the statutory provisions, the Company's articles of association and the rules of procedure for the Executive Board, and works in good faith with the other executive bodies. The Executive Board sets out the corporate objectives and strategies and, based on them, determines the corporate policy.

In accordance with the law and the Articles of Association, the Executive Board, the Supervisory Board and the General Meeting of the Company constitute the corporate bodies of the Company. As a stock corporation, MeVis Medical Solutions AG has a dual management system characterized by a separation of personnel between the Executive Board as the management body and the Supervisory Board as the monitoring body.

Currently, the Executive Board of MeVis Medical Solutions AG consists of one member, Mr. Marcus Kirchhoff, with a contract duration until March 2021. An expansion of the Executive Board is currently neither planned nor foreseen. Therefore, the Supervisory Board has specified the target for the percentage of women on the Executive Board at 0% by December 31, 2020. For any future appointments of Executive board members, the Supervisory Board will of course include qualified women early in the selection process for potential candidates.

The members of the Executive board are jointly responsible for the entire management. Important decisions of the Executive Board are always recorded in minutes. In addition, internal meetings between the Executive Board and mid-level management take place at least once a month. The Supervisory Board has issued rules of procedure for the Executive Board, which documents all the rules of procedure and transactions that require approval.

THE SUPERVISORY BOARD AND ITS PROCEDURES

The Supervisory Board consists of three members, elected by the shareholders, pursuant to the Company's statutes and convenes at least twice in the half year. The members of the Executive Board generally take part in the meetings of the Supervisory Board and report verbally and in writing on the individual items on the agenda, and answer the Supervisory Board members' questions. The members of the Supervisory Board also discuss

certain matters outside the official Supervisory Board meetings or pass resolutions by circulation. The Supervisory Board has issued itself rules of procedure and regularly reviews the efficiency of its activities. On an annual basis the Supervisory Board report sums up the activities in the past fiscal year. Executive and Supervisory Boards work closely together in the Company's best interest.

OBJECTIVES REGARDING THE COMPOSITION OF THE SUPERVISORY BOARD

Pursuant to Section 5.4.1 GCGC, the Supervisory Board must specify concrete objectives regarding its composition, which are reviewed at regular intervals and which will be taken into account when proposing candidates at the Annual General Meeting either in regular elections and in replacement elections of the Supervisory Board:

- The members of the Supervisory Board should, generally speaking, offer the knowledge, skills and relevant experience necessary in order to properly perform their duties. The individual skills and knowledge of the members can complement each other to obtain this objective.
- Members of the Supervisory Board should not serve past the end of the Annual General Meeting following their 75th birthday.
- A member of the Supervisory Board who also serves on the management board of a publicly traded company may not serve on more than five supervisory boards of publicly traded companies not affiliated with the group of the company in which the member of the Supervisory Board serves on the management board or in supervisory bodies of companies with similar requirements.
- No more than two former members of the Company's Executive Board may be members of the Supervisory Board.
- The Supervisory Board should include at least one member who is particularly qualified for handling the Company's international activities. International experience can be gathered, for example, during periods spent abroad or by working for an international company.
- The Supervisory Board must include at least one member who has expert knowledge in accounting or auditing (Section 100 (5) AktG).

Given its current composition, the Supervisory Board believes that it has largely fulfilled these goals. The diversity of the Supervisory Board is mainly reflected in the varying professional careers and activities as well as the varying experiences of the individual members, who complement each other very well in their entirety.

At this point, it should be noted that all Supervisory Board seats are filled with persons who are employed by Varex Imaging Corporation. The Varex Imaging Corporation currently holds the majority of shares in the Company via the Varex Imaging Deutschland AG. The domination and profit and loss transfer agreement with the Company was also transferred to Varex Imaging Deutschland AG in the course of the spin-off. Accordingly, the Supervisory Board no longer has any independent members. The Company considers the complete occupation of the Supervisory Board with members that are employed by companies of the majority shareholder as appropriate in view of the integration of the company into the Varex Group.

Currently the Supervisory Board consists of three members with a 33 % female representation. The members have been elected until the Annual General Meeting in 2021. Personnel changes are currently neither planned nor foreseen. At the next regular Supervisory Board election in 2021, the aim is that the Supervisory Board should consist of at least 30 % women and 30 % men.

CORPORATE GOVERNANCE PRACTICES

Corporate governance of MeVis Medical Solutions AG, as a listed stock corporation, is dictated first and foremost by the German Stock Corporation Act and the recommendations of the current German Corporate Governance Code.

Being a manufacturer of medical software products, the statutory provisions of the German Medical Devices Act (MPG), the European Directive on Medical products (93/42/EEC), the Canadian Medical Devices Regulation (SOR/98-282), the Australian Therapeutic Goods Act (TGA), the Korean Good Manufacturing Practice (KGMP)

and the US Code of Federal Regulations (21 CFR Part 820 - Quality System Regulation) as well as the requirements of the ISO 13485 standard (Medical Devices - Quality Management Systems - Requirements for regulatory purposes) apply to the Company.

Quality and quality management are cornerstones of our corporate governance. The quality management system is geared toward meeting our quality objectives as well as the quality requirements and expectations of our customers in relation to safety and performance, handling, availability, efficiency and punctuality.

The Company's quality management system is certified to EN ISO 13485:2016 by the notified body MEDCERT (ID-number 0482) in the development, manufacturing, final inspection and sale of software for diagnostic evaluation of medical image data as well as intervention support. In addition, DQS Medizinprodukte GmbH is certified for the company's quality management system in the above-mentioned areas according to EN ISO 13485:2016 in accordance with MDSAP Audit Model Edition 2 (for Australia, Canada, USA).

The management of MeVis Medical Solutions AG is also characterized by flat hierarchies with only one management level below the Executive Board, quick decision-making and team-oriented cooperation.

When filling management positions the qualification of candidates is the decisive criterion for the Executive Board of MeVis Medical Solutions AG. However, MeVis Medical Solutions AG pays attention to diversity and in particular the appropriate consideration of women when filling management positions. MeVis Medical Solutions AG welcomes efforts to increase the proportion of women in management positions and will continue to promote female employees according to their qualifications and skills in all levels and areas of responsibility. The proportion of women of the total number of employees of MeVis Medical Solutions AG is currently approximately 33 %. Already, 30 % of the leadership positions of the management level below the Executive Board are occupied with women. At this point, therefore, we have achieved our goal to fill 30 % of the management positions with women by the end of 2020.

REMUNERATION OF EXECUTIVE BODIES

MeVis Medical Solutions AG follows the recommendation of the German Corporate Governance Code to disclose the remunerations for the Executive Board. The remuneration report is part of the management report and also forms part of the Corporate Governance Report.

The members of the Supervisory Board will not receive any remuneration from the Company for fiscal years beginning after January 1, 2016. Therefore, no Supervisory Board compensation is reported individually in the notes or in the management report.

Further explanations and remarks on the remuneration of the Executive Board and the Supervisory Board are disclosed in the remuneration report in the notes.

TRANSPARENCY

To ensure maximum possible transparency, MeVis Medical Solutions AG regularly and promptly informs the capital market, the shareholders and the general public of the Company's financial situation as well as new circumstances and events of importance.

The financial statements and any interim reports are published within the deadlines stipulated for companies listed in the General Standard of the regulated market: within a period of four months for the annual financial statements and within a period of three months in the case of the semi-annual financial reports.

Insider information that concerns the Company is published immediately in accordance with Article 17 (1) of the Market Abuse Regulation (EU) No. 596/2014 (MAR). Shareholders and potential investors can obtain current information about events and new developments on the Internet. All press releases and ad-hoc announcements issued by MeVis Medical Solutions AG are published on the company's website. Up to and including 2019, MeVis Medical Solutions AG has participated in at least one analyst conference per year. Significant and semi-regular events in the financial calendar are published on the Company website.

COMPLIANCE

Compliance describes the adherence to legal, internal and contractual regulations in companies. The entirety of the principles and measures for adherence to certain rules and thus for the avoidance of violations of rules and regulations is referred to as the Compliance Management System.

MeVis Medical Solutions AG considers compliance with laws, internal guidelines and fair interactions with colleagues, business partners and competitors to be an indispensable basis for successful business operations. It currently has a Compliance Management System that is appropriate for the size of the company and its risk situation. The responsibility lies with the Compliance Representative, who reports directly to the Executive Board Member responsible for Finance, Legal Affairs and Human Resources.

The Compliance Guideline introduced internally is binding for all employees, providing them with a guideline for a responsible performance in day-to-day business and is designed to protect them from wrong decisions. The guideline is published on the Company's intranet, employees and managers are continuously informed and made aware of compliance and can also seek advice from the Compliance Representative at any time.

Medical Solutions AG was also integrated into the Varex Group's existing external whistleblower system. This enables employees to provide protected information on violations of the law within the Company.

ANNUAL GENERAL MEETING AND SHAREHOLDERS

The Annual General Meeting of MeVis Medical Solutions AG is called at least once a year. Each share carries one vote in shareholders' resolutions. Each shareholder who registers in time is entitled to attend the Annual General Meeting or has an option of exercising his or her right to vote through a credit institution, association of shareholders, a proxy engaged by and bound by the instructions of Medical Solutions AG or a different proxy.

The invitation to the Annual General Meeting as well as the reports and information required for resolutions are published in accordance with the provisions of the German Stock Corporation Act and made available online on the Company website.

RISK MANAGEMENT

For MeVis Medical Solutions AG, dealing with risks in a responsible manner is a key element of good corporate governance. The Executive Board has installed an appropriate risk management and risk control system in the Company in order to identify, evaluate, monitor and control the risks arising from operating activities at an early stage. The Executive Board informs the Supervisory Board regularly about the current status of significant risks. The risk management system is continuously reviewed in accordance with the latest developments and adjusted where necessary. Further details and information on risk management can be found in the risk report.

ACCOUNTING AND AUDITING

MeVis Medical Solutions AG prepares its statutory annual financial statements and management report in accordance with the German Commercial Code (HGB). In addition, the Company has voluntarily prepared its separate financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) until fiscal 2017/2018. The half-yearly financial report and the interim reports for fiscal year 2018/2019 have also been prepared in accordance with International Financial Reporting Standards (IFRS). With the change of the Company to the General Standard of the Frankfurt Stock Exchange, the Company will prepare its financial reporting only in accordance with the accounting regulations of the German Commercial Code. Quarterly reports or quarterly announcements will no longer be prepared and published.

The financial statements are prepared by the Executive Board and reviewed by the Supervisory Board. The Supervisory Board has commissioned the auditor appointed by the Annual General Meeting for financial year 2018/2019, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, to audit the financial statements for financial year 2018/2019. In doing so, it is ensured that no conflicts of interest impair the work of the auditor.

The audits of the financial statements for the fiscal year 2017/2018 were also conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW).

DIRECTORS' DEALINGS

Pursuant to Article 19 of the Market Abuse Regulation (EU) No. 596/2014 (MAR), members of the Company's Executive and Supervisory Boards and related parties are required to announce all own transactions (Directors' Dealings) involving shares and debt securities of MeVis Medical Solutions AG that are traded on the stock market or related financial instruments (e.g. derivatives) where such transactions total or exceed € 5,000 in a calendar year. In this respect the Company publishes notifications on its website without delay. The Company received no information about Directors' Dealings during the period under review. As of the reporting date, neither the members of the Executive Board nor the members of the Supervisory Board hold shares of MeVis Medical Solutions AG.

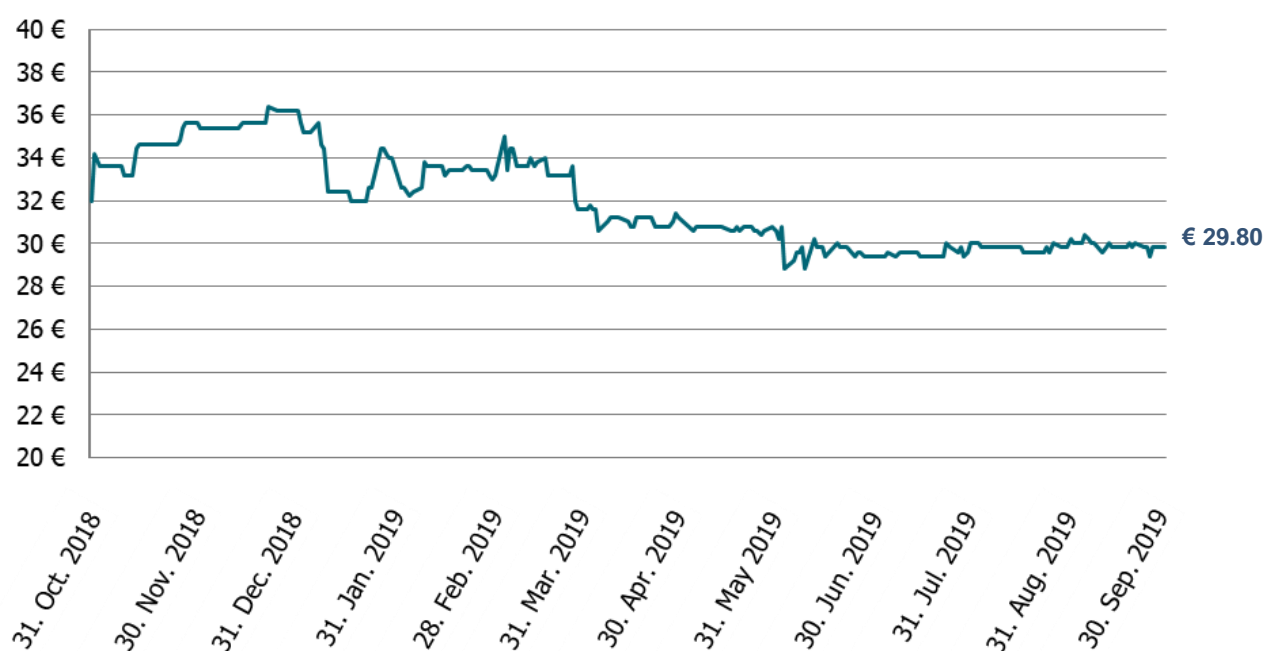
THE MEVIS SHARE

STATUS 09.30.2019	
ISIN / WKN / Ticker Symbol	DE000A0LBFE4 / A0LBFE / M3V
Branch assignment	Software / Medical Technology
Subscribed capital	€ 1.820.000,00
No. of shares	1.820.000
Last quotation on 30.09.2019	€ 29,80
Last quotation on 28.09.2018	€ 34,40
Period high/low in 2018/2019	€ 36,40 / € 28,80
Market capitalization	€ 54.236 million.
General Standard (regulated market)	Frankfurt and Xetra
Over-the-counter markets	Berlin, Düsseldorf, Munich, Stuttgart
Indices	CDAX, General All-Share, DAXsector All Software

STOCK MARKETS IN 2018/2019

After the negative stock market year 2018, the share price recovered considerably in the course of 2019. In addition to hopes of an economic recovery in the second half of the year, monetary policy and hopes of a settlement of the trade dispute between the USA and China also played an important role in the improved mood on the stock market. In particular, the US Federal Reserve, with its abrupt turnaround in monetary policy at the beginning of the year and its statement that it did not intend to raise interest rates further for the time being, had a significant impact on the price trend on the capital markets. In fiscal year 2018/2019, the German stock market, measured against the DAX benchmark index, rose by around 1.5% and closed at 12428 points at the end of September 2019, compared with 12246 points at the end of September 2018. The SDax lost 7% over the course of the year and the TecDAX remained stable year-on-year.

