

# MeVis



# BioSonic

**MeVis Medical Solutions AG, Bremen**  
**Interim Report 3/2010**

## Consolidated key figures (IFRS)

FIGURES IN € 000s		Jan. 1 – Sept. 30 2010	Jan. 1 – Sept. 30 2009	Change
<b>Revenues</b>		<b>10,903</b>	10,269	6%
of which segment <sup>1</sup>	Digital Mammography	8,230	7,445	11%
	Other Diagnostic	2,673	2,825	-6%
of which billing currency <sup>1,2</sup>	Euro	1,701	1,113	53%
	US-Dollar	9,202	9,156	1%
EBITDA		3,470	2,606	33%
EBITDA margin		32%	25%	-
EBIT		834	713	17%
EBIT margin		8%	7%	-
Net financial result		-160	-143	12%
EBT		674	570	18%
<b>Consolidated net profit</b>		<b>-346</b>	272	-227%
<b>Earnings per share in € (basic and diluted)</b>		<b>-0.20</b>	0.16	-228%

	Sept. 30, 2010	Dec. 31, 2009	Change
Equity capital	33,128	32,607	2%
Intangible assets	27,407	27,095	1%
Deferred tax assets	1,505	1,487	1%
Non-current and current liabilities	18,186	18,348	-1%
Balance sheet total	51,314	50,955	1%
Equity ratio in %	65%	64%	-
Liquid Funds <sup>3</sup>	13,667	15,093	-9%
Employees <sup>4</sup>	180	186	-3%

<sup>1</sup> Not comprising intersegment revenues.

<sup>2</sup> Revenues are allocated to the currency according to the location of the customer; comprising indirect sales via industry partners as well as sales to clinical end customers in the segment Distant Services. Revenues generated by MeVis Japan KK are invoiced in Euro.

<sup>3</sup> Comprising cash, cash equivalents and securities available for sale.

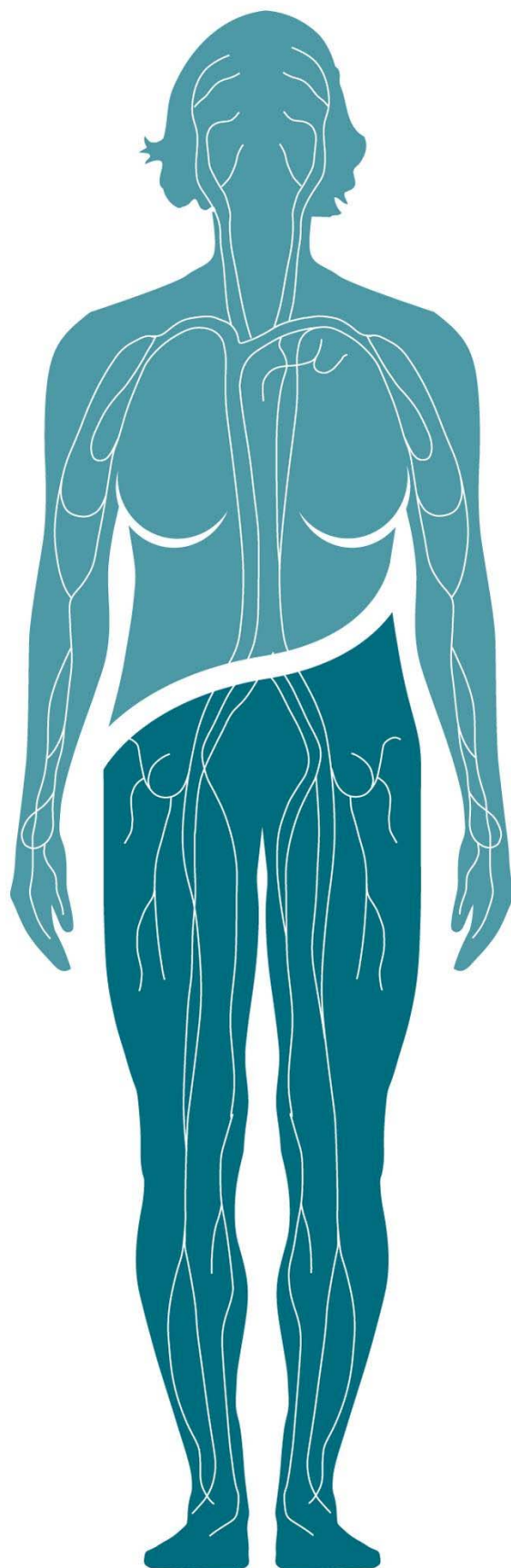
<sup>4</sup> Average of full-time equivalents in period (1<sup>st</sup> - 3<sup>rd</sup> quarter).

