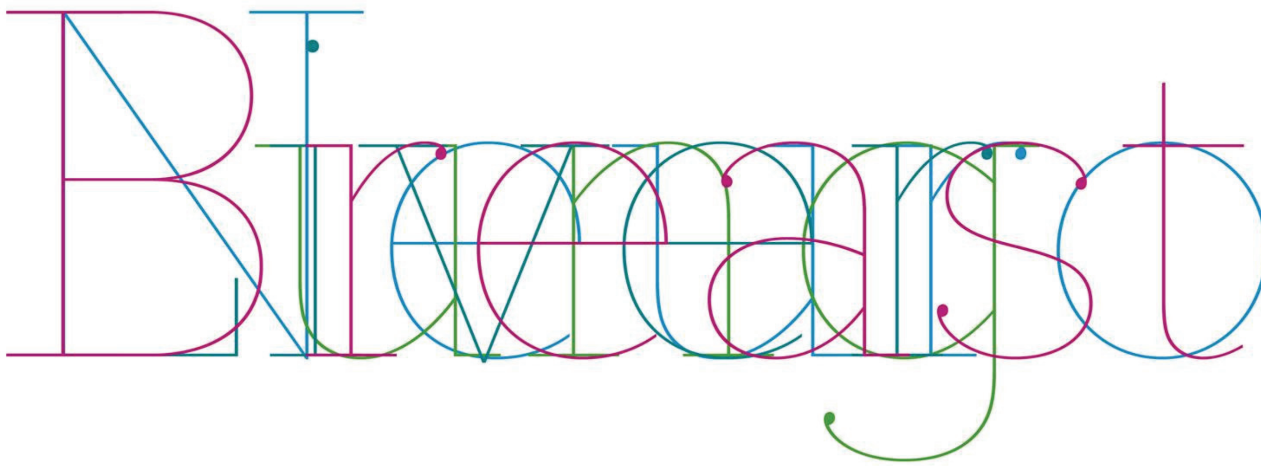
MeVis



MeVis Medical Solutions AG, Bremen

Annual Report 2009

Consolidated key figures (IFRS)

FIGURES IN € 000S		**2009**	2008	Change
Revenues		13,869	10,844	28%
Of which Segment[1]	Digital Mammography	10,048	6,898	46%
	Other Diagnostic	3,876	3,946	-2%
Of which generated with customers in[1,2]	Europe	2,092	1,692	24%
	USA	11,832	9,565	24%
EBITDA		4,474	1,757	155%
EBITDA margin		32%	16%	-
EBIT		1,633	665	146%
EBIT margin		12%	6%	-
Net financial result		-465	2,041	-123%
EBT		1,168	2,706	-57%
Consolidated net profit		**398**	2,114	-81%
Earnings per share in € (basic and diluted)		**0.23**	1.21	-81%

Equity capital	32,607	32,611	-
Intangible assets	27,095	26,876	1%
Deferred tax assets	1,487	2,411	-38%
Non-current and current liabilities	18,348	26,973	-32%
Balance sheet total	50,955	59,584	-15%
Equity ratio in %	64%	55%	-
Liquid Funds[3]	15,093	20,257	-26%
Employees[4]	186	138	35%

[1] Comprising intersegment revenues.

[2] Comprising indirect sales via industry partners as well as sales to clinical end customers in the segment Distant Services.

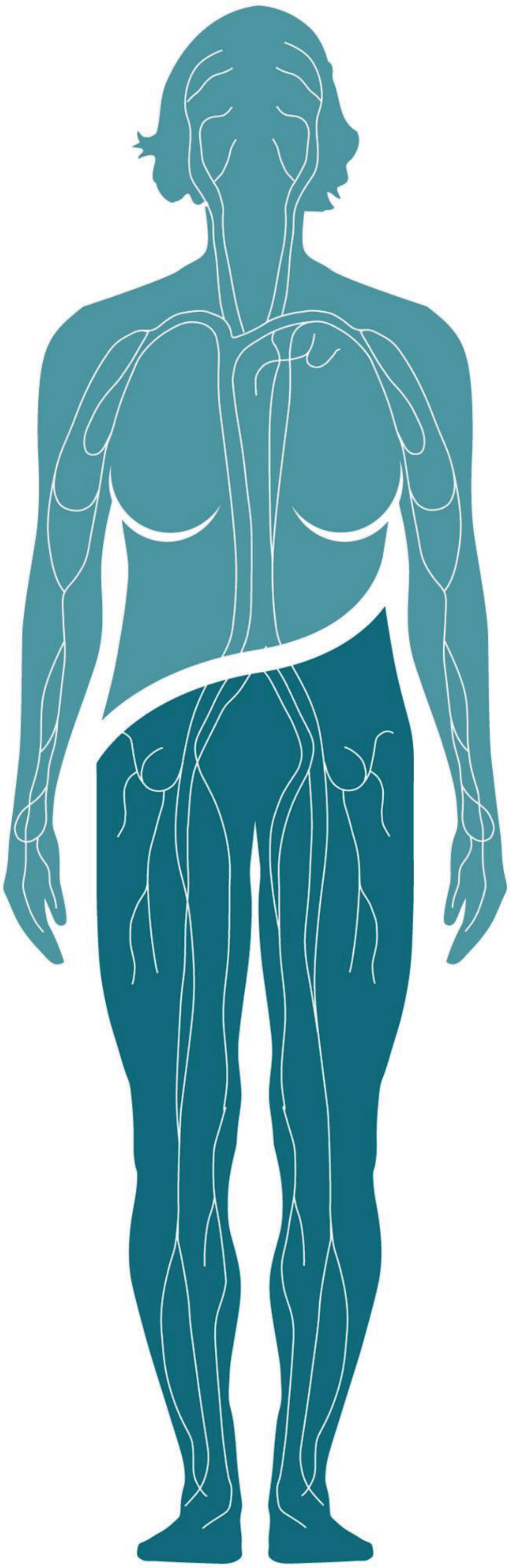
[3] Comprising cash, cash equivalents and securities available for sale (excluding treasury shares).

[4] Yearly average of full-time equivalents.

Key share data

	as at December 31, 2009
Industry sector	Software / Medical Technology
Subscribed capital	1,820,000.00 €
No. of shares	1,820,000
Last quotation on Dec. 30, 2008	42.00 €
Last quotation on Dec. 30, 2009	24.16 €
High/low 2009	€ 43.22 / € 18.21
Market capitalization	43,971 Mio. €
Treasury stock	122,850 (6.75%)
Free float	37.80%
Prime Standard (Regulated Market)	Frankfurt and Xetra
Over-the-counter markets	Frankfurt, Berlin, Dusseldorf, Munich, Stuttgart
Indices	CDAX, PrimeAS, TechnologyAS, DAXsector Software, DAXsubsector Software, GEX
ISIN / WKN / Ticker symbol	DE000A0LBFE4 / A0LBFE / M3V

Content



Letter to the Shareholders

Dear shareholders,
customers, business associates and employees,

Following a stable revenue trend in the 4th quarter 2009, we finally left the low point of crisis-related investor reluctance on the part of clinical end customers since the summer of 2008 behind us. This had been reflected especially in a deferral or reduction of investment projects of hospitals and radiological centers as well as prolonged sales cycles in the key U.S. sales market. This trend slowed down in the second half of the financial year until a slight, positive revitalization of the U.S. sales market was finally perceived in the fourth quarter. However, the earlier market dynamism has not been recovered to date.

In these general conditions, consolidated sales revenue was up by 28%, to 13.9 million euros (previous year: 10.8 million euros). This growth was largely due to the profitable Digital Mammography business segment which exhibited disproportionate growth of 46% in fiscal 2009, to reach 10.1 million euros (previous year: 6.9 million euros). The decisive factor here, on the one hand, was the full consolidation of business activities with our industry partner Hologic since November 1, 2008. At the same time, revenue growth in this segment was attributable to the introduction of new products.

As early as the beginning of March, the diagnostics software for the new, multifunctional ultrasound breast scanner ACUSON S 2000™ (ABVS) from Siemens was presented at the European Congress of Radiologists (ECR) in Vienna. The ACUSON S S2000™ (ABVS) allows automatic, user-independent and swift full-field ultrasonic breast scans to be carried out. The separation of data collection from diagnostics makes a substantial contribution to the optimization of clinical workflows. In addition, business performance in the Digital Mammography segment was fueled by the market rollout of additional software applications, such as the breast diagnostics and intervention software *syngo* BreVis™ and *syngo* BreVis Biopsy™. These software applications provide a number of key clinical functions that assist radiologists in carrying out a diagnostic assessment of Breast-MRI (magnetic resonance imaging) image data as well as possibly required biopsies to clarify uncertain diagnoses. Moreover, products already established were also further developed in the course of shortening innovation cycles. The latest generation of the software application for SecurView™ diagnostic workstations for our industry partner Hologic now also supports innovative, cross-modal workflows.

Efforts to increase market share with new products in the areas of Neurology, Prostate and Pulmonary diagnostics proved difficult in a deteriorating market. As a result, consolidated revenue in the Other Diagnostics business segment was stagnant at 3.8 million euros (previous year: 3.9 million euros).

Personnel capacity, at an average of 186 employees (full-time equivalents) for the Group as a whole, was maintained at the 2008 year-end level and is adequate for further corporate development. Due to the rapid increase in employee numbers during the course of 2008, staff costs increased by 27% to 9.8 million euros, despite an unchanged personnel capacity and employees foregoing their variable salary components in 2009. This increase was also partly triggered by the consolidation effect. Nevertheless, due to extensive cost-cutting measures, it was possible to reduce other operating expenses by 19% year-on-year, to 3.3 million euros.



Dr. Carl J.G. Evertsz | Christian H. Seefeldt | Thomas E. Tynes

This resulted in a doubling of the Group EBIT margin to 12%, despite an increase in the amortization of previously capitalized development costs through profit and loss in accordance with IFRS.

Apart from increased tax expenses, Group earnings of 0.4 million euros were considerably impacted by a substantially lower net financial result of -0.5 million euros (previous year: 2.0 million euros). This translates into earnings per share of 0.23 euros (previous year: 1.21 euros). The primary reasons for the reduced level of net financial result were lower interest income, of accrued interest on the remaining purchase price commitments as well as negative exchange rate effects.

Cash flow from operating activities remained stable at 3.1 million euros (previous year: 2.9 million euros).

With 15.1 million euros in liquid funds (previous year: 20.3 million euros), the MeVis Group continues to have sound financial resources. Moreover, the company's treasury shares amounted to 2.7 million euros at the balance sheet date. Other financial liabilities amounting to 13.5 million euros are essentially related to the remaining payment obligations arising from the acquisition of company shares and operating units.

Given the expanded product portfolio and the gradual improvement in the economic climate since the middle of 2009, we anticipate a significant increase in consolidated revenue for 2010. As in 2009, the Digital Mammography segment comprising the established, successful BreastCare applications will have a decisive influence on the Group's operating profitability. We are also optimistic regarding EBIT, despite the impact of the expenditures for growth and the amortization of capitalized development costs. However, we think it is premature to make a specific forecast for the current financial year at this stage.

In the second half of January 2010, we announced the acquisition of a minority holding of approx. 14 percent in Medis Holding B.V., headquartered in Leiden, Netherlands. Medis is a leading producer and provider of software for quantifying diverse image data of the cardio-vascular system. The market research unit Frost & Sullivan estimates the European market for digital cardiovascular imaging to be worth roughly 1 billion euros for the year 2012. Due to the high global epidemiological significance of cardiovascular diseases, the products, expertise and distribution channels of Medis represent a strategically important complement to our product portfolio. We will reach a decision in the course of fiscal 2010 on the acquisition of additional shares in Medis Holding, depending on whether certain conditions are actually met.

At this point, we would like to thank all employees for their exceptional performance as well as our business associates, customers and shareholders for their confidence.

Carl J.G. Evertsz, Ph.D.	Christian H. Seefeldt	Thomas E. Tynes
Chairman & CEO	Member of the Executive Board	Member of the Executive Board

Report of the Supervisory Board for the financial year 2009

Dear Shareholders,

Throughout 2009 the Supervisory Board performed the duties incumbent upon it under the law, company's articles and rules of procedure. We regularly advised the Executive Board on the management of the company and monitored its activities.

The Supervisory Board was directly involved in all decisions of fundamental importance for the company. The Executive Board informed us regularly, promptly and fully about operations and the company's strategic development both verbally and in writing. We were consulted on major decisions. The Supervisory Board and the Executive Board met at four ordinary meetings of the Supervisory Board. Furthermore, the Supervisory Board also passed resolutions by way of circulation.

Both during and outside the meetings of the Supervisory Board, the Executive Board briefed the Supervisory Board on business performance including sales and profitability, material events and matters of particular significance, other issues subject to disclosure, risk management actions and on other business risks which had become apparent. The Supervisory Board's activities in 2009 focused on extensive and detailed analysis, discussion and advice in relation to the implementation of the company's growth strategy, including acquisition projects and internationalization. In addition, the Supervisory Board and the Executive Board looked at potential means of reducing costs to lessen the risk of the company's competitive position deteriorating due to the unfavorable economic situation in the market in the wake of the crisis.

Summary of the meetings of the Supervisory Board

First meeting of the Supervisory Board on February 14, 2009

The agenda of the first meeting of the Supervisory Board in fiscal year 2009 included a resolution on the 2009 declaration of conformity with the German Corporate Governance Code, approval of the issue of stock options to employees (2nd tranche), a resolution on laying down separate rules of disclosure and reporting for the Executive Board, and the extensive analysis and discussion of the budget for 2009 drawn up by the Executive Board and the company's internationalization strategy devised by the Executive Board in the context of the ongoing growth strategy.

Second meeting of the Supervisory Board on April 27, 2009

Items on the agenda of the second meeting of the Supervisory Board in 2009 included the analysis and approval of the annual financial statements prepared in accordance with the German Commercial Code (HGB) and the management report of MMS AG as well as the MeVis Group's consolidated annual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the Group management report for 2008. Another item was the preparation of the Annual General Meeting of MeVis Medical Solutions AG on June 30, 2009, including the drafting of the resolutions to be put to the General Meeting.

Prof. Dr. Heinz-Otto Peitgen

Third meeting of the Supervisory Board on September 14, 2009

The agenda of the third meeting of the Supervisory Board included the report of the Executive Board on the company's situation including a status report on the implementation of the acquisition plan as part of the ongoing growth strategy, the analysis and discussion of the existing sales strategy and the discussion of potential cost-saving measures as well as a report on the progress of restructuring of the software development process.

Fourth meeting of the Supervisory Board on December 10, 2009

The agenda of the fourth meeting of the Supervisory Board included the Executive Board's report on the company's situation, including the assets, liabilities, financial position and profit or loss for the first three quarters, and the full-year expectations for 2009, discussion of the business plan for fiscal year 2010 presented by the Executive Board, and the Executive Board's report on the progress of the growth strategy pursued by the company.

Composition of the Supervisory Board

There were no changes in the composition of the Supervisory Board in 2009.

Work of the committees

Committees were not set up, as the Supervisory Board has only three members in total.

A corporate compliance committee was established in 2008 to support the Supervisory Board in risk management matters and is composed of the members of the Executive Board and selected employees of the MeVis Group. The corporate compliance committee primarily deals with fundamental matters relating to risk management and the efficiency of company regulations. In addition, it serves the Supervisory Board as an instrument for performing special corporate governance tasks. In 2009, these activities did not give risk to any separate results.

Corporate governance

The Executive Board and the Supervisory Board support the initiatives of the Government Commission on the German Corporate Governance Code, which summarizes the principles of good and responsible corporate governance, and, on February 15, 2010 jointly issued a declaration of conformity with the Corporate Governance Code as amended on June 18, 2009. This declaration was published on MeVis Medical Solutions' website and also appears in the "Corporate governance" section of this annual report.

Unqualified auditors' report issued for the financial statements

The separate financial statements of MeVis Medical Solutions AG as of December 31, 2009 prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements as of December 31, 2009 prepared in accordance with the International Financial Reporting Standards (IFRS), the management report and the Group management report prepared by the Executive Board for 2009 were submitted to the statutory auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Bremen, who had been selected at the annual general meeting and appointed by the Supervisory Board, and issued with unqualified auditors' reports.

We examined the annual and consolidated financial statements prepared by the Executive Board, the management report and the Group management report prepared by the Executive Board for 2009, and the Executive Board's proposal to be submitted for approval at the annual general meeting for the appropriation of profit. The statutory auditors took part in the examination and discussion and reported to the Supervisory Board on the material results of the audit. After conducting our own review, we concurred with the statutory auditors' findings.

The Supervisory Board approved the annual and consolidated financial statements as of December 31, 2009 at its meeting of April 26, 2010. Accordingly, the financial statements are deemed to have been duty adopted and released for publication.

The Supervisory Board endorses the Executive Board's proposal to carry forward the profit of MeVis Medical Solutions AG for 2009 in the amount of € 1,307,434.25.

The disclosures stipulated by §§ 289(4), 315(4) of the German Commercial Code (Act transposing the EU Takeover Directive) are included in the management report and the Group management report. The Supervisory Board has examined and endorsed these disclosures and declarations, which it considers to be complete.

The Supervisory Board thanks the Executive Board and all employees of the MeVis Group both in Germany and abroad for their work and expresses its appreciation for their commitment and dedication in the year under review.

Bremen, April 26, 2010

For the Supervisory Board

Prof. Dr. Heinz-Otto Peitgen

Chairman

Corporate governance report

This corporate governance report forms a supplementary part of the corporate governance declaration pursuant to § 289a of the German Commercial Code (HGB).

Declaration of conformance for the financial year 2010

The Executive Board and Supervisory Board of MeVis Medical Solutions AG declare in accordance with § 161 AktG that the recommendations of the "German Corporate Governance Code Government Commission" in the version of June 18th, 2009 have been and will in future be met with the following exceptions:

- Following the regulations of the law governing the appropriateness of Executive compensation valid from August 5, 2009 the insurance policy will be reviewed and adapted during the transitional period until June 30, 2010 to include a deductible for Executive Board Members according to the regulations. Contrary to the recommendations of the inclusion of a deductible within the D&O Insurance for the Supervisory Board (Section 3.8 GCGC) a deductible for Supervisory Board Members is not intended, as the statutory compensation of the Supervisory Board as an assessment base for a possible deductible is considered marginal.
- To date the remuneration of the Executive Board members (Section 4.2.3) corresponds to the regulations before the recent chances of the law governing the appropriateness of Executive compensation valid from August 5, 2009. An intervention of current executive employment contracts is not stipulated. Future contracts with Executive Board members will comply with the new regulations governing the remuneration of directors.
- Executive and Supervisory Board of the company are of the opinion that the specification of an age limit for members of the Executive Board (Section 5.1.2 GCGC) is not reasonable. From the point of view of the company such a limitation does not constitute a useful selection criterion and would limit members of the Supervisory Board and shareholders in the choice of suitable candidates.
- 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 DCGK). 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.
- The specification of an age limit for members of the Supervisory Board (Section 5.4.1 GCGC) is not deemed appropriate by the Executive Board and the Supervisory Board. From the point of view of the company such a limitation does not constitute a useful selection criterion and would limit members of the Supervisory Board and shareholders in the choice of suitable candidates.
- As stipulated by the articles of association of the MeVis Medical Solutions AG, members of the Supervisory Board receive a fixed remuneration, which is also displayed in the notes to the consolidated financial statement. The Supervisory Board sees its current task predominantly in securing the sustainability of the business model of the Company. Given the current state of development of the company, the Supervisory Board values the relatively low fixed remuneration as appropriate and sufficient. The Supervisory Board does not see the need to implement a successoriented or individualised compensation scheme (Section 5.4.6 Paragraph 2 GCGC).

- Independent of sessions of the Supervisory Board, the work of the committees of MeVis Medical Solutions AG encompasses a continuous monitoring of existing processes and regulations. Therefore, the Supervisory Board is of the opinion, that an additional evaluation of its work efficiency - e.g. by means of performance evaluations (Section 5.6 GCGC) - is currently not expedient.
- Based on a separate information and reporting directive, the Supervisory Board is being regularly informed by the Executive Board. This encompasses a detailed description of those statements, which are to be published as part of the half-year and quarterly reports. The Executive Board will submit the relevant information to the Supervisory Board in a timely manner so as to enable the Supervisory Board to submit comments to the Executive Board. Therefore, Supervisory Board and Executive Board are of the opinion that an additional discussion of the half-year and quarterly reports prior to their publication (Section 7.1.2 Phrase 2 GCGC) is not necessary.
- MeVis Medical Solutions AG is deviating from the recommendations with regards to the publication terms of Consolidated Financial Statements and Interim Reports (Section 7.1.2 Phrase 4 GCGC). Current regulations of the Frankfurt Stock Exchange for the Regulated Market (Prime Standard segment) are seen as adequate. These require companies to publish consolidated financial statements within four months after the end of the period under review (section 65, paragraph 2 FWB01), respectively within two months for interim financial statements (section 66, paragraph 5 FWB01).

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 Group’s financial situation and new circumstances & events of importance.

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

Press releases and ad-hoc announcements pursuant to § 15 of the German Securities Trading Act are issued to inform about topical events and recent developments. In addition, MeVis Medical Solutions AG takes part in at least two analysts’ conferences per year. A financial calendar gives the scheduled dates of key and any regular events.

All information is available in German and English. The reports, information and the financial calendar are published and available online at http://www.mevis.de/mms/en/Investor_Relations_2.html.

Annual general meeting and shareholders

The annual general meeting of MeVis Medical Solutions AG is called at least once a year and decides on all such matters as provided by law, such as appropriation of profit, approval of the actions of the Executive Board and Supervisory Board and the statutory auditor with binding effect upon all shareholders and the company. 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 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 stock corporation law and made available online at http://www.mevis.de/mms/en/Annual_General_Meeting.html.

Risk management

The responsible handling of business risks is one of the principles of corporate governance. For that reason, the company has again expanded the scope of its risk management in the fiscal year ended. By holding regular management meetings in particular, the company's management is able to detect at an early stage any risks to its assets as well as changes in the business performance of the individual segments and Group members and other risks to its going-concern status.

The company's risk management system is geared toward coordinating the systems 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 ongoing risks, in particular risky transactions, accounting misstatements and breaches of the law with a material effect on the assets, liabilities, financial position and profit or loss of the company or the Group.

The purpose of setting up a monitoring system is to ensure 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.

Accounting and auditing

MeVis Medical Solutions AG prepares its consolidated financial statements and the consolidated interim financial statements in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU. The annual financial statements of MeVis Medical Solutions AG are prepared in accordance with German Commercial Law (German Commercial Code - HGB).

The financial statements are prepared by the Executive Board and audited by the statutory auditor, which is selected by the annual general meeting, and by the Supervisory Board. The annual and consolidated financial statements for 2009 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Bremen in compliance with the German auditing standards as laid down by the Institute of Public Auditors in Germany (IDW).