DEVELOPMENT OF THE MEVIS SHARE



In XETRA electronic trading, the share price reached a high of € 36.40 during the 2018/2019 financial year, from October 1, 2018 to September 30, 2019, and a low of € 28.80. MeVis Medical Solutions AG closed the fiscal year at a closing price of € 29.80 (XETRA) compared to € 34.40 at the end of September 2018. Thus, the value of the MeVis share at the end of fiscal 2018/2019 has dropped by 13% compared to the closing price at the end of fiscal 2017/2018. Taking into account the 1,820,000 shares in circulation, market capitalization stood at around € 54.2 million. The number of registered securities accounts stood at 571 as of September 30, 2019, down from 597 at the end of September 2018.

In mid-2019, the Executive Board of MeVis Medical Solutions AG had decided, with the corresponding approval of the Supervisory Board, to apply for the revocation of the admission to trading in the Prime Standard of the Frankfurt Stock Exchange. The change of the stock exchange segment from the Prime Standard to the General Standard serves to reduce the additional expense associated with the listing in the Prime Standard. The revocation became effective as of September 17, 2019. Trading of the shares on the regulated market (General Standard) commenced on September 18, 2019.

SHAREHOLDER STRUCTURE

As of the balance sheet date, 73.65 % of the total share capital of MeVis Medical Solutions AG was held by Varex Imaging Deutschland AG, an indirect subsidiary of Varex Imaging Corporation, Salt Lake City, Utah, USA. According to the shareholder notifications we received, other institutional shareholders are HANSAINVEST Hanseatische Investment-GmbH with approx. 5.51 % and Hauck & Aufhäuser Fund Services S.A. with approx. 3.01 % of the total share capital of MeVis Medical Solutions AG. Accordingly, around 17.83 % of the shares are currently in free float.

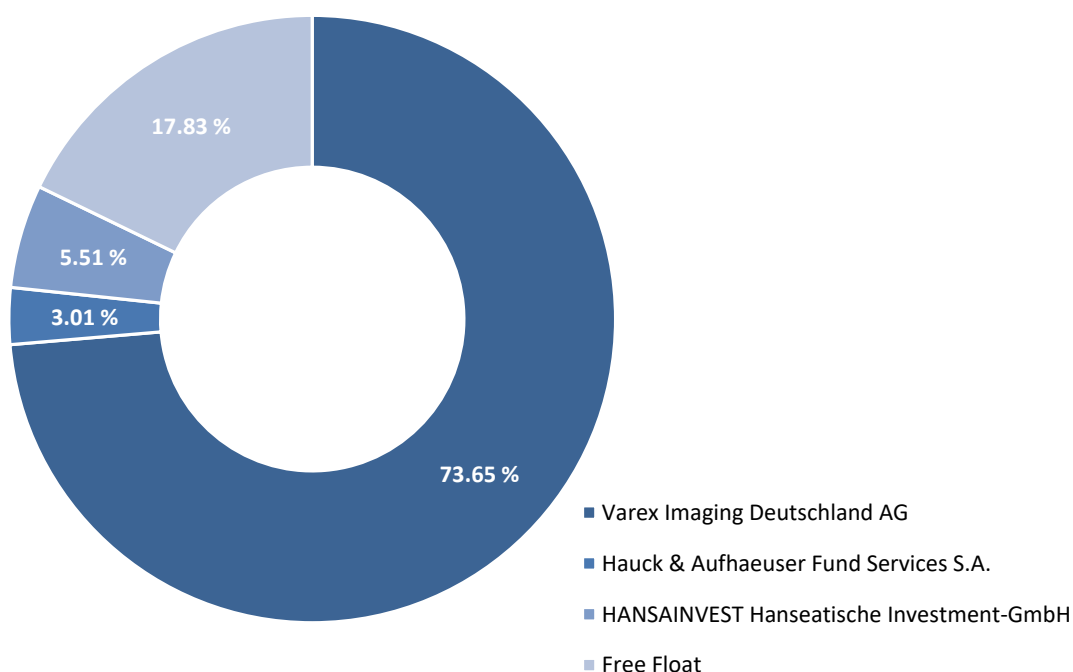


Fig.: Shareholder structure as of September 30, 2019
(In accordance with the shareholder notifications received by us.)

The domination and profit-and-loss transfer agreement between Varex Imaging Deutschland AG and MMS AG obliges Varex Imaging Deutschland AG to pay the outside shareholders an annual cash payment ("compensation payment") for each full financial year for the duration of this agreement. This amounts to € 1.13 (gross) or € 0.95 (net) per share for each full financial year.

MANAGEMENT REPORT FOR THE FISCAL YEAR 2018/2019

PREAMBLE

The present report covers the reporting period from October 1, 2018 to September 30, 2019. The amounts of the prior year provided below refer to the fiscal year 2017/2018 financial year from October 1, 2017 to September 30, 2018.

COMPANY OVERVIEW

BUSINESS ACTIVITIES

MMS AG (hereinafter also collectively: "MeVis" or the "Company") develops innovative software for analyzing and evaluating image data and markets it to equipment manufacturers of medical devices and providers of medical IT platforms.

Clinical focuses are image-based early detection and diagnosis of epidemiologically important diseases such as breast, lung, liver and neurological disorders. The software applications support many of the imaging modalities available. These not only include X-ray modalities such as computed tomography, digital mammography or digital tomosynthesis, but also magnetic resonance imaging, digital sonography and the simultaneous use of multiple modalities (multimodality). MeVis supplies technologies and software applications for global medical industry leaders, meeting their needs and helping them to strengthen their technological leadership positions.

Besides the sale of software licenses and related maintenance contracts, MeVis offers services in the field of software programming for medical technology companies (development services). These comprise the provision of software development teams, i.e. software developers, product and project managers, application specialists and test engineers, for the purpose of developing software modules for external customers on a contract basis. MeVis also offers services to clinical end customers. These include three-dimensional technical visualizations ("MeVis Distant Services"), interactive online training to improve the diagnostic skills of clinicians as well as Internet-based special applications in teleradiology ("MeVis Online Services").

Whereas in the early years MeVis devoted its attention to image-based early detection and diagnosis of breast cancer, today MeVis uses its clinical expertise, specialist knowledge in the field of breast cancer, innovative technologies and its broad network of partner companies to successively develop software applications for use in other oncological diseases. The individual product areas are described in detail below:

Breast products

The various MeVis software products for breast cancer detection support the analysis and display of images from mammography screening and other imaging procedures for early, rapid and reliable diagnosis. Developed through many years of experience in the field of software-based analysis of imaging studies and expertise in workflow, computer-aided diagnosis and system integration, the applications offer optimal conditions for detecting and treating breast cancer as early as possible. Aimed at meeting customer needs especially in terms of display and reading speed even when many patients and large amounts of data are involved, MeVis provides programmable workflow capabilities through special keyboards, computer-aided diagnosis and optional organization of separate diagnostic opinions linked to RIS and PACS systems. In addition to digital mammography for both screening and diagnosis, other procedures such as 3D ultrasound, magnetic resonance imaging (MRI), computed tomography (CT) and tomosynthesis are optimally supported. In particular, the support of tomosynthesis as a three-dimensional advancement of digital mammography has become increasingly important in recent years due to the market success of the corresponding equipment manufacturers.

Lung products

MeVis software solutions pertaining to lungs are used to automatically detect anomalies such as lung tumors or pulmonary embolism in computed tomographic images. In this field, multi-slice computed tomography (MSCT) constitutes the state of the art in three-dimensional medical X-ray imaging. Thanks to improved detail resolution, it now plays an important role in modern pulmonary diagnostics. Within a few seconds, the smallest details of the entire lung are mapped in three dimensions. Evaluation of the growing volumes of data sets poses a growing challenge, however. MeVis software enables a time-efficient and safe radiological diagnosis of these MSCT images (multislice computed tomography) in clinical practice. State-of-the-art image processing and pattern recognition algorithms for computer-aided diagnosis of diseases of the chest make it possible to conduct a detailed segmentation of the anatomical structures of the lung, to fully automate the detection of anomalies (CAD), and to assess and quantify them. MeVis CAD technology offers radiologists a supportive, independent and reproducible evaluation of image data and is used worldwide for applications in the early detection, clinical diagnosis and treatment of lung diseases.

A more advanced version of the lung-cancer screening product was launched on the market based on this technology and on expertise in the area of breast cancer screening. This is aimed specifically at the efficient analysis of the large volumes of data sets accruing in connection with the CT-based lung cancer screening for heavy smokers introduced in the United States. Thanks to the consistent and close interfacing of the components for workflow support, comparison with preliminary images, integration of CAD results, automatic, reproducible measurement of lesion parameters and reporting in accordance with the Lung-RADS standard, this software provides significant advantages for the diagnosing radiologist, not only with respect to the time required for the diagnosis, but also to the quality of the results and integration with other clinical systems such as patient management.

Liver products

With its MeVis Distant Services, MeVis creates technical visualizations, especially of the liver, that are used in further training, publications and presentations, as well as for research purposes. Medical technology companies and trained radiology and surgery personnel use MeVis Distant Services (MDS) to obtain comprehensive professional visualizations of their cases. Instead of static 2D representations, they obtain interactive 3D visualizations, which they can use for presentations and publications in leading professional journals and other media.

Neurological products

MeVis software for neurological diseases is capable of evaluating highly complex neuroradiological data, providing the basis for the safe and careful planning of brain surgery. Functional magnetic resonance imaging (fMRI) and diffusion tensor imaging (DTI) are able to capture functional areas, such as motor or linguistic regions, and make fiber tracts visible. Through the simultaneous display (fusion) of such data with other anatomical images, relations to brain tumors can be displayed, so that complex relationships are made visible. As a result, the MeVis software solution helps neurosurgeons plan for the best and least invasive access to tumors, allowing for the safe and reliable treatment of patients with neurological diseases. In addition, dynamic imaging allows for the flow of blood to the brain to be measured. The application calculates various metrics (rCBV, rCBF, TTP, etc.) and displays them in color maps, aiding the diagnosis of primary disorders of cerebral circulation (stroke), assessment of tumor malignancy and follow-up exams.

MeVis Online Services

Through the MeVis Online Academy, MeVis offers interactive online training for faster and more accurate diagnoses both directly for clinical end users and indirectly through medical technology companies. Web-based radiological case collection provides the basis for this. Specifically adapted hanging protocols and interactive radiological examination and diagnostics tools round out the training portfolio for digital mammography, tomosynthesis, computed tomography (CT), magnetic resonance imaging (MRI) and sonography. Clinicians have round-the-clock access from any location to a wide variety of clinical case collections of recognized experts, including their solutions. This represents a unique, high-quality tool for further education, continuous radiological training and performance monitoring. In addition, MeVis develops software components in cooperation with

Deutsche Röntgengesellschaft for online collaboration through networks of radiological experts and for multidisciplinary collaboration. Radiological image data can be securely shared online with colleagues from various fields, prepared as needed and made accessible worldwide through mobile devices. Innovative special applications for medical technology companies in the area of digital image acquisition, planning procedures for radiation therapy and additive production processes (3D printing), as well as the related software infrastructure for the global operation of cloud applications, round out the product portfolio.

RESEARCH AND DEVELOPMENT

The market for software products for use with digital medical imaging processes is characterized by high quality requirements and, in some cases, short innovation cycles in tandem with rising technical complexity. Along the way, the software's user-friendliness and easy integration into the clinical IT environment are becoming increasingly important. For this reason, the product ranges developed by MeVis call for ongoing and forward-looking adjustment in light of new medical and technological developments and the constant increase in data volumes to be processed.

The company has limited research capacities of its own. The majority of the Company's employees are working in the development of software applications. The company therefore commissions the Fraunhofer Institute for Image-Based Medicine MEVIS or other renowned research institutes to perform the necessary research services. This could be the procurement or licensing of existing research results or a mandate to work on a new research topic.

In the period under review, the Company's research and development activities focused on the development of software for tapping into new areas of application, such as solutions for CT-based lung cancer screening. In addition, emphasis was placed on the further development of existing software products in order to remain competitive in segments that are currently successful and to secure maintenance sales in the long term.

Technology platforms

MeVisLab is the Company's in-house research and development environment for the rapid and effective development of software prototypes and products. This unique software development tool allows the methods and workflows developed to be quickly tested, evaluated and optimized ("rapid prototyping") in clinical settings and distributed through a range of channels. By being linked to product development software technologies, the prototypes developed based on MeVisLab can advance in the value chain and be converted into marketable products in a short time, which leads to significantly shorter development and product release periods. This development method is used with great success in the development of various software products, particularly in the further development of the product Veolity for efficient diagnosis of lung CT studies, new image-based planning tools for additive production/3D printing, the MeVis Online Academy training platform, as well as special applications for online multidisciplinary collaboration, teleradiology and radiotherapy planning ("MeVis Online Services").