## Key share data

	as of Sept. 30, 2010
Industry sector	Software / Medical Technology
Subscribed capital	1,820,000.00 €
No. of shares	1,820,000
Last quotation on Jun. 30, 2010	20.00 €
Last quotation on Sept. 30, 2010	17.25 €
High/low 2010	€ 27.00 / € 16.50
Market capitalization	31.4 Mio. €
Treasury stock	104,124 (5.72%)
Free float	38.81%
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	DE000AOLBFE4 / AOLBFE / M3V

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## Letter to the shareholders

*Dear shareholders,  
customers, business associates and employees,*

Group revenues in the 3rd quarter of 2010 were marked by altogether unfavorable economic factors and at 3.6 million Euros, lay slightly below the level of the 1<sup>st</sup> and 2<sup>nd</sup> quarters. Group quarterly revenues declined by 8% compared to the previous year.

A slowdown in sales to clinical end-customers on the US-American market could not be compensated for sufficiently in the last quarter by a vitalisation of license sales outside the USA. The recessive market dynamic in this - MeVis' single-most important market - is due, in the Digital Mammography segment, to uncertainty within radiology facilities over the financial effects of the healthcare reforms as well as an incipient delay in the switch over from analogue to digital equipment. While the digitalisation ratio of all FDA-certified mammography facilities increased by 9% in the reporting period, an increase of 11% could be observed for the corresponding period in the previous year. The digitalisation ratio reached 68% at the end of the third quarter (previous year 56%).

In this environment, group revenues were increased by 6% to €10,903,000 in the first three quarters of 2010 (previous year €10,269,000). With 12% growth compared to the previous year, sales in the Digital Mammography segment have again contributed disproportionately to this. This is especially due to the further significant increase in maintenance revenues, which made up 38% of segment revenues in the reporting period. Group-wide maintenance revenues have increased in the first three quarters by 69% and now, at €3,558,000, represents a third of total revenue (previous year €2,111,000 or 21%). In addition, one-time effects have contributed to 3<sup>rd</sup> quarter sales growth in the Digital Mammography segment. Revenues from license sales of MBC KG operated with Siemens profited by these one-time effects in the field of MRT-supported breast diagnostics. Furthermore, revenues of MBS KG from maintenance for multi-modal breast diagnostics were influenced positively.

Business development and expansion of the market position with new products in the fields of neurology, prostate and lung diagnostics continued to be disappointing in the stagnating market. For this reason, group revenues in the Other Diagnostics segment for the first three quarters of 2010 declined by 8% to €2,677,000 (previous year €2,895,000). Decisive factors for this are the ongoing weak sales dynamic in our Visia™ CT Lung System business and the decline in sales of the Breast and Neuro MRI products, distributed primarily in the US market.

Capitalization of group development costs affecting net income increased during the reporting period by 24% to €2,163,000 (previous year €1,748,000) which thereby contributed significantly to an increase in EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) by 33% to €3,470,000 (previous year €2,606,000). These development costs represent investments in the future of our business. In the upcoming two years we plan the gradual market introduction of a series of disease oriented applications based on our Visia™ Enterprise technology. These new products refer to applications in the areas of cardiovascular diseases, neuro, breast, prostate, lung and colon and should gradually improve turnover and profitability in this segment upon market launch.

Taking the meager increase in sales into account, group profitability was affected by the planned increased amortizations on previously capitalized development services. The amortizations rose in the first three quarters by a total of 39% to €2,636,000 (previous year €1,893,000). The capitalization balance and

the relation of amortizations on capitalized development services to newly capitalized development services increased significantly in the reporting period to 0.62 (previous year 0.35).

Despite significantly higher EBITDA, an increase in EBIT (Earnings before Interest and Tax) of only 17% to €834,000 was able to be achieved (previous year €713,000). The EBIT margin accordingly increased only slightly to 8% (previous year 7%).