Publication of Directors' Dealings pursuant to § 15a of the German Securities Trading Act (WpHG)

In the fiscal year ended, the MeVis Group promptly announced on its website any purchases or sales of shares in MeVis Medical Solutions AG or of related financial instruments, in particular derivatives, by members of the Executive Board and Supervisory Board of the company or other individuals with executive functions who are party to privileged information concerning the company on a regular basis and are authorized to make material business decisions, as well as by certain closely related individuals.

In the period under review, notifications of the following Directors' Dealings were published on the company's website:

Notifier	Reason for notification	ISIN	Financial instrument	Type of transaction	Date of transaction	Platform	Price in €	Count	Volume in €
Axel Schubert	Administrative or supervisory body	DEOOOAOLBFE4	Share	Purchase	Feb. 20, 2009	Xetra	24.80	100	2,480.00
Axel Schubert	Administrative or supervisory body	DEOOOAOLBFE4	Share	Sale	Feb. 5, 2009	Xetra	37.30	100	3,730.00
Axel Schubert	Administrative or supervisory body	DEOOOAOLBFE4	Share	Sale	Feb. 4, 2009	Xetra	39.20	100	3,920.00
Axel Schubert	Administrative or supervisory body	DEOOOAOLBFE4	Share	Sale	Jan. 8, 2009	Xetra	38.30	200	7,660.00
Axel Schubert	Administrative or supervisory body	DEOOOAOLBFE4	Share	Sale	Jan. 7, 2009	Xetra	41.75	200	8,350.00

As of the balance sheet date, the members of the Executive Board hold 355,265 shares of MeVis Medical Solutions AG, corresponding to a share capital of 19.52%. As of the balance sheet date, the members of the Supervisory Board hold 354,539 shares of MeVis Medical Solutions AG, corresponding to a share capital of 19.48%.

MeVis Stock

Price trend of MeVis stock

In spite of the extremely difficult capital market conditions since the share price decline at the end of the first quarter, MeVis stock just managed to assert its position at a price level of about 20 euros in the second quarter. In the third and fourth quarters, a positive trend was discernible at +10% and +12%, respectively (compared to the SDAX at 19% in the third and 3% in the fourth quarter). At the end of the year, MeVis stock was trading at 22.00 euros on the XETRA platform of Deutsche Börse AG.

Development of the shareholder structure

The shareholder structure essentially remained unchanged in the course of 2009. As in the past, the three founders account for approximately 55% of the share capital. The company has treasury shares equivalent to 6.75%. The remaining shares are predominantly held by institutional investors. In the course of 2009, the number of private investors increased by 23%. We plan to boost this trend in a targeted manner in future in order to further reinforce trading activities in MeVis stock.

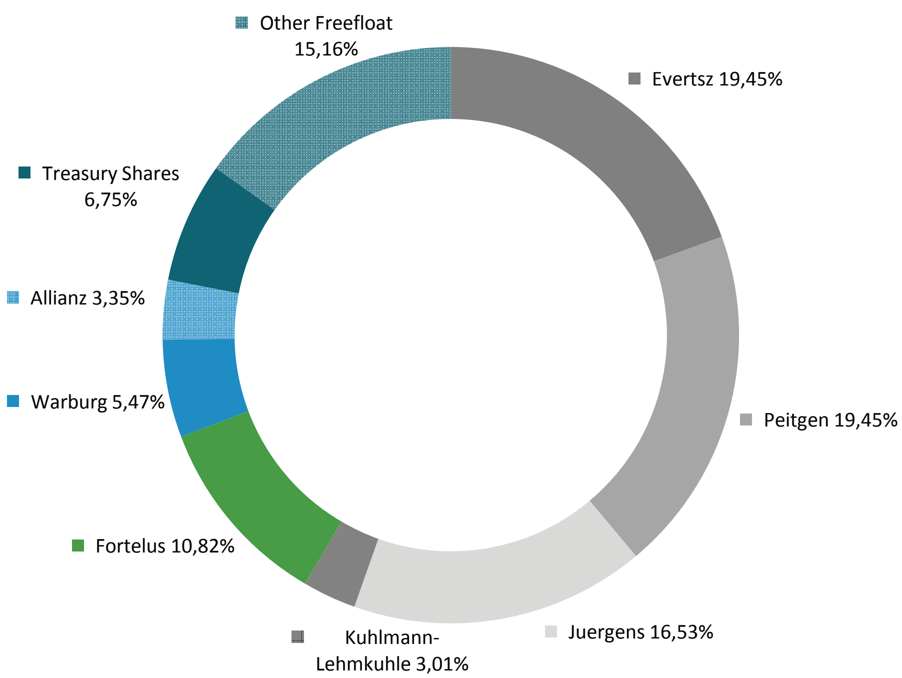


Fig.: Shareholder structure as at April 26, 2010

Group management report for 2009

Business environment and performance

Business activities

The MeVis Group develops, produces and markets innovative software applications for computer-assisted medical imaging.

The specialized software applications from the MeVis Group help medical practitioners to analyze diverse image data produced by a variety of imaging modalities used in diagnosis and therapy. Our clinical orientation is governed by epidemiologically important diseases. Our primary focus is on image-based early detection and diagnosis of breast cancer, which involves the provision of support for surgical interventions and biopsies as well. With a worldwide incidence of 1.3 million, breast cancer is the most common tumor disease. In Germany and Europe, breast cancer accounts for almost 30 percent of all cancers.

Building on existing expertise, software applications are adapted for use in other oncological disorders, such as disorders of the lungs, liver, brain and colon. The software solutions support all the imaging modalities available. These not only include X-ray modalities such as computed tomography, digital mammography, tomosynthesis, but also magnetic resonance imaging and digital sonography. Then there are the more modern imaging modalities, such as positron emission tomography (PET), sonoelastography and molecular imaging. Such systems are used predominantly by radiologists, gynecologists, surgeons and medical technicians.

The MeVis Group's operations are divided in organizational terms among MeVis Medical Solutions AG (hereafter: "MMS AG") and its subsidiaries and affiliates. MMS AG's software products are sold by industry partner Invivo Corp., Orlando (Florida/USA), (hereafter: "Invivo") and Koninklijke Philips Electronics N.V., Amsterdam (Netherlands), (hereafter: "Philips") under their own brand names. Since November 2006 Invivo has been a wholly-owned subsidiary of Philips.

The software application for the diagnostic workstation DynaCAD® Breast, which MMS AG has licensed to Invivo, is used in contrast-agent-based magnetic resonance imaging of the breast and is compatible with all MRI machines made by the world's leading equipment manufacturers. Furthermore, MMS AG produces a specialized software application for neurological diagnostics and for supporting neurosurgical planning on the DynaSuite® Neuro diagnostic workstation, which Invivo launched at the end of 2008. DynaSuite Neuro offers important functions and techniques for comprehensively supporting medical practitioners in the use of magnetic resonance imaging.

In addition, MMS AG developed an innovative solution for Invivo – for prostate diagnostics using magnetic resonance imaging – which was launched at the end of 2009. Featuring an additional module for planning biopsies, this software application will enable medical practitioners to take selective biopsies. Apart from shortening examination time, this technique is considerably easier on the patient. The proprietary technology platform MeVisAP developed by MMS AG forms the technological basis for these software applications. In addition, MMS AG offers its clinical partners a specialized service under its Distant Services arm, consisting of preoperative liver surgery planning. As part of this service, surgeons are given certain extra information that can relate to different aspects depending on the patient case. Distant Services also includes tumor diagnostics in connection with clinical studies for pharmaceutical companies.

The MeVis Group's operations involve various subsidiaries and affiliates. MeVis BreastCare GmbH & Co. KG, Bremen, (hereafter: "MBC KG") is run as a joint venture with the industry partner Siemens Aktiengesellschaft, Berlin and Munich, (hereafter: "Siemens"). The object of MBC KG is to produce, market and sell software and consulting services, especially in the area of multimodal diagnostic systems for the early detection, diagnosis and therapy of breast diseases. The software applications from MBC KG run on the diagnostic workstations sold by industry partner Siemens under the brand names MammoReport™, *syngo* BreVis™, *syngo* BreVis Biopsy™ and ACUSON S2000™ (ABVS). MMS AG licenses its technology platform MeVisAP to MBC KG, some aspects of which are used for developing the Siemens products.

In a contract dated October 21, 2008, with retrospective effect from July 1, 2008, MBC KG's business with the industry partner Hologic, Inc., Bedford (Massachusetts/USA), (hereafter: "Hologic"), listed on the US technology stock exchange NASDAQ and a global operator in women's health, was carved out of MBC KG and transferred to the newly established wholly-owned subsidiary MeVis BreastCare Solutions GmbH & Co. KG, Bremen, (hereafter: "MBS KG"). Following the spin-off of the Hologic business, MMS AG acquired the 49% share held by Siemens, with the result that MBS KG is now a wholly-owned subsidiary of MMS AG. The software applications from MBS KG are sold as diagnostic workstations by the industry partner Hologic under the brand name of SecurView™. The MeVisAP solution licensed to MBS KG by MMS AG forms the technological basis for the products developed by the subsidiary for Hologic.

In the second quarter of 2008, the wholly-owned subsidiary MeVis Medical Solutions, Inc., Pewaukee (Wisconsin/USA), (hereafter: "MMS Inc.") acquired the "Lung Diagnostic" business from R2 Technology, Inc., a subsidiary of the industry partner Hologic. Since the third quarter of 2008, the associated specialized software application is sold through various distribution partners under its own brand name MeVis Visia™ CT-Lung System. MMS Inc. provides the MeVis Group with sales support on the US sales market, with support in networking with US clinics, in research and development and in getting approval for MeVis products in the USA.

The wholly-owned subsidiary MeVis Japan KK, Tokyo (Japan) (hereafter: "MeVis Japan") was established on September 16, 2009. MeVis Japan was set up to provide the MeVis Group with sales support on the Japanese market, with support in networking with Japanese clinics, in research and development and with support in getting approval for MeVis products in Japan. This subsidiary was not yet operational in the year under review. It commenced operations on January 1, 2010.

Economic environment

Diagnostic workstations from industry partners Hologic, Siemens, Invivo and Philips, which run the MeVis Group's software applications, are in worldwide use. The majority of the MeVis Group's products fall within the market segment of breast disease diagnostics using diverse imaging modalities. Thus business depends on how the global economic environment develops as well as on worldwide budget restrictions and financing conditions in hospitals and radiological centers. The economic environment in the period under review was characterized by a mixed economic picture.

The ongoing global economic crisis led to a protracted period of reduced buying activity on the part of clinical end users of imaging systems, especially in the first half of 2009. This manifested first and foremost in a deferral or reduction of investment projects of hospitals and radiological centers as well as prolonged sales cycles in the US, a key sales market. This trend slowed in the second half of the fiscal year before a slightly positive revival of the US sales market finally emerged in the fourth quarter. However, the market has not yet regained the dynamics of the period preceding the economic crisis.

On the basis of the figures for the trend among facilities to change over from film-based, analog mammography to digital mammography published by the US public health body, the Food & Drug Administration (hereafter: ”FDA“), and sales figures to date, the MeVis Group continues to see itself as a leading manufacturer of diagnostic software for early detection and diagnosis of breast disease using medical imaging.

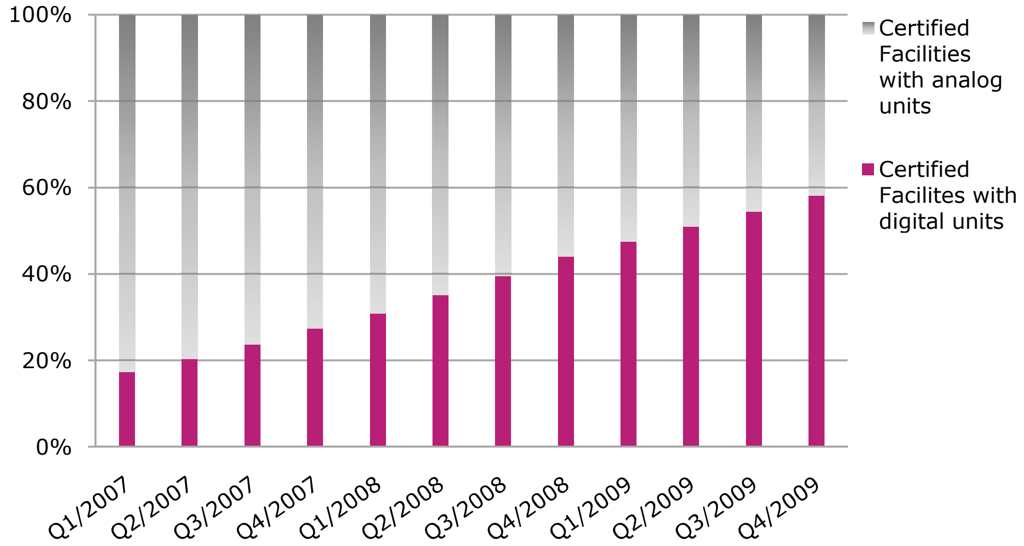


Fig.: Proportion of analog and digital FDA-certified mammography facilities in the USA

Source: http://tiny.cc/gTwdU

While there were 8,833 mammography facilities in total in the USA at the beginning of 2007, this figure was down slightly to 8,687 as of the end of 2009. The reason for this is the trend toward fewer facilities of ever-larger size in the form of “specialized breast cancer centers”. In light of this fact, these centers will have higher case numbers in future, accompanied by a shorter treatment time per case. The importance of workflow optimization will therefore rise in future. At the same time, facility changeover from analog to digital continued apace in the period under review. In January 2009 there were 4,086 FDA-certified digital mammography facilities (46% of the total), while at the end of 2009 5,154 digital mammography facilities (59% of the total) were registered with the FDA.

Accordingly, the MeVis Group expects the current high sales dynamic for its software applications in the US sales market to slow down, since the rate of changeover to digital systems should drop off as the market approaches full saturation. Outside the USA, the MeVis Group believes that digitization will progress at varying rates. This paves the way for the Group to work regional markets in a targeted manner in conjunction with the industry partners.

Performance

The performance and the consolidated net profit of €398,000 (prev. year: €2,114,000) were defined primarily by the further expansion of the product range and the high expenses this entailed.

In relation to MMS AG, we refer you to the section “Research and development” in this respect.

By virtue of focusing the activities of the affiliate MBC KG on the tailored development of new software solutions for Siemens after the carve-out of the Hologic business in the previous year, the diagnostic software for the automated breast volume scanner ACUSON S2000 (ABVS) was launched at the beginning of March 2009 at the European Congress of Radiologists (ECR) in Vienna.

The ACUSON S2000 (ABVS) facilitates automated, user-independent and swift full-field ultrasound breast scans. The separation of data gathering and diagnostics greatly helps to optimize clinical workflows. In addition, performance at MBC KG was affected by the launch of further software applications such as the breast diagnostic reporting and intervention software *syngo* BreVis and *syngo* BreVis Biopsy. These software applications offer a host of important clinical functions which make it easier for radiologists to diagnostically evaluate MRI image data (magnetic resonance imaging) and take a biopsy, if necessary, to confirm a diagnosis.

In addition, the MeVis Group’s existing products were upgraded in an effort to shorten innovation cycles. The latest generation of the software application, developed by MBS KG, for the SecurView diagnostic workstation from the industry partner Hologic now also supports innovative, so-called cross-model workflows, with software technologies for all imaging modalities bundled on a single diagnostic workstation.

The MeVis Group assumes, based on its specialized product portfolio, its broad-based research, and its existing industry partnerships, that the market position it currently occupies can be sustained overall and expanded in some segments in 2010. In view of the consequences of the global financial and economic crisis, however, this will continue to depend to a large extent on the ability of the industry partners to market their products successfully.

Sales and earnings in the Digital Mammography segment

The **Digital Mammography** segment develops and markets software products which support breast diagnostic imaging and intervention. Aside from the original products for digital mammography, the year under review saw the arrival of new software applications for other imaging modalities such as ultrasound, magnetic resonance imaging, tomosynthesis. These products are distributed to radiological and clinical end-customers via industrial partners (OEMs e.g. Siemens and Hologic). The **Digital Mammography** segment includes MBC KG – the 51% consolidated joint venture – and, since November 1, 2008, the wholly-owned subsidiary MBS KG, whose business had also been part of MBC KG before then. Thus, year-on-year, the change in the consolidation effect of the business with the industry partner Hologic must be taken into consideration with effect from November 1, 2008.

In the fiscal year ended, the **Digital Mammography** segment showed positive development, with a sales increase of around 45.7% to €10,048,000 (prev. year: €6,898,000).

License sales rose by around 15.8% to €6,965,000 in 2009 (prev. year: €6,016,000), while maintenance and support sales climbed by some 268.3% to €3,042,000 (prev. year: €826,000). Total **Digital Mammography** sales (licenses and maintenance) were thus up around 46.3% to €10,007,000 (prev. year: €6,842,000).

Service sales (consulting & training) came to €2,000 (prev. year: €2,000) in the year under review. Hardware sales stood at €39,000 (prev. year: €54,000).

The **Digital Mammography** segment achieved sales growth in its two main markets, Europe and the United States, in 2009. In Europe, sales expanded by around 25.0% to €1,464,000 (prev. year: €1,171,000), while US sales were up roughly 49.9% to €8,584,000 (prev. year: €5,727,000).

Despite scheduled expenses for growth, relating to the development and launch of new products, and the resulting further rise in staff costs to €3,228,000 (prev. year: €2,465,000), segment operating earnings increased disproportionately by 54.7% to €6,267,000 (prev. year: €4,051,000). This can mainly be attributed to the fact that business in the already established products for breast diagnostics marketed by industry partner Hologic was fully consolidated for the first time in this segment in the year under review. The majority of the expenses for the development and launch of new Group products, in contrast, come under the Other Diagnostics segment.

Sales and earnings in the Other Diagnostics segment

The **Other Diagnostics** segment comprises digital radiology products (e.g. magnetic resonance imaging (MRI), computed tomography (CT), etc.) as well as general analysis of and diagnosis based on radiological images. Other main activities in this segment include image and risk analysis for planning liver surgery and tumor diagnostics in connection with clinical studies of pharmaceutics companies. **Other Diagnostics** includes the parent company, MMS AG, and the wholly-owned subsidiary MMS Inc.

Other Diagnostics volumes decreased by around 58.3% to €3,876,000 (prev. year: €9,296,000) in the year under review. It should be borne in mind, however, that the previous year's revenues included intersegment earnings of €5,350,000 in addition to third-party sales of €3,946,000. The intersegment earnings derive from the en bloc sale of MeVisAP licenses to the Digital Mammography segment. Adjusted for this special factor, **Other Diagnostics** business shrank by around 1.8%.

License sales fell accordingly by around 64.6% to €3,028,000 (prev. year: €8,565,000). Adjusted for the special factor, license sales decreased by around 5.8%. On the other hand, maintenance and support sales decreased by around 32.2% to €156,000 (prev. year: €230,000). Total **Other Diagnostics** sales (licenses and maintenance) were down around 63.8% to €3,184,000 (prev. year: €8,795,000). Adjusted for the special factor, license sales decreased by around 7.6%.

Service sales (consulting & training) totaled €182,000 (prev. year: €279,000), while the hardware business generated sales of €454,000 in the year under review (prev. year: €222,000).

The **Other Diagnostics** segment comprises the two submarkets Europe and the United States. In Europe, sales fell by around 89.3% to €628,000 (prev. year: €5,871,000) – adjusted for the special factor, sales were up around 20.5% – while US sales fell by around 5.2% to €3,248,000 (prev. year: €3,425,000).

Due to the scheduled expenses for growth, relating to the development and launch of new products, and the resulting depreciation amounting to €1,466,000 (prev. year: €873,000) and staff costs of €6,571,000 (prev. year: €5,205,000) segment operating earnings, including the special factor, decreased by 33.4% to -€5,085,000 (prev. year: -€3,812,000, adjusted for special factor).

Results of operations

The main positive influences on consolidated sales in 2009 were full consolidation of the business with industry partner Hologic in the entire period under review and the market launch of new software applications, especially in the Digital Mammography segment.

In the year under review, sales totaled €13,869,000 (prev. year: €10,844,000), which corresponds to top-line growth of 27.9%. While license sales were up by 8% to €9,937,000, software service contract sales rose 202.9% to €3,199,000 due to rapid top-line growth in previous periods.

The increase of €766,000 in other operating income to €1,828,000 in the year under review is mainly due to the recognition of a large proportion of grants, amounting to €864,000 (prev. year: €413,000). Other operating income also increased, to €484,000 (prev. year: €120,000).

Based on the capitalization of development costs since 2008, own and purchased development services totaling €2,642,000 were capitalized in 2009 (prev. year: €2,242,000). The own development work contained in this item is recognized in “Income from the capitalization of development costs” for neutralization of the information contained in the various types of personnel and material costs in connection with the various development projects.

The sum total of cost of materials and cost of services purchased of €459,000 (prev. year: €367,000) primarily consists of the cost of goods sold of €420,000 (prev. year: €241,000). Non-capitalized research and development projects of the Fraunhofer MEVIS Institute for Medical Image Computing account for a further €39,000 (prev. year: €126,000).

The increase in staff costs is mainly due to the planned expansion of development activities in the Group. The annual average human resource level in the Group was 161 full-time equivalents (prev. year: 124). In addition, student testers were employed on a part-time basis. In the year under review, staff costs in the Group rose by 27.8% to €9,799,000 (prev. year: €7,670,000) despite the fact that staff waived wage increases and all variable components of their salaries. A major factor in this is that staff costs in 2008, in which the workforce doubled, were not incurred for the new recruits until they took up employment. The total number of personnel employed in the Group as of the balance sheet date (including student testers) rose by 7 year-on-year to 239.

The decrease of 19.3% in other operating expenses in the year under review to €3,273,000 (prev. year: €4,054,000) is due to the cost-cutting plan introduced at the beginning of 2009. Savings were achieved mainly by reducing legal and consulting costs by €182,000 to €808,000, reducing recruiting costs by €165,000 to €45,000, external work by €146,000 to €70,000, travel expenses by €86,000 to €183,000, and contributions by €79,000 to €17,000. In addition, the financing obligation of €143,000 for MeVis Research GmbH ceased because the legal form of the latter was changed to a Fraunhofer applied research institute effective January 1, 2009.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to €4,474,000 in 2009 (prev. year: €1,757,000). The EBITDA margin, at 32.3%, was almost double the previous year’s figure: 16.2%.

Depreciation and amortization increased by 160.2% to €2,841,000 (prev. year: €1,092,000). This is mainly due to the increase in amortization on intangible assets by €567,000 to €1,168,000 in connection with the acquisitions of the previous year, and on capitalized development costs by €1,030,000 to €1,134,000 in connection with the market launch of newly developed software products in the year under review.

Earnings before interest and taxes (EBIT) came to €1,633,000 (prev. year: €665,000), corresponding to an EBIT margin of 11.8% (prev. year: 6.1%).