MeVisAP, a proprietary technology platform, provides basic services such as integration into the hospital network, license management, the management of studies and work lists, automated preparation of 2D, 3D and 4D image data and the creation of visually appealing reports and structured findings. Thanks to the client-server technology, users can work on their own cases from any station, seek the advice of other experts and pause or resume work at any time. The modular concept allows MeVis to quickly put together combinations of different clinical questions or imaging procedures required by the customer and link them with one another. On the one hand, MeVisAP serves as a complete diagnostics platform; on the other hand, partial functions from existing systems (RIS, PACS, system platforms) can be integrated into it as well.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Macroeconomic situation¹

After a promising start in 2018, the global economy gradually lost momentum at the end of 2018 and in the further course of 2019. In particular, issues such as the trade dispute between the USA and China, the possible introduction of tariffs and brexite have severely affected the mood of companies and private households. So far, the economic slowdown has concentrated on countries for which both industry and foreign trade play an important role. In the USA, the economy was slightly better than in the rest of the world. Recently, however, there have also been positive signals in the trade conflict between the USA and China, as well as the prospect of an orderly brexite, which may indicate an imminent economic recovery.

The International Monetary Fund has steadily lowered its forecast for global economic growth in the course of 2019 to date, most recently in October 2019, from 3.2 % to 3.0 % for 2019 and from 3.5 % to 3.4 % for 2020. The IMF forecasts growth rates of 2.4 % in 2019 and 2.1 % in 2020 for the U.S.A., MeVis' most important economic region. Growth rates for the euro zone and Germany are estimated to be somewhat worse. In the euro zone, the IMF is forecasting growth rates of 1.2% in 2019 and 1.4% in 2020, and in Germany even only 0.5 % in 2019 and 1.2% in 2020.

Industry development

In contrast to the general economic trend, the market research company EvaluateMedTech expects the global market for medical technology and in-vitro diagnostics (IVD) to grow at an average annual growth rate of 5.6 % until 2024, when it will reach a value of USD 595 billion. The consulting firm Frost & Sullivan put the global market for medical technology in 2018 (excluding IVDs) at USD 422 billion and also expects the medical technology market to grow by 5.6 % in 2019, reaching USD 446 billion. Of this figure of USD 446 billion, around 7.1 % is accounted for by the medical imaging market, which is of crucial importance to MeVis (USD 31.7 billion). Broken down by region, North America (39.2 %), Europe (27.0 %) and Asia (25.9 %) account for the largest market shares. In 2018, German medical technology manufacturers were able to generate total sales of approximately 30.3 billion euros.²

The following picture emerges from the perspective of German exports: The most important target region for German medical technology exports in 2018 was the European Union, which accounted for around 42.1 % of exports relevant to the sector. Together with exports to the rest of Europe (9.6 %), more than half of all exports of medical technology goods were thus exported to other European countries. The regions North America and Asia each accounted for just under 19 % of exports. The countries of the European Union also dominated imports with a share of 33 % of total German imports, followed by North America (share: 26.7 %) and Asia (share: 19.9 %).³

The medical technology sector in general remains an attractive market for MMS AG. A slight shift from the originally dominant markets of the USA and Europe to Asia is noticeable. The main drivers in the coming years will continue to be the growing population, demographic trends, medical and technological progress particularly in the emerging markets and the growing awareness of health issues. Increasing digitalization and automation will also be a significant driver, both for new treatment methods and for new business potential.

The digitization of social life is changing the demands on modern healthcare and at the same time offers opportunities for a more efficient healthcare system. In the future, the networking and processing of health data will make it increasingly possible to design better diagnostic procedures and therapies tailored to the individual. Examples include telemedical applications, for example in cardiology, which will enable better care for people in rural areas. Data are therefore an important resource for future health research and care. Particularly in the case of sensitive health data, fundamental aspects must also be taken into account, especially who is authorized

¹ Source: International Monetary Fund - World Economic Outlook (WEO) & Updates 2018/2019

² Source: The German Medical Technology Industry SPECTARIS Yearbook 2019 / 2020; (based on data from Frost & Sullivan and EvaluateMedTech); page 14

³ Source: The German Medical Technology Industry SPECTARIS Yearbook 2019 / 2020; page 13

to decide on the use of the data collected.⁴ However, despite all the doubts regarding digitized administration, 84% of people consider research into digital technologies in the medical field to be important with the aim of modernizing and improving healthcare for patients.⁵

In addition to the technological challenges in medical technology, the ever-increasing importance of regulatory requirements is also a challenge. The central objectives of the regulatory authorities include ensuring a high level of health protection for patients and users, demonstrating high standards of quality assurance, and giving due consideration to technological progress. The technological progress can also be seen in the so-called MEG-Trends of the industry. This applies in particular to the expansion of digitization, patient safety and consumer protection. Even now, keywords such as IoT (Internet of Things), automation, cyber security, e-health and patient protection are becoming increasingly important in everyday use. The needs of the market are subject to increasingly strict and complex regulatory requirements. In this context, topics such as software/cyber security, data sovereignty and software validation are certainly worth mentioning, as are aspects of material composition and material resistance, -suitability and disposal.⁶

In our opinion, the importance of medical imaging as a sub-segment of medical technology remains positive. Here, topics such as multimodal and functional imaging, diagnostic support, model-based therapy as well as new and optimized workflows, computer support, automation and artificial intelligence are the main drivers.

If we look at the situation at MeVis and in particular the main areas of breast cancer diagnostics and 2D and 3D (three-dimensional digital tomosynthesis) breast screening as well as lung cancer screening, we see different developments. From a user perspective, demand for three-dimensional digital tomosynthesis systems continued to grow in the reporting period, as it has in recent years. The introduction of this still relatively new technology is leading to increased demand for the corresponding imaging devices. According to FDA⁷ (US Food and Drug Administration) statistics from October 2019, there are a total of 8,668 certified breast screening centers in the US with a total of 20,952 mammography imaging devices. Of the 8,668 certified centers (Oct. 2018: 8,704), 5,607 centers (Oct. 2018: 4,708) are also certified for tomosynthesis diagnostics. These figures show that the ongoing trend of switching from 2D to 3D continues and will continue to grow in the coming years. However, as a result of the widespread use of tomosynthesis systems, many software producers and modality manufacturers now also offer software applications for diagnosing tomosynthesis data which, although they do not offer the same range of functions as the products developed by MeVis, are increasingly appreciated by clinical end users on account of their full integration into the IT environment already in place in the clinical environment. Hologic, as the market leader in this segment, will start to position its own software solution in the market from 2020 onwards, which is why the outlook for the market for dedicated software solutions relevant to MeVis is clouded with respect to the marketing of our own mammography and breast screening solutions.

For lung cancer screening, the introduction of corresponding screening programs based on CT images has been on the horizon in the U.S. since mid-2013. National studies⁸ (Early Lung Cancer Action Project - ELCAP and National Lung Screening Trial - NLST) in the U.S. have shown that CT lung screening is highly superior to normal x-rays in detecting lung cancer at an early stage. As early as December 2013, the United States Preventive Services Task Force (USPSTF), the nationally responsible expert commission, issued a corresponding recommendation⁹ for national lung screening under certain conditions. Since January 2016, the measures have been reimbursable according to a decision by the CMS¹⁰ (Centers for Medicare and Medicaid Services) and are

⁴ Source: Digitization in medicine - BMBF <https://www.bmbf.de/de/digitalisierung-in-der-medizin-2897.html>

⁵ Source: <https://www.epharmain Insider.com/gesundheitswesen-2030-wie-sieht-die-zukunft-der-medizin-aus/>

⁶ Source: SPECTARIS Yearbook 2018, page 37

⁷ Source: US Food and Drug Administration / Scorecard Statistics (<https://www.fda.gov/radiation-emitting-products/mqsa-insights/2019-scorecard-statistics>)

⁸ Early Lung Cancer Action Program ELCAP / <http://www.ielcap.org/lancet-1999> National Lung Screening Trial (NLST) / <https://clinicaltrials.gov/ct2/show/NCT00047385>

⁹ U.S. Preventive Services Task Force - Recommendation for Lung Cancer Screening /2013 (<http://www.uspreventiveservicestaskforce.org/Page/Document/UpdateSummaryFinal/lung-cancer-screening>)

¹⁰ Centers for Medicare and Medicaid Services - Decision Memo on Lung Cancer Screening /2015 g (<https://www.cms.gov/medicare-coverage-database/details/nca-decision-memo.aspx?NCAId=274>)

also reimbursed by health insurance companies in the USA. The ¹¹results of the European NELSON lung cancer study, which has been running for 10 years, published in September 2018 have more than confirmed the results of the NLST study. The probability of introducing lung cancer screening programs in Europe in the time horizon of the next years has thus increased significantly.

We therefore anticipate an increased demand for software solutions for the early detection of lung cancer. MeVis is already addressing this potentially growing area with its Veolity Lung Screening, Veolity Lung CAD, the e-learning portal MeVis Online Academy and the Lung Academy.

The further course of business with applications in the lung product area depends decisively on whether, when and to what extent the published results on the clinical efficacy of this technology will lead to an appropriate remuneration of the quality-assured procedures and the transfer into clinical routine. Last but not least, the success of the MeVis technology deployed depends on a high participation and care rate across the board among the eligible risk groups, i.e. acceptance of the preventive examinations by patients.

PERFORMANCE

The operating business of the Company consists of the development and sale of software licenses, the related maintenance business and software programming for medical technology companies (development services) as well as the provision of services for technical visualizations (distant services) and online training.

With around 91% of total sales, the software business, which includes products for the medical technology companies Hologic, Vital Images and Invivo, again accounted for the majority of the Company's total sales in this reporting period.

EARNINGS POSITION

The company's sales revenues amounted to € 18,073 k in the financial year under review (prev. year: € 17,775 k). 29 % (prev. year: 29 %) of the sales revenues are attributable to the sale of licenses, 38 % (prev. year: 40 %) to maintenance revenues and 33% (prev. year: 31%) to other revenues, which include, among other things, services for and oncharges to affiliated companies and the parent company. The year-on-year improvement in license sales is mainly due to the significant year-on-year increase in the average USD exchange rate, since the majority of invoices are invoiced in USD. The deterioration in maintenance revenues is mainly due to the decrease in maintenance revenues with the customer Hologic as a result of the decrease in newly concluded maintenance contracts. The improvement in other revenues compared with the previous year is due to an increase in revenues from development services, as more services were provided for the Varian Medical Systems Group and Varex Imaging Corporation.

Other operating income amounted to € 2,221 k in the past financial year (prev. year: € 1,831 k). It mainly consists of income of € 2,133 k from exchange rate differences (prev. year: € 1,614 k).

The cost of materials decreased to € 457 k (prev. year: € 580 k) and consists mainly of expenses for services purchased from the Fraunhofer MEVIS Institute amounting to € 97 k (prev. year: € 223 k), external services for the lung product area amounting to € 97 k (PY: € 135 k) and materials used in the mammography product area amounting to € 132 k (PY: € 94 k).

The company's personnel expenses amounted to € 8,085 k in the past fiscal year (prev. year: € 7,885 k). In the year under review, the average number of permanent employees at the company was reduced by 2 to 99, while the number of temporary student employees remained constant at 4 (prev. year: 4). Despite the reduction in the number of employees, the increase in personnel expenses is primarily due to the increase in the bonus provision and the annual salary increase of around 3 %.

Other operating expenses amounted to € 3,947 k in the period under report (prev. year: € 3,814 k). They consist of exchange rate differences of € 1,725 k (prev. year: € 1,820 k), rental expenses of € 429 k (prev. year: € 441 k), selling expenses of € 273 k (prev. year: € 288 k), expenses of € 448 k for legal, advisory and auditing

¹¹ International Association for the Study of Lung Cancer (IASLC) - NELSON Study (<https://wclcl2018.iaslc.org/media/2018%20WCLC%20Press%20Program%20Press%20Release%20De%20Koning%209.25%20FINAL%20.pdf>)

services (prev. year: € 251 k), maintenance expenses of € 124 k (prev. year: € 130 k), operating expenses of €159 k (prev. year: €179k) and other operating expenses of €789k (previous year: €705k).

In June 2019, MeVis BreastCare GmbH & Co. KG (MBC KG) resolved to distribute a dividend, which resulted in income from investments of € 447 k (prev. year € 564 k) at MMS AG.

Earnings before interest and taxes (EBIT) increased by € 430 k to € 7,997 k, mainly due to higher sales revenues compared to the previous year and a higher result from exchange rate differences, which were, however, offset by higher personnel expenses and increased other operating expenses.

The Company's net interest income amounts to € 159 k (prev. year: € 141 k), which improved mainly due to higher interest income from the loan granted to Varex Imaging Deutschland AG. This results in earnings before taxes (EBT) of € 8,156 k (prev. year: € 7,708 k).

The income taxes of € 85 k (prev. year: € 86 k) incurred in the financial year under report are virtually unchanged on the previous year.

Taking into account the income tax burden of € 85 k (prev. year: € 86 k) and the expenses of € 8,071 k (prev. year: € 7,619 k) resulting from the profit transfer to Varex Imaging Deutschland AG, the net income for the past fiscal year amounts to € 0 k (prev. year: € 0 k).

APPROPRIATION OF PROFITS

The profit of € 8,071 k is transferred to Varex Imaging Deutschland AG under the domination and profit and loss transfer agreement.

INVESTMENTS

Investments in property, plant and equipment amounted to € 203 k in the period under report (prev. year: € 103 k) and mainly related to office equipment.

No investments in intangible assets were made (prev. year: € 105 k).

NET ASSETS AND FINANCIAL POSITION

Total assets decreased slightly to € 23,920 k (prev. year: € 24,007 k). On the assets side, fixed assets decreased by € 53,000 and current assets by € 34 k, while equity remained constant. Provisions decreased by € 481 k and liabilities by € 232 k, while deferred income increased by € 626 k.

Due to the slight decline in total assets and constant equity, the equity ratio rose slightly to 75 % (prev. year: 74 %), while the debt/equity ratio fell correspondingly to 25 % (prev. year: 26 %).

Fixed assets decreased by € 53 k to € 16,799 k (previous year: € 16,852 k) at the balance sheet date. Intangible fixed assets of € 18 k (prev. year: € 100 k) decreased due to scheduled depreciation of € 82 k. Property, plant and equipment consisting of office equipment of € 243 k (prev. year: € 215 k) increased due to scheduled depreciation of € 175 k and additions totaling € 203 k. Current assets decreased by € 25 k to € 7,026 k (previous year: € 7,051 k) at the balance sheet date. While receivables from affiliated companies in particular increased by € 1,057 k due to higher trade receivables from Varex Imaging Corporation, cash and cash equivalents decreased by € 877 k and trade receivables by € 218 k.