Net financial income in the first three quarters of €-160,000 (previous year €-143,000) has declined slightly compared to the previous year, albeit significantly improved compared to the 1<sup>st</sup> half of 2010 (€-363,000). Non-cash value changes in derivative financial instruments were decisive in securing exchange rates. Since the yearly low in the 2<sup>nd</sup> quarter of 1.20 USD/EUR, the exchange rate development to the US dollar has affected net financial income positively during the 3<sup>rd</sup> quarter. This effect contributed significantly to increasing other earnings in the first three quarters to €144,000 (previous year €55,000). In addition, in the 3<sup>rd</sup> quarter we have begun to secure a portion of our turnover invoiced in US dollars through USD put options, in order to limit the negative influences of exchange rate development on the net financial income.

Pre-tax earnings have accordingly improved to €674,000 (previous year €570,000) during the reporting period. Taking significantly higher income tax expenses into account, we ended the first three quarters of 2010 with a loss of €-346,000 (previous year €272,000). Earnings per share amounted to €-0.20 (previous year €0.16).

With the gradual market introduction of our new products developed using Visia™ Enterprise technology, we expect significant vitalization of the licensing business with correspondingly positive effects on future group sales and profitability development. The scheduled market entry into cardiovascular imaging is an important building block in this process.

Our liquidity position is sufficient for financing our future growth. The group's liquid resources on September 30, 2010 totalled 13.7 million Euros. Remaining group payment obligations of €542,000 from previous acquisitions exist for the last installments of the "R2 Image Checker CT" lung business, as well as of up to 12.5 million Euros for the acquisition of 49% of shares in MBS KG, that are due in installments until 2015.

On October 1, 2010 Dr. Robert Hannemann took up his position as chairman of the Finance Department with an expanded scope of responsibilities. We are sure that we are well-equipped for future challenges with these staff- and organizational changes.

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!

Dr. Carl J.G. Evertsz  
Chairman & CEO

Dr. Robert Hannemann  
Member of the Executive Board

Thomas E. Tynes  
Member of the Executive Board

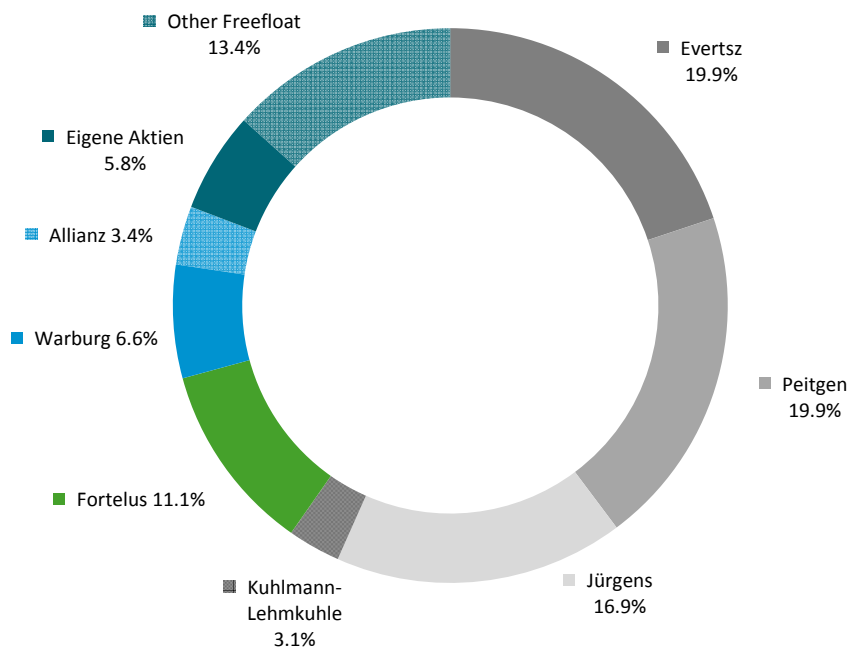
## MeVis Stock

### Price trend of MeVis stock

MeVis stock traded at a median price level of 18 Euros in the third quarter of 2010 and was thus less than those of the 1<sup>st</sup> (23 Euros) and 2<sup>nd</sup> quarters (20 Euros). While an annual high of 27.00 Euros was recorded briefly at the beginning of February, the share price traded at 17.25 Euros at the end of the 3rd quarter. A negative development of about -5% could be observed (compared to the SDAX at +14% and the TecDAX at +9%) over the entire third quarter. MeVis stock was again not able to be uncoupled from the altogether weak third quarter rate development. As before, causes for this may be high investor uncertainty regarding general macroeconomic factors and sector-related developments such as the effects of the American healthcare reform. Uncertainty also exists as to whether a future slump in the USA can be compensated for by additional licensing business in other regional markets in, for instance, Asia.