The net financial result decreased by €2,506,000 in 2009 to -€465,000, the primary factor being the drop of €454,000 in interest income to €598,000, and the increase of €675,000 in interest expense to €996,000. The fall in interest income is largely due to the drop in the capital market interest rate, while the rise in interest expense is mainly due to the imputed interest to maturity of remaining purchase price installments for the acquisition of the 49% share in MBS KG. In addition, the reduction of €1,377,000 in the other financial result to -€67,000 substantially shrank the net financial result. Major factors were the remeasurement loss of -€170,000 in currency hedging instruments (prev. year: €644,000), and a drop in currency gains of €172,000 (prev. year: €678,000).

The Group thus posted a pre-tax profit of €1,168,000 in 2009 (prev. year: €2,706,000), corresponding to a return on sales of 8.4% (prev. year: 25%).

Deferred tax assets and liabilities for temporary differences were calculated on the basis of an income tax rate of 30%. Deferred tax assets on loss carry forwards were calculated on the basis of a tax rate of 15.8% (Germany) or 39% (USA) for the corporation income tax loss carry forward and on the basis of a tax rate of 15.4% for the trade tax loss carry forward.

The increase of €178,000 in income tax expense to €770,000 is mainly due to the increase in deferred taxes to €459,000 (prev. year: -€517,000), while income taxes fell to €311,000 (prev. year: €1,109,000).

The post-tax profit in 2009 was €398,000 (prev. year: €2,114,000). Basic earnings per share came to €0.23 (prev. year: €1.21).

Capital spending

In the year under review, a total of €3,040,000 (prev. year: €21,753,000) was spent on intangible assets, property, plant and equipment and financial assets.

Spending of €2,720,000 (prev. year: €20,361,000) on intangible assets primarily comprises capitalized development costs of €2,624,000 including capitalized cost of services purchased of €316,000, and also patents, licenses and other rights of €96,000.

As of the balance sheet date, spending on property, plant and equipment amounted to €320,000 (prev. year: €1,392,000) and consisted of €165,000 (prev. year: €546,000) in investment on IT equipment, €110,000 (prev. year: €576,000) on leasehold improvements, and €45,000 (prev. year: €270,000) on office and business equipment.

Assets, liabilities and financial position

The MeVis Group has adequate financial resources to achieve its planned growth. As of the balance sheet date, liquid funds totaled €15,093,000 (prev. year: €20,257,000), of which cash and cash equivalents accounted for €7,718,000 (prev. year: €15,257,000) and for-sale securities amounted to €7,375,000 (prev. year: €5,000,000).

While total assets in the previous year saw considerable growth of €24,009,000 as a result of the acquisition of the 49% share in MBS KG from Siemens, this year they decreased by 14.5% to €50,955,000 (prev. year: €59,584,000). The balance sheet as of December 31, 2009 was mainly impacted by a €7,673,000 reduction in current assets, with a corresponding reduction of €6,919,000 in non-current liabilities and of €1,706,000 in current liabilities.

Non-current assets as of the balance sheet date were down 3.1% to €29,873,000 (prev. year: €30,829,000). The decrease is mainly due to a reduction of €924,000 in deferred taxes to €1,487,000. Intangible assets were almost unchanged, at €27,095,000, since newly capitalized development costs of €2,624,000 (prev. year: €2,242,000) were recorded opposite amortization of €2,302,000 in the year under review (prev. year: €705,000).

Property, plant and equipment, which primarily consists of leasehold improvements, office and business equipment acquired in connection with recruiting, as well as spending on modern IT file service technology, fell by €223,000 to €1,191,000 in the year under review (prev. year: €1,414,000).

The 27.1% reduction in current assets in the period under review to €21,082,000 was predominantly due to the decrease of €7,539,000 in cash and cash equivalents to €7,718,000 (prev. year: €15,257,000). Reported opposite this reduction are payments in the year under review for the strategic acquisition of the “Lung Diagnostic” business as well as the 49% share in MBS KG, which led to a corresponding reduction in other financial liabilities.

The investment of cash in 2008 in the form of a promissory note was reallocated in the year under review to various fixed-income securities, including investment-grade corporate bonds.

Other financial assets of €8,540,000 fell only slightly year-on-year (prev. year: €9,031,000). In contrast, trade receivables increased by €1,877,000 to €4,222,000, mainly due to the fact that payment terms as of the balance sheet date were exceeded by MeVis Group customers.

As of the balance sheet date, the level of equity, at €32,607,000, was almost unchanged (prev. year: €32,611,000). The equity ratio rose to 64% due to the reduction in total assets (prev. year: 54.7%). Subscribed capital was €1,820,000 (prev. year: €1,820,000). The share premium was almost unchanged, at €28,465,000 (prev. year: €28,363,000), while treasury stock deducted from this figure increased by €462,000 to €4,156,000 (see also Note 24 of the consolidated financial statements). However, retained earnings increased by €571,000 to €4,949,000, of which net profit accounts for €398,000 (prev. year: €2,114,000).

Non-current liabilities as of the balance sheet date were down 49.6% to €7,025,000 (prev. year: €13,944,000). This is mainly due to the decrease of €6,464,000 in other financial liabilities, since payments, which are due in 2010 for the strategic acquisition of the “Lung Diagnostic” business as well as the 49% share in MBS KG, are representing current liabilities in the year under review, while they have been recognized as non-current liabilities in the previous year. In addition, deferred tax liabilities fell by €418,000 to €425,000.

Current liabilities were down 13.1% to €11,323,000 (prev. year: €13,029,000). The decrease can mainly be attributed to the €1,302,000 reduction in other liabilities to €410,000, which is mainly due to the reduction in current tax liabilities. In addition, income taxes decreased by €2,516,000 to €188,000, due mainly to MBS KG’s trade tax liabilities of €2,532,000 as a result of the tax assessment of the spin-off. Other financial liabilities, on the other hand, increased by €1,567,000 to €7,478,000, which is mainly due to an increase in short-term components of the acquisition purchase prices for the strategic acquisition of the “Lung Diagnostic” business and the 49% share in MBS KG, which exceeded the €4,651,000 payments made in the year under review.

The cash flow from current operating activities came to €3,071,000 in the period under review (prev. year: €2,908,000). It essentially comprises earnings before interest and taxes (EBIT) of €1,633,000 (prev. year: €665,000), adjusted for depreciation of €2,841,000 (prev. year: €1,092,000), interest received of €586,000 (prev. year: €869,000), taxes paid of -€3,026,000 (prev. year: -€941,000), received tax rebate of €627,000 (prev. year: €0), changes in trade receivables and other assets of €1,911,000 (prev. year: -€575,000) and changes in trade payables and other liabilities of -€1,624,000 (prev. year: €412,000).

In the year under review, cash flow from investing activities came to -€9,973,000 (prev. year: -€13,502,000) and mainly consisted of payments for capitalized development costs of €2,624,000 (prev. year: €2,242,000), payments for the acquisition of consolidated companies amounting to €2,500,000 (prev. year: €2,599,000), which relate to the acquisition of the 49% share in MBS KG, payments for the acquisition of business units totaling €2,151,000 (prev. year: €1,919,000), which relate to the acquisition of the “Lung Diagnostic” business, payments for the acquisition of securities totaling €7,818,000 (prev. year: €5,000,000), which relate to fixed-income securities for-sale, and also payments received from the sale of securities totaling €5,536,000 (prev. year: €0).

Cash flow from financing activities, amounting to -€526,000 (prev. year: -€2,627,000), consisted of payments for the acquisition of treasury stock of €462,000 (prev. year: €2,203,000) and payments made on (financial) credits totaling €64,000 (prev. year: €735,000).

Change in cash and cash equivalents in the year under review came to -€7,428,000 (prev. year: -€13,221,000).

Management and treasury systems

Under the management of MMS AG, the strategic goal of the company and the MeVis Group is to achieve global market leadership in individual segments for specialized software applications for medical imaging, particularly early detection, diagnostics and intervention for cancer and lung diseases as well as neurological disorders by means of digital radiology. The software applications are for use with different imaging modalities, particularly digital mammography, computed tomography, magnetic resonance imaging, digital tomosynthesis and digital sonography (ultrasound).

In selling their products, the MeVis Group companies mainly use an indirect distribution model involving individual industry partners. The quality of the business process of MeVis Medical Solutions AG, including its establishments MBS KG and MBC KG, in relation to the development, manufacture and final inspection of diagnostic software for radiological image data and evaluation services for medical image data was certified to EN ISO 13485:2003 + AC 2007 on February 8, 2010 by the notified body Medcert GmbH.

The main financial ratios used by the MeVis Group are licenses sold and sales and return on sales margins. A deviation analysis of the applicable budget parameters is performed on a monthly basis in the light of the results of a risk assessment and, where applicable, any necessary budget adjustments.

Unused liquidity is placed in low-risk investments capable of being liquidated at short or medium-term notice. As of the balance sheet date, these were predominantly at-call deposits and various fixed-income securities, including investment-grade corporate bonds.

Thanks to the high volume of liquidity, credit facilities were utilized to only a small extent as of the balance sheet date. Cash and cash equivalents are used to finance working capital and for any acquisitions.

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. For this reason, the product ranges developed by the MeVis Group call for ongoing and forward-looking adjustment in the light of technical progress, and constant enhancement to accommodate the constant increase in data volumes and medical quality requirements. In addition, the MeVis Group has an array of product developments to allow it to respond to future market developments.

MMS AG and its subsidiaries and affiliates have little research capacity of their own. The bulk of the research activities are performed by Fraunhofer MEVIS Institute for Medical Image Computing (hereafter: ”Fraunhofer MEVIS“ or ”FME“; known prior to the period under review as ”MeVis Research GmbH“). Most of the employees of MeVis Group are assigned to software development.

In the period under review, the MeVis Group’s development activities concentrated on the completion of new products or product generations and the continuation of ongoing projects:

MeVisAP technology platform

The software applications that MMS AG develops have to fulfill a variety of different medical requirements according to their later use, and are integrated into clinical workflows in a number of ways. That said, all software applications in medical imaging have core functionalities in common, which are also required in many of the MeVis Group’s products. Examples include functions for calling up patient and report data from a data archive, for displaying this information on the monitor, for the interactive navigation through such image data, for marking image data and for taking simple geometric measurements on the images.

Aside from the basic functions for calling up and displaying patient and image data and for recording diagnostic information, as just mentioned, MeVisAP also offers fundamental software components for storing and sharing data in a client-server environment, for the automatic preprocessing of image data, for communicating with other servers in accordance with the DICOM standard, for memory and resource management, and so on.

Implementing these functions in a shared platform greatly speeds up the development of new software products, since much of the functionality already exists and does not have to be redeveloped for each new product. With these synergies the MeVis Group is addressing the challenge of ever-shorter innovation cycles.

In addition to the basic functionalities provided by MeVisAP, complex medical software products are essentially based on innovative algorithms and methods for image processing, image analysis and visualization – which are customized to the medical need in question – as well as specific requirements relating to clinical workflows. To facilitate rapid prototyping of such methods and workflows, the research and development environment MeVisLab was created in the MeVis Group. It enables the rapid prototyping of software applications – which are tailored to the specific medical need – with which the developed methods and workflows can be trialed, evaluated and optimized in clinical environments (“Rapid Prototyping”).

The fusion of MeVisLab and MeVisAP makes it possible to transfer to innovative software products the methods, algorithms and workflows developed on the basis of MeVisLab. By combining the two platforms, MeVisLab modules and module networks can be integrated faster into products that are implemented on the basis of MeVisAP. This model of dynamic integration of research and product developments significantly shortens development and innovation cycles.

DynaCAD Prostate application module

In addition to the development of the complex software solution for DynaSuite Neuro launched at the end of 2008, the Dyna software application family has grown with the development of an application module for diagnosis and MRI-based biopsy for prostate cancer (DynaCAD Prostate).

3D computed tomography of the lung/Visia™ CT-LungCare

MMS AG is working intensively on a broad-based software solution for 3D lung computed tomography permitting even more precise monitoring of lung tumors, therapy monitoring, preoperative planning of surgical interventions of the lung, emphysema and fibrosis evaluation, and the analysis of disorders of the pulmonary vascular system. The MeVis Group plans to launch an extensive software application for lung computed tomography, in which the strategic acquisition in the second quarter of 2008 of Lung CT business from Hologic R2, Inc. by MMS Inc. is of crucial importance.

Virtual colonoscopy

MMS AG is working on the development of a specialized software application for viewing CT images derived from virtual colonoscopy for diagnosing disorders of the colon and for monitoring therapy.

The colon can be examined in both directions with the aid of rapid 3D visualization of CT image data. The primary purpose of the newly developed software application is to make the examination for the early detection of colon cancer safer for the patient and to speed up diagnosis for the medical practitioner. Different features make this possible, such as real-time 3D visualization, the option of displaying different views simultaneously, computer-assisted detection of suspected polyps and optimized linkup with clinical workflows.

A key factor here is the acquisition of software rights and source codes for CT-based virtual colonoscopy by MMS AG in 2008. This software application is currently being ported to the software platform MeVisAP, and extended. At this point in time, the MeVis Group expects this product to be launched in 2011-2012.

ASP services

In connection with its application service provider business model (hereafter: “ASP model”), in which the MeVis Group is involved in the preoperative planning of liver surgery, MeVis Distant Services are to be extended to provide services for other organs or clinical pictures. The aim is to assist surgeons in the diagnosis or preparation and planning of complex surgery. At this point in time, the MeVis Group expects to be able to start offering these services in 2011.

Staff

The Group had 169 employees as of the balance sheet date (prev. year: 157). On annual average, the Group had a workforce of 167 (prev. year: 124), which works out as 161 full-time equivalents (prev. year: 120). In addition, the Group engaged testers on a part-time basis, equating to 25 full-time equivalents (prev. year: 18).

Most of the employees receive fixed remuneration as well as a performance-based variable remuneration component measured on the basis of quantitative and qualitative individual and corporate targets. The employees of the company and its subsidiaries agreed with the Executive Board of MMS AG to relinquish this variable remuneration component in the fiscal year ended as part of the Group-wide cost-cutting plan.

In addition, a stock option program was launched back in 2007 to boost employee loyalty to the MeVis Group and to generate additional performance incentives. To date, two tranches (2007 and 2009) totaling up to 40,491 stock options have been issued to employees of the MeVis Group. Exercise of options is subject to a holding period and a share price performance target.

Remuneration report

The remuneration for the Executive Board consists of fixed and variable components. The fixed remuneration for Executive Board member Dr. Carl J.G. Evertsz is paid partly by MBC KG and for the rest by MMS AG. In the case of Executive Board member Christian H. Seefeldt, it is paid by MMS AG. The fixed remuneration for Executive Board member Thomas E. Tynes is paid by MMS Inc., while a performance-based fee for his role as Board member of MMS AG is agreed. All members of the Executive Board are renouncing performance-based remuneration in respect of fiscal year 2009, and have made declarations to that effect to the Supervisory Board.

The members of the Executive Board – with the exception of Dr. Carl J. G. Evertsz – take part in a stock option program, which acts as a variable remuneration component providing a long-term incentive. In addition, Executive Board member Thomas E. Tynes has a right to subscribe to shares in MMS AG under the terms of his service contract. This is based on MMS AG’s consolidated EBIT for the years from 2008 (inclusive).

The total remuneration paid to the Executive Board in the year under review came to €458,000 (prev. year: €533,000) and it, and the remuneration of the Supervisory Board, is explained in the consolidated financial statements (Note 39).

Declaration on Corporate Governance

The declaration issued by the Executive Board and the Supervisory Board on corporate governance, dated March 29, 2010 - containing

- declaration of conformance pursuant to § 161 of the German Stock Corporation Act
- details of corporate governance practices
- description of Executive Board and Supervisory Board procedures

is available to the public on the company’s website
http://www.mevis.de/mms/en/Corporate_Governance.html).

Corporate disclosures

Composition of the subscribed capital

As of the balance sheet date, the company had subscribed capital of €1,820,000, which, without exception, consisted of no-par registered shares with voting rights.

Shares in capital exceeding 10% of the voting rights

- In accordance with the share register dated December 31, 2009, Dr. Carl J.G. Evertsz, Schumannstraße 12, 28213 Bremen, holds roughly 19.5% of the voting rights.
- In accordance with the share register dated December 31, 2009, Dr. Hartmut Jürgens, Grohner Bergstraße 11, 28759 Bremen, holds roughly 16.5 % of the voting rights.

- In accordance with the share register dated December 31, 2009, Prof. Dr. Heinz-Otto Peitgen, Am Jürgens Holz 5, 28355 Bremen, holds roughly 19.5 % of the voting rights.
- In accordance with a report received from Fortelus Special Situations Master Fund Ltd, George Town, Cayman Islands, dated April 30, 2008 pursuant to § 21(1) of the German Securities Trading Act, the share of voting rights jointly held by Fortelus GP Ltd, c/o M&C Corporate Services Ltd, Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands, Fortelus Special Situations Fund LP, registered office 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA, and Fortelus Special Situations Fund Ltd, c/o M&C Corporate Services Ltd, Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands, stands at around 10.2%.

Provisions governing the appointment and dismissal of members of the Executive Board and amendments to the articles of association

The members of the Executive Board are appointed and dismissed in accordance with §§ 84, 85 of the German Stock Corporation Act. Amendments to the articles of association are governed by §§ 133, 179 et seq. of the German Stock Corporation Act. § 119(1) No. 5 of that Act stipulates that any amendments to the articles of association require a resolution of the shareholders. Under § 9(5) of the articles, 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

At the company's annual general meeting held on August 22, 2007, the shareholders passed a resolution authorizing the Executive Board to issue, in one or more tranches before December 31, 2011 subject to the Supervisory Board's approval, options for a total of up to 130,000 of the company's registered no-par-value ordinary shares to employees and members of the management of the company and other entities in which the company directly or indirectly holds a majority of the capital and to create conditional capital of €130,000.

In accordance with the resolution passed by the shareholders on September 28, 2007, the Executive Board is authorized, subject to the Supervisory Board's approval, to increase MMS AG's share capital on a cash or non-cash basis by a total of up to €650,000 by issuing registered no-par-value shares in one or more tranches on or before September 27, 2012. The authorized capital in an amount of €650,000 was reduced by €520,000 in connection with the stock-market flotation by means of a cash capital increase (resolution passed by the Executive Board and the Supervisory Board on November 10, 2007). This leaves authorized capital of €130,000.

In addition, the Executive Board is authorized to acquire up to a total of 10% of the company's subscribed capital (€1,820,000) as of the date on which the resolution was passed by the shareholders (July 9, 2008). Including any other treasury stock already held by or attributable to the company in accordance with §§ 57a et seq. of the German Stock Corporation Act, the shares thus acquired may not exceed 10% of the company's total share capital. This authorization does not extend to trading in the company's treasury stock. The authorization expires at the end of January 8, 2010. Upon taking effect, this resolution rendered void the resolution passed by the shareholders on September 28, 2007.

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

- As a 49% partner in MBC KG, Siemens Aktiengesellschaft 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 § 17 of the German Stock Corporation Act in MMS AG and competes with Siemens Aktiengesellschaft.
- As a licensee of MBS KG, Hologic Inc. has a right to terminate the license contract entered into by it with MBS KG if a substantial proportion of the assets of MBS KG are transferred to a trustee or a third party.

- As a licensee of MMS AG, Invivo Corp. has a right to terminate the license contract entered into by it with MMS AG in the event of any change of control within MMS AG if the new controlling party does not acknowledge the obligations under the license contract.

- In the event of a change of legal form of MMS AG, the members of the Executive Board have a right of termination for cause if they are not appointed to the Board of the entity created as a result of such change of legal form. The member of the Executive Board is entitled to terminate his service contract for cause subject to two months' notice. As compensation for the termination caused by the change in the shareholder structure, the member of the Executive Board concerned receives a settlement equaling the capitalization of the total expected remuneration arising over the remaining period of the service contract.

Risk report

In the fiscal year ended, the MeVis Group took considerable efforts to enhance its risk management. By holding regular management meetings in particular, the company's management is able to detect at an early stage any risks to its assets as well as changes in the business performance of the individual segments and Group members and other risks to its going-concern status.

The Group's risk management system is geared toward coordinating the systems for monitoring, early detection and managing all business risks in accordance with the Business Control and Transparency Act (hereinafter "KonTraG"). The purpose is to identify at an early stage any ongoing risks, in particular risky transactions, accounting misstatements and breaches of the law with a material effect on the assets, financial and earnings position of MMS AG or its subsidiaries and affiliates.

The Accounting Law Reform Act (hereafter: "BilMoG") came into force on May 29, 2009. The Reform Act states the mandates of Supervisory Boards and Executive Board 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.

It is on this legal basis that the risk management system of the Group is being further expanded. The purpose of setting up a monitoring system is to ensure 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.

Based on the risk analysis in connection with the stock-market flotation of MMS AG, the risk management system documents and regularly updates risk scenarios arising out of operations and based on the environment. The Group has identified the following main risks:

Business-related risks

- Dependence on key customers

MMS AG and its subsidiaries and affiliates generate a substantial portion of their revenue from business with a small number of individual customers. These customers, which at the same time cover much of the global market in their respective fields, are thus of considerable importance for the Group's commercial success. If the Group does not succeed in retaining these key customers, this will have a detrimental effect on the MeVis Group's assets, liabilities, financial position and profit or loss.

- Dependence on customers' success

A large part of the MeVis Group's products are not consumer products. The MeVis Group predominantly sells software to the producers of clinical end-customer products required for the operation or production of the medical equipment which they distribute. The Group's success is thus contingent upon its 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 also impact future demand for the products of MMS AG and its subsidiaries and affiliates. For one, this could result in unscheduled amortization on capitalized development expenses, impairment of goodwill, to write-downs on deferred tax assets.

- Product liability risks

Despite consistent quality assurance, the risk of defects in the MeVis Group's products cannot be ruled out. In such cases, MMS AG or its subsidiaries and affiliates 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.

- Risks in connection with the utilization of brands

It is possible that further designations such as third-party brands, names and company names exist, which are similar to those used or registered as brands by MMS AG or its subsidiaries and affiliates 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 the MeVis Group 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 its subsidiaries and affiliates.

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

MMS AG and its subsidiaries and affiliates 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 MMS AG or its subsidiaries and affiliates cannot be ruled out. Nor can the risk of the MeVis Group companies breaching third-party patents and industrial property rights be ruled out.

- Exchange rate risks

The MeVis Group offers its services on an international basis and, hence, outside the euro currency zone, particularly in the US market. The sales of MMS AG and its subsidiaries and affiliates are invoiced in the currency of the territory in which the customer has its head office. To date, the vast majority of the services of MMS AG, MBS KG and MMS Inc. has been invoiced in US dollars. Although part of this exposure is hedged, it is not possible to exclude exchange rate risks which many have a detrimental effect on the MeVis Group's profit or loss, particularly in connection with medium and long-term contracts which it customarily enters into with its customers.

Risks in connection with research and development

- Availability of qualified executives and staff

The availability of qualified employees in sufficient numbers to underpin the Group's current efforts entails a risk in light of the current situation in the relevant segment of the labor market.