The company's equity remained constant at € 17,826 k (prev. year: € 17,826 k) and, in addition to subscribed capital of € 1,820 k (prev. year: € 1,820 k), consists of capital reserves of € 11,461 k (prev. year: € 11,461 k), statutory revenue reserves of € 5 k (prev. year: € 5 k) and other revenue reserves of € 4,540 k (prev. year: € 4,540 k).

Provisions decreased year-on-year by € 481 k to € 2,487 k (prev. year: € 2,968 k), mainly due to a reduction in tax provisions, as tax payments were made on the basis of tax assessments received for the short financial year 2016 and the 2016/2017 financial year. Pension provisions increased by € 136 k to € 284 k, mainly due to the lower discount rate. Other provisions increased to € 1,774 k, partly due to higher personnel provisions. Liabilities decreased by € 232 k to € 1,752 k (previous year: € 1,984 k) at the balance sheet date, mainly due to the reduction in advance payments received and in other liabilities. As in the previous year, there are no liabilities

to banks. Deferred income increased by € 626 k to € 1,854 k due to the year-on-year increase in customer prepayments for services to be provided by the Company in future.

The Company's liquid funds (cash on hand, bank balances) decreased from € 3,477 k to € 2,600 k in the past fiscal year. Of this decrease, € -8,119 k resulted from payments to the shareholder due to profit transfers and transfers of funds during the year. By contrast, a positive cash flow from operating activities of € 6,545 k (prev. year: € 5,139 k) was generated in the year under review.

The cash flow from operating activities increased in financial year 2018/2019, taking into account cash and non-cash transactions, in line with the increase in net profit for the year before profit transfer to € 6,545 k. The negative cash flow from investing activities amounted to € 5,921 k in the period under report (prev. year: € 21,866 k) and, in addition to dividends received of € 447 k (prev. year: € 564 k) and interest received of € 335 k (prev. year: € 153 k), includes payments of € 203 k (previous year: € 208 k) for investments in property, plant and equipment and intangible assets. In addition, the cash flow from investing activities includes payments for short-term cash transfers to Varex Imaging Deutschland AG, which at the balance sheet date were offset against the liability from the transfer of profits for the fiscal year 2018/2019.

The negative cash flow from financing activities amounted to € 1,619 k (prev. year: € 9,368 k) and resulted from the remaining payment for the profit transfer for fiscal year 2017/2018 to the shareholder Varex Imaging Deutschland AG.

Overall, the net assets, financial position and results of operations have developed very satisfactorily.

CONTROL SYSTEM

The Company used revenues and earnings before financial result and taxes (EBIT) as essential financial planning tools. A deviation analysis of the applicable budget parameters is performed regularly in the light of the results of a corresponding risk situation evaluation. This analysis, together with external market and competitor information, forms the basis for ongoing review of the plan and continuous forecast adjustments.

NON-FINANCIAL PERFORMANCE INDICATORS

The enterprise value of MeVis is determined not only by financial but also by non-financial performance indicators. They affect, for example, the Company's relationships with its employees and customers, its ability to innovate and its quality management. Corporate goals can only be achieved if MeVis, as an attractive and responsible employer, can bind competent and committed employees to the Company and develop innovative and high-quality products and solutions that will continue to meet customer requirements in the future. MeVis does not financially evaluate non-financial performance indicators.

Staff

MeVis' workforce is an essential part of our capital. Employee expertise and commitment make a decisive contribution to the Company's success. Their knowledge and experience guarantee the quality of the products and continuously optimize processes and services. Flat hierarchies, great creative freedom and a high degree of personal responsibility are an expression of the open corporate culture. MeVis pays great attention to a pleasant working atmosphere and respectful interaction with each other. A code of conduct that all employees accept at the beginning of their work regulates their relationships with each other, business partners and service providers. Financial recognition of individual performance is as important to MeVis as the availability of flexible work time models, targeted staff development and health promotion measures.

MMS AG had 103 permanent employees as of the reporting date (prev. year: 101) as well as 3 student testers on a temporary basis (prev. year: 3). This equates to a total of 95 full-time equivalents (prev. year: 93), 93 of whom were permanent employees (prev. year: 91) and 2 (prev. year: 2) student tester on a temporary basis. The vast majority of employees received a voluntary bonus payment in the past fiscal year as well as their fixed remuneration.

Quality Management and Regulatory Affairs

High-quality processes, including comprehensive expertise in international regulatory processes, is a necessary requirement for the achievement of MeVis' strategic objectives, and thus of very high value. Quality and quality management are both a regulatory requirement and an important product feature.

MeVis has installed a comprehensive quality management system according to EN ISO 13485. MeVis is certified according to EN ISO 13485:2016 (incl. MDSAP Audit Model Edition 2 for Australia, Canada, USA) for the areas of development, manufacturing, final inspection and sale of software for diagnostic evaluation of medical image data as well as intervention support. Through further certifications and approvals, the company is able to develop products that meet the requirements of Directive 93/42/EEC (Europe), FDA 510k (USA), CMDCAS (Canada), TGA (Australia) and KGMP (Korea) and bring those products to approval.

This ensures that software components delivered by MeVis meet the applicable standards and legal requirements. In turn, this significantly accelerates the approval process for our customers' medical products, bringing them to market faster.

Innovativeness

Innovation and new technologies are essential for the strategic development of MeVis. The market for software products for use with digital medical imaging processes is characterized by high quality requirements and, in some cases, short innovation cycles in tandem with rising technical complexity. For this reason, the product ranges developed by the Companies call for ongoing and forward-looking adjustment in the light of new medical and technological developments and the constant increase in data volumes to be processed. In addition to internal research and development capabilities, MeVis has a wide network of hospitals and research centers at its disposal, enabling us to identify new ideas and market trends early on.

For the rapid development of prototypes tailored to real-life application, MeVis uses its own MeVisLab research and development environment. As a result, newly developed methods and work processes can be tested, evaluated and optimized in clinical environments ("rapid prototyping") to convert developed products into marketable products in a short time. This leads to significantly shorter development and innovation cycles.

Solid customer relationships

MeVis owes its leading market position to its successful long-term cooperation with major international medical technology companies. Under the umbrella of the OEM sales model, distribution of software applications is carried out under the medical technology company's respective brand names who are typically also manufacturers of imaging devices. In recent years, development support for OEMs has also gained in importance. Our major customers include Siemens, Hologic, Invivo (a subsidiary of Philips), Vital Images (a subsidiary of Canon/Toshiba) and Varian Medical Systems.

In the past fiscal year, MeVis was able to win Varex Imaging Corporation as a customer. Excellent customer relationships are the basis for MeVis' success. On account of their personal, efficient and competent services, our key account managers contribute to increasing customer satisfaction and promoting a long-term, profitable customer relationship. Moreover, we consider our customers a driving force for innovation, which is reflected in our continuous development of products with new or additional services at the request of our existing customers. In addition, intensive customer relations are maintained with Siemens through the joint venture MeVis Breast-Care. Moreover, MeVis has provided development services for Varex Imaging Corporation in the past fiscal years. These good customer relations form the basis for MeVis' success.

OVERALL STATEMENT

The fiscal year 2018/2019 was again successful for MeVis in view of the financial figures, in which MeVis continued to participate in the very good market position of Hologic for breast cancer screening. Due to the still solid cost structure, very good results could be achieved.

The middle- and long-term outlooks remain significantly dampened by the changed cooperation arrangements with MeVis introduced by Hologic and the associated decline expected in sales with and activities for Hologic.

COPERATE DISCLOSURES (SECTION 289a HGB)

Composition of the subscribed capital

As of the reporting date, the Company had subscribed capital of € 1,820 k, which consisted of 1,820,000 no-par-value registered shares with voting rights. Each registered share carries one vote. In accordance with the statutory provisions and the Articles of Association, the shareholders exercise their voting rights at the General Meeting.

Restrictions on voting rights or the transfer of shares

The Executive Board has no information about any restrictions on exercising voting rights or restrictions on the transferability of the shares, which go beyond the statutory requirements of the capital market law.

Shares in capital exceeding 10 % of the voting rights

Based on the information of the Company, the following direct or indirect equity interests existed, exceeding 10 % of the voting rights at the reporting date:

- Varex Imaging Deutschland AG directly holds 73.65 % of the total share capital of MMS AG.
- Varex Imaging Investments BV indirectly holds 73.65 % of the total share capital of MMS AG via Varex Imaging Deutschland AG.
- Via Varex Imaging Investments BV and Varex Imaging Deutschland AG, Varex Imaging International Holdings BV indirectly holds 73.65 % of the total share capital of MMS AG.
- Varex Imaging Corporation indirectly holds 73.65 % of the total share capital of MMS AG via Varex Imaging International Holdings BV, Varex Imaging Investments BV and Varex Imaging Deutschland AG.

Provisions governing the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board is governed by the provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG). In addition, Section 6 (1) and (2) of the Articles of Association of MeVis Medical Solutions AG in the version dated June 7, 2016 stipulates that the Supervisory Board shall appoint the members of the Executive Board and determine their number. Amendments to the Articles of Association are governed by Sections 133 and 179 et seq. of the German Stock Corporation Act. Section 119 (1) No. 5 of that Act stipulates that any amendments to the Articles of Association require a resolution of the shareholders. Under Section 9 (5) of the Articles of Association of MeVis Medical Solutions AG in the version dated June 7, 2016, the Supervisory Board may make amendments to the wording of the Articles of Association.

Authorization of the Executive Board to issue or buy back shares

In accordance with the resolution passed by the shareholders at the Annual General Meeting on June 9, 2015, the Executive Board is authorized, subject to the Supervisory Board's approval, to increase the Company's share capital on a cash or non-cash basis by a total of up to € 910 k by issuing new registered no-par-value shares in one or more tranches on or before June 8, 2020. The shareholders must generally be granted subscription rights; the statutory subscription right may also be granted in such a way that the new shares of one or more credit institutions or those under Section 186 (5) sentence 1 of the German Stock Corporation Act, be subject to the obligation to offer them to the shareholders of MeVis Medical Solutions AG for subscription. The Executive Board is also authorized, subject to the Supervisory Board's approval, to exclude the subscription rights of shareholders in certain cases.

Material changes containing a change-of-control clause applicable in the event of any takeover bid

MeVis Medical Solutions AG has made various agreements, as listed below, consisting of rules in the event of a change-of-control, for example following a takeover bid:

- As a 49 % partner in MBC KG, Siemens Healthcare GmbH is entitled to request the transfer of the limited-partnership share held by MMS AG in MBC KG as well as its share in MeVis BreastCare Verwaltungsgesellschaft mbH at a reasonable price if a third party either directly or indirectly acquires a controlling interest as defined in Section 17 of the German Stock Corporation Act in MMS AG and competes with Siemens Healthcare GmbH.
- As a licensee of MMS AG, the Invivo Corporation is entitled to terminate the licensing agreement existing between Invivo Corporation and MMS AG in the event of changes to the control structure within MMS AG, insofar as the controlling party does not recognize the licensing agreement obligation.

CORPORATE GOVERNANCE STATEMENT (SECTION 289f HGB)

The most recent Corporate Governance Statement can be accessed on the Company website of MeVis Medical Solutions AG at <https://www.mevis.de/en/investor-relations/corporate-governance/corporate-governance-report/>.

REMUNERATION REPORT

As of fiscal year 2017/2018, the remuneration of the Executive Board only includes fixed components.

In agreement with the members of the Executive Board the Supervisory Board has decided to abolish the variable remuneration component at the beginning of fiscal year 2017/2018. This was done because the members of the Executive Board are also members of the Executive Board of Varex Imaging Deutschland AG, which holds a majority interest in the Company and with which a domination and profit and loss transfer agreement exists. At Varex Imaging Deutschland AG, the members of the Executive Board receive variable remuneration based on the Group's success as of fiscal year 2018/2018. As a result of the domination and profit and loss transfer agreement, the Company's success is no longer an indicator of the success of the managerial performance, so the variable remuneration no longer seemed to be meaningful to the Supervisory Board.

The current employment contracts for Executive Board members, which have a term of three years, stipulate transitional payments of up to four monthly salaries should their contracts not be extended and the Company fails to comply with the termination period of four months prior to the end of the contracts. In the event of revocation of appointment, the Executive Board member receives their fixed remuneration (in one case the present value) until the end of their contractual term, unless the revocation of appointment is based on negligence on the part of the Executive Board member.

As explained in the financial statements, the total remuneration paid to the Executive Board in the period under review came to € 380 k (prev. year: € 447 k).

OPPORTUNITIES AND RISKS REPORT

The Executive Board of MMS AG believes that the market for medical imaging technology in the extremely important digital mammography segment will be increasingly affected by market saturation. The Executive Board therefore believes that the market environment will become progressively competitive. Key providers of PACS (picture archiving and communication systems) for the archiving and presentation of all clinical patient data are continuing to develop further in market segments relevant to the Company, meaning that it requires an increasing amount of effort to remain one step ahead and continue with its progress. As a result, ongoing activities at MMS AG are based on the conviction that global demand will remain stable, especially when it comes to medical imaging technology and diagnostics support, but that the competitive situation will become more demanding and price pressure will increase. Alongside diagnostic imaging, intervention and treatment planning will also play a more significant role in the optimization of the clinical workflow.

MeVis assumes that its customers in the computer-assisted imaging segment will be able to retain the outstanding position of their products on the global market and will be able to generate further growth. MeVis can make a decisive contribution here with its software applications. Against this backdrop of increasing competition, MeVis will continue to focus on maintaining these strong relationships with customers and expanding our customer base especially for the segment Development Services as well as Other Diagnostics segment. The relevant market in the Digital Mammography segment for dedicated software applications for diagnosis of images from mammography and tomosynthesis is estimated to decline in the medium- and long-term, since the aforementioned PACS systems increasingly expand its functionality and offer seamlessly integrating more user-friendly complete systems, than would ever be possible through dedicated individual solutions. In addition, the competition for MeVis' most important customer Hologic is increasing furthermore by other modal manufacturers, especially in the USA.

Macroeconomic factors and health policy debates, such as on the importance of screening programs for early lung cancer detection, continue to play a key role in the Company's business environment. The Executive Board is therefore unable to rule out that external factors will adversely impact the market environment as well as the Company's sales and distribution expectations for 2019/2020 and beyond.

On the other hand, the Executive Board of MMS AG continues to hope that MeVis will be able to play a leading role, for example, if large-scale lung cancer screening is introduced, even if the current level of sales fell short of expectations.