### Development of the shareholder structure

The shareholder structure remained essentially unchanged during the third quarter of 2010. The three founders continued to account for approximately 55% of the share capital. The number of own shares was unchanged in the 3<sup>rd</sup> quarter at 5.72%. The remaining two-thirds of shares are predominantly held by institutional investors. The number of private shareholders has slightly declined by 3.9% at the end of the 3<sup>rd</sup> quarter of 2010 compared to the previous year.



III.: Shareholders with a stake of more than 3% in the share capital (on October 15, 2010)

## Business activities of the MeVis Group

### *Group structure*

In a joint venture with Siemens Aktiengesellschaft, Berlin and Munich (hereafter: "Siemens"), MeVis Medical Solutions AG (hereafter: "MMS AG") holds 51% of MeVis BreastCare GmbH & Co. KG (hereafter: "MBC KG"). Under an agreement of October 21, 2008, the business division comprising industry partner Hologic Inc., Bedford, Massachusetts, USA (hereafter: "Hologic") was carved out of the joint venture and Siemens' stake was taken over by MMS AG. MeVis BreastCare Solutions GmbH & Co. KG (hereafter: "MBS KG"), arising from this spin-off, has been fully included in the consolidated financial statements of MMS AG since November 1, 2008.

MMS AG also founded a wholly owned subsidiary in the USA, MeVis Medical Solutions, Inc., Pewaukee, Wisconsin (hereafter: "MMS Inc.") in 2007. MeVis Research GmbH, treated as an associate until December 31, 2007, has not been included in consolidated financial statements since June 30, 2008. Shares held were returned at book value to the Free Hanseatic City of Bremen. As a result, MeVis Research was incorporated into the Fraunhofer-Gesellschaft effective from January 1, 2009 and now trades as the Fraunhofer MEVIS Institute for Medical Image Computing (hereafter: "Fraunhofer MEVIS").

The wholly owned subsidiary MeVis Japan KK, founded in Tokyo at the end of 2009, began business operations on January 1, 2010. Sales contributions are realized in the Other Diagnostics segment.

Since the beginning of June 2010, MMS AG holds around 41% of company capital in Medis Holding B.V., Leiden (Netherlands). Proportional earnings from this equity interest are shown in the net financial result.

### *Brief overview of business activities*

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

MeVis Group specialized software applications help medical practitioners analyse diverse image data produced by a variety of imaging modalities in diagnosis and therapy. Our clinical orientation is governed by epidemiologically significant diseases. The primary focus is on image-based early detection and diagnosis of breast cancer, which also involves the provision of support for surgical intervention and biopsies.

With approximately 1.3 million new cases worldwide, breast cancer is the most common tumor disease. It accounts for almost 30 percent of all cancers in Germany and Europe.

Building on existing expertise, software applications are developed for use in the treatment of other oncological diseases such as those of the lungs, liver and brain, as well as cardiovascular diseases. The software solutions support all available imaging modalities. These not only include X-ray modalities such as computer tomography, digital mammography and tomosynthesis, but also magnetic resonance tomography and digital sonography. There are also newer imaging modalities such as positron emission tomography (PET), sonoelastography and molecular imaging. Such systems are used predominantly by radiologists, gynecologists, surgeons, cardiologists and medical technicians.

## *Business segments*

For reporting purposes and internal governance, the MeVis Group is divided into two operating segments ("**Digital Mammography**" and "**Other Diagnostics**").

The **Digital Mammography** segment develops and markets software products which support breast diagnostic imaging and intervention. Apart from the original products for digital mammography, the 2009 financial year saw the arrival of new software applications for other imaging modalities, such as ultrasound, magnetic resonance tomography, tomosynthesis etc. These products are distributed via industry partners (original equipment manufacturers such as Siemens and Hologic) to radiological and clinical end-customers. 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 previously been part of MBC KG.