The MeVis Group's business largely involves the development and production of customized and innovative software applications. The expertise is centered on development. The MeVis Group is therefore dependent upon highly qualified staff for the specification, development and testing of the software produced. In particular, the Group employs individuals with the special know-how in specific areas such as software development for medical technical applications, which is essential to the business. Such specialists are not widely available on the open labor market; plus training is not usually product-specific, meaning that thorough induction is necessary. Depending on the function, the loss of even one of these individuals without someone suitable to take their place can have a negative impact on the business and the assets, liabilities, financial position and profit or loss of MMS AG or its subsidiaries and affiliates.

If the Group fails to hold on to the required qualified executives and staff or highly qualified individuals long-term or fails to replace outgoing staff promptly and adequately, this could have negative implications for sales and the profit or loss of MMS AG or its subsidiaries and affiliates. For this reason, a Group-wide training concept is in development, which will provide executives and staff with further qualifications. In addition, concepts will be drawn up to highlight appropriate prospects and incentives for executives and staff.

Market risks

- Risks arising from the necessity for ongoing product optimization

In order to remain competitive, the MeVis Group 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 rendering the software developed by the MeVis Group obsolete. If the MeVis Group 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 or its subsidiaries and affiliates.

On the whole, the Executive Board sees no risks to the MeVis Group as a going concern.

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 the MeVis Group's accounting. This concerns all elements of the risk management system and internal control system, which may have significant impact on the company's consolidated 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 consolidated financial statements with the standards. Any risks identified must be assessed in terms of their effect on the consolidated statements; if necessary, a specialist must be consulted. The objective of the internal control system in this context is to ensure with sufficient certainty – by implementing appropriate controls – that standards-compliant consolidated financial statements are prepared in spite of the risks identified.

The company has an internal control and risk management system covering the Group's 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 consolidated financial statements of amendments to the laws and accounting standards are analyzed, adopted and implemented on a continuous basis. The staff involved are regularly trained in this work.

Both the risk management system and internal control system at MeVis Medical Solutions AG also cover all subsidiaries of material importance for the consolidated financial statements along with all the processes relevant for preparing the financial statements. The controls relevant for accounting focus on risks of material misstatements in the financial reporting. Materiality of misstatements is assessed on the basis of the probability of occurrence and the financial impact on sales, EBIT and balance sheet total.

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, appropriate access controls for the IT systems of relevance to the financial statements, and the clear control of responsibilities where external specialists are involved.

The principle of dual control and the division of functions are also important control principles in the MeVis Group's 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.

Material events occurring after the balance sheet date

On January 15, 2010 MMS AG entered into a contract with Reiber Consultancy B.V., Rotterdam (Netherlands) to merge business activities, coupled with the phased acquisition of a holding of up to 100% in Medis Holding B.V., Leiden (Netherlands), (hereafter: "Medis Holding"). Medis Holding holds a 100% stake in Medis medical imaging systems, B.V., Leiden (Netherlands, (hereafter: "Medis"). Equity may be invested in Medis Holding B.V. in three fixed phases up to 2011 along with a subsequent earn-out. In the first of these, a cash contribution of €400,000 was made, which corresponds to a holding of around 14%. Due to the agreements reached MMS AG has a significant influence. Therefore, this minority holding will be reported "at-equity" in the consolidated financial statements of MMS AG in future.

The steps involved in acquiring further shares in Medis Holding are tied in with certain conditions being met and do not constitute a commitment for MMS AG at present. In addition, the probability of the conditions being met cannot be assessed at this point in time.

Under the terms of the business merger, Medis gets access to the technology platform MeVisAP and to the development environment MeVisLAB, which forms the heart of the MeVis Group's multi-modal software solutions. Medis develops software solutions which enable cardiologists, technicians and researchers to quantify cardiovascular image data accurately. Medis products are designed for the diagnosis of cardiovascular disease using magnetic resonance imaging (MRI), computed tomography (CT), X-rays and intravascular ultrasound. Medis has a subsidiary operating in Raleigh (NC/USA).

Outlook and opportunities

The MeVis Group develops specialized software applications for the global medical imaging market. Its products and services help medical practitioners to analyze medical image data. The MeVis Group believes that the segments which it targets in the market for medical imaging technology will undergo steady and sustained growth in the medium term.

This view is also supported by external market observers. For example, market research institute TriMark Publications published a study in August 2007 stating that the global market for medial imaging technology is worth USD 20.1 billion and predicting growth in market volume to USD 27.9 billion by 2010 (Table 2.2 in the report ”Medical Imaging Markets“ by TriMark Publications, August 2007).

The report ”US Markets for Computer-Aided Diagnostic Imaging Products“ from the Medtech Insight Division of Elsevier Business Intelligence, Inc. published in January 2010 estimates market growth of the computer-aided diagnostic imaging (CAD) segment at an average rate of 11.1% up to 2013. According to the report, the market segment will have a volume of approximately USD 185.3 million by 2013 (http://tiny.cc/9VLTr).

The MeVis Group believes that these developments will not only drive growth in the medical imaging market in general but, above all, lead to a steady increase in the importance of specialized software applications of the type developed by the MeVis Group and other market operators. This applies especially to the digitization of established imaging modalities, as the display, analysis and editing of digital image data demands software applications, while analog images can generally be viewed without any software. Also, the demands being made of the software are growing, since the technical advances in many imaging techniques are resulting in a steady improvement in the temporal and spatial resolution of the image data, and therefore leading to a considerable increase in data volumes.

Even so, as previously mentioned in the risk report, the MeVis Group fundamentally relies on the products of its industry partners, on which the products of MMS AG and its subsidiaries and affiliates run, continuing to maintain and extend their position in the global market in fiscal year 2010 and beyond. Given the deep recession in the United States – a key market segment for the MeVis Group – and the debate among health policy-makers surrounding the medical importance of early detection programs for breast cancer, it is not possible to rule out a delay in the sales forecasted by the MeVis Group’s industry partners for 2010. The length of the economic recession, the concrete form of US health reform and the possibility of market players deciding to postpone capital spending projects may have an adverse effect on the Group’s growth and results of operations this fiscal year.

That said, the Executive Board of the MeVis Group is convinced that the Group has managed this year to lay down further solid foundations for growth in the number of licenses sold thanks to the successful launch of *syngo* BreVis™, *syngo* BreVis Biopsy™ and ACUSON S2000™ (ABVS) for the diagnostic workstations of industry partner Siemens, and also in particular thanks to the new multi-modal software generation for the SecurView™ diagnostic workstation of industry partner Hologic.

As well as that, the MeVis Group has plenty of projects in the pipeline such as virtual colonoscopy and MeVis Visia™ CT LungCare, which will allow it to cement its leading position in the market for disease-oriented software solutions for medical imaging.

All around the world, the market segments for MeVis products face exceptionally difficult economic conditions. Accordingly, forward visibility is extremely limited again this fiscal year.

Consolidated sales and consolidated net profit forecast 2010/2011

Given the broad product portfolio at Group level and the progressive improvement in the economic environment since mid-2009, the Executive Board of MMS AG expects double-digit growth in consolidated sales in the current fiscal year. Digital Mammography will continue to account for approximately 70% of consolidated sales, and Other Diagnostics approximately 30%. Consolidated earnings before interest and taxes (EBIT) should increase disproportionately less than sales, as high expenses for upgrading the technology platform MeVisAP, incurred largely by MMS AG, as well as amortization on capitalized development costs will continue to weigh on them. Thus, the operating profitability of Digital Mammography will be markedly higher than that of Other Diagnostics in 2010 as well.

In light of the continued uncertainty about the economic trend, the implications of US health reform and increased exchange rate fluctuations, the Executive Board will review its expectations in the course of the fiscal year and put its forecasts in more concrete terms. For fiscal year 2011, the Executive Board expects an improvement in sales and earnings for the MeVis Group compared to the current fiscal year.

Bremen, April 9, 2010

Dr. Carl J.G. Evertsz	Christian H. Seefeldt	Thomas E. Tynes
Chairman & CEO	Member of the Executive Board	Member of the Executive Board

MeVis Medical Solutions AG, Bremen

Consolidated financial statements 2009

Consolidated income statement

for the period January 1 until December 31, 2009

FIGURES IN € 000S	Notes	2009	2008
Revenues	10	**13,869**	10,844
Income from the capitalization of development expenses	11	2,308	1,942
Other operating income	12	1,828	1,062
Cost of material	13	-459	-367
Staff costs	14	-9,799	-7,670
Other operating expenses	15	-3,273	-4,054
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**4,474**	1,757
Depreciation and Amortization	16	-2,841	-1,092
Earnings before interest and tax (EBIT)		**1,633**	665
Interest income		598	1,052
Interest expenses		-996	-321
Other net financial result		-67	1,310
Net financial result	17	**-465**	2,041
Earnings before taxes (EBT)		**1,168**	2,706
Income tax	18	-770	-592
Consolidated net profit for period		**398**	2,114
Earnings per share in €	19		
Basic		0.23	1.21
Diluted		0.23	1.21

Consolidated statement of comprehensive income

for the period January 1 until December 31, 2009

FIGURES IN € 000S	Notes	2009	2008
Consolidated net profit for period		**398**	2,114
Changes in the currency translation reserve	24	-95	101
Changes in fair value of available-for-sale financial instruments	24	76	0
Deferred tax on changes in fair value		-23	0
Other comprehensive income		**-42**	101
Total comprehensive income		**356**	2,215

Consolidated statement of financial positions

as of December 31, 2009

FIGURES IN € 000S	Notes	2009	2008
Non-current assets			
Intangible assets	20	27,095	26,876
Property, plant and equipment	20	1,191	1,414
Deferred tax assets	18	1,487	2,411
Other financial assets	22	100	128
		29,873	30,829
Current asstes			
Inventories	21	130	154
Trade receivables	22	4,222	2,345
Income tax receivables		356	784
Other financial assets	22	8,540	9,031
Other assets	22	116	1,184
Cash and cash equivalents	23	7,718	15,257
		21,082	28,755
ASSETS		**50,955**	59,584
Equity capital	24		
Subscribed capital		1,820	1,820
Capital reserve		28,465	28,363
Revaluation reserve		1,506	1,679
Treasury stock		-4,156	-3,694
Cumulated fair value changes of available-for-sale financial instruments		53	0
Currency translation reserve		-20	75
Retained earnings		4,939	4,368
		32,607	32,611
Non-current liabilities			
Other financial liabilities	26	6,598	13,062
Provisions	25	0	39
Deferred taxes	18	425	843
Other liabilities		2	0
		7,025	13,944
Current liabilities			
Provisions	25	188	180
Trade payables		1,121	1,038
Bank borrowings	27	401	465
Other financial liabilities	28	7,478	5,911
Deferred income	29	1,537	1,019
Other liabilities	30	410	1,712
Income tax liabilities		188	2,704
		11,323	13,029
EQUITY AND LIABILITIES		**50,955**	59,584

Consolidated statement of cash flow

for the period January 1 until December 31, 2009

	FIGURES IN € 000S	Notes	2009	2008
	Earnings before interest and tax (EBIT)		**1,633**	665
+	Depreciation and amortization		2,841	1,092
-	Profits from sale of marketable securities		-23	0
+/-	Increase/decrease in provisions		66	152
+/-	Other non-cash expenses/income		160	797
+	Interest received		586	869
-	Interest paid		-37	-2
-	Tax paid		-3,026	-941
+	Tax received		627	0
+/-	Exchange rate differences received/paid		-67	554
+/-	Decrease/increase in inventories		24	-115
+/-	Decrease/increase in trade receivables and other assets		1,911	-575
-/+	Decrease/increase in trade payables and other liabilities		-1,624	412
=	**Cash flow from operating activities**		**3,071**	2,908
-	Purchase of property, plant and equipment		-320	-1,392
-	Purchase of intangible assets (excl. development cost)		-96	-384
+	Proceeds from sale of investments accounted for under the equity method		0	34
-	Payments for capitalized development cost		-2,624	-2,242
-	Investments in subsidiaries		-2,500	-2,599
-	Investments in business units		-2,151	-1,919
-	Investments in marketable securities		-7,818	-5,000
+	Proceeds from sale of marketable securities		5,536	0
=	**Cash flow from investing activities**		**-9,973**	-13,502
-	Purchase of treasury stock		-462	-2,203
+	Proceeds from borrowings		0	311
-	Repayment of borrowings		-64	-735
=	**Cash flow from financing activities**		**-526**	-2,627
	Change in cash and cash equivalents		**-7,428**	-13,221
	Effect of exchange rates on cash and cash equivalents		**-111**	7
+	**Cash and cash equivalents at the beginning of the period**		**15,257**	28,471
=	**Cash and cash equivalents at the end of the period**	**23, 34**	**7,718**	15,257

This item comprises cash and cash equivalents.

Statement of changes in equity

for the period January 1 until December 31, 2009

FIGURES IN € 000s	Subscribed capital	Capital reserve	Revaluation reserve	Treasury stock	Cumulated fair value changes of available-for-sale assets	Currency translation differences	Retained earnings	Total
Balance on January 1, 2008	1,820	28,276	0	-1,546	0	-26	2,245	30,769
Purchase of treasury shares	0	0	0	-2,203	0	0	0	-2,203
Disposal of treasury shares	0	0	0	55	0	0	0	55
Revaluation of assets and liabilities within a step-acquisition	0	0	1,688	0	0	0	0	1,688
Transfer to retained earnings according to amortization	0	0	-9	0	0	0	9	0
Change in fair value of stock options	0	87	0		0	0	0	87
Consolidated net profit for the year	0	0	0	0	0	101	2,114	2,215
Balance on December 31, 2008	1,820	28,363	1,679	-3,694	0	75	4,368	32,611
Balance on Janury 1, 2009	**1,820**	**28,363**	**1,679**	**-3,694**	**0**	**75**	**4,368**	**32,611**
Purchase of treasury shares	0	0	0	-462	0	0	0	-462
Transfer to retained earnings according to amortization	0	0	-173	0	0	0	173	0
Change in fair value of stock options	0	102	0		0	0	0	102
Consolidated net profit for the year	0	0	0	0	53	-95	398	356
Balance on December 31, 2009	**1,820**	**28,465**	**1,506**	**-4,156**	**53**	**-20**	**4,939**	**32,607**

MeVis Medical Solutions AG, Bremen

Notes to the consolidated financial statements

Basic information on the Group

1. General disclosures

MeVis Medical Solutions AG ("MMS AG" for short) is the parent company of the MeVis Group. It was incorporated at the end of 1997 and commenced business in 1998. It has its registered office in Bremen/Germany. Its address is Universitätsallee 29, 28359 Bremen.

The consolidated financial statements as of December 31, 2009 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The provisions contained in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards in conjunction with § 315a(1) of the German Commercial Code (HGB) as well as the supplementary provisions of German commercial law were observed. The requirements have been observed in full and result in the presentation of a true and fair view of the assets, liabilities, financial position and profit or loss of the MeVis Group.

The fiscal year of MMS AG and its consolidated subsidiaries is the same as the calendar year. The balance sheet date for the consolidated financial statements matches the balance sheet date for the parent company.

In principle, the consolidated financial statements are prepared based on the recognition of assets and liabilities at amortized cost. This does not apply to derivative financial instruments or available-for-sale assets, which are recognized at their fair value as of the balance sheet date. The currency used in the consolidated financial statements is the Euro; unless otherwise stated, all figures are quoted in thousands of Euro (€ 000). The income statement is prepared using the total cost method. In accordance with IAS 1, the current/non-current distinction is applied to assets and liabilities. Non-current assets and liabilities are defined as those which are not due for settlement in less than one year. Deferred taxes are always recognized as non-current assets or liabilities. As a result of first-time application of the amended IAS 1 (revised 2007) in the year under review, a statement of comprehensive income was prepared, which presents items of income and expense included in profit or loss and in equity, for which the Group chose the two-statement approach.

The consolidated financial statements as of December 31, 2009 were approved for submission to the Supervisory Board by MMS AG's Executive Board on April 9, 2010. The Supervisory Board is responsible for examining the consolidated financial statements and stating whether it approves them. The consolidated financial statements are to be published on April 23, 2010.

2. Group's business activities

The MeVis Group develops and distributes innovative software products for medical imaging. Software development activities are performed partly by the Group's own employees, and are partly outsourced to a research institute. The MeVis Group primarily operates in the area of IT support for clinical radiology and surgery.

Within this area, it specializes in developing software for image-based processes for diagnosing and treating breast cancer, liver surgery, vascular diagnostics, diagnostics and therapy for lung diseases as well as diagnostics and therapy for neurological disorders. The Group works with leading medical technology companies to incorporate the results of these research and development activities in marketable products. At the same time, it establishes companies to develop and distribute certain software products.

3. MMS AG's segments

MMS AG operates in two segments: Digital Mammography and Other Diagnostics. The Digital Mammography segment comprises the activities of the joint venture MBC KG and the wholly-owned subsidiary MBS KG. The Other Diagnostics segment engages in the development and marketing of diagnostic software, which is sold by MMS AG and MMS Inc. The internal reporting structure of the MeVis Group corresponds to the consolidated legal entities, each of which is allocated entirely to one of the segments.

Basis of preparation

4. Principles of consolidation

The consolidated financial statements include the annual financial statements of MMS AG and its subsidiaries. Subsidiaries are defined as entities which are controlled by MMS AG. An entity is assumed to be controlled if MMS AG directly or indirectly holds more than half of the voting rights in the company and it is possible for MMS AG to determine the entity's business and financial policies in such a way that the Group is able to derive advantages from such entity's activities.

Newly acquired companies are consolidated using the purchase method. Accordingly, the acquisition costs of the business combination are allocated to the identifiable assets acquired and the identifiable liabilities and contingent liabilities assumed, on the basis of their fair values as of the date of acquisition. Any excess in acquisition costs over the Group's share in the fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. If the fair values of the assets, liabilities and contingent liabilities acquired exceed the purchase price (negative goodwill), this amount is recognized in the income statement. The acquired entities are consolidated as of the date of acquisition.

Where the acquisition is achieved by successive share purchases, and MMS AG obtains the possibility of exercising control over the company, the provisions contained in IFRS 3 governing the full remeasurement of the assets and liabilities as of the date on which the possibility to exercise control is acquired are applied. Goodwill or any negative differences to be recognized in profit and loss are calculated separately for each acquisition. Any change in the fair values of the assets and liabilities between the date on which the shares are acquired and the date on which the possibility of acquiring control is obtained are recognized in the revaluation reserve within consolidated equity.

Shares in entities whose business activities are co-managed by MMS AG and another company (joint ventures) are consolidated on a proportionate basis. For this purpose, the assets, liabilities, income and expense of the joint-venture company are consolidated in accordance with the Group's share in such entity. The principles of full consolidation are also applied to companies consolidated on a proportionate basis.

An associated company is a company on which the Group exercises material influence and which is neither a subsidiary nor a share in a joint venture. Material influence is defined as the possibility to influence the associated company's financial and business policies. However, the Group does not control such financial and business policies either individually or in conjunction with other parties. Using as a basis the cost of acquisition as of the date on which the shares were acquired, the changes in the equity of the associated companies are increased or decreased in accordance with the equity method of accounting to the extent that these shares are attributable to MMS AG.

Intragroup balances and transactions including interim results are eliminated. The separate financial statements included in the consolidated financial statements have been prepared using uniform recognition and measurement principles.

5. Companies consolidated

In addition to MMS AG, all subsidiaries are consolidated in full. Joint-venture companies are consolidated on a pro rata basis. Shares in associates are accounted for using the equity method of accounting. The following section details the subsidiaries included in the consolidated financial statements and the companies consolidated on a proportionate basis:

Subsidiaries

Name and location of company	Share in %
MeVis Medical Solutions Inc., Pewaukee, Wisconsin (USA)	100.0
MeVis BreastCare Solutions GmbH & Co. KG, Bremen	100.0
MeVis BreastCare Solutions Verwaltungs-GmbH, Bremen	100.0
MeVis Japan KK, Tokyo (Japan)	100.0

On September 16, 2009, MeVis Japan KK was founded in Tokyo. It is a wholly-owned subsidiary and was not operational in the year under review.

Its object is to import, export, license, sell, implement and maintain innovative software applications and hardware for medical imaging systems. In addition, it is planned for it to provide consulting and training services as well as special maintenance services for the medical imaging software and hardware segment.

As it is included in the consolidated financial statements of MMS AG, which is responsible for ensuring compliance with the other conditions specified in § 264b of the German Commercial Code, MBG KG is exempt from the duty to prepare consolidated financial statements in accordance with the rules applicable to joint stock companies and a management report as well as the duty to disclose these documents.

Joint-venture companies consolidated on a proportionate basis

Name and location of company	Share in %
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	51.0
MeVis BreastCare GmbH & Co. KG, Bremen	51.0

MeVis Medical Solutions AG holds 51% of MeVis BreastCare GmbH & Co. KG, a joint venture forged with Siemens Aktiengesellschaft.

As of December 31, 2009, Siemens AG continued to hold 49% of the capital of MeVis BreastCare GmbH & Co. KG. In addition, Siemens AG has a call option which it may exercise at any time with respect to a further 2% share in MeVis BreastCare GmbH & Co. KG. In accordance with the provisions contained in the deed of partnership, a 2/3 majority is required for material decisions, meaning that the potential exercise of this option will not have any effect on the MeVis Group's scope for exerting influence on the company. Accordingly, MeVis BreastCare GmbH & Co. KG is a joint venture and therefore consolidated at 51%. MeVis BreastCare Verwaltungsgesellschaft mbH is the general partner in MeVis BreastCare GmbH & Co. KG. The shareholder structures of and consolidation policy for this company are identical to MeVis BreastCare GmbH & Co. KG.

For the purposes of proportionate consolidation, the following proportionate assets and liabilities as well as income and expense were included in the MeVis Group's consolidated financial statements as of December 31, 2009 and 2008:

Figures in € 000s	2009	2008
Current assets	1,178	4,955
Current liabilities	377	4,108
Non-current assets	620	174
Non-current liabilities	160	10
Expenses	2,417	5,050
Revenues	2,369	5,791

6. Currency translation

The annual financial statements of the subsidiary MMS Inc. are prepared in US dollar as that company's functional currency, and translated into Euro, which is the reporting currency, as of December 31, 2009. As MMS Inc. is an economically independent entity, its assets and liabilities are converted to the reporting currency at the exchange rate on the balance sheet date. Income and expense are translated at the average exchange rate and equity capital at historical exchange rates into the reporting currency (Euro). Any differences arising from currency translation of equity as well as differences between the statement of comprehensive income and the balance sheet are recognized in equity.

The Japanese subsidiary MeVis Japan KK was not operational in 2009. For this reason, the annual financial statements consisted solely of cash and equity. The functional currency is not yet definitive, as the future scope of operations is not yet final.

The annual average exchange rates are the average exchange rates for the respective fiscal year. The USD/EUR and the JPY/EUR exchange rates underlying currency translation are as follows:

	End-of-year exchange rate		Annual average exchange rate	
Currency	**Dec. 31, 2009**	Dec. 31, 2008	**2009**	2008
USD/€	1.4406	1.3917	1.3948	1.4713
JPY/€	133.16	126.14	130.34	152.45

Transactions in currencies other than the functional currency are translated at the exchange rate prevailing on the date of the transaction. Currency translation gains and losses arising from fluctuations in exchange rates for foreign-currency transactions are reported in the net financial result.