In the past fiscal year, MMS AG continued its efforts to further enhance its internal risk management processes. Regular extended management meetings continue to be an essential tool for detecting at an early stage any risks to its assets as well as changes in the business performance of the individual segments and Group members or other risks to its going-concern status.

MMS AG has implemented a risk strategy which defines measures and procedures as well as tasks and responsibilities in the risk management system. The Company's risk management system is geared toward coordinating the processes for monitoring, early detection and managing all business risks in accordance with the Business Control and Transparency Act. The purpose is to identify at an early stage any risks, in particular risky transactions, accounting misstatements and breaches of the law with a material effect on the assets, financial and earnings of the Company and to minimize potential negative effects.

The Accounting Law Reform Act further states the mandates of Supervisory and Executive Boards of capital market companies in concrete terms. This includes in particular their responsibilities and monitoring duties in relation to internal risk management, including the internal auditing system.

A monitoring system is at the core of the risk management system of MMS AG. It ensures that existing risks are recorded, analyzed and assessed, and also that risk-related information is passed on to the right decision-maker in a systematic manner. Risks are continuously quantified in monetary terms. According to the extent of the damage, it is subdivided into four categories: small (less than € 2.5 m), medium (€ 2.5 m to less than € 5.0 m), high (€ 5.0 m to less than € 10.0 m) and critical (starting at € 10.0 m). A gross assessment is carried out, i.e. the damage assessment is based on the potential maximum amount of damage. The probability of occurrence is assessed taking into account the measures currently being taken to limit damage and it is

divided into four categories: very low (0% to 5%), low (6% to 15%), medium (16% to 25%) and high (26% to 100%).

The risk management system documents and regularly updates risk scenarios arising out of operations and based on the environment. The following three main opportunities and risks with an extent of damage of € 2.5 m to less than € 10.0 m and an average expectation of damage were identified:

a) Product development-related risks

MeVis has invested heavily in new technologies and products for many years now. Despite extensive market studies, there is a risk that this will not lead to economic success and that resources will be used for projects for which only small future revenues can be generated. In addition, it could become increasingly difficult to identify economically attractive products.

Despite extensive market studies, the development of new products and basic technologies is generally associated with a significant risk, especially in cooperation with new customers. While MeVis is increasingly attempting to reduce the revenue risk in the development of products, e.g. by allowing major customers to share in the development costs, a financial risk remains in the case of the necessary pre-development of technologies.

b) Opportunities arising from the introduction of lung cancer screening

Since mid-2013, there has been an emerging trend, at least in the USA, to introduce CT-based lung cancer screening programs. In December 2013, the US Preventive Services Task Force (USPSTF) issued a corresponding recommendation. In the course of 2014 this was defined more accurately and on February 5, 2015 the CMS (Centers for Medicare and Medicaid Services) released a memorandum containing its decision. In November 2015, the final criteria were published for reimbursement and January 4, 2016 was set as the start date of the reimbursement. Accordingly MeVis expected and expects a sharp rise in CT scans of the lung to be diagnosed since 2016 and resulting from this increasing demand for solutions that simplify, shorten and qualitatively improve this procedure. MeVis was already in a position to serve this potential growth market with its Visia Lung CAD product and, for this reason, MeVis launched a dedicated lung screening solution on the market in the second half of 2014 and has concluded a marketing agreement with a major medical technology company. The introduction of broad lung screening programs would result in opportunities for MeVis of a significant increase in revenues. This carries the risk that MeVis will not be able to establish itself successfully in this market and will not be able to make use of the considerable investments in one of the most promising market developments.

c) Exchange rate risks and opportunities

MMS AG and its affiliate offer their services on an international basis and, hence, outside the euro currency zone, particularly in the US market. The sales of MMS AG and its affiliate are invoiced in the currency of the territory in which the customer has its head office. To date, the vast majority of services of MMS AG are therefore being invoiced in US dollars, while most of the Company's expenses are to be paid in euros. Subsequently, opportunities and risks from exchange rate fluctuations could arise which may have a positive or negative effect on the profit and loss of the Company. In addition, a substantial part of the other financial assets and liquidity nominates in US dollars, which could also result opportunities and risks.

When necessary in the past, MMS AG entered into different types of currency contracts to manage exchange rate risk resulting from the cash flow from (expected) business activities denominated in foreign currencies. The transaction risk was measured in each relevant foreign currency. The Company's exchange rate exposure was due to its global business activities, particularly the sale of its products to US customers, which are invoiced in US dollars. In the future there will be no new hedging transactions due to the affiliation to the Varex Imaging group and in accordance with its corporate policy.

In addition, the Company identified the following opportunities and risks, which are less significant in terms of the extent of damage and/or expected damage compared to the above-mentioned opportunities and risks, whereby the risks are divided into those related to business activities, market-related risks and those related to

research and development. In the individual areas, the risks are presented in the order of importance, starting with the highest significance:

BUSINESS-RELATED OPPORTUNITIES AND RISKS

- a) Risks arising from dependence on key customers and opportunities arising from acquiring additional key customers

The Company generates a substantial portion of its revenue from business with a small number of key customers. These customers are of considerable importance for the commercial success of MMS AG. Some of the contracts concluded with these key customers are fixed term and run for several years. If the Company does not succeed in retaining the positive business relationships with these key customers or if these key customers decide against continuing these relationship for other reasons or become insolvent, this will have a direct detrimental effect on the Company's assets, liabilities, financial position and profit or loss. For this reason, MMS AG makes every effort to increase the number of business relationships such that the existing risk is minimized without impacting the quality or profitability of individual areas.

If MeVis succeeds in acquiring one or more additional key customers and can conclude contracts for license sales of existing or new software products, this would open up new sales contributions. In addition, this would also reduce the risks from dependence on individual medical technology companies due to a broader distribution of sales among more customers.

- b) Risks related to the expiry of the SecurView™ agreement with Hologic as of December 31, 2020

The existing agreement with the medical technology company Hologic for the distribution of the SecurView™ product has been extended in December 2019 /January 2020 by one year and now runs until December 31, 2020. Due to the very large installed base of SecurView™ in the market, a need for maintenance services and possibly also new licenses is also assumed from January 1, 2021, so that a contract extension beyond December 31, 2020 is to be expected. A potential amendment or non-extension of the contract could in turn significantly impair the assets, liabilities, financial position and profit and loss due to the importance of this business for MeVis.

- c) Opportunities and risks arising from dependence on customers' success

There are risks and opportunities in conjunction with the success of customers, even if relationships with key customers continue or they remain solvent; this is because the Company, due to existing contractual regulations, is contingent on its key customers' ability to market their own products successfully. The same applies in principle to indirect marketing through sales partners. If such products are not distributed successfully or if the customer is not able to obtain the necessary permits for its products, this will negatively impact demand for MMS AG's products as well as those of its affiliates. On the other hand, strong sales performance of the medical technology companies can have a positive effect on MeVis' licensing business.

- d) Product liability risks

Despite consistent quality assurance, the risk of defects in MeVis' products cannot be ruled out. In such cases, MeVis may be exposed to warranty claims on the part of its contractual partners or product liability claims. In addition, disputes relating to warranty or product liability claims could result in a loss of confidence in the market and thus harm the MeVis Group's reputation.

- e) Risks in connection with the utilization of brands

It is possible that there are third-party brands, names and company names which are similar to those used or registered as brands by MMS AG or its affiliate for similar or identical goods and services. Therefore there is a possibility of conflicts arising with third parties with respect to brands or designations (e.g. product or company names), which may result in MeVis not being permitted to use the designation or brand name in question. This would also entail the risk of liability for damages on the part of MMS AG or MBC KG.

f) Risks in connection with the utilization of patents and industrial property rights

MMS AG and MBC KG own a number of German, European and US patents and patent applications. In addition, MBC KG holds a German utility patent. The risk of third parties breaching the industrial property rights of the Company or its affiliate cannot be ruled out, nor can the risk of MeVis breaching third-party patents and industrial property rights be ruled out. By MeVis being part of an American company, the risk has increased that MeVis will be sued in the US for patent infringement and substantial legal costs will incur for the defense of these lawsuits regardless of their substance.

g) Risks associated with financial instruments

The main financial instruments used by MMS AG are a loan to Varex Imaging Deutschland AG as well as cash and cash equivalents. Cash and cash equivalents are intended to finance operations and purchases. The Company has various other financial instruments such as trade receivables and payables, which arise directly from operations. Significant credit and liquidity risks are so far not seen. For further information on exchange rate risks, please refer to our comments on opportunities and risks from exchange rate fluctuations.

h) Liquidity risks

A change to the business and market environment of MMS AG and its affiliates could result in the Companies no longer being in a position to meet their financial obligations arising during the course of their operations. Such an erosion of the Company's liquidity position could result in one of the above-mentioned risks, such as that with existing key customers, or significant payment delays. Securing liquidity therefore forms an integral part of the ongoing liquidity and debtor management at MMS AG and its affiliates. It is therefore just as important as financial due diligence for new customers. As of the reporting date, MMS AG reported cash and cash equivalents of € 2.6 million (previous year: € 3.5 million). The Company assumes that this liquidity will be sufficient to meet its short and medium-term payment obligations. Additional liquidity needs may arise in years to come, if the planned sales revenues should not be achieved and at the same time the costs of the Company cannot be reduced accordingly. The Company had no credit facilities at banks as of the reporting date. The liquidity risks are significantly reduced by the obligation of Varex Imaging Deutschland AG to a possible assumption of losses, as stated in the domination and profit and loss transfer agreement, secured by comfort letters from the US parent company, Varex Imaging Corporation.

MARKET-RELATED OPPORTUNITIES AND RISKS

a) Risks arising from the necessity for ongoing product optimization

In order to remain competitive, MeVis must improve its products on an ongoing basis to bring them into line with market trends taking regional requirements into account, and incorporate the latest technological developments in diagnostic, therapy and intervention methods. It is not possible to exclude the risk of future technological advances that could render the software developed by MeVis obsolete. If MeVis is unable to continue updating its software products in line with the swift and dynamic technological advances in the individual areas of application, this may have an adverse effect on order intake and thus on the assets, liabilities, financial position and profit or loss of MMS AG and its affiliates.

b) Risks arising from the further development of PACS systems

If the functional scope of PACS systems should continue to develop to a significant extent in the direction of the software applications offered by MeVis, this could have a negative impact on the market for dedicated software applications operated at work stations. The market for dedicated software applications is of pivotal importance for MeVis.

c) Risks from the increasing importance of fully integrated software applications for clinical end users

If clinical end users place greater value in future on the seamless integration of the software applications used in the IT landscape existing in the hospital, this would result in a market shift from individual suppliers of dedicated applications such as MeVis in favor of fully integrated PACS solutions, with negative consequences for MeVis' assets, financial position and results.

RISKS IN CONNECTION WITH RESEARCH AND DEVELOPMENT

a) Risks arising from the availability of qualified executives and staff

The internal and external availability of qualified employees in sufficient numbers to maintain and expand business operations entails a risk in light of the current situation in the relevant segment of the labor market. Particularly important to MeVis are individuals with expertise in specific areas such as software development for medical technical applications, which is essential to the business. This is especially so, given that highly-qualified and specialized employees are not widely available on the open labor market. Despite internal succession plans, knowledge sharing and incentive schemes, the loss of even one of these individuals can have a negative impact on the business and the assets, liabilities, financial position and profit or loss of MMS AG depending on their function.

In view of the existing domination and profit and loss transfer agreement and the associated loss assumption obligation of Varex Imaging Deutschland AG as well as the letter of comfort issued by Varex Imaging Corporation the Executive Board still does not see any overall risks that could impair the existence of MMS AG.

ACCOUNTING AND AUDITING

MeVis Medical Solutions AG prepares its statutory financial statements and management report in accordance with the German Commercial Code (HGB). The Company also prepares voluntarily individual IFRS financial statements in accordance with International Financial Reporting Standards (IFRS) until fiscal 2017/2018. The half-year financial report and the interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). With the change of the Company to the General Standard of the Frankfurt Stock Exchange, the Company will prepare its financial reporting only in accordance with the accounting regulations of the German Commercial Code. Quarterly reports or quarterly announcements will no longer be prepared and published.

The financial statements are prepared by the Executive Board and reviewed by the Supervisory Board. The Supervisory Board engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, as the auditors elected by the Annual General Meeting for fiscal year 2018/2019, to audit the statutory financial statements for fiscal year 2018/2019 and the individual IFRS financial statements. This approach ensures that no conflicts of interest affect the work of the auditors.

The audits of the financial statements for the fiscal year 2017/2018 were also conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW).

ACCOUNTING RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

In general, the risk management system and the internal control system also include the accounting processes as well as all risks and controls in relation to accounting. This concerns all elements of the risk management system and internal control system, which may have significant impact on MMS AG's annual financial statements.

The purpose of the risk management system in relation to the accounting processes is the identification and assessment of risks that may conflict with the aim of compliance of the annual financial statements with the standards. Any risks identified must be assessed in terms of their effect on the annual financial statements and management report. The objective of the internal control system in this context is to ensure with sufficient certainty – by implementing appropriate controls – that standards-compliant annual financial statements and management report are prepared in spite of the risks identified.

The Company has an internal control and risk management system covering the accounting process, in which suitable structures and processes are defined, and implemented in the organization. Prompt and accurate accounting is ensured for all transactions. Statutory standards and accounting standards are complied with, and

the relevance and impacts on the annual financial statements of amendments to the laws and accounting standards are analyzed, adopted and implemented on a continuous basis. The staff involved is regularly trained in this work.

Essential elements of risk management and control in accounting are clear assignment of responsibilities and controls in the process of preparing the financial statements, transparent guidelines on accounting and the preparation of financial statements, and appropriate access controls for the IT systems of relevance to the financial statements. The principle of dual control and the division of functions are also important control principles in MeVis' accounting process. The identified risks and measures taken as a result are updated in the quarterly reports and reported to the management. The effectiveness of internal controls for accounting is reviewed at least once a year, primarily as part of the process of preparing the financial statements.

OUTLOOK

Fiscal year 2018/2019 developed better than assumed in the forecast: The original forecast assumed a significant decline in sales to € 17.0 million to € 17.5 million, whereas sales in the 2018/2019 fiscal year increased to € 18.1 million. The better sales development compared to the original forecast is mainly due to the fact that the expected decline in sales with Hologic as the most important contractual partner did not materialize. While revenues from the maintenance business developed worse than expected, revenues from the licensing business developed positively contrary to the forecast. This was also due to the significant increase in the average USD exchange rate, as the majority of invoices are invoiced in USD. Revenues from development services also improved compared to the forecast.