The **Other Diagnostics** segment comprises digital radiology products (e.g. magnetic resonance imaging (MRI), computer tomography (CT) etc.), as well as general analysis 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 conjunction with clinical studies by pharmaceutical companies. The **Other Diagnostics** segment includes the parent company MMS AG, as well as the wholly-owned subsidiaries MMS Inc. and MeVis Japan KK.



## Interim management report of the MeVis Group

### *Results of operations*

Group sales on the important US sales market were again subject to ongoing uncertainty regarding the effects of US-American healthcare reform on imaging medicine as well as altogether unfavorable economic factors in the 3<sup>rd</sup> quarter of 2010. The resulting extension of the sales cycle for medical diagnostic imaging equipment could be observed in the last quarter. In addition, there is uncertainty as to whether a slump in the USA can be compensated for by other regional markets in, for instance, Asia.

Increased license sales in the **Digital Mammography** segment last year have correspondingly led to significantly higher maintenance revenue in the first three quarters of the current financial year. The share of maintenance revenue in group revenues in this segment accordingly rose to 33% (previous year 21%).

Total group revenues were able to be increased by 6% to €10,903,000 (previous year €10,269,000) during the reporting period. These were divided into the **Digital Mammography** and **Other Diagnostics** segments with €8,230,000 (previous year €7,445,000) and €2,677,000 (previous year €2,895,000) respectively.

Staff costs remained almost unchanged at €7,986,000 (previous year €7,742,000). At the end of the 3<sup>rd</sup> quarter of 2010 MeVis employed 223 staff members. This number corresponds to 178 full-time equivalents (previous year 240 employees or 191 full-time equivalents).

Capitalized development expenses increased during the reporting period by 12% to €2,236,000 (previous year €1,993,000). These are divided into €2,163,000 for staff costs (previous year €1,748,000) as well as €73,000 for services purchased (previous year €245,000).

Other operating expenses were again able to be reduced by 12% due to a strict cost reduction policy compared to the first three quarters of 2009, and totalled €2,223,000 (previous year €2,531,000) during the reporting period. Other operating expenses are comprised essentially of rental expenses/leasing of €421,000 (previous year €428,000); legal and consultation fees of €314,000 (previous year €515,000); acquisition and testing costs of €160,000 (previous year €194,000); guarantee expenses of €145,000 (previous year €64,000); travel costs of €137,000 (previous year €147,000), as well as maintenance costs of €112,000 (previous year €121,000).

Increased income from capitalized development services and reduced material expenses significantly raised EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) by 33% to €3,470,000 (previous year €2,606,000) in the reporting period. The EBITDA margin accordingly rose significantly to 32% (previous year 25%).

Amortization increased as planned by 39% to €2,636,000 (previous year €1,893,000) during the reporting period. These were comprised of amortizations on intangible assets of €943,000 (previous year €859,000); amortization of capitalized development expenses of €1,345,000 (previous year €611,000); as well as amortization on fixed assets of €348,000 (previous year €423,000). The increased amortization of capitalized development expenses is essentially due to the planned market introduction of the new products in the second half of 2009.

Despite increased amortization, EBIT (Earnings before Interest and Tax) increased by 17% to €834,000 (previous year €713,000). The EBIT margin also increased to 8% in the reporting period (previous year 7%).

Financial earnings declined slightly to €-160,000 (previous year €-143,000) compared to the previous year. Non-cash value changes to derivative financial instruments were decisive for securing exchange rates. This effect contributed to the increase in other financial results to €144,000 (previous year €55,000).

Interest income declined to €341,000 (previous year €544,000) during the reporting period. Interest payable likewise declined to €571,000 (previous year €742,000), which is connected to the duration-appropriate accumulation of remaining purchase price installments for the acquisition of a 49% share in MBS KG. Furthermore, the profit share from associated companies encumbered the net financial income with €74,000 (previous year €0). This profit share results from the capital share in Medis Holding B.V., Leiden (Netherlands) acquired gradually in the current financial year, and which now comprises approximately 41% of company capital.

Pre-tax earnings accordingly totalled €674,000 (previous year €570,000) during the reporting period. This corresponds to a return on sales before tax of 6% (previous year 6%). Earnings after tax are influenced by significantly higher income tax expenses of €1,020,000 (previous year €298,000), and total €-346,000 (previous year €272,000). Earnings per share totalled €-0.20 (previous year €0.16) during the reporting period.