Recognition and measurement methods

7. Recognition and measurement policies

Recognition of sales

Sales are recognized when it is likely that the economic benefits from the transactions will flow to the MeVis Group and the amount is reasonably assured.

As a matter of principle, the MeVis Group distinguishes between the recognition of revenues from the sale of licenses, the provision of services and the sale of hardware.

Revenues from the sale of goods and products are recognized when all of the following conditions are satisfied:

- the significant risks and rewards of ownership of the good and products sold have been transferred to the buyer,
- the company does not retain any control over the goods and products,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the sale will flow to the company (collectibility)
- the costs to be incurred in respect of the transaction can be measured reliably.

Revenues from the provision of services are recognized when:

- the amount of income can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company (collectibility),
- the percentage of completion of the transaction can be reliably measured on the balance sheet date and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

As a matter of principle, the above conditions for the sale of goods and products are applied to the sale of software and licenses, i.e. the revenue is recognized once the software is sold. In some cases, contracts for the sale of software include services which are not provided until after the sale of the software. Such “multi-component contracts” are split into revenue components and the resultant revenue recognized in accordance with the percentage of completion. Revenue components already paid but not yet recognized are deferred.

This has the following specific ramifications for the MeVis Group:

Software and licenses

License fees and royalties resulting from the utilization of operating assets (software) are recognized in accordance with the economic purpose of the agreement. In the absence of any agreement to the contrary, revenues are recognized on a straight-line basis over the duration of the license agreement.

The granting of unrestricted rights of utilization for a fixed amount (single licenses) constitutes a sale for economic purposes and is recognized as revenue in full.

Hardware

Revenues from the sale of hardware are recognized upon transfer of risk.

Consulting services

Revenues from the provision of consulting services are recognized in the period in which the service in question is provided.

Maintenance

Revenues from maintenance contracts are recognized in the period in which the service in question is provided. If the selling price of software includes partial amounts for after-sales service (e.g. maintenance), these amounts are deferred and recognized on a pro rata temporis basis over the periods in which the services are provided.

Training

As a matter of principle, the above conditions on the sale of services apply, i.e. the revenues are recognized once the service is provided.

Recognition of expenses

Expenses are recognized in profit and loss in the period in which the corresponding depreciation is caused.

Research and development costs

The costs of research activities – that is, for activities undertaken to make new scientific or technical findings – are recognized in full by MeVis as an expense.

In contrast, the costs of development activities – that is, when the results of research are incorporated into a plan or a draft for the production of new products and processes – are capitalized, on the condition that the development costs can be reliably measured, that the product or process is technically and economically feasible and that future economic benefit is likely. In addition, MeVis must have the intention and sufficient resources to conclude the development and to utilize or sell the asset.

Therefore, the development expenses incurred for the MeVis Group's software products after the software specifications have been defined and agreed upon with the customer are capitalized or when the marketability of the future products has been adequately demonstrated by market analyses and agreement with the sales partners. In connection with this, individual and overhead costs attributable to the development activities are capitalized up until completion of the product and then written down over a period of 2-3 years.

Interest income

Interest income is recognized upon arising.

Interest expense

Borrowing costs are recognized as expense unless the borrowing costs can be directly allocated to the construction, acquisition or manufacture of a qualifying asset. An asset is regarded as qualifying if it takes more than six months to get ready for its intended use or sale. The borrowing costs of the MeVis Group arise almost solely on acquisitions of assets which were completed in 2007/2008 and for which the payment of the purchase price in installments was agreed (imputed interest on liabilities).

Goodwill

Goodwill acquired through business combinations is not subject to scheduled amortization; instead, an impairment test of goodwill is carried out once a year. An impairment test is also carried out if events or circumstances (triggering events) occur, which could indicate possible impairment. Goodwill is carried at cost less any accumulated amortization for impairment. Annual impairment testing is conducted on December 31.

Impairment testing of goodwill is carried out at the level of cash generating units (CGU for short) or the groups of cash generating units constituting the lowest level at which goodwill is monitored by company management. To test for impairment, the acquired goodwill is allocated to the CGU or group of CGUs which are expected to benefit from the synergy arising from the business combination. If the carrying amount of the CGU or group of CGUs to which the goodwill was allocated exceeds the recoverable value, the excess is written down. The recoverable value is the higher of the fair value less cost to sell and the value in use of the CGU. These values are essentially based on discounted cash flow valuations.

No reversals of amortization of goodwill are conducted in future periods if the recoverable amount exceeds the carrying amount of the CGU or the group of CGU to which goodwill is allocated.

Intangible assets

Intangible assets consist of software and other intangible assets, patents, licenses and similar rights produced by the company. The company depreciates intangible assets with a limited useful life on a straight-line basis over the expected useful life to the estimated residual value. The expected useful life of software, patents, licenses and similar rights is generally three to five years.

Intangible assets acquired through business combinations relate to customer relationships and technology in particular. Their expected useful lives are between ten years for customer relationships and up to seven years for technology.

Intangible assets with an unlimited useful life and intangible assets not ready for use are not subject to scheduled depreciation; rather, an impairment test is carried out once a year.

Property, plant and equipment

Property, plant and equipment are shown at acquisition/production cost less scheduled, utilization-related depreciations as well as extraordinary value reductions.

The acquisition costs consist of the purchase price, ancillary acquisition costs and subsequent acquisition costs less any deductions from the purchase price.

Scheduled straight-line depreciation is calculated on the basis of the following estimated useful lives of the assets:

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

Allowance is made for any impairment losses over and above the depreciation resulting from use of the asset in question. In accordance with IAS 36, such impairment losses are calculated by reference to comparisons with discounted future cash flows. If the reasons for the impairment loss no longer apply, the impairment loss is reversed. However, this must not exceed the amortized cost.

Financial assets

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets consist of receivables (excluding income tax receivables) and other financial assets, cash and cash equivalents and derivatives with a positive fair value.

They are recognized and measured in accordance with IAS 39. Accordingly, financial assets are recognized in the consolidated balance sheet if they give the MeVis Group the contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the contractual obligations are settled, suspended or expire.

All customary purchases and sales of financial assets are recognized on the settlement date. Financial assets are initially recognized at their fair value plus transaction costs. Transaction costs arising in connection with the acquisition of financial assets at fair value through profit or loss are immediately taken to the income statement. Receivables which bear little or no interest are initially recognized at the present value of the expected future cash flow. Subsequent measurement is determined in accordance with the following categories of financial asset:

Financial assets at fair value through profit or loss comprise financial assets held for trading or designated financial assets. Derivative financial instruments are assigned to this category. Changes in the fair value of financial assets in this category are recognized in the income statement upon such change arising.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not traded in an active market and are recognized at amortized cost. This category includes trade receivables, financial receivables included in other financial assets and loans as well as cash and cash equivalents.

Available-for-sale financial assets are recognized at fair value in equity. Changes in value are recognized in equity in a separate item until disposed of (cumulative changes in fair value of available-for-sale assets). Portfolio fixed-income securities are allocated to this category.

Interest income from items in this category is calculated using the effective interest method.

Inventories

Inventories solely comprise assets held for sale in the ordinary course of business, which are recognized at cost. If the net realizable value of the inventories drops below their initial cost, they are depreciated to this value. In the event of an increase in the net realizable value of inventories for which impairment expense has previously been recognized, the resultant reversal amount is deducted from the cost of materials.

Taxes

The company applies IAS 12, Income Taxes. According to the liability method provided for under IAS 12, deferred tax assets and liabilities are recognized for the future tax consequences of differences between amounts included in the financial statements (for income and expenditure and assets and liabilities) and those included in the tax assessment. The MeVis Group recognizes in the income statement the effects of changes in tax rates on deferred taxes in the period in which the legislative process on which the change in the tax rate is based is largely concluded. In the event of changes in items recognized in equity, these are also recognized in equity in the period in which the change occurred. MeVis recognizes deferred tax assets to the extent that taxable profits are likely to arise in future. Deductible temporary differences and unused tax losses are allowable against these.

Income taxes include all taxes imposed on the Group's taxable profit. The item "income taxes" in the income statement includes current and deferred income taxes. Current income taxes primarily comprise domestic trade tax and corporation income tax.

Equity capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Movements in the MeVis Group's equity capital are reported in the statement of changes in consolidated equity.

Pension provisions

In the case of defined benefit plans, the cost of provision is determined using the projected unit credit method, and an actuarial valuation is conducted as of each balance sheet date. Actuarial gains and losses exceeding the greater of 10% of the fair value of the Group's defined benefit obligations or 10% of the fair value of the plan assets are recognized in profit and loss over the expected average remaining working lives of the plan participants. Past service cost is recognized immediately in profit and loss to the extent that the benefits are already vested and otherwise amortized on a straight-line basis over the average period until the benefits become vested.

For defined benefit plans, the amount recognized in the balance sheet is the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and past service cost, and reduced by the fair value of plan assets as of the balance sheet date. If the calculation of the balance sheet amount as set out above results in an asset, the amount recognized is limited to the net total of unrecognized actuarial gains and losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Other provisions

Provisions are set aside to allow for obligations resulting from past events which will probably lead to a future outflow of resources embodying economic benefits required to settle the obligations, the amount of which can be reliably estimated. Provisions are measured in accordance with IAS 37 on the basis of the best possible estimate of the cost of settling the present obligation as of the balance sheet date. If the outflow of economic resources required to settle an obligation is not expected to arise until after more than one year, the provisions equal the present value of the expected cash outflow.

Share-based payments

Equity-settled share based payments awarded to one member of the Executive Board under his remuneration agreement as well as all employees (including the other members of the Executive Board and executives) in separate agreements are recognized at the fair value of the equity instrument on the grant date. The fair value of the obligation is recorded under staff costs over the vesting period.

The fair value of all payments is calculated using a Monte Carlo simulation. The main determinants of the value of staff options are the value of the stocks as well as the price at which the option may be exercised, i.e. the strike price. The difference between the value of the underlying financial instrument and the strike price is the "intrinsic value" of the option. The same applies in principle to the agreement with the member of the Executive Board, who in this case receives a share-based payment. This is measured on the basis of the extent to which an EBIT corridor is reached in accordance with the consolidated EBIT figures for the MeVis Group.

In addition to modeling movements in the underlying financial instrument (or the basis for measuring the variable payment for the member of the Executive Board), allowance is also made in connection with the measurement of the fair value of the assets for possible exits of option holders (or eligible persons) from the company and – in the case of the employee option program – the premature exercise of the options. To cover these eventualities, the company has derived further relevant input variables for the simulation model on the basis of statistical distribution models which model these decisions.

The company uses exponential distribution to calculate the probability of an option holder leaving the company or the holder of an employee option exercising the option prematurely prior to the expiry of its term.

The average service periods, i.e. the service periods of members of the Executive Board and of employees are analyzed as a basis for determining these probabilities. For this purpose, the company has utilized freely available market studies. On the basis of these analyses, an average service period of 5.7 years is assumed for members of the Executive Board. With respect to the company's employees, an average service period of 7.5 years is assumed. This was calculated on the basis of a historical departure rate of 7% p.a. for staff at the MeVis Group.

Financial liabilities

Financial liabilities comprise originated liabilities and the negative fair values of derivative financial instruments. Originated liabilities are recognized in the consolidated balance sheet if the MeVis Group has a contractual obligation to transfer cash or any other financial assets to another entity. An originated liability is initially recognized at the fair value of the consideration received or the value of the cash received less any transaction costs. It is subsequently measured at amortized cost using the effective interest method.

Derivative financial instruments are recognized at their fair value through profit or loss. The negative fair values of derivative financial instruments are recognized under other financial liabilities.

Financial liabilities are derecognized when the contractual obligations are settled, suspended or expire.

Grants

The MeVis Group has received development grants from customers and from public bodies. These are reported under other liabilities and released to the income statement as soon as the expenses for which the grants have been received are incurred by the MeVis Group. The installments received are reported under other operating income.

Leases

A lease is classified as an operating lease if, in principle, all risks and opportunities associated with ownership are retained by the lessor. Payments in connection with operating leases are recognized in the income statement as expense on a straight-line basis over the duration of the lease.

8. Material judgments and estimates

The preparation of the consolidated financial statements in accordance with IFRS necessitates the use of estimates and judgments of individual matters by management. The estimates are based on past experience and further relevant factors on the premise of the business as a going concern.

The main items of the balance sheet subject to management estimates are intangible assets with a definite useful life (€10,502,000; 2008: €10,144,000) and property, plant and equipment (€1,191,000; 2008: €1,414,000), whose useful lives have been estimated. With respect to trade receivables (€4,222,000; 2008: €2,345,000), management does not expect any defaults given the limited number of customers. Deferred tax assets include deferred taxes for tax loss carry forwards (€1,909,000; 2008: €848,000) at the level of MMS AG and MMS Inc., actual utilization of which depends on the future availability of taxable income against which the tax losses can be used. Provisions (€188,000; 2008: €219,000) comprise pension provisions of €97,000 before netting off against the reinsurance claims (2008: €39,000) and warranty costs, the actual amount of which is uncertain. Material estimates with respect to the underlying measurement model as well as various parameters such as staff’s length of service, movements in the stock price or probability of exercise are applied to the stock options reported under equity (€210,000; 2008: €108,000).

The Group performs an impairment test at least once a year to determine whether the existing goodwill (€16,593,000; 2008: €16,732,000) is impaired. This involves comparing the carrying amount of the goodwill with the recoverable amount of the CGU in question. Calculation of the recoverable value of a CGU involves estimates of the cash flow and appropriate discount interest on the part of the management. While cash flows are always based on carefully estimated univalent expectations, the sensitivity of the recoverable amount is analyzed for changes in the discount rate within a range of plus/minus four percentage points.

Actual amounts could differ from amounts based on estimates and assumptions.

9. Effects of new accounting standards

MMS AG’s consolidated financial statements as of December 31, 2009 including the previous year’s figures have been prepared in accordance with IFRS as endorsed by the European Union as of December 31, 2009.

MMS AG applied the following standards and interpretations of the IASB for the first time in 2009:

- Amendment to IFRS 2 ”Share-based payments - Vesting conditions and cancellation”
- Amendment to IFRS 7 “Improving Disclosures about Financial Instruments”
- IFRS 8 ”Operating Segments”
- IAS 1 ”Presentation of Financial Statements“ (revised 2007)
- IAS 23 ”Borrowing Costs“ (revised 2007)
- Amendment to IAS 32 ”Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation”

- Amendment to IAS 39 and IFRS 7 ”Reclassification of Financial Assets: Effective Date and Transition”
- Amendments to IFRIC 9 and IAS 39 ”Embedded Derivatives”
- Collective standard ”Annual Improvements to IFRS“ (May 2008)
- Amendment to IAS 27 ”Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” and amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”
- IFRIC 13 ”Customer Loyalty Programmes”
- IFRIC 14 ”IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

Amendment to IFRS 2 ”Share-based payments - Vesting conditions and cancellation”

In January 2008, the International Accounting Standards Board (IASB) published an amendment to IFRS 2 ”Share based payments“. This amendment now clarifies that the conditions for exercise are only service conditions and performance conditions. It also states that the accounting rules for premature termination of the plan apply regardless of whether the plan is terminated by the reporting entity itself or another party. The amendment has no material impact on the consolidated financial statements of MMS AG.

Amendment to IFRS 7 ”Improving Disclosures about Financial Instruments”

The amendment to IFRS 7 concerns disclosures about fair value and liquidity risk. Disclosures about fair value measurement are enhanced by the introduction of a tabular breakdown of each class of financial instrument using a fair value hierarchy and expanding the scope of disclosure requirements. The amendment led to additional disclosures in the notes to the consolidated financial statements of MMS AG.

IFRS 8 ”Operating Segments”

This standard was published in November 2006 and requires the disclosure of information on the reporting entity’s business segments. As such, it replaces the rules in the previous IAS 14, under which it was necessary to determine primary (business segments) and secondary (geographic segments) segment reporting formats. IFRS 8 takes the management reporting approach, under which segment reporting is based solely on the financial information used by the entity’s management for decisions on the entity’s business. IFRS 8 must only be applied by listed companies. First-time application alters the presentation of segment reporting in the consolidated financial statements of MMS AG, in particular in terms of the omission of geographic segments.

IAS 1 ”Presentation of Financial Statements“ (revised 2007)

In September 2007, IASB published the revised IAS 1 ”Presentation of Financial Statements: A Revised Presentation“. This standard replaces the 2005 version. The revision seeks to improve the possibility for analyses as well as the comparability of financial statements for users. IAS 1 provides guidance on the presentation and structure of the financial statements. In addition, it sets out minimum requirements for the content of the financial statements. First-time application of the amended IAS 1 alters the presentation of the consolidated financial statements, in particular in terms of the summary of items of income and expenses included in profit or loss and in equity in the statement of comprehensive income.

IAS 23 ”Borrowing Costs“ (revised 2007)

In March 2007, IASB published the amended IAS 23 ”Borrowing Costs”. This amended standard stipulates that borrowing costs which can be directly attributed to the acquisition, construction or production of a qualifying asset must be capitalized. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The amendment has no impact on the consolidated financial statements of MMS AG for lack of attributable borrowing costs.

Amendment to IAS 32 ”Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation”

In February 2008, the IASB published an amended version of IAS 32 ”Financial Instruments: Presentation“ and IAS 1 ”Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation“. The amendments primarily concern the classification of certain types of financial instruments as equity or debt capital. In addition, further disclosures in the notes are stipulated for the financial instruments in question. The amendment has no impact on the consolidated financial statements of MMS AG.

Amendment to IAS 39 and IFRS 7 ”Reclassification of Financial Assets: Effective Date and Transition”

The amendments to IAS 39 and IFRS 7 concern the effective date and transition measures of the amendments to IAS 39 and IFRS 7, which were published by the IASB in October 2008 in connection with the amendment to ”Reclassification of financial assets“. They have no impact on the consolidated financial statements of MMS AG.

Amendments to IFRIC 9 and IAS 39 ”Embedded Derivatives”

The amendments to IFRIC 9 and IAS 39 clarify the accounting treatment of embedded derivatives on reclassification of a hybrid contract out of the “fair value through profit or loss” category. The amendments have no impact on the consolidated financial statements of MMS AG.

Collective standard ”Annual Improvements to IFRS“ (May 2008)

In May 2008, the IASB released its first collective standard ”Improvements to IFRSs“ detailing minor amendments to the existing IFRSs. This standard contains amendments to 20 IFRS standards in two sections. The first section details changes affecting presentation, recognition and measurement. The second section comprises changes to wording or editorial changes. The amendments based on the collective standard have no material impact on the consolidated financial statements of MMS AG.

Amendment to IAS 27 “Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” and amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”

The amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” and IAS 27 “Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate” concern first-time application of IFRS and are of no relevance for the MeVis Group.

IFRIC 13 ”Customer Loyalty Programmes”

IFRIC interpretation of customer loyalty programs provides guidance on the recognition and measurement of customer loyalty programs under which a customer generally receives loyalty award credits or points which he may redeem by ordering free or discounted goods or services from the seller or a third party. IFRIC 13 stipulates that the proceeds from the initial sale must be split into two components. One part is for the current transaction giving rise to the loyalty award. The other part is the future transaction arising from the redemption of the loyalty award. The portion of the proceeds attributable to the goods or services already provided must be recognized as a liability in the form of an advance payment until the customer has redeemed the loyalty award and the obligation under the award has been settled. The interpretation has no impact on the consolidated financial statements of MMS AG.

IFRIC 14 ”IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

IFRIC 14 provides guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pensions asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The interpretation has little impact on the consolidated financial statements of MMS AG.

The following standards and interpretations, which had been published by IASB and/or IFRIC and endorsed by the EU by the time the consolidated financial statements were prepared, were not yet mandatory for the MeVis Group’s consolidated financial statements as December 31, 2009 and were not adopted early:

- IFRS 2 ”Share-based Payments: Group Cash-settled Share-based Payment Transactions”
- IFRS 3 ”Business Combinations“ (revised 2008)
- IAS 27 ”Consolidated and Separate Financial Statements“ (amended 2008)
- IAS 32 ”Financial Instruments: Classification of Rights Issues”
- IAS 39 ”Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement”
- IAS 39 ”Financial Instruments: Reclassification of Financial Assets: Effective Date and Transition”
- Collective standard ”Annual Improvements to IFRS“ (April 2009)
- IFRIC 12 ”Service Concession Arrangements“
- IFRIC 15 ”Agreements for the Construction of Real Estate”
- IFRIC 16 ”Hedges of a Net Investment in a Foreign Operation”
- IFRIC 17 ”Distribution of Non-cash Assets to Owners”
- IFRIC 18 ”Transfers of Assets from Customers”.

IFRS 2 ”Share-based Payments: Group Cash-settled Share-based Payment Transactions”

The amendment to IFRS 2 clarifies the accounting for share-based payments, where a supplier of goods or services is paid in cash and another entity in the group is obliged to settle the transaction in cash (group cash-settled share-based payment transactions). The amendment to IFRS 2 is effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The amendment is not expected to have an impact on the financial statements of the MeVIs Group in future.

IFRS 3 ”Business Combinations“ (revised 2008)

The revised IFRS 3 introduces the following amendments to accounting for business combinations:

- The definition of business was expanded, which is likely to result in more acquisitions being regarded as business combinations;
- Contingent consideration is measured at fair value at the acquisition date; post-acquisition changes in consideration are recognized in profit or loss;
- Transaction costs, provided they are not for the issue of equity or debt capital, are recognized immediately in profit or loss;
- A pre-existing relationship with the acquiree is recognized at fair value; the amount of gain or loss is recognized in profit or loss;
- Minority interests are either recognized at fair value or at the third party’s proportionate share of the identifiable assets and liabilities. The choice may be made separately for each transaction.

The revised IFRS 3 is mandatory for annual periods beginning on or after January 1, 2010. It will have an impact on the assets, liabilities, financial position and profit or loss of the Group if acquisitions of companies or additional shares necessitating the reclassification of existing shares are made after that date.

IAS 27 ”Consolidated and Separate Financial Statements“ (amended 2008)

The amended IAS 27 requires that changes in the Group investment in a subsidiary where control is retained be accounted for as an equity transaction. If the Group loses control of the subsidiary, the residual holding in the former subsidiary is recognized at fair value; any resulting gain or loss is recognized in profit or loss. The amendment to IAS 27 is mandatory for annual periods beginning on or after January 1, 2010. The amendment to IAS 27 is not expected to have a material impact on the consolidated financial statements of MMS AG in future.