A similar picture emerges for EBIT: Originally, a decline to between € 6.5 million and € 7.0 million was forecasted for 2018/2019 for this key performance indicator. In fact, EBIT rose to € 8.0 million. Compared to the original forecast, this increase was due to the increase in sales revenues and a significantly better result from exchange rate differences than originally assumed.

For the fiscal year 2019/2020 a significant decrease in sales to € 15.5 million to € 16.0 million is expected. In addition to the expected decrease in sales revenues with the customer Hologic, declining sales revenues in the area of development services are expected, as fewer development services are performed compared to 2018/2019. Earnings before interest and taxes (EBIT) are expected to decline to € 4.5 million to € 5.0 million. The forecasted decrease in sales revenues, an expected break-even result from exchange rate differences and an expected decrease in income from investments are the main drivers for the EBIT decline.

As in the previous reporting period, the Executive Board will regularly review its expectations during fiscal year 2019/2020 based on current business developments.

Bremen, January 27, 2020



Marcus Kirchhoff
CEO

as of September 30, 2019 (prior year: as of September 30, 2018)

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MeVis Medical Solutions AG

EQUITY AND LIABILITIES (FIGURES IN €)	30.09.2019	30.09.2018
A. Equity		
I. Subscribed capital		
Subscribed capital	1,820,000.00	1,820,000.00
II. Additional paid-in capital	11,461,332.48	11,461,332.48
III. Retained earnings		
1. Legal reserve	5,000.00	5,000.00
2. Other revenue reserves	4,539,688.30	4,539,688.30
	<u>4,544,688.30</u>	<u>4,544,688.30</u>
	<u>17,826,020.78</u>	<u>17,826,020.78</u>
B. Provisions		
1. Provisions for pensions	284,074.04	148,189.04
2. Provisions for taxes	428,735.35	1,308,967.60
3. Other accruals	1,774,407.56	1,510,925.04
	<u>2,487,216.95</u>	<u>2,968,081.68</u>
C. Liabilities		
1. Advance payments received on orders	16,476.74	114,082.09
2. Liabilities from deliveries and services	10,566.04	29,291.44
3. Liabilities to affiliated companies Company	1,570,939.48	1,619,212.33
4. Other liabilities	154,466.47	221,752.62
-from taxes € 105,864.51		
(previous year: € 176,111.51)-		
-from it within the framework of social security		
€ 14,229.66 (previous year: € 23,813.66)-		
	<u>1,752,448.73</u>	<u>1,984,338.48</u>
D. Prepaid expenses and deferred charges	<u>1,854,084.66</u>	<u>1,228,472.95</u>
	<u>23,919,771.12</u>	<u>24,006,913.89</u>

MeVis Medical Solutions AG, Bremen

INCOME STATEMENT

for the period from October 1, 2018 to September 30, 2019

(previous year: October 1, 2017 to September 30, 2018)

FIGURES IN €	2018/2019	2017/2018
1. Revenues	18,073,388.20	17,775,140.93
2. Other operating income	2,221,174.74	1,831,060.16
--of which from currency translation		
€ 2,132,916.17 (previous year:		
€ 1,614,269.59)-		
3. Cost of material		
a) Cost of purchased goods	132,218.43	93,708.00
b) Cost of purchased services	324,787.34	485,816.52
	457,005.77	579,524.52
4. Staff costs		
a) Wages and salaries	6,836,231.14	6,623,031.08
b) Social security contributions and ex-		
penses for pensions and other bene-		
fits	1,248,515.45	1,262,071.99
--of which for old-age pensions		
€ 138,486.58		
(previous year: € 117,504.69)--	8,084,746.59	7,885,103.07
5. Amortization of intangible assets and de-		
preciation of property, plant and equip-		
ment	256,028.85	324,255.64
6. Other operating expenses	3,946,963.40	3,814,389.63
--of which from currency translation		
€ 1,724,652.43		
(previous year: € 1,820,430.86)--		
7. Income from investments	446,646.86	563,692.06
--of which from affiliated companies		
€ 446,646.86		
(previous year: € 563,692.06)--		
8. Other interest and similar income	169,314.29	158,448.23
--of which from affiliated companies		
€ 169,259.62		
(previous year: € 153,264.55)--		
9. Interest and similar expenses	9,840.00	17,218.00
--Of which interest accrued		
€ 9,840.00		
(previous year: € 17,218.00)--		
10. Taxes on income and earnings	85,000.00	86,077.19
11. Earnings after taxes	8,070,939.48	7,621,773.33
12. Other taxes	0,00	2,561,00
13. Profit transferred under a profit transfer		
agreement	8,070.939,48	7,619,212,33
14. Net income for the year	0,00	0,00

STATEMENT OF CASH FLOWS

for the period from October 1, 2018 to September 30, 2019

(previous year: October 1, 2017 to September 30, 2018)

FIGURES IN €	2018/2019	2017/2018
Net income before profit transfer	8,070,939.48	7,619,212.33
+ Depreciation of fixed assets	256,028.85	324,255.64
+/- Increase/decrease in provisions	389,527.52	-827,425.19
+/- Other non-cash expenses/income	-109,192.64	-1,637,772.94
Increase/decrease in trade receivables and other assets not attributable to investment or financing activities	-1,018,212.13	155,567.88
-/+ Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	441,994.81	119,937.66
-/+ Profit/loss from the disposal of fixed assets	0.00	5,413.00
+/- Net interest income	-159,474.29	-141,230.23
- Other investment income	-446,646.86	-563,692.06
+ Income tax expense	85,000.00	86,077.19
- Income tax payments	-965,232.25	-1,367.19
= Cash flow from operating activities	6,544,732.49	5,138,976.09
- Payments for investments in intangible assets	0.00	-105,172.91
Payments made for investments in property, plant and equipment	-202,922.14	-102,880.73
- Payments for granting loans	0.00	-16,225,211.69
- Payments for short-term funds made available	-6,500,000.00	-6,000,000.00
+ Interest Received	335,362.15	3,823.60
- Dividends received	446,646.86	563,692.06
= Cash flow from investing activities	-5,920,913.13	-21,865,749.67
- Payment to shareholders (remaining profit transfer)	-1,619,212.33	-9,368,113.09
= Cash flow from financing activities	-1,619,212.33	-9,368,113.09
Net change in cash and cash equivalents	-995,392.97	-26,094,886.67
Effect of exchange rate changes on cash and cash equivalents	118,440.86	-162,855.40
+/- Cash and cash equivalents at the beginning of the period	3,477,203.02	29,734,945.09
= Cash and cash equivalents at the end of the period	2,600,250.91	3,477,203.02

STATEMENT OF CHANGES IN EQUITY

for the period from October 1, 2018 to September 30, 2019

(previous year: October 1, 2017 to September 30, 2018)

FIGURES IN €	Subscribed Capital	Reserves			Net income for the year	Total
		Capital reserve	Retained earnings	Retained earnings		
	Ordinary shares	According to § 272 para. 2 No. 1 - 3 HGB	legal reserve	other revenue reserves		
As of 01.10.2017/ 30.09.2018	1,820,000.00	11,461,332.48	5,000.00	4,539,688.30	0.00	17,826,020.78
As of 01.10.2018/ 30.09.2019	1,820,000.00	11,461,332.48	5,000.00	4,539,688.30	0.00	17,826,020.78

MeVis Medical Solutions AG, Bremen

NOTES FOR THE FISCAL YEAR 2018/2019

ACCOUNTING AND MEASUREMENT POLICIES

MeVis Medical Solutions AG is located in Bremen and is registered in the Commercial Register of the District Court of Bremen (HRB 23791 HB).

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) applicable to corporations and in compliance with the German Stock Corporation Act. For the income statement the total cost method was chosen. The annual financial statements have been prepared on a going concern basis.

The company is a large corporation within the meaning of Section 267 (3) HGB.

The fiscal year of MeVis Medical Solutions AG comprises the reporting period from October 1 of each year to September 30 of the following year. These annual financial statements cover the period from October 1, 2018 to September 30, 2019.

Purchased intangible fixed assets are carried at cost less scheduled straight-line depreciation. If necessary, extraordinary depreciation is applied. Software for commercial and technical applications is amortized over a useful life of three years. The amortization of acquired rights of use for software intended for marketing is based on a useful life of five years.

Property, plant and equipment is valued at acquisition cost less scheduled depreciation. Depreciation is calculated using the straight-line method, taking into account the normal useful life. Extraordinary depreciation is charged where necessary.

Scheduled straight-line depreciation is based on the following estimated useful lives of the assets

	Useful life in years
IT equipment	3
Business equipment	3 - 10
Leasehold improvements	5 - 10

Low-value assets and standard software with acquisition costs between € 250.00 and € 800.00 are written down within the year of acquisition.

Shares in affiliated companies are measured at cost. If there is a permanent reduction in value, they are written down to the lower fair value. This is determined using the discounted cash flow method on the basis of the respective corporate planning. The planned surplus income is derived using a capitalization interest rate derived from the return on a risk-adequate alternative investment. If the reasons for a write-down no longer exist, this is accounted for by means of a write-up.

Loans are generally carried at nominal value.

Receivables and other assets are stated at their nominal values less appropriate individual value adjustments.

Cash and cash equivalents are stated at their nominal value.

Prepaid expenses include payments made before the balance sheet date if they represent expenses for a specific period after this date.

Equity is stated at nominal value.

Pension provisions are recognized at the higher of the present value of the defined benefit obligation or the fair value of the reinsurance policies taken out to cover the claims of the beneficiaries. In accordance with § 246

(2) sentence 2 HGB, the carrying amounts of the reinsurance policies and pension provisions are offset against each other.

Tax accruals and **other accruals** are stated at the amount which, according to sound business judgment, is necessary to meet the underlying obligations. They include all identifiable risks and uncertain liabilities. Provisions with a remaining term of more than one year are discounted at an average market interest rate appropriate to the period.

Liabilities correspond to the agreed payment obligations and are carried at their settlement amount.

Deferred income includes payments received prior to the balance sheet date if they represent income for a specific period after that date.

Foreign currency translation is performed in accordance with the realization and impairment principle for items with a remaining term of more than one year. Items with a remaining term of up to one year are translated at the mean spot exchange rate on the reporting date.

NOTES TO THE FINANCIAL POSITION

Fixed assets

A presentation of the development of fixed asset items (fixed asset movement schedule) based on the total acquisition costs is shown in the appendix to the notes.

Shares in affiliated companies

MeVis Medical Solutions AG (hereafter also referred as "MMS AG" or the "Company") holds equity interests in the following companies:

FIGURES IN € k	Share in capital	Amount of equity capital	Annual result
1. MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen, Germany	51.0 %	31	0
2. MeVis BreastCare GmbH & Co KG, Bremen, Germany	51.0 %	3.033	261

The figures shown in the table refer to September 30, 2019.

Receivables and other assets

All receivables have a remaining term of up to one year.

Trade receivables amounted to € 2,498 k at the reporting date (prior year: € 2,716 k) and mainly relate to receivables from the customers Hologic, Vital Images and Invivo.

Receivables from affiliated companies relate in the amount of € 234 k (prior year: € 134 k) to trade receivables from MBC KG and in the amount of € 1,680 k (prior year: € 570 k) to trade receivables from Varex Imaging Deutschland AG and Varex Imaging Corporation. In the previous year, short-term interest receivables from Varex Imaging Deutschland AG from a loan granted were still included in receivables from affiliated companies in the amount of € 153 k.

Other assets amounted to € 14 k at the balance sheet date (previous year: € 1 k). These relate to security deposits of € 1 k (previous year: €1k) and receivables of € 13 k for a development project.

Prepayments and accrued income

Prepaid expenses mainly include a payment for software licenses that can be called up in the future and a payment for rental and ancillary costs for the month of October 2019.

Taxes

As a result of the income tax unity in place between Varex Imaging Deutschland AG and MMS AG since October 1, 2017, MMS AG will generally no longer be subject to taxes. The income taxes of € 86 k incurred in the current reporting year result from the taxation of the compensation payment made by Varex Imaging Deutschland AG to the outside shareholders at MMS AG in accordance with Section 16 KStG.

Deferred taxes arise from temporary valuation differences between the commercial and tax balance sheets, which, when settled in later years, result in charges or relief. Deferred tax assets also arise from tax loss carryforwards that can be taken into account. Due to the fiscal unity for income tax purposes, deferred taxes are only to be recognized for the controlling company, Varex Imaging Deutschland AG, in accordance with the formal approach required under commercial law.

Equity

a) Share capital

The share capital of MMS AG amounts to € 1,820 k (2017/2018: € 1,820 k). It consists of 1,820,000 (2017/2018: 1,820,000) no-par value registered shares, which are fully paid up. The notional value of each share is € 1.

b) Capital reserve

The capital reserve amounts to € 11,461 k (previous year: € 11,461 k) and originally corresponded to the proceeds of the IPO which were received by the company in excess of the increase in share capital. As of December 31, 2013, a partial amount of the capital reserve of € 18,326 k was used to offset the net loss for 2013 and the loss carried forward from the previous year in accordance with Section 150 (4) of the German Stock Corporation Act (AktG). As of April 21, 2015, the Company's treasury shares were tendered to VMS Deutschland Holdings GmbH at a price of € 17.50 per share as part of the voluntary takeover bid.

c) Retained earnings

In accordance with § 150 AktG (German Stock Corporation Act), a legal reserve of € 5 k was created in 2006. Since the sum of the legal reserve and the capital reserve exceeds 10 % of the share capital, no further allocations are required.

d) Authorized Capital

In accordance with the resolution of the Annual General Meeting on June 9, 2015, the Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital by up to € 910 k in the period until June 8, 2020, by issuing new no-par value registered shares on one or more occasions against cash or non-cash contributions. In principle, the shareholders are to be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are taken over by one or more banks or companies equivalent to these banks in accordance with Section 186 (5) sentence 1 AktG with the obligation to offer them to the shareholders of MeVis Medical Solutions AG for subscription. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription rights in certain cases.

e) Announcements according to WpHG

As of the reporting date, MMS AG had received the following compulsory disclosures in accordance with Section 21 et seq. of the German Securities Trading Act (WpHG), concerning changes in the voting rights held in MMS AG:

- 1) On March 30, 2015 Oppenheim Asset Management Services S.à.r.l., Luxembourg, Luxembourg (since the end of 2017: Hauck & Aufhaeuser Fund Services S.A., Munsbach, Luxembourg) notified us pursuant to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the threshold of 3% of the voting rights on March 24, 2015 and stood at 3.012 % (equivalent to 54,820 voting rights) on that date.