### *Assets, liabilities and financial position*

The MeVis Group has adequate financial resources with which to achieve its planned growth. As of the balance sheet date, liquid funds totalled €13,667,000 (December 31, 2009: €15,093,000). These were comprised of cash, cash equivalents and securities. Payment by MMS Inc. of the last purchase price installment of €542,000 due on September 30, 2010 for the acquisition of the "R2 Image Checker CT" lung business had not yet taken place by the balance sheet date.

The statement structure remained essentially unchanged at the end of the 3<sup>rd</sup> quarter compared to the 2009 financial year-end. Assets increased slightly to €51,314,000 (December 31, 2009: €50,955,000) and consisted of €31,084,000 (December 31, 2009: €29,873) in long-term assets. €27,407,000 (December 31, 2009: €27,095,000) of these consisted predominantly of intangible assets. The gradual acquisition of a 41% stake in Medis Holding, B.V., Leiden, in the 1st half, led to the appropriation of shares in associated companies of €1,193,000 (December 31, 2009: €0). The short-term assets of €20,230,000 (December 31, 2009: €21,082,000) were comprised essentially of €4,561,000 in trade receivables (December 31, 2009: €4,222,000); other financial assets of €7,277,000 (December 31, 2009: €8,540,000), as well as payment means and equivalents of €7,630,000 (December 31, 2009: €7,718,000). Other financial assets of €6,037,000 (December 31, 2009: €7,375,000) were comprised predominantly of short-term fixed interest securities available for sale.

Group property, plant and equipment totalled €979,000 (December 31, 2009: €1,191,000) on the balance sheet date.

Equity capital totalled €33,128,000 on September 30, 2010 (December 31, 2009: €32,607,000), and at €28,512,000 (previous year €28,465,000) and was comprised predominantly of capital resources. Subscribed capital remained unchanged at €1,820,000. The equity capital ratio of 65% similarly remained almost unchanged compared to December 31, 2009 (64%).

The cash flow from business operations totalled €4,380,000 in the reporting period (previous year €547,000). This was comprised essentially of Earnings before Interest and Tax (EBIT) of €834,000 (previous year €713,000), corrected by amortizations of €2,636,000 (previous year €1,893,000); other non-cash expenses of €110,000 (previous year €424,000); interest received of €273,000 (previous year €483,000); taxes paid of €591,000 (previous year €3,210,000); currency differences paid of €313,000 (previous year €136,000); changes to trade receivables and other assets of €-464,000 (previous year €692,000), as well as changes to trade payables and other liabilities of €2,022,000 (previous year €-1,093,000).

Cash flow from investments totalled €-3,806,000 in the reporting period (previous year €-6,166,000) and was comprised essentially of payments of €144,000 (previous year €41,000) for investments in intangible assets; payments of €2,236,000 (previous year €1,993,000) for capitalised development expenses;

payments of €2,580,000 (previous year €1,646,000) for the acquisition of shares and units, as well as payments of €1,290,000 (previous year €5,513,000) from the sale of securities.

The cash flow from financial activities of €-401,000 (previous year €-796,000) was comprised of the balance from deposits and payments from the adoption or redemption of (financial) credits of €-401,000 (previous year €-334,000).

Changes in the cash fund during the reporting period totalled €173,000 (previous year €-6,393,000).

### *Risk report*

No material changes have occurred in the MeVis Group's risk position since the beginning of the new financial year. At present we perceive no risks that might endanger the existence of MeVis Group companies. Statements made in the risk report of the consolidated annual financial statements of December 31, 2009 therefore remain valid.

Should market dynamics worsen further, particularly for the newly introduced products, unforeseen amortization of capitalized development expenses, amortization of company values due to negative results in impairment tests, and amortization of capitalized deferred tax could take place.

### *Outlook and opportunities*

Business development in the third quarter has again failed to achieve the market dynamic from the time before the crisis year of 2009. Reluctance by clinical end-customers to make capital investments in the important US-American sales market is again the decisive factor in this.

We expect that this will encumber the development of our group revenues for the entire 2010 financial year. The exchange rate development has again encumbered group revenues in the 2<sup>nd</sup> half of the year, after the yearly low of 1.20 USD/EUR noted at the beginning of June. For this reason we will assume moderate group revenue growth of approximately 14 million Euros compared to the previous year. Approximately 75% of group revenues are attributable to the Digital Mammography segment and some 25% to the