IAS 32 ”Financial Instruments: Classification of Rights Issues”

The amendment to IAS 32 concerns issuer recognition of subscription rights, options and warrants for the acquisition of a fixed number of equity instruments denominated in a currency different from the functional currency of the issuer. Such rights issues have been recognized as derivative liabilities to date. Such rights, which are issued pro rata to an entity’s existing shareholders for a fixed amount of currency, must be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applicable to annual periods starting on or after February 1, 2010, with earlier application permitted. The amendment to IAS 32 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

IAS 39 ”Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement”

The amendments to IAS 39 are based on the existing standards, according to which an entity can include all, some, or certain risks of a hedged item in a hedge. To simplify the application of unchanged basic principles, the principles of application were amplified in relation to the designation of inflation as a hedged item and the designation of a one-sided risk in a hedged item (for example, with an option as the hedging transaction). With respect to the designation of inflation as a hedged item, it clarifies that this risk cannot be designated as a hedged risk. However, inflation may be hedged if inflation is a contractually specified portion of cash flows of a financial instrument. A one-sided risk is defined as when an entity designates only changes in the cash flows or fair value of a hedged item above or below a specified price or other variable. The amendment clarifies that only the intrinsic value, not the time value, of an option reflects a one-sided risk and therefore an option designated in its entirety cannot be perfectly effective. If the entire value of the option as a hedging instrument for a one-sided risk of a future transaction were designated, this would constitute hedge ineffectiveness, since only the hedging instrument contains a time value component. The amendment is applicable to annual periods starting on or after July 1, 2009, with earlier application permitted. The amendment to IAS 39 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

Collective standard ”Annual Improvements to IFRS“ (April 2009)

The ”Annual Improvements to IFRS” seek to tighten up the international accounting standards and simplify interpretation. Most amendments concern clarifications or corrections of existing IFRS or amendments resulting from earlier modifications to the IFRS. The amendments to IFRS 8, IAS 17, IAS 36 and IAS 39 concern changes in existing requirements or additional guidelines on the implementation of these requirements. The ”Improvements to IFRS” are mandatory for annual periods beginning on or after January 1, 2009, with earlier application permitted. They are not expected to have a material impact on future consolidated financial statements of MMS AG.

IFRIC 12 ”Service Concession Arrangements“

The interpretation provides guidance on how operators granted contracts by the government or other body for the supply of public services – such as roads, airports, prisons or energy distribution – should account for the obligations they undertake and the rights they receive in service concession arrangements. IFRIC 12 is applicable to annual periods starting on or after March 29, 2009. IFRIC 12 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

IFRIC 15 ”Agreements for the Construction of Real Estate”

This interpretation provides guidance on accounting for real estate developers for sales of units, such as apartments or houses “off-plan”, i.e. before construction is complete. IFRIC 15 defines criteria on how to determine whether IAS 11 “Construction Contracts“ or IAS 18 “Revenue” applies to recognition. IFRIC 15 is applicable to annual periods starting on or after January 1, 2010, with earlier application recommended. IFRIC 15 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

IFRIC 16 ”Hedges of a Net Investment in a Foreign Operation“

IFRIC 16 addresses the hedge accounting of net investments in a foreign operation. The interpretation clarifies that hedge accounting is only possible between the functional currency of the foreign operation and the functional currency of the parent entity. The amount of the net assets of the foreign operation included in the consolidated financial statements can be hedged. The hedging instrument may be held by any entity or entities within the group (with the exception of those whose exchange risks are being hedged). When an entity disposes of a foreign operation, the amount arising from changes in the value of the hedging instrument recognized in equity and gains or losses of the foreign operation recognized in the translation reserve must be reclassified to profit or loss. The amount of cumulative exchange gains and losses attributable to the foreign operation disposed of can be determined using the direct or step-by-step method of consolidation. IFRIC 16 is applicable to annual periods starting on or after June 30, 2009. IFRIC 16 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

IFRIC 17 ”Distributions of Non-cash Assets to Owners”

The interpretation addresses how an entity should measure distribution of assets other than cash when it pays dividends to its owners. A dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. This dividend payment should be measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. IFRIC 17 is applicable to annual periods starting on or after July 1, 2009. IFRIC 17 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

IFRIC 18 ”Transfers of Assets from Customers“.

The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. It also addresses cases where the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment. The interpretation clarifies:

- the circumstances in which the definition of an asset is met;
- the recognition of the asset and its measurement on initial recognition;
- the identification of the separately identifiable services (one or more services in exchange for the transferred asset);
- the recognition of revenue;
- the accounting for transfers of cash from customers.

IFRIC 18 is applicable to annual periods starting on or after November 1, 2009. IFRIC 18 is not expected to have an impact on the consolidated financial statements of MMS AG in future.

Up until the end of 2009 and/or by the time the consolidated financial statements were prepared, IASB and IFRIC had released the following standards, interpretations and amendments to existing standards and interpretations which had not yet been endorsed by the EU:

- IFRS 1 ”Additional Exemptions for First-time Adopters”
- IAS 9 ”Financial Instruments“
- IAS 24 ”Related Party Disclosures“
- IFRIC 14 ”Prepayments of a Minimum Funding Requirement“ (amended 2009)
- IFRIC 19 ”Extinguishing Financial Liabilities with Equity Instruments”

The MeVis Group will not be applying any of these standards until the 2010 fiscal year or later. We do not expect future application of the new standards and interpretations or amendments to the aforementioned standards and interpretations to have any material impact on the presentation of our consolidated financial statements in future. IFRS 9 ”Financial Instruments“ is the first step in a project to restandardize the recognition of financial instruments. It is only intended to be endorsed by the EU in its entirety, making it impossible to assess the overall impact of the overhaul.

Notes to the consolidated income statement

10. Revenues

Revenues break down by type as follows:

Figures in € 000s	**2009**	2008
Software and licenses	9,938	9,231
Maintenance (software service contracts)	3,198	1,056
Services (consulting and training)	240	281
Hardware	493	276
	13,869	10,844

The breakdown by segment is disclosed in the segment report (see Note 35).

11. Income from the capitalization of development costs

In accordance with IAS 38, own development costs of €2,308,000 (2008: €1,942,000) were capitalized. In addition, €316,000 (2008: €300,000) in development services provided to the Group by third parties were capitalized. Further details are provided in Note 20.

12. Other operating income

Figures in € 000s	**2009**	2008
Grants	864	413
Income from recharges	339	384
Income from the derecognition of liabilities	140	119
Off-period income	1	26
Others	484	120
	1,828	1,062

13. Cost of materials

Figures in € 000s	**2009**	2008
Cost of materials	420	241
Cost of services purchased	39	126
	459	367

14. Staff costs

Figures in € 000s	**2009**	2008
Wages and salaries	8,031	6,372
Social security charges and expenditure on old age pensions and support	1,768	1,298
	9,799	7,670

Social security and old-age pension and related expenses include the employer contribution to the government pension plan for employees of €843,000 (2008: €679,000). The annual average headcount was 239 (2008: 181). This is equivalent to an average of 186 full-time positions (2008: 138). Of the 239 employees, 31 (2008: 49) are assigned to the proportionately consolidated company MeVis BreastCare GmbH & Co. KG. The annual averages include 72 (2008: 57) testers and temporary staff at Group level.

15. Other operating expenses

Figures in € 000s	**2009**	2008
Legal and consulting costs	808	990
Rental expense	546	517
Travel expense	183	269
Cost of preparing and auditing financial statements	182	168
Maintenance	134	130
Warranty expense	126	93
Energy costs	113	57
Accounting costs	100	92
Supervisory Board remuneration	80	81
Advertising	78	88
External work	70	216
Insurance	57	68
Personnel recruiting	45	210
Cleaning expense	39	34
Telephone expense	38	36
Internet expense	28	53
Office supplies	26	50
Cost of annual general meeting	19	32
Contributions	17	96
Financing obligation	0	143
Others	584	631
	3,273	4,054

16. Depreciation and amortization of intangible assets and property, plant and equipment

Figures in € 000s	**2009**	**2008**
Amortization of patents and licenses, similar rights and customer base	1,168	601
Amortization of capitalized development costs	1,134	104
Depreciation of property, plant and equipment	539	387
Total amortization/depreciation	**2,841**	1,092

17. Interest income/interest expense and other net financial result

The MeVis Group's financial result for 2009 amounted to -€465,000 (2008: €2,041,000). This comprises interest income from the investment of cash, which totaled €598,000 (2008: €1,052,000), interest expense of €996,000 (2008: €321,000) and other financial result of -€67,000 (2008: €1,310,000). Other financial result primarily comprises the losses in the value of derivative financial instruments totaling -€169,000 (2008: €643,000) plus currency translation gains net of currency translation losses of €171,000 (2008: €667,000), and expenses arising from the custody of securities, totaling €69,000 (2008: €29,000).

18. Income taxes

Figures in € 000s	2009	2008
Current income taxes	429	1,117
Effects of taxes from previous years	-118	-8
Deferred taxes	459	-517
	770	592

Deferred tax assets and liabilities for temporary differences are calculated on the basis of an income tax rate of 30% (2008: 30%).

Deferred tax assets on loss carry forwards are calculated on the basis of the applicable tax rate. In Germany, these rates are 15.4% for the trade tax loss carry forwards and 15.8% for the corporation income tax loss carry forwards (including the German solidarity charge). In the United States, a uniform tax rate of 39% is applied.

Figures in € 000s	2009	2008
Earnings before taxes (EBT)	1,168	2,706
Theoretical tax 30.0%	350	812
Tax effect on:		
Differences in tax rates for foreign subsidiaries	-42	-124
Retroactive recognition of deferred taxes	0	-62
Effects of taxes from previous years	344	-54
Non-deductible expenses	27	39
Extraordinary operating income MBS KG	110	0
Other	-19	-19
Effective tax expense	**770**	592
Effective tax rate	65.9%	21.9%

Taxes not attributable to the period under review arise primarily as a result of change in the assessment of the tax base of individual assets acquired in a business combination in the previous year.

Deferred income taxes break down as follows as of the balance sheet date:

Figures in € 000s	2009	2008
Deferred tax assets		
Tax loss carry forwards	1,909	848
Intangible assets and property, plant and equipment	50	185
Inventories	1,605	1,605
Derivatives	18	69
Provisions	14	12
Others	152	0
Deferred tax assets gross	**3,748**	**2,719**
Offset	-2,261	-308
Deferred tax assets	**1,487**	**2,411**
Deferred tax liabilities		
Intangible assets and property, plant and equipment	2,516	1,000
Derivatives	64	91
Securities (directly recognized in equity)	23	0
Others	83	60
Deferred tax liabilities gross	**2,686**	**1,151**
Offset	-2,261	-308
Deferred tax liabilities	**425**	**843**

Deferred tax assets on loss carry forwards break down as follows:

Figures in € 000s	2009	2008
Corporation tax loss carry forwards of the companies	3,225	1,435
Trade tax loss carry forwards of the companies	5,840	1,926
Deferred tax assets gross	1,909	848
Non-recognized deferred tax assets on loss carry forwards	0	0
Deferred tax assets on tax loss carry forwards net	**1,909**	**848**

Corporation income tax loss carry forwards and a small portion of the trade tax loss carry forwards result from investments in the new technology platform MeVisAP and in an array of new products, the development costs of which are immediately tax-deductible, while the development costs of new products are capitalized in the consolidated financial statements. Once these products are launched between 2010 and 2012, according to the MeVis Group's plans, taxable income corresponding to these expenses will arise to an increasing extent, which will lead to the use of loss carry forwards as of 2011/2012, some of which cease from 2028, but most of which can be carried forward indefinitely. The majority of the trade tax loss carry forwards are associated with the current corporate structure of the Group; structuring options have been identified in this respect, with the result that from 2011/2012 the Group will be able to use in a reasonably short period those losses which can be carried forward indefinitely.

19. Earnings per share

Earnings per share equal the profit on continuing activities or profit (after tax) divided by the weighted average number of shares outstanding during the year under review. Earnings per share (fully diluted) are calculated on the assumption that all securities, stock options and stock awards with a potentially dilutionary effect are converted or exercised.

As the criteria for exercising the options had not been satisfied as of the balance sheet date, it can be assumed that no options had been exercised by the employees and that no shares had been awarded to Mr. Tynes. Accordingly, they are not included in the calculation of earnings per share, which means that diluted earnings per share are identical to basic earnings per share.

The weighted average number of shares outstanding is calculated on the basis of shares redeemed and reissued subject to chronological weighting.

	2009	2008
Consolidated net profit in € 000	398	2,114
Weighted average of shares outstanding during the reporting period	1,699,820	1,741,254
Basic earnings per share in €	**0.23**	**1.21**
Diluted earnings per share in €	**0.23**	**1.21**

Notes to the consolidated balance sheet

20. Intangible assets and property, plant and equipment

Movements in production and acquisition costs and cumulative amortization on intangible assets (including goodwill) and depreciation on property, plant and equipment for 2009 and 2008 are set out in the statement of changes in assets in Appendices 1 and 2 to the Notes.

The main additions in 2009 relate to the capitalization of internally generated intangible assets.

Net carrying amounts Figures in € 000s				Assets and licenses
	Acquired intangible assets with a definite useful life	Internally generated intangible assets with a definite useful life	Goodwill	Total
Balance on Dec. 31, 2008	8,006	2,138	16,732	26,876
Balance on Dec. 31, 2009	6,525	3,977	16,593	27,095

The changes in intangible assets with a definite useful life primarily relate to scheduled amortization on acquired intangible assets on the one hand and development costs capitalized under internally generated assets on the other.

In accordance with IAS 38, software development costs of €2,624,000 (2008: €2,242,000) were capitalized in 2009 as internally generated intangible assets with a definite useful life. These comprise own work capitalized of €2,308,000 (2008: €1,942,000) and directly capitalized services purchased of €316,000 (2008: €300,000). Amortization of €1,134,000 (2008: €104,000) was attributable to capitalized development costs in the year under review.

The goodwill was allocated to individual cash generating units as of the date of acquisition for future impairment testing purposes. These units match the legal entities constituting the primary segments in segment reporting. Annual impairment testing is conducted as of December 31. The cash generating units along with their respective goodwill as of the balance sheet date are shown at their carrying amounts in the following table.

Carrying amounts per cash generating unit

Figures in € 000s

	2009	2008
	Goodwill	Goodwill
Digital Mammography		
MeVis BreastCare Solutions GmbH & Co. KG	12,489	12,489
Other Diagnostics		
MeVis Medical Solutions AG	147	147
MeVis Medical Solutions, Inc.	3,957	4,096

Goodwill was tested for any indication of impairment as of December 31, 2009. Under IAS 36, impairment loss must be recognized if the recoverable amount of the cash generating unit is lower than its carrying amount. Fair value less cost to sell of the cash generating unit, calculated using the DCF method, was used as the recoverable amount. This was based on the cash flows forecast by the company over a detailed planning period of 5 years, for which the sales figures for current and the new products of the cash generating unit are the main determinants. Sales figures for new products are based on the Group's experience and on market observations. This planning period reflects expected short- and medium-term market trends. In addition, a going-concern value was determined for the cash generating unit. The going-concern value equals the present value of the free cash flows after the expiry of the detailed planning period.

For the purposes of impairment tests, a growth rate of one percent in the cash flows is assumed for the period after the detailed planning phase. Since cash flows are generated almost entirely in the US dollar area, the calculation was done in US dollars.

Each calculation was based on the fair value less cost to sell. The discount rate used was 10.25% after taxes (2008: 7.30% and 9.35% after taxes).

The impairment test performed in accordance with IAS 36 did not identify any impairment losses in 2009, as was the case in 2008.

The recoverable amount of the cash generating unit MeVis Medical Solutions, Inc. exceeds the total of the corresponding carrying values by €1,929,000. If sales came in 25% to 30% below plan, the recoverable amount would be on a par with carrying amounts. This threshold would be achieved if the discount rate were to rise to 13.25%. Both cases assume that the other variables remain constant.

The change in goodwill attributed to MeVis Medical Solutions, Inc. is solely as a result of currency effects in 2009. These effects were recognized in the translation reserve within equity.

Movements in property, plant and equipment in 2009 were mainly influenced by investment in leasehold improvements as well as office and business equipment. Spending on property, plant and equipment come to a total of €320,000 (2008: €1,392,000).

21. Inventories

Inventories comprises hardware (€9,000, 2008: €7,000) and dongles (€60,000, 2008: €59,000), required to activate the software sold. In addition, inventories include licenses (€61,000, 2008: €88,000), which are sold along with the product Visia™ Image Checker CT. Inventories are recognized in the income statement when the corresponding revenues are realized.

22. Trade receivables, other financial assets and other assets

Trade receivables

An adjustment of €4,000 was made to trade receivables overdue as of the reporting date, which corresponds to the nominal amount of the receivable. No material change in the creditworthiness of the individual debtors was identified and it is therefore assumed that the amounts owing will be paid in due course. On average, the overdue receivables of €2,069,000 (2008: €1,595,000) are 75 days (2008: 16 days) old. The Group does not hold any collateral for these outstanding items.

All trade receivables, totaling €4,222,000 (2008: €2,345,000) are due for settlement within one year.

Figures in € 000s			Thereof: not impaired as of the balance sheet date and overdue during the following time bands						
	Carrying amount	of which impaired:	not overdue	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
Trade receivables									
as of Dec. 31, 2009	4,222	0	2,153	583	259	714	435	78	0
as of Dec. 31, 2008	2,345	0	750	1,568	13	5	7	1	1

In 2009 no trade receivables were derecognized. Nor did the Group receive any payments towards previously derecognized receivables.

Other financial assets

Figures in € 000s	**2009**		2008	
	Total	of which current	Total	of which current
Loans and receivables	763	763	3,661	3,661
Derivatives	214	114	303	175
Securities	7,375	7,375	5,000	5,000
Accrued interest	207	207	195	195
Other	81	81	0	0
	8,640	**8,540**	9,159	9,031

Loans and receivables of €533,000 (2008: €3,503,000) are due from the MBC KG minority shareholder, of €205,000 (2008: €133,000) from Fraunhofer MEVIS and of €25,000 (2008: €25,000) from shareholders.

The securities held are a widely diversified portfolio of fixed-income corporate and government bonds with nominal interest rates of between 2.5% and 6.75% p.a. and staggered maturities up to 2014. Since investment in securities is for the purpose of cash management, the securities are listed on an exchange and it is not intended to hold the securities to maturity, these were categorized as “available-for-sale” and classified in general as current assets. In 2008, this item was a promissory note, earning interest of 5.19% p. a. and maturing March 2, 2009.

As of the balance sheet date, the Group had 12 (2008: 31) forward currency transactions denominated in USD in 2009.

Forward currency transactions with a fair value of €100,000 (2008: €128,000, reclassified) have a residual maturity of greater than one year and are therefore reported under non-current assets. Miscellaneous other financial assets of €8,540,000 (2008: €9,159,000) are due for settlement within one year within the following maturity bands:

Figures in € 000s

			of which: with a term to maturity of				
	Carrying amount	of which impaired:	less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days
Other financial assets							
as of Dec. 31, 2009	8,540	0	0	28	1,051	583	6,878
as of Dec. 31, 2008	9,031	0	3,611	3	5,089	25	303

Other assets

Other assets mainly include current other tax receivables of €55,000 (2008: €1,042,000) as well as deferred items of €54,000 (2008: €79,000).

The fair value of current receivables and other assets equals their carrying amount.

With respect to receivables and other assets, there is no evidence as of the balance sheet date that the debtors will not meet their payment obligations.

23. Cash and cash equivalents

The assets contained in this item are due for settlement in 0 to 3 months and comprise demand deposits and overnight deposits of €7,718,000 (2008: €5,256,000) subject to interest of between 0.13% p.a. and 1.05% p.a. (2008: 0.5% p.a. and 4.0% p.a.) and fixed-term deposits at banks of €0 (2008: €10,000, subject to interest of between 4.9% p.a. and 5.1% p.a.). In addition, there is cash on hand of €3,000 (2008: €1,000).

24. Shareholders' equity

Movements in the subscribed capital, share premium, revaluation reserve, treasury stock, translation reserve and retained earnings are presented in the statement of changes in equity.

Subscribed capital

MMS AG's share capital stands at €1,820,000 (2008: €1,820,000) and is divided into 1,820,000 (2008: 1,820,000) no-par-value shares. As of December 31, 2009, as was the case as of December 31, 2008, there was authorized capital of €130,000 and also contingent capital of €130,000.

There were no changes in the year under review.

Share premium

The share premium of €28,465,000 (2008: €28,363,000) primarily comprises the premium on the equity issue of €28,080,000 arising from MMS AG's stock-market flotation in 2007. Net flotation expenses of €1,139,000 were deducted from equity. This includes tax relief of €505,000. The sale of treasury stock in 2007 resulted in an increase of €1,314,000. In addition, the Group share premium includes an amount of €210,000 attributable to stock options. The stock options have a term of 5 years as of the date on which they are granted and may only be exercised after a vesting period of 2 years. The exercise price payable by the option holder equals the average closing price of the share in Xetra trading for the last five trading days period to the end of the subscription period in which the options in question were granted.

The share premium of MMS AG of €28,080,000 is not available for dividend distribution.

Revaluation reserve

In connection with the acquisition of the 49% interest in MBS KG from Siemens AG and the subsequent full consolidation of MBS KG in 2008, the assets and liabilities of MBS KG were completed remeasured. Where this increase was attributable to the 51% interest in MBS KG already held by the Group, the difference was recognized within the revaluation reserve. The amount of €1,688,000 comprises intangible assets of €2,411,000 net of deferred tax of €723,000. Amounts equaling the depreciation expense recognized on these assets are reclassified as retained earnings on a proportionate basis.

Figures in € 000s	**2009**
Status as of Jan. 1,2008	0
Allocation to the revaluation reserve	1,688
- Transfer of the amount corresponding to write-downs and the associated deferred taxes to retained earnings, without an impact on profit and loss	-9
Status as of Dec. 31, 2008	1,679
- Transfer of the amount corresponding to write-downs and the associated deferred taxes to retained earnings, without an impact on profit and loss	-173
Status as of Dec. 31, 2009	**1,506**

Treasury stock

In accordance with a resolution passed by the shareholders on September 28, 2007, the company was authorized to buy back own shares pursuant to § 71(1) No. 8 of the Stock Corporation Act (AktG) in an amount of up to 10% of its current share capital (€1,300,000) on or before March 27, 2009. As of December 31, 2007, MMS AG's treasury stock comprised a total of 37,800 shares. The Executive Board decided on March 4, 2008 to initially buy back a further volume of up to 53,200 of the company's own shares via the stock market on or before August 30, 2008. As a result of this stock buy-back program, the company acquired 53,200 of its own shares for a total amount of €1,502,216.85 as of June 17, 2008.

In connection with the acquisition of the software product Colotux for a total of €220,000 on October 23, 2008, half of an initial installment towards the purchase price of €110,000 was settled in the form of treasury stock (total of 1,832 shares at a price of €55,000) in mid November 2008.

In accordance with a new resolution passed by the shareholders at the annual general meeting on July 9, 2008 concerning the acquisition of the Company's own stock in accordance with § 71(1) No. 8 of the Stock Corporation Act, the Company was authorized to acquire up to ten percent of its current share capital (€1,820,000) on or before January 8, 2010. On November 4, 2008, the Executive Board decided to buy up to a further 91,000 of the company's own shares through the stock market. Under this stock buy-back program, the company bought back 20,331 of its own shares in a total amount of €701,173.69 as of December 31, 2008 and a further 13,351 as of March 31, 2009 (corresponding to 0.73% of the share capital) for a total amount of €462,049.80. When the stock buy-back program ended on March 31, 2009, MMS AG's total treasury stock comprised 122,850 shares – with no change as of December 31, 2009 –

equivalent to 6.75% of its current share capital. As of December 31, 2008, it was 109,499 own shares, equivalent to 6.02% of its share capital.