- 2) On January 5, 2017, Varex Imaging Deutschland AG, Willich, Germany, informed us in accordance with Section 21 (1) WpHG that it had received a power of attorney from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without instructions and for an unlimited period of time. On this day, pursuant to Section 22 (1) WpHG 73.65 % (corresponding to 1,340,498 voting rights).

On January 5, 2017, Varex Imaging Investments BV, Dinxperlo, the Netherlands, informed us in accordance with Section 21 (1) WpHG that its subsidiary, Varex Imaging Deutschland AG, Willich, Germany, had received a power of attorney from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without instructions and for an unlimited period of time. On that day, 73.65 % of the voting rights (corresponding to 1,340,498 voting rights) were attributed to it pursuant to Section 22 (1) WpHG.

On January 5, 2017, Varex Imaging International Holdings BV, Dinxperlo, the Netherlands, informed us in accordance with Section 21 (1) WpHG that its second-tier subsidiary, Varex Imaging Deutschland AG, Willich, Germany, had received a power of attorney from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without being bound by instructions and for an unlimited period of time. On that day, 73.65 % of the voting rights (corresponding to 1,340,498 voting rights) were attributed to it pursuant to Section 22 (1) WpHG.

On January 5, 2017, Varex Imaging Corporation, Wilmington, Delaware, USA, informed us in accordance with Section 21 (1) WpHG that its great-grandchild company, Varex Imaging Deutschland AG, Willich, Germany, had received a power of attorney from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without being bound by instructions and for an unlimited period. On that day, 73.65 % of the voting rights (corresponding to 1,340,498 voting rights) were attributed to it pursuant to Section 22 (1) WpHG.

Complete chain of subsidiaries starting with the ultimate controlling company: Varex Imaging Corporation, Varex Imaging International Holdings BV, Varex Imaging Investments BV, Varex Imaging Deutschland AG

- 3) On June 7, 2017, HANSAINVEST Hanseatische Investment-GmbH, Hamburg, Germany, notified us pursuant to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the threshold of 5% of the voting rights on June 6, 2017 and stood at 5.51 % (equivalent to 100,277 voting rights) on that date.

Provisions

a) Pension obligations

The settlement amount of pension provisions (€ 688 k; prev. year: € 528 k) is initially calculated in line with the benefit obligations arising from pension commitments, taking biometric probabilities into account on the basis of the Heubeck 2018 G mortality tables using the projected unit credit method. The contractually agreed interest rate of 4% is taken into account when determining the present value of the vested pension rights. The respective interest rate published by the Deutsche Bundesbank for a remaining term of 15 years is used for discounting. Pursuant to Section 253 (2) Sentence 1 of the German Commercial Code (HGB) (as amended), pension provisions have been discounted at the balance sheet reporting date using an average market interest rate for the past ten years (2.82%; prev. year: 3.34%). The average market interest rate of the past seven years amounts to 2.05 % (prev. year: 2.44 %). The difference pursuant to Section 253 (6) Sentence 1 HGB amounts to € 146 k (prev. year: € 135 k). The difference is the difference between the pension provisions measured at the 10-year average interest rate on the balance sheet date and the pension provisions measured at the 7-year average interest rate on the balance sheet date. There is a dividend distribution block in the amount of the difference. The difference is included in the profit and loss transfer to Varex Imaging Deutschland AG and has therefore not been subject to a transfer block.

In accordance with the provisions of Section 246 (2) Sentence 2 HGB, pension provisions have been offset against the fair value of the reinsurance policy (€ 404 k; prev. year: € 380 k). The fair value of the reinsurance policy corresponds to the policy reserve proven by the insurer. This value also corresponds to the acquisition costs amortized in line with the lower of cost or market principle.

b) Provisions for taxes

Tax provisions amount to € 429 k (prev. year: € 1,309 k). The tax provisions are based on MMS AG's tax returns and calculations for the years 2017 to 2019.

c) Other accruals

Other provisions amount to € 1,774 k (prev. year: € 1,511 k). Of this amount, € 540 k (prev. year: € 490 k) relates primarily to bonus and profit-sharing provisions, € 350 k (prev. year: € 350 k) to provisions for the 13th salary, € 239 k (prev. year: € 201 k) to provisions for vacations and overtime, € 277 k (prev. year: € 239 k) to outstanding invoices, and € 155 k (prev. year: € 163 k) to provisions for warranties.

Liabilities

In the period under review, trade payables decreased by € 18 k and amounted to € 11 k at the reporting date. As in the previous year, there were no liabilities to affiliated companies relating to current offsetting. Liabilities to affiliated companies of € 1,571 k (prev. year: € 1,619 k) relate to the transfer of profits under the existing domination and profit and loss transfer agreement with Varex Imaging Deutschland AG in the amount of € 8,071 k, which were offset against claims of € 6,500 k arising from the transfer of funds to Varex Imaging Deutschland AG during the year.

As in the previous year, all liabilities have a term of up to one year as of September 30, 2019.

Deferred income and accrued expenses

This item includes deferred revenue components already paid but not realized under multi-component contracts. In addition, payments received under maintenance agreements are deferred if the corresponding maintenance service has not yet been provided.

NOTES TO THE INCOME STATEMENT

Revenues

Revenues have been recognized in accordance with the new definition of Section 277 (1) HBG in the version of BilRUG and are broken down by type of revenue as follows

FIGURES IN € k	2018/2019	2017/2018
Maintenance	6,856	7,066
Sale of licenses	5,320	5,162
Others	5,897	5,547
	18,073	17,775

In fiscal year 2018/2019, the Company generated the majority of its revenues in the United States (€ 14,289 k; prior year: € 14,901 k) with its customers Hologic, Varian, Varex, Vital Images and Invivo. This applies to both revenues from the sale of licenses and revenues from maintenance and other services. Accordingly, sales revenues of € 3,784 k (prior year: € 2,874 k) were generated in Europe.

Other sales include income of € 1,147 k (previous year: € 1,017 k) from the recharging of personnel expenses, rent and incidental costs.

Sales revenues are partly subject to estimates, insofar as final invoicing of the services actually provided is only made annually and not at the balance sheet date.

Other operating income

Other operating income amounted to € 2,221 k in the financial year under report (previous year: € 1,831 k). Of this amount, € 2,133 k is mainly attributable to exchange rate differences (previous year: € 1,614 k). The exchange rate differences are due to the fact that the majority of services are invoiced in US dollars and that liquidity is also held in US dollars. Because the company belongs to the Varex Imaging Group and follows its corporate policy, no exchange rate hedging transactions are concluded.

Personnel expenses

Personnel expenses amount to € 8,085 k in 2018/2019 (previous year: € 7,885 k). The average number of employees in the year under report was 102 (previous year: 105 employees). Of these, 4 (previous year: 4) were temporary employees. The average figures do not include the Board of Management. There were no industrial employees and one executive employee in the current financial year (previous year: industrial: 0, executive: 0).

Other operating expenses

Other operating expenses amount to € 3,947 k in 2018/2019 (prev. year: € 3,814 k). These are mainly attributable to exchange rate differences of € 1,725 k (prev. year: € 1,820 k), rental expenses of € 429 k (prev. year: € 441 k), selling expenses of € 273 k (prev. year: € 288 k), legal, consulting and auditing expenses of € 448 k (prev. year: € 251 k), maintenance costs of € 124 k (prev. year: € 130 k) and operating expenses (energy, cleaning, maintenance, etc.) of € 159 k (prev. year: € 179 k). Please refer to the notes on other operating income for information on expenses resulting from exchange rate differences.

Income from investments

The amount of € 447 k disclosed relates in full to the dividend paid by MBC KG as approved in the minutes of the shareholders' meeting in June 2019 and attributable to MMS AG on a pro rata basis.

Interest income

The company's interest income in 2018/2019 totaled € 169 k (prev. year: € 158 k). In the year under report, this relates to interest income of € 169 k (prev. year: € 158 k) from fixed-interest loans to shareholders. The previous year's figure still included interest income of € 5k from fixed-term and overnight deposit accounts.

Interest expense

The interest expense amounts to € 10 k in 2018/2019 (prev. year: € 17 k) and is entirely attributable to the net interest expense on pension provisions after offsetting against income from the cover assets of € 8 k (prev. year: € 5 k).

NOTES TO THE CASH FLOW STATEMENT

The cash and cash equivalents are identical to the item "Cash on hand, bank balances".

OTHER INFORMATION

Other financial obligations and contingent liabilities

The Company's other financial obligations as of September 30, 2019, amount to € 1,970 k (previous year: € 2,550 k). Of this total, rental agreements accounted for € 1,842 k (previous year: € 2,368 k) and leasing agreements for € 128 k (previous year: € 182 k).

The rental agreements are exclusively rental agreements with limited terms for office space. The leasing contracts relate to motor vehicles and photocopying stations.

All of the leases entered into by MMS AG in fiscal 2018/2019 are operating leases for cars and photocopying stations. The economic ownership and, hence, the realization risk of the leased assets lies with the respective lessor.

Under Section 3 of the articles of incorporation of MBC KG, MMS AG has undertaken to grant the affiliated company a loan of up to € 820 k at standard banking conditions without delay in the event of any capital requirements in excess of the capital contributions. However, in view of the economic situation of MBC KG, we do not assume that MBC KG will be dependent on additional loans in the short term to maintain its liquidity.

Related party transactions

The Company carries out transactions with related parties, which are explained below. These are part of the ordinary business activities and are handled as if they were with third parties.

Related parties include the jointly controlled companies MBC KG and MBC GmbH, Varex Imaging Deutschland AG and, via these companies, the affiliated companies of the Varex Group, as well as the Executive Board and the Supervisory Board and their close relatives.

The following receivables, liabilities, expenses and income of the Company relate to related parties:

FIGURES IN € k	2018/2019
Parent company	
Receivables (from loans granted)	16,296
Receivables (from services)	71
Liabilities (from profit and loss transfer agreement)	1,571
Income (mainly services and interest income)	833
Expenses (from profit and loss transfer agreement)	8,071
Other affiliated companies	
Receivables (from services)	1,843
Income (mainly services and interest income)	2,847
Expenses (from services)	38

Information on the remuneration of the members of the executive bodies is provided in the following sections.

Information on the company's bodies

Overview of the members of the Executive Board and Supervisory Board of MMS AG working full-time for the Company:

EXECUTIVE BOARD

Marcus Kirchhoff Chairman Dassendorf	from Mar. 1, 2012	<ul style="list-style-type: none"> Member of the Shareholders' Committee of MeVis BreastCare GmbH & Co. KG Member of the Executive Board of Varex Imaging Deutschland AG (since Jan. 20, 2017)
Dr. Robert Hannemann Bremen	from Oct. 1, 2010 to Mar. 31, 2019	<ul style="list-style-type: none"> Managing Director of MeVis BreastCare GmbH & Co. KG (from Oct. 15, 2013 to Mar. 31, 2019) Member of the Executive Board of Varex Imaging Deutschland AG (since Oct. 27, 2016 until Mar. 31, 2019) Member of the Board of Directors of Varex Imaging International AG, Switzerland (since Nov. 25, 2016, until March 31, 2019)

SUPERVISORY BOARD

Kimberley E. Honeysett Chairperson Sandy, Utah, USA	from Mar. 8, 2017	<ul style="list-style-type: none"> Senior Vice President, General Counsel und Corporate Secretary at Varex Imaging Corporation Member of the Supervisory Board of Varex Imaging Deutschland AG (Oct. 20, 2016 to May 31, 2018 and since Oct. 11, 2019) Member of the Board of Directors of Varex Imaging International AG, Switzerland (since Nov. 25, 2016)
Clarence R. Verhoef Deputy Chairman Sandy, Utah, USA	from Mar. 8, 2017	<ul style="list-style-type: none"> Senior Vice President und Chief Financial Officer at Varex Imaging Corporation Member of the Supervisory Board of Varex Imaging Deutschland AG (Oct. 20, 2016 to May 31, 2018 and since Oct. 11, 2019) Member of the Board of Directors of Varex Imaging International AG, Switzerland (since Nov. 25, 2016)
Matthew C. Lowell Los Altos, California, USA	from Mar. 8, 2017	<ul style="list-style-type: none"> Vice President, Finance - Treasury & Business Development at Varex Imaging Corporation Member of the Supervisory Board of Varex Imaging Deutschland AG (Jan. 20, 2017 to May 31, 2018 and since Oct. 11, 2019)

Remuneration of the Executive Board

In agreement with the members of the Executive Board, the Supervisory Board has decided to abolish the variable remuneration component at the beginning of fiscal year 2017/2018. This was done because the members of the Executive Board are also members of the Executive Board of Varex Imaging Deutschland AG, which holds a majority interest in the Company and with which a domination and profit and loss transfer agreement exists. At Varex Imaging Deutschland AG, the members of the Executive Board receive variable remuneration based on the Group's success of Varex Imaging Corporation as of fiscal year 2017/2018. As a result of the domination and profit and loss transfer agreement, the Company's success is no longer an indicator of the success of the managerial performance, so the variable remuneration no longer seemed to be meaningful to the Supervisory Board. Also for this reason, the bonuses granted as long-term incentive components with share price-dependent leverage will be paid out after the Annual General Meeting to be held in 2018.

In fiscal year 2018/2019, the members of the Executive Board received the following remuneration:

FIGURES IN €	Fixed remuneration	Performance-related remuneration	Components with long-term incentive characteristic	Pecuniary benefits from non-cash benefits	Stock options	Total
	Salary	Bonus	Bonus with share price dependent lever			
Marcus Kirchhoff	269,700.00	0.00	0.00	8,902.39	0.00	278,602.39
Dr. Robert Hannemann	101,800.02	0.00	0.00	0.00	0.00	101,800.02
Total	371,500.02	0.00	0.00	8,902.39	0.00	380,402.41

In addition, Mr. Kirchhoff and Dr. Hannemann received Varex Imaging Corporation shares worth € 27,673.92 and € 42,637.30, respectively, from Varex Imaging Deutschland AG. In addition, Varex Imaging Deutschland AG made provisions for performance-related compensation of € 97,200.00 for Mr. Kirchhoff and € 34,800.00 for Dr. Hannemann for the fiscal year 2018/2019.