The corresponding reserve for treasury stock in the annual financial statements of MMS AG (€2,968,000; 2008: €3,694,000) is not available for the distribution of dividends.

Translation reserve

The translation reserve arises from the translation of the annual financial statements of MMS Inc. from the local currency (US dollar) to the reporting currency (euro).

Cumulative change in fair value of available-for-sale assets

The changes in the fair value of fixed-income securities categorized as available-for-sale are recognized under cumulative changes in fair value.

Retained earnings

Retained earnings include statutory reserves pursuant to § 150 of the Stock Corporation Act of €5,000. In accordance with § 150(2) of the Stock Corporation Act no further statutory reserves are necessary. In addition, this item includes retained earnings from previous years and the earnings for the current year.

25. Provisions

Provisions for pensions shown in the balance sheet break down as follows:

Figures in € 000s	**2009**	2008
Defined benefit obligation	97	39
Reinsurance	-97	0
Reported in balance sheet	**0**	39

Provisions for pensions relate to defined benefit plans. The extent of the pension benefits varies in principle according to the conversion of remuneration and an annual interest rate of 4%. The underlying discount rate is 5.4% (2008: 6.0%). Pension and related benefits as well as the expenditure necessary to cover these obligations are generally valued and accounted for according to the projected unit credit method stipulated in IAS 19 ”Employee Benefits“. Future annual increases in income and entitlements by the time a pension can first be drawn are not taken into account.

The following table shows the movements in the defined benefit obligations determined in accordance with IAS 19:

Figures in € 000s	**2009**	2008
Defined benefit obligation at the beginning of the fiscal year	**39**	**0**
Employee's share	48	32
Employer's share	10	7
Actuarial gains and losses	0	0
Defined benefit obligation at the end of the fiscal year	**97**	39

A reduction of 0.5 percentage points in the interest rate for calculation purposes, to 4.9%, would increase the defined benefit obligation to €108,000 as of the December 31, 2009 valuation date.

An increase of 0.5 percentage points in the interest rate for calculation purposes, to 5.9%, would lower the defined benefit obligation to €88,000 as of the December 31, 2009 valuation date.

Total expenses on defined benefit plans reported within staff costs break down as follows:

Figures in € 000s	**2009**	2008
Past service cost: present value of benefit entitlements earned in the fiscal year	58	39
Interest expense: interest on the entitlements already vested	2	0
Net pension expenditure on benefit obligations	**60**	39

To secure the employees' pension claims, the MeVis Group has taken out reinsurance, which is pledged to the individual employees. The employees have a right to the higher of the pension claim or reinsurance. As of December 31, 2009, the fair value of reinsurance amounted to €129,000, and the excess of reinsurance over the defined benefit obligation amount was not capitalized.

Movements in other – current – provisions were as follows in fiscal 2009:

Figures in € 000s	**Status Jan. 1, 2009**	Utilization	Reversal	Addition	Currency translation effect	**Status Dec. 31, 2009**
Warranty provisions	180	123	0	132	-1	188

The warranty provisions relate to the contractual warranty obligations to customers.

26. Other non-current financial liabilities

Figures in € 000s	**2009**	2008
Liability from 49% acquisition of MBS KG	6,296	10,819
Liability from acquisition of "R2 Image Checker CT" business	0	1,771
Liability to Fraunhofer MEVIS	297	462
Other	5	10
	6,598	13,062

Non-current other financial liabilities mainly arise from the acquisition of the 49% share in MBS KG in 2008.

Of the total purchase price for 49% of the shares in MBS KG, a sum of €2,500,000 was due immediately upon the contract being signed. The other purchase price installments are discounted at interest rates appropriate to the applicable terms, of between 4.26% and 4.95%. The amounts due as of 2011 are recorded here, while those due for payment in 2010 (€5,134,000) are recognized as current liabilities.

The liability to Fraunhofer MEVIS relates to the acquisition of the "MeVisLab" software package, which is being used within the MeVis Group as a software platform. The liability is to be discharged in quarterly installments of €46,000 until September 30, 2012. The amount of €178,000 due for payment in 2010 is reported within other current financial liabilities. Generally speaking, the liability is recognized at its present value on the basis of an interest rate of 5.5%.

27. Bank borrowings

Bank borrowings comprise USD-denominated current account liabilities to Commerzbank AG subject to an interest rate of 8.5% p.a. (2008: 8.7% p. a.).

28. Other current financial liabilities

Other current financial liabilities contain the following items:

Figures in € 000s	**2009**	2008
Liability from 49% acquisition of MBS KG	5,134	2,487
Liability from acquisition of "R2 Image Checker CT" business	2,026	2,273
Staff liabilities	67	628
Derivative financial instruments	59	229
Liabilities to Fraunhofer MEVIS	178	191
Liabilities to Supervisory Board	0	18
Miscellaneous other financial liabilities	14	85
Other financial liabilities	**7,478**	5,911

Reference should be made to Note 26 for details of the liability from the acquisition of the 49% stake in MBS KG.

The liability from the acquisition of the R2 Image Checker stem from the acquisition by MMS Inc. of the R2 business from Hologic in 2008.

Staff liabilities primarily comprise the cost of accrued vacation entitlement.

Derivative financial instruments relate to the negative market values of the forward currency transactions used for currency hedging.

The liabilities to Fraunhofer MEVIS primarily comprise the current component of the other non-current financial liabilities referred to in Note 26.

29. Deferred income

This item comprises income components paid but not recognized under multi-component contracts. In addition, payments received under maintenance contracts are deferred if the corresponding maintenance services have not yet been provided.

30. Other liabilities

Miscellaneous other liabilities contain the following items:

Figures in € 000s	**2009**	2008
Current tax liabilities	200	1,113
Liabilities from government funding	0	197
Liabilities from grants	91	187
Miscellaneous other liabilities	119	215
Miscellaneous other liabilities	**410**	1,712

The current tax liabilities comprise sales tax as well as payroll and church tax.

Liabilities under grants refer to the advance payments received from the HAMAM research project.

31. Contingent liabilities

MMS AG is under an obligation to grant a loan of up to €820,000 to joint venture MBC KG, which is consolidated on a proportionate basis, at standard bank conditions in the event that the latter company's capital requirements exceed the capital contributions paid in by the partners. The MeVis Group's share in this obligation stands at €402,000.

32. Financial obligations

Figures in € 000s	Total	Less than 1 year	1 to 5 years	Over 5 years
Rental contracts	1,084	517	567	0
Leases	72	37	35	0
Liability from the Fraunhofer MEVIS grant	925	555	370	0
Total financial obligations December 31, 2009	**2,081**	**1,109**	**972**	**0**
Rental contracts	1,858	347	1,511	0
Leases	91	36	55	0
Liability from the Fraunhofer MEVIS grant	925	370	555	0
Total financial obligations December 31, 2008	2,874	753	2,121	0

The rental contracts comprise solely leases for office space for limited periods of time. In the year under review, rental expenses of €525,000 (2008: €464,000) were incurred by the Group and are shown within other operating expenses. The rental contracts provide for a non-terminable sublease with MBC KG for the duration of the agreed term of the contracts of five years. As a result, the Group will receive minimum payments of €156,000 from its joint venture partner over the next few years (of which €70,000 in one year and €86,000 between one and five years). In the year under review, income of €19,000 from costs recharged to MBC KG from the non-consolidated part is included in other operating income.

In 2009, all the leases held by the MeVis Group were operating leases for motor vehicles and copiers. Economic ownership rights of the leased assets are retained by the respective lessor. The MeVis Group recognizes lease payments as expense. In 2009, other operating expenses totaled €21,000 (2008: €19,000).

The Fraunhofer MeVis grant obligation refers to the annual financial facility of €185,000 available to Fraunhofer MEVIS over a period of five years as consideration for the purchase by MMS AG of the MeVisLab software package in 2007.

33. Management of financial risks

The Group's international business operations expose it first and foremost to fluctuations in exchange rates. For this reason, it pursues a policy of hedging these risks. Hedges are entered into with investment-grade national banks whose credit ratings are regularly monitored by leading rating agencies.

In accordance with IFRS, derivative financial instruments are recognized at their fair value. IFRS provides for strict hedge accounting rules with respect to the correlation between the hedging instrument and the hedged item and for documenting hedge relationships. In the periods described here, the company engaged in hedges, not at the individual transaction level but on the basis of expected payment transactions on a portfolio basis. Accordingly, a clear allocation of hedging instrument to hedged item is not possible. Consequently, hedge accounting as provided for in IAS 39 is not utilized by the company. Any changes in fair value are recognized in profit and loss.

In addition to the aforementioned exchange rate risk, the MeVis Group is exposed to financial risks in the form of liquidity and default risk.

The MeVis Group provides the details stipulated by IFRS 7, such as the source of risks from financial instruments and the methods used to manage risk, in the Group management report.

Management of exchange rate risk

Where necessary, the Group enters 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 is measured in each relevant foreign currency. The Group's exchange rate exposure is due to its global business activities, particularly the sale of its products to US customers which are invoiced in US dollars.

As of the balance sheet date, the Group had 12 (2008: 31) forward currency transactions denominated in USD in 2009. The fair value of the contracts is calculated by the banks.

The scope and the market values of the derivatives were as follows as of December 31, 2009:

Forwards for hedging purposes expected revenues Figures in € 000s	**Nominal value** **Dec. 31, 2009**	**Market value** **Dec. 31, 2009**	Nominal value Dec. 31, 2008	Market value Dec. 31, 2008
Currency forwards	5,045	155	13,150	74

The forwards have different maturities between March 31, 2010 and December 31, 2011.

Liquidity risk

The Group requires sufficient liquidity to settle its financial obligations. Liquidity risks arise when customers are unable to meet their obligations to the MeVis Group in the course of normal business. In particular due to stock market flotation, the Group had cash and cash equivalents of €7,718,000 (2008: 15,257) as of the balance sheet date as well as current securities of €7,375,000 (2008: €5,000,000). Moreover, the Group's creditworthiness enables it to raise sufficient liquidity. In addition, it has unutilized credit facilities.

Liquidity risk is managed on the basis of rolling liquidity planning.

Default risk

Default risk, i.e. the risk of counterparties failing to meet their payment obligations, are managed by means of credit approvals, the definition of maximum limits and monitoring processes.

To manage this risk, the company periodically reviews its customers' solvency.

The company does not expect any defaults on the part of its business partners with a favorable credit rating. As five customers account for most of the Group's revenues, credit risk is concentrated to a significant extent on the one customer group. As the Group has maintained business relations with these customers, all of which have a very good credit rating and enjoy high renown, for several years and no defaults have arisen to date, the Executive Board does not see any significantly heightened risk of default. Provision has been made in the balance sheet for the maximum default risk.

Fair value of financial instruments

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (except in the case of foreclosure or liquidation proceedings).

A three-stage system is used to measure fair value, which must be implemented in this particular sequence (fair-value hierarchy):

1. Listed market prices of identical assets or liabilities on active markets
2. Information other than listed market prices capable of being observed directly (e.g. prices) or indirectly (e.g. derived from prices.
3. Measurement of fair value using methods of financial mathematics (discounted cash flows, option price models).

The following methods and assumptions are used to estimate the fair value of the individual classes of financial instruments:

Non-current financial liabilities

The fair value of the non-current financial liabilities is calculated using the discount cash flow method based on an interest rate of up to 5.0% p.a. appropriate to the applicable term.

Financial assets and current financial liabilities

The carrying amounts of cash and cash equivalents, other financial assets and current financial liabilities are more or less equal to their fair values on account of the relatively short settlement period for these items. Where no listed market prices are available, the fair value of the publicly traded financial instruments is estimated on the basis of the listed market prices of identical or similar assets. In the case of all other financial instruments for which no listed market prices are available, the fair value is based on the expected cash flow or the net asset value of the item in question. All carrying amounts are more or less the same as the fair value of the items in question.

Derivative financial instruments

Derivatives used as hedging instruments with positive (negative) fair values are classed as other current or other non-current financial assets depending on their term.

The following sets out the carrying amounts, measurement methods and fair values of the financial instruments by category:

Figures in € 000s	IAS 39 category	Carrying amount as of Dec. 31, 2009	Recognized in accordance with IAS 39: Amortized cost	Cost	Fair value in equity	Fair value in P/L	Fair value as of Dec. 31, 2009
Assets							
Trade receivables	LaR	4,222	4,222	0	0	0	4,222
Other financial assets	AfS	7,375	0	0	7,375	0	7,375
Other financial assets	LaR	1,051	1,051	0	0	0	1,051
Other financial assets	FAPL	214	0	0	0	214	214
Cash and cash equivalents		7,718	7,718	0	0	0	7,718
Equity and liabilities							
Other non-current financial liabilities	FLAC	6,598	6,598	0	0	0	6,598
Trade payables	FLAC	1,121	1,121	0	0	0	1,121
Bank borrowings	FLAC	401	401	0	0	0	401
Other current financial liabilities	FLPL	59	0	0	0	59	59
Other current financial liabilities	FLAC	7,419	7,419	0	0	0	7,419
Of which aggregated by IAS 39 category:							
Loans and receivables (LaR)		5,273	5,273	0	0	0	5,273
Financial assets available for sale (AfS)		7,375	0	0	7,375	0	7,375
Financial assets at fair value through profit or loss (FAPL)		214	0	0	0	214	214
Financial liabilities measured at amortised costs (FLAC)		15,539	15,539	0	0	0	15,539
Financial liabilities at fair value through profit or loss (FLPL)		59	0	0	0	59	59

Figures in € 000s	IAS 39 category	Carrying amount as of Dec. 31, 2008	Recognized in accordance with IAS 39 Amortized cost	Cost	Fair value in equity	Fair value in P/L	Fair value as of Dec. 31, 2008
Assets							
Trade receivables	LaR	2,345	2,345	0	0	0	2,345
Securities	HtM	5,000	5,000	0	0	0	5,000
Other financial assets	LaR	3,856	3,856	0	0	0	3,856
Other financial assets	FAPL	303	0	0	0	303	303
Cash and cash equivalents		15,257	15,257	0	0	0	15,257
Equity and liabilities							
Other non-current financial liabilities	FLAC	13,062	13,062	0	0	0	13,062
Trade payables	FLAC	1,038	1,038	0	0	0	1,038
Bank borrowings	FLAC	465	465	0	0	0	465
Other current financial liabilities	FLPL	229	0	0	0	229	229
Other current financial liabilities	FLAC	5,682	5,682	0	0	0	5,682
Of which aggregated by IAS 39 category:							
Loans and receivables (LaR)		6,201	6,201	0	0	0	6,201
Financial assets held to maturity (HtM)		5,000	5,000	0	0	0	5,000
Financial assets at fair value through profit or loss (FAPL)		303	0	0	0	303	303
Financial liabilities measured at amortised costs (FLAC)		20,247	20,247	0	0	0	20,247
Financial liabilities at fair value through profit or loss (FLPL)		229	0	0	0	229	229

The contractually agreed (non-discounted) interest and capital payments for the originated financial liabilities break down as follows as of the balance sheet date:

		Cash flows 2010			Cash flows 2011-2014			Total		
Figures in € 000s	Carrying amount Dec. 31, 2009	Fixed interest rate	Floating interest rate	Repay-ment	Fixed intere-st rate	Floating interest rate	Repay-ment	Fixed interest rate	Floating interest rate	Repay-ment
Other financial liabilities	14,017	281	0	7,419	854	0	6,598	1,135	0	14,017
Bank borrowings	401	0	0	401	0	0	0	0	0	401

		Cash flows 2009			Cash flows 2010-2013			Total		
Figures in € 000s	Carrying amount Dec. 31, 2008	Fixed interest rate	Floating interest rate	Repay-ment	Fixed interest rate	Floating interest rate	Repay-ment	Fixed interest rate	Floating interest rate	Repay-ment
Other financial liabilities	18,973	444	0	5,911	1,610	0	13,062	2,054	0	18,973
Bank borrowings	465	0	0	465	0	0	0	0	0	465

Net gains/losses by category break down as follows:

		From subsequent measurement			Net result	
Figures in € 000s	from dividends and interests	at fair value	Currency translation	Derecognition of liabilities	2009	2008
Loans and receivables (LaR)	305	0	172	0	477	1,629
Financial assets available for sale (AfS)	293	0	0	0	293	87
Derivatives	0	-170	0	0	-170	643
Financial liabilities measured at amortized costs (FLAC)	-996	0	0	0	-856	-199
					-256	**2,160**

Sensitivity analysis

To reflect market risks, IFRS 7 prescribes sensitivity analyses showing the effects of hypothetical changes in the relevant risk variables on profit/loss and equity. The MeVis Group is exposed to both currency risks and interest rate risks.

On the basis of the receivables outstanding as of December 31, 2009, there is elasticity of €833,000 (2008: €160,000) with respect to the currency risk in the event of a 10% change in the end-of-year exchange rate. On the basis of these measurement bands, there is elasticity of €248,000 (2008: €88,000) for cash and cash equivalents as of December 31, 2009.

Around 70% of business volume denominated in US dollars is hedged by means of currency forwards; however, these do not qualify as “hedge accounting” according to IAS 39 due to the absence of any correlation to the underlying asset. On the basis of the market values of the hedges as of December 31, 2009, an increase of 10% in the underlying exchange rate would cause net financial result to rise by

€600,000 (2008: €1,265,000), while a decrease of 10% would cause it to decline by €388,000 (2008: €1,381,000).

Fixed-interest assets and liabilities are subject to the risk of fair value fluctuations depending on the level of interest rates prevailing on the market. This is of relevance for the MeVis Group as regards the liability arising from the acquisition of 49% of the shares in MBS KG. An increase in the level of interest rates by one percentage point would reduce the fair value of the liability by €198,000 (2008: €313,000); a corresponding decrease in interest rates would lead to a fair value increased by €203,000 (2008: €324,000).

Disclosures on capital management

The objectives of capital management are derived from the financial strategy and include the provision of liquidity and access to the capital markets at all times.

The capital structure is managed to take account of any changes in economic conditions and risks arising from the underlying assets.

To this end, equity is viewed in the light of prevailing risk and, if necessary, adjusted by means of dividend policy, capital repayments and equity issues. Capital is monitored by reference to the ratio of net financial liabilities/receivables to economic capital. Net financial liabilities/receivables comprise cash plus financial assets net of financial liabilities. Economic capital equals the equity reported in the balance sheet.

Figures in € 000s	Dec. 31, 2009	Dec. 31, 2008
Bank borrowings	401	465
Other financial liabilities	14,076	18,973
Gross financial liabilities	**14,477**	19,438
Cash and cash equivalents	7,718	15,257
Other financial assets	8,640	9,159
Gross financial receivables	**16,358**	24,416
Net financial receivables	**1,881**	4,978
Economic capital	**32,607**	32,611

Given the international nature of the MeVis Group's activities, different regional legal and regulatory requirements must be observed in the individual jurisdictions. The status of and any changes in these rules are monitored both locally and centrally and taken into account in capital management.

34. Disclosures on the cash flow statement

The cash flow statement breaks down into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Net cash inflow from operating activities is calculated using the indirect method.

Cash and cash equivalents comprise cash on hand and demand deposits.

35. Segment reporting

The introduction of IFRS 8 did not lead to a substantial structural change for purposes of segment reporting in the MeVis Group.

As of December 31, 2009, the activities of the MeVis Group were subdivided into the reportable segments of Digital Mammography and Other Diagnostics. The management of each of these segments reports directly to the Executive Board of MMS AG in its capacity as the responsible corporate entity.

Segment earnings and the result of operating activities remain the key benchmarks for assessing and controlling the earnings position of a particular segment. As a rule, the result of operating activities corresponds to earnings before interest and taxes (EBIT).

Segmentation is as follows:

	Digital Mammography		Other Diagnostics		Other/Consolidation and reconciliation		MeVis Group	
	Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31		Jan. 1 – Dec. 31	
FIGURES IN € 000s	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
External revenues	10,048	6,898	3,821	3,946	0	0	13,869	10,844
Intersegment revenues	0	0	55	5,350	-55	-5,350	0	0
Revenues	**10,048**	6,898	**3,876**	9,296	**-55**	-5,350	**13,869**	10,844
Grants	283	0	581	413	0	0	864	413
Total segment revenues	**10,331**	6,898	**4,457**	9,709	**-55**	-5,350	**14,733**	11,257
Capitalization of development expenses	1,444	954	864	988	0	0	2,308	1,942
Depreciation and amortization	-1,375	-219	-1,466	-873	0	0	-2,841	-1,092
Operating expenses	-3,552	-2,685	-7,047	-5,352	341	0	-10,258	-8,037
Segment net profit and loss	**6,848**	4,948	**-3,192**	4.472	**286**	-5,350	**3,942**	4,070
Other operating income	604	191	906	856	-546	-398	964	649
Other operating expenses	-1,185	-1,088	-2,799	-3,790	711	824	-3,273	-4,054
Result of operating activities	**6,267**	4,051	**-5,085**	1,538	**451**	-4,924	**1,633**	665
Segment assets	**20,322**	21,748	**56,554**	53,770	**-25,921**	-15,934	**50,955**	59,584
Segment liabilities	**4,979**	12,098	**18,997**	22,410	**-5,628**	-7,535	**18,348**	26,973

Revenues in the segments of digital mammography and other diagnostics are predominantly achieved with customers accounting for a share of total revenues in excess of 10%.

For a breakdown of external revenue by geographical regions, please refer to the presentation on business performance in the consolidated management report.

Segment assets in the field of digital mammography can be assigned to the location of assets in the geographical region of Germany. Assets of the segment of other diagnostics are assignable to the geographical regions of Germany and the United States. Germany accounts for €48,969,000 (2008: €46,285,000) and the U.S. for € 7,585,000 (2008: €7,485,000).

36. Related parties

The Group enters into transactions with related parties, the details of which are set out below. These transactions form part of its usual business activities and are subject to arm's length conditions.

In addition to the remuneration referred to in Note 39, the material transactions with management include the consulting agreement in force with one of the shareholders (who is an elected member of the Supervisory Board since September 6, 2006). In fiscal 2009, fees of €0 (2008: €22,000) were included in the income statement on a pro rata basis. The shareholder in question is also the director of the Fraunhofer MEVIS institute.

Fraunhofer MEVIS performs research and development activities for MMS AG. These had a volume of €735,000 in 2009 (2008: €459,000). In addition, MMS AG acquired the MeVisLab software from Fraunhofer MEVIS for €925,000 in 2007. This amount must be paid in five annual installments of €185,000 each. Income of €56,000 (2008: €124,000) was generated from the staff costs recharged to Fraunhofer MEVIS.

Related parties also include the joint ventures MBC KG and MeVis BreastCare Verwaltungs-GmbH. Proportionate legal and consulting costs of €3,000 were recharged to MBC KG by MMS AG.

As of the balance sheet date, the following receivables were due from and the following liabilities owing to related parties:

Figures in € 000s	**2009**	2008
Members of managements		
Receivables	8	8
Liabilities	0	0
Members of the Supervisory Board		
Receivables	8	8
Liabilities	0	18
Fraunhofer MEVIS		
Receivables	205	133
Liabilities	475	653
Joint ventures		
Receivables	12	47
Liabilities	13	36

37. Notification of changes in voting rights in accordance with the German Securities Trading Act (WpHG)

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

1) On November 15, 2007, we were notified by Prof. Dr. Heinz-Otto Peitgen, Am Jürgens Holz 5, 28355 Bremen, in accordance with § 21(1a) of the German Securities Trading Act that his share of the voting rights stood at 17.67% on November 15, 2007, i.e. the first day of admission.

2) On November 15, 2007, we were notified by Dr. Carl J.G. Evertsz, Schumannstraße 12, 28213 Bremen, in accordance with § 21(1a) of the German Securities Trading Act that his share of the voting rights stood at 17.67% on November 15, 2007, i.e. the first day of admission.

3) On November 20, 2007, we were notified by cominvest Asset Management GmbH, Platz der Einheit 1, 60327 Frankfurt am Main, in accordance with § 21(1) Sentence 1 of the German Securities Trading Act and § 32(2) of the German Investment Act (InvG) that its share of the voting rights had exceeded the reporting threshold of 3% on November 19, 2007, and now stands at 4.75%.

4) On November 21, 2007, we were notified by Allianz Global Investors Kapitalanlagegesellschaft mbH, Mainzer Landstraße 11-13, 60329 Frankfurt am Main, in accordance with § 21(1) Sentence 1 of the German Securities Trading Act that its share of the voting rights had exceeded the reporting threshold of 3% on November 19, 2007, and now stands at 4.95%.

5) On December 13, 2007, we were notified by Dr. Hartmut Jürgens, Grohner Bergstraße 11, 28759 Bremen, in accordance with § 21(1) of the German Securities Trading Act that his share of the voting rights had exceeded the reporting threshold of 15% on December 13, 2007, and now stands at 16.53%.

6) On April 30, 2008, we received the following notification from Fortelus Special Situations Master Fund Ltd., George Town, Cayman Islands:

   In accordance with § 21(1) of the German Securities Trading Act, the share of voting rights held by Fortelus Special Situations Master Fund Ltd., George Town, Cayman Islands, exceeded the thresholds of 3% and 5% on November 19, 2007, standing at 112,000 voting rights (equivalent to 6.15% of all voting rights) as of that date.

   In accordance with § 21(1) of the German Securities Trading Act, the share of voting rights held by Fortelus GP Ltd., c/o M&C Corporate Services Ltd., Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands, Fortelus Special Situations Fund LP, registered office 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA, and Fortelus Special Situations Fund Ltd., c/o M&C Corporate Services Ltd., Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands, exceeded in the aggregate the thresholds of 3% and 5% on November 19, 2007, and the aforementioned entities held 112,000 voting rights (equivalent to 6.15% of all voting rights) as of that date. The voting rights are held by Fortelus Special Situations Master Fund Ltd., George Town, Cayman Islands, and attributable to the aforementioned entities in accordance with § 22(1) Sentence 1 No. 1 of the German Securities Trading Act.

   In accordance with § 21(1) of the German Securities Trading Act, the share of voting rights held by Fortelus Special Situations Master Fund Ltd., George Town, Cayman Islands, exceeded the threshold of 10% on April 2, 2008, standing at 186,037 voting rights (equivalent to 10.22% of all voting rights) as of that date.

   In accordance with § 21(1) of the German Securities Trading Act, the share of voting rights held by Fortelus GP Ltd., c/o M&C Corporate Services Ltd., Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands, Fortelus Special Situations Fund LP, registered office 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA, and Fortelus Special Situations Fund Ltd., c/o M&C Corporate Services Ltd., Ugland House, PO Box 309, George Town, Grand Cayman, Cayman Islands, exceeded in the aggregate the threshold of 10% on April 2, 2008, and the aforementioned entities held 186,037 voting rights (equivalent to 10.22 % of all voting rights) as of that date. The voting rights are held by Fortelus Special Situations Master Fund Ltd., George Town, Cayman Islands, and attributable to the aforementioned entities in accordance with § 22(1) Sentence 1 No. 1 of the German Securities Trading Act.

7) On June 17, 2008, MMS AG announced in accordance with § 26(1) Sentence 2 of the German Securities Trading Act that its treasury stock had exceeded the threshold of 5% on June 17, 2008 and stood at 5.0% on that day (equivalent to 91,000 shares).

8) On November 4, 2008, we were notified by Mr. Peter Kuhlmann-Lehmkuhle, Oyten, Germany, in accordance with § 21(1) of the German Securities Trading Act that his share in the voting rights had exceeded the threshold of 3% on October 30, 2009, and now stands at 3,0027% (equivalent to 54,650 shares).

9) On November 4, 2008, we were notified by M.M. Warburg & CO KGaA, Hamburg, Germany, in accordance with § 21(1) of the German Securities Trading Act that its share in the voting rights had fallen below the threshold of 5% on November 4, 2008, and now stands at 4.899 % (equivalent to 89,161 shares).

   4.899% of the voting rights (equivalent to 89,161 shares) are attributable to M.M. Warburg & CO Gruppe KGaA Gesellschaft in accordance with § 22(1) Sentence 1 No. 1 of the German Securities Trading Act.

10) On October 2, 2009, we were notified by cominvest Asset Management GmbH, Frankfurt am Main, in accordance with §§ 21(1) of the German Securities Trading Act that its share in the voting rights had fallen below the threshold of 3% on September 30, 2009, and now stands at 2.98% (equivalent to 54,300 shares).

2.48% of the voting rights (equivalent to 45,200 shares) are attributable to the company in accordance with § 22(1) Sentence 1, No. 6 of the German Securities Trading Act.

38. Corporate bodies of MeVis Medical Solutions AG

Executive Board

Dr. Carl J.G. Evertsz Chairman Bremen	From Sep. 6, 2006	- Managing director of subsidiary MeVis BreastCare Verwaltungs-GmbH, Bremen - Managing director of MeVis BreastCare Solutions Verwaltungsgesellschaft mbH, Bremen - Director of MeVis Medical Solutions, Inc., Pewaukee, Wisconsin/USA - Director of MeVis Japan KK, Tokyo/Japan - Member of the Board of Trustees of Fraunhofer MEVIS
Thomas E. Tynes Pewaukee, Wisconsin/USA	From Sep. 1, 2007	- Director of MeVis Medical Solutions, Inc., Pewaukee, Wisconsin/USA - Officer of Eye Prosthetics of Wisconsin, Inc., Brookefield, Wisconsin/USA
Christian H. Seefeldt Berlin	From Jan. 1, 2009	- Managing director of MeVis BreastCare Solutions Verwaltungsgesellschaft mbH, Bremen - Director of MeVis Medical Solutions, Inc., Pewaukee, Wisconsin/USA - Director of MeVis Japan KK, Tokyo/Japan - Member of the Shareholders' Committee of MeVis BreastCare GmbH & Co. KG, Bremen

Supervisory Board

Prof. Dr. Heinz-Otto Peitgen Bremen Chairman	From Sep. 6, 2006	- Director of Fraunhofer MEVIS Institute, Bremen - Member of the academic council of Karl-Franzen-Universität Graz, Graz/Austria - Member of the Board of Trustees of the Center for Art and Media, Karlsruhe - Member of the Shareholders' Committee of MeVis BreastCare GmbH & Co. KG, Bremen
Axel Schubert Bremen Deputy Chairman	From Sep. 6, 2006	- Director of Stiftung Bremer Wertpapierbörse, Bremen - Chairman of the Supervisory Board of Scoach Europa AG, Frankfurt am Main - Chairman of the Board of Directors of Scoach Schweiz AG, Zurich/Switzerland - Chairman of the Board of Directors of Scoach Holding S.A., Luxembourg/Luxembourg
Dr. Peter Zencke Heidelberg	From Aug. 21, 2007	- Member of the Supervisory Board of SupplyOn AG, Munich - Member of the Board of Directors of the Indian School of Business in Hyderabad/India - Member of the research council of the Institute of Media and Communication Management of the University of St. Gallen, St. Gallen/Switzerland

Shares in the company held by members of its corporate bodies as of December 31, 2009 are as follows:

	Number of shares	% of share capital
Executive Board		
Dr. Carl J.G. Evertsz*	354,640	19.49
Thomas E. Tynes	625	0.03

* In addition to the shares held directly by Dr. Evertsz, 600 shares are held directly via an asset management company in which Dr. Evertsz holds a share.

	Number of shares	% of share capital
Supervisory Board		
Prof. Dr. Heinz-Otto Peitgen	354,039	19.45
Axel Schubert	500	0.03
Dr. Peter Zencke	0	0.00

39. Remuneration of Executive Board and Supervisory Board

Executive Board remuneration

The members of the Executive Board received the following remuneration in 2009:

	Fixed remuneration	Performance-related remuneration	Components with long-term incentive characteristic	Pecuniary benefits from non-cash benefits	Total
Figures in €	Salary	Bonus	Stock options in 2009		
Dr. Carl J.G. Evertsz	151,018.00	0.00	0	11,497.20	162,515.20
Christian H. Seefeldt	156,000.00	0.00	0	0,00	156,000.00
Thomas E. Tynes	125,466.00	0.00	0	13,809.87	139,275.87
Total	**432,484.00**	**0.00**	**0**	**25,307.07**	**457,791.07**

The members of the Executive Board received the following remuneration in 2008:

	Fixed remuneration	Performance-related remuneration	Components with long-term incentive characteristic	Pecuniary benefits from non-cash benefits	Total
Figures in €	Salary	Bonus	Stock options in 2008		
Dr. Carl J.G. Evertsz	154,568.00	8,191.15	0	11,497.20	174,256.35
Dr. Olaf Sieker	111,579.04	9,000.00	0	0.00	120,579.04
Thomas E. Tynes	118,939.20	106,760.79	0	12,900.49	238,600.48
Total	**385,086.24**	**123,951.94**	**0**	**24,397.69**	**533,435.87**

D&O insurance for a sum insured of €2,000,000 has been taken out in favor of the members of the Executive Board at the company's expense. This cover also includes the members of the Supervisory Board.

Supervisory Board remuneration

Remuneration for the members of the Supervisory Board is governed by § 10 of MMS AG's articles, which provides for the members of the Supervisory Board to receive a fixed amount of €17,500.00 at the end of the fiscal year. The chairman of the Supervisory Board receives twice this amount and his deputy one-and-a-half times this amount. Persons joining or leaving the Supervisory Board during the year receive a proportionate share of this amount.

In addition, the members of the Supervisory Board are reimbursed for all expenses which they incur in attending meetings of the Supervisory Board plus any sales tax due on the reimbursed amount.

D&O insurance for a sum insured of €2,000,000 has been taken out in favor of the members of the Supervisory Board at the company's expense. This cover also includes the members of the Executive Board.

40. Stock option plans

The remuneration agreement made with Executive Board member Thomas E. Tynes also provides for the grant of shares in MMS AG. The amount of the remuneration depends on the achievement of certain EBIT thresholds by the MMS AG Group staggered over the individual periods of the term of the remuneration agreement.

Under the terms of this agreement, Mr. Tynes is awarded shares in MMS AG each year worth between €100,000 and €500,000 between 2008 and 2012 depending on consolidated EBIT performance. If EBIT drops below a certain amount, namely €3.5 million in 2008 and up to €7.2 million in 2012, he does not receive any shares.

The shares are issued after the annual general meeting held in the year following the reference period. The shares may be sold after January 1 of the year following that in which the annual general meeting takes place.

In accordance with IFRS 2.A, the grant date is the date of the contract, i.e. August 27, 2007. The measurement date is the same as the grant date due to the fact that the agreement on the share-based payment was entered into with a member of the Executive Board who provides services "similar" to those of an employee as defined in IFRS 2.A. The shares may be exercised provided that the EBIT corridor is achieved as of January 1 of the next but one year.

The vesting period is the term of the remuneration agreement. As the shares may be exercised once the EBIT corridor is achieved as of January 1 of the next but one year, the fair value as of the grant date (August 27, 2007) is calculated over a period of 5 years from the individual present values. The resultant expense is distributed on a geometric sliding-scale basis over the individual years.

If Mr. Tynes leaves the company for "good reason", the variable payment will be maintained over the entire term. This also applies if the company terminates the service contract without stating any reasons. In all other cases, his remuneration entitlement is forfeited in the event of his departure from the company. This does not prejudice any claims vesting up until the date of departure. Accordingly, even after his departure from the company, shares may still be granted to honor claims arising in prior periods.

At MMS AG's annual general meeting of August 22, 2007, the shareholders passed a resolution to create contingent capital of €130,000 in order to issue up to 130,000 stock options to staff or members of the Executive Board on or before December 31, 2011.

By resolution of the Executive Board of December 19, 2008 and on approval of the Supervisory Board of February 14, 2009, a second tranche of up to 20,191 stock options has been issued at an exercise price of €37.45. 182 employees had subscription rights. 20,191 options were granted in 2009 (2008: 0).

MMS AG is entitled to settle the stock options in cash form – in other words, a combination model is in place. In view of the fact that there are no discernible restrictions to the issue of shares to settle the stock options and the company currently does not have any preference for settling the stock options in cash form, they have been measured in accordance with the principles for equity-settled options.

The options lapse in the event that the holder leaves the company. The vesting period is 2 years in the case of employee options. Accordingly, the expense incurred in connection with the employee option program must be spread over 2 years.

The fair value of the payment obligation to the member of the Executive Board and the employee options is calculated using a Monte Carlo simulation.

This simulation produced a fair value of €0 (2008: €101,000) for the payment obligation to Thomas E. Tynes as of the grant day August 27, 2007. The expense in the form of the fair value as of the grant date is written down pro rata in annual installments over the term of the remuneration package based on the present value installments. This simulation puts the total fair value of employee options at €209,000 (2008: €163,000). Expense equaling the fair value is released to the income statement over the vesting period of 2 years. This results in proportionate income of €54,000 (2008: expense €81,000) for 2009.

All outstanding stock options have a term of five years as of the date they are granted. As the stock option program of MMS AG expires on December 31, 2011, the maximum term of the outstanding options is less than nine years (until January 1, 2016).

	Beginning of reporting period	Change	End of reporting period
Outstanding stock options	109,770	-20,191	89,579
Options granted	20,230	20,191	40,421
Options forfeited	-4,930	-2,889	-7,819
Options lapsed	0	-2,925	-2,925
Options exercised	0	0	0
Total	**125,070**	**-5,814**	**119,256**
of which exercisable options	*0*	*0*	*0*

41. German Corporate Governance Code

On February 15, 2010, the Executive Board and Supervisory Board of MMS AG issued the declaration of conformity stipulated by § 161 of the German Stock Corporation Act (AktG), confirming that the recommendations of the Government Commission on the German Corporate Governance Code have been and will be complied with, disclosing which recommendations have not been and will not be followed, and made it available to shareholders on the MeVis Group's website. The declaration of conformity for the year under review is dated February 14, 2009 and is also available on the MeVis Group's website (http://www.mevis.de/mms/Corporate_Governance.html).

42. Fees paid for services provided by the statutory auditor KPMG AG Wirtschaftsprüfungsgesellschaft

Figures in € 000s	**2009**	2008
Audit of financial statements	169	89
Other auditing/measuring activities	0	0
Tax advisory	71	78
Other services	0	16
Total	**240**	183

43. Events after the balance sheet date

On January 15, 2010 the company entered into a contract with Reiber Consultancy B.V., Rotterdam (Netherlands) to merge business activities, coupled with the phased acquisition of a holding of up to 100% in Medis Holding B.V., Leiden (Netherlands), (hereafter: "Medis Holding"). Medis Holding holds a 100% stake in Medis medical imaging systems, B.V., Leiden (Netherlands), (hereafter: "Medis"). Equity may be invested in Medis Holding B.V. in three fixed phases up to 2011 along with a subsequent earn-out. In the first of these, a cash contribution of €400,000 was agreed and made upon conclusion of the contract, which corresponds to a holding of around 14%.

The steps involved in acquiring further shares in Medis Holding are tied in with certain conditions being met and do not constitute a commitment for the company at present. In addition, the probability of the conditions being met cannot be assessed at this point in time.

Under the terms of the business merger, Medis gets access to the technology platform MeVisAP and to the development environment MeVisLAB, which forms the heart of the MeVis Group's multi-modal software solutions. Medis develops software solutions which enable cardiologists, technicians and researchers to quantify cardiovascular image data accurately. Medis products are designed for the diagnosis of cardiovascular disease using magnetic resonance imaging (MRI), computed tomography (CT), X-rays and intravascular ultrasound. Medis has a subsidiary operating in Raleigh (NC/USA).

Bremen, April 9, 2010

MeVis Medical Solutions AG

Carl J.G. Evertsz, Ph.D.	Christian H. Seefeldt	Thomas E. Tynes
Chairman & CEO	Member of the Executive Board	Member of the Executive Board

Changes in consolidated assets

for the period of January, 1 until December 31, 2009

FIGURES IN € 000S	Cost of acquisition or manufacturing				
	Balance on Jan.1, 2009	Additions	Disposals	Changes from currency translations	Balance on Dec. 31, 2009
I. Intangible assets					
Licences and similar rights	4,139	96	0	-46	4,189
Customer Base	5,124	0	0	-42	5,082
Development expenses	2,612	2,624	0	-21	5,215
Goodwill	16,732	0	0	-139	16,593
	28,607	**2,720**	**0**	**-248**	**31,079**
II. Property, plant and equipment					
Other equipment, furniture and office equipment					
Leasehold improvements	625	110	0	0	735
IT equipment	1,414	165	0	-3	1,576
Furniture and office equipment	443	45	0	-1	487
	2,482	**320**	**0**	**-4**	**2,798**
	31,089	**3,040**	**0**	**-252**	**33,877**

Cumulative depreciation and amortization					Carrying amounts	
Balance on Jan. 1, 2009	Additions	Disposals	Changes from currency translation	Balance on Dec. 31, 2009	Balance on Dec. 31, 2009	Balance on Dec. 31, 2008
1,533	730	0	-43	2,220	1,969	2,606
94	438	0	-6	526	4,556	5,030
104	1,134	0	0	1,238	3,977	2,508
0	0	0	0	0	16,593	16,732
1,731	2,302	0	-49	3,984	27,095	26,876
109	130	0	0	239	496	516
847	331	0	0	1,178	398	567
112	78	0	0	190	297	331
1,068	539	0	0	1,607	1,191	1,414
2,799	**2,841**	**0**	**-49**	**5,591**	**28,286**	**28,290**

Changes in consolidated assets

for the period of January, 1 until December 31, 2008

FIGURES IN € 000S	Cost of acquisition or manufacturing					
	Balance on Jan. 1, 2008	Additions	Disposals	Changes from currency translations	Changes to companies consolidated	Balance on Dec. 31, 2008
I. Intangible assets						
Licences and similar rights	2,194	439	115	90	1,531	4,139
Customer Base	0	0	0	121	5,003	5,124
Development expenses	0	2.242	0	0	370	2,612
Goodwill	147	0	0	480	16,105	16,732
	2,341	**2,681**	**115**	**691**	**23,009**	**28,607**
II. Property, plant and equipment						
Other equipment, furniture and office equipment						
Leasehold improvements	49	576	0	0	0	625
IT-equipment	732	546	225	1	360	1,414
Furniture and office equipment	224	270	70	1	18	443
	1,005	**1,392**	**295**	**2**	**378**	**2,482**
	3,346	**4,073**	**410**	**693**	**23,387**	**31,089**

Cumulative depreciation and amortization						Carrying amounts	
Balance on Jan. 1, 2008	Additions	Disposals	Changes from currency translations	Changes to companies consolidated	Balance on Dec. 31, 2008	Balance on Dec. 31, 2008	Balance on Dec. 31, 2007
953	511	55	10	114	1,533	2,606	1,241
0	90	0	4	0	94	5,030	0
0	104	0	0	0	104	2,508	0
0	0	0	0	0	0	16,732	147
953	**705**	**55**	**14**	**114**	**1,731**	**26,876**	**1,388**
16	93	0	0	0	109	516	33
490	224	148	1	280	847	567	242
101	70	65	0	6	112	331	123
607	**387**	**213**	**1**	**286**	**1,068**	**1,414**	**398**
1,560	**1,092**	**268**	**15**	**400**	**2,799**	**28,290**	**1,786**

Auditor´s Report

We have audited the consolidated financial statements prepared by MeVis Medical Solutions AG, Bremen – comprising the consolidated income statement, statement of comprehensive income, consolidated statement of financial positions, consolidated cash flow statement, statement of changes in equity, and notes to the consolidated financial statements – as well as the consolidated management report for the financial year from January 1 until December 31, 2009. The preparation of the consolidated financial statements and consolidated management report in accordance with IFRS as endorsed in the EU and, in supplementation, with the regulations as set forth in Section 315a Paragraph 1 of the German Commercial Code (HGB) is the responsibility of the Executive Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting principles and in the consolidated management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and consolidated management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidation, the definition of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board as well as evaluating the overall presentation of the consolidated financial statements and the consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations in accordance with IFRS as endorsed in the EU and, by way of supplementation, in accordance with the provisions of the German Commercial Code (§ 315a (1) HGB). The consolidated management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bremen, April 9, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heuermann	Bultmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement („Bilanzeid“)

Responsibility statement required by section 37y no. 1 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) in conjunction with sections 297(2) sentence 4 and 315(1) sentence 6 of the Handelsgesetzbuch (HGB – German Commercial Code) for the consolidated financial statements and the group managememt report:

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

Bremen, April 9, 2010

MeVis Medical Solutions AG

Carl J.G. Evertsz, Ph.D.	Christian H. Seefeldt	Thomas E. Tynes
Chairman & CEO	Member of the Executive Board	Member of the Executive Board

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 electronic Bundesanzeiger for technical reasons (e.g. conversion of electronic formats). In the case of any doubt, the version submitted to the electronic 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 downloading in both languages on the Internet at http://www.mevis.de/mms/en/Financial_Reports.html.

Finance Calendar 2010

Date	Event
Mai 18, 2010	Interim report for Q1 2010
Juni 10, 2010	Annual general meeting, Bremen
August 30, 2010	Interim report for H1 2010
August 30, through September 1, 2010	8th DVFA-Small Cap Conference, Frankfurt am Main
November 22, 2010	Interim report for Q3 2010
November 22 through 24, 2010	German Equity Forum, Frankfurt am Main

Contact

Investor Relations

Dr. Kai Holtmann
Investor Relations Manager
Phone +49 421 22495 63
Fax +49 421 22495 11
kai.holtmann@mevis.de

Company Address

MeVis Medical Solutions AG
Universitaetsallee 29
28359 Bremen
Germany
Phone +49 421 22495 0
Fax +49 421 22495 11
office.mms@mevis.de
www.mevis.de