In fiscal year 2017/2018, the members of the Executive Board received the following remuneration:

FIGURES IN €	Fixed remuneration	Performance-related remuneration	Components with long-term incentive characteristic	Pecuniary benefits from non-cash benefits	Stock options	Total
	Salary	Bonus	Bonus with share price dependent lever			
Marcus Kirchhoff	240,100.02	0.00	0.00	8,733.70	0.00	248,833.72
Dr. Robert Hannemann	196,800.03	0.00	0.00	1,132.87	0.00	197,932.90
Total	436,900.05	0.00	0.00	9,866.57	0.00	446,766.62

In addition, Mr. Kirchhoff and Dr. Hannemann received Varex Imaging Corporation shares worth € 16,482.63 and € 23,697.91, respectively, from Varex Imaging Deutschland AG. Mr Kirchhoff has also exercised Varex Imaging Corporation stock options worth € 37,499.86. In addition, Varex Imaging Deutschland AG made provisions for performance-related compensation of € 72,600.00 for Mr. Kirchhoff and € 52,500.00 for Dr. Hannemann for the fiscal year 2017/2018.

According to the criteria of the German Corporate Governance Code (GCGC), the Executive Board remuneration is as follows:

Grants awarded

In the years 2017/2018 and 2018/2019, the Executive Board were granted the following benefits:

FIGURES IN € k	Marcus Kirchhoff Executive Board Chairman				Dr. Robert Hannemann Executive Board Member			
	2018/2019	2018/2019 (Min)	2018/2019 (Max)	2017/2018	2018/2019	2018/2019 (Min)	2018/2019 (Max)	2017/2018
Benefits received								
Fixed remuneration	270	270	270	240	102	102	102	197
Additional benefits	9	9	9	9	0	0	0	1
Total	279	279	279	249	102	102	102	198
Annual variable remuneration	0	0	0	0	0	0	0	0
Multi-year variable remuneration								
Bonus on a share dependent lever	0	0	0	0	0	0	0	0
Stock options	0	0	0	0	0	0	0	0
Total variable remuneration	0	0	0	0	0	0	0	0
Pension expenses	0	0	0	0	0	0	0	0
Total remuneration	279	279	279	249	102	102	102	198

Inflows

In the years 2017/2018 and 2018/2019 the following inflows were received by the Executive Board members:

FIGURES IN € k	Marcus Kirchhoff Chairman of the Board		Dr. Robert Hannemann Board of Directors	
	2018/2019	2017/2018	2018/2019	2017/2018
Inflow				
Fixed compensation	270	240	102	197
Additional services	9	9	0	1
Total	279	249	102	198
One-year variable remuneration	0	110	0	87
Multi-year variable remuneration				
Bonus with share price-dependent leverage	0	445	0	360
Stock options	0	0	0	0
Total variable compensation	0	555	0	447
Utility expenses	0	0	0	0
Total compensation	279	804	102	645

In addition, Mr. Kirchhoff and Dr. Hannemann received Varex Imaging Corporation shares worth € 27,673.92 and € 42,637.30, respectively, from Varex Imaging Deutschland AG, in the past fiscal year.

At the beginning of the 2017/2018 fiscal year, the Supervisory Board resolved to abolish the variable remuneration for the members of the Company's Management Board. For this reason, the bonuses granted in the last four years as components with a long-term incentive effect with share price-dependent leverage were paid out in the specified amount in fiscal 2017/2018 after the Annual General Shareholders' Meeting in 2018.

In fiscal 2017/2018, Mr. Kirchhoff and Dr. Hannemann received shares in Varex Imaging Corporation from Varex Imaging Deutschland AG worth € 16,482.63 and € 23,697.91, respectively. Mr. Kirchhoff also exercised stock options of Varex Imaging Corporation in the amount of € 37,499.86.

Supervisory Board remuneration

Pursuant to a shareholders resolution dated June 7, 2016 and the corresponding amendment to the bylaws the Supervisory Board members, whose mandates begin after January 1, 2016, do not receive any remuneration from the Company. It is pointed out that accordingly as opposed to section 5.4.6 (1) sentence 2 of the GCGC the Chair and Deputy Chair positions in the Supervisory Board are not reflected in the remuneration and as opposed to section 5.4.6 (3) sentence 1 of the GCGC no Supervisory Board remuneration can be reported individually in the notes or management report.

As members of the Supervisory Board, the members received the following remuneration for 2016/2017:

a. Kimberley E. Honeysett

As Chairperson of the Supervisory Board of MMS AG since March 8, 2017, Ms. Honeysett received no remuneration. No reimbursement of expenses has been claimed.

b. Clarence R. Verhoef

As Vice-chairman of the Supervisory Board of MMS AG since March 8, 2017, Mr. Verhoef received no remuneration. No reimbursement of expenses has been claimed.

c. Matthew C. Lowell

As a member of the Supervisory Board of MMS AG since March 8, 2017, Mr. Lowell received no remuneration. No reimbursement of expenses has been claimed.

Pecuniary damage liability insurance was concluded at the expense of the Company for the benefit of the members of the Executive Board and Supervisory Board.

Fees paid for the services of the statutory auditor

Figures in € k	01.10.2018 - 30.09.2019	01.10.2017 - 30.09.2018
Audit of financial statements (non period € 57 k, prev. year € 35 k)	203	120
Other assurance services	0	0
Tax advisory	0	0
Other services	0	0
Total	203	120

German Corporate Governance Code

The Executive Board and Supervisory Board of MeVis Medical Solutions AG support the initiative of the "Government Commission on the German Corporate Governance Code" and thus have issued a joint declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), confirming that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated February 7., 2017 have been and will be generally complied with, disclosing which recommendations have not been and will not be followed. The current declaration of conformity is dated September 9, 2019. Shareholders can view it on the Company website as a PDF.

Appropriation of profits / Pay compensation

The profit of € 8,071 k will be transferred to Varex Imaging Deutschland AG because of the domination and profit and loss transfer agreement.

Under the domination and profit and loss transfer agreement, VMS Deutschland Holdings GmbH has committed itself to pay the outside shareholders for the duration of the contract an annual compensation payment for each fiscal year starting 2015. Per fiscal year this amounts to € 1.13 / gross per share. The obligation was transferred to Varex Imaging Deutschland AG as part of the spin-off.

Group affiliation

Through Varex Imaging Deutschland AG, Willich, MMS AG is part of the Varex Imaging Group headed by Varex Imaging Corporation, Salt Lake City, USA. The Varex Imaging Corporation prepares the consolidated financial statements for the largest and smallest group of companies in which MMS AG is included. The consolidated financial statements are filed with the U.S. Securities and Exchange Commission (SEC) and are available at the headquarters of the parent company.

As MMS AG only has subsidiaries which do not have to be included in consolidated financial statements pursuant to Section 296 HGB, it is exempt from the obligation to prepare consolidated financial statements pursuant to Section 290 (5) HGB.

Events after the reporting date

No material events occurred after the reporting date.

Bremen, January 27, 2020

A handwritten signature in black ink, appearing to read 'Marcus Kirchhoff', with a stylized flourish at the end.

Marcus Kirchhoff
CEO

CHANGES IN FIXED ASSETS

(fixed assets schedule)

for the period October 1, 2018 through September 30, 2019

FIGURES IN €	Costs of acquisition			
	1.10.2018	Additions	Disposals	
I. Intangible assets				
Purchased industrial property rights and similar rights and assets acquired for a consideration and licenses to such rights and assets	1,329,859.48	0.00	0.00	1,329,859.48
II. Property, plant and equipment				
Operating and office equipment	1,430,024.78	202,922.14	7,827.47	1,625,119.45
III. Financial assets				
Shares in affiliated companies	312,042.00	0.00	0.00	312,042.00
Loans to affiliated companies	16,225,211.69	0.00	0.00	16,225,211.69
	16,537,253.69	0.00	0.00	16,537,253.69
	19,297,137.95	202,922.14	7,827.47	19,492,232.62

Accumulated depreciation and amortization				Carrying amounts	
1.10.2018	Additions	Disposals	30.09.2019	30.09.2019	30.09.2018
1,230,309.03	81,192.76	0.00	1,311,501.79	18,357.69	99,550.45
1,214,732.11	174,836.09	7,827.47	1,381,740.73	243,378.72	215,292.67
0.00	0.00	0.00	0.00	312,042.00	312,042.00
0.00	0.00	0.00	0.00	16,225,211.69	16,225,211.69
0.00	0.00	0.00	0.00	16,537,253.69	16,537,253.69
2,445,041.14	256,028.85	7,827.47	2,693,242.52	16,798,990.10	16,852,096.81

INDEPENDENT AUDITOR'S REPORT

To MeVis Medical Solutions AG, Bremen

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit opinions

We have audited the annual financial statements of MeVis Medical Solutions AG, Bremen, which comprise the balance sheet as of 30. September 2019, the income statement, the cash flow statement and the statement of changes in equity for the fiscal year from

1. Oktober 2018 to 30. September 2019 and notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of MeVis Medical Solutions AG for the fiscal year from 1. Oktober 2018 to 30. September 2019. We have not audited the content of the corporate governance declaration pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] in accordance with German legal requirements.

In our opinion, on the basis obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, the German commercial law in compliance with the principles of proper accounting and give a true and fair view of the net assets and financial position of the Company as at 30. September 2019 and of its results of operations for the fiscal year from 1. Oktober 2018 to 30. September 2019, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the separate financial statements and of the management report.

Basis for Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Separate Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional

responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Separate Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the financial year from 1 October 2018 to 30 September 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our our view, the following matter was most significant in our audit:

① Revenue recognition

Our presentation of this particularly important audit matter has been structured as follows:

- ① Matter and Issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter, we present the key audit matter:

① Revenue recognition

- ① The revenues of € 18,073 k reported in the Company's financial statements mainly relate to revenues from the sale of licenses, revenues from maintenance and other revenues. Hologic, as the main customer, accounts for revenues of € 9,624 k, of which € 5,797 k relates to revenues from maintenance contracts and € 3,815 k to revenues from the sale of licenses.

The maintenance contracts are usually concluded as part of the sale of new licenses, but also subsequently as an extension of the original maintenance period. The duration of the contracts is usually 12 months, so that the Company defers the monthly amounts received in advance for the contract period without affecting income, which in turn are released to income in accordance with the contract period. The Company receives monthly payments on account from Hologic for contracts concluded as part of the extension of the original maintenance period.

License revenues result primarily from the sale of new licenses. In addition, however, the Company also generates revenues from license upgrades for licenses that have already been sold. The Company also receives monthly payments on account from Hologic for these upgrades.

On the basis of a forecast prepared by Hologic and agreed with the Company regarding the expected number of new renewals of maintenance contracts and license upgrades, Hologic pays monthly installments over a period of 12 months. The final settlement is carried out annually, in each case for the period from May 1 to April 30 of the following year.

As a result, there are no final accounts for the total sales revenue of € 644 k for the months of May to September 2019. These revenues are based to a large extent on the estimates and assumptions of the management and are therefore subject to considerable uncertainties. With this in mind, this fact was of particular importance in our audit.

- ② Taking into consideration the fact that there is an increased risk of misstatements in accounting due to the estimates and assumptions to be made, we have assessed the processes and controls established by the Company for recording revenues. In order to assess the appropriateness of the reported sales revenues at the balance sheet date, we have also reviewed the estimates and assumptions made with regard to consistency and continuity. In the course of interviews with the management, we have not become aware of any indications that the estimates and assumptions are unsuitable for correctly presenting the actual revenue development. In addition, we have critically assessed the final accounts for the past three accounting periods, each of which was carried out for the period from May 1 to April 30 of the following year, and have convinced ourselves of the reliability of the forecasts underlying the advance payments. The discrepancies between actual revenues and installments found in the final settlements were within a reasonable range. Overall, we have been able to understand from the audit procedures described and other audit procedures that the sales revenues have been appropriately reflected.
- ③ The Company's revenue recognition disclosures are included in the notes in section "Notes to the Income Statement".

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f HGB.

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the separate financial statements that comply, in all material respects, with German commercial law, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, except where this is precluded by matters of fact or law.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibility for the audit of the financial statements and the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the separate financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.
- Evaluate the consistency of the management report with the separate financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on

the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 21 March 2019. We were engaged by the supervisory board on 11 September 2019. We have been the auditor of the MeVis Medical Solutions AG, Bremen without interruption since the financial year 2016/2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Thomas Dräger.

Bremen, January 28, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Dräger
Wirtschaftsprüfer
(German Public Auditor)

ppa. Konstantin Kessler
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT („BILANZEID“)

"To the best of my knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Bremen, January 27, 2020

MeVis Medical Solutions AG

A handwritten signature in black ink, appearing to read "Marcus Kirchhoff". The signature is stylized with a large, looped 'K' and a trailing flourish.

Marcus Kirchhoff

CEO

DISCLAIMER

FORWARD-LOOKING STATEMENT

This report contains forward-looking statements which are based on management's current estimates of future developments. Such statements are subject to risks and uncertainties, which MeVis Medical Solutions AG is not able to control or estimate with any precision, e.g. future market conditions and the general economic environment, the behavior of other market participants, the successful integration of new acquisitions and government acts. If any of these uncertainties or imponderabilities materialize or if the assumptions on which these statements are based prove to be incorrect, this may cause actual results to deviate materially from those expressly or implicitly contained in these statements. MeVis Medical Solutions AG does not intend and is under no obligation to update the forward-looking statements in the light of any events or developments occurring after the date of this report.

DEVIATIONS FOR TECHNICAL REASONS

Deviations may occur between the accounting data contained in this report and that submitted to the Bundesanzeiger (German Federal Gazette) for technical reasons (e.g. conversion of electronic formats). In the case of any doubt, the version submitted to the Bundesanzeiger will prevail.

This report is also available in a German-language version. In case of any doubt, the German-language version takes priority over the English-language one.

The report is available for download at:

http://www.mevis.de/ir_finanzberichte.html

FINANCE CALENDAR 2019/2020

Date	Event
January 29, 2020	Annual Report 2018/2019
March 19, 2020	Annual General Meeting, Bremen
May 27, 2020	Interim Report for H1 2019/2020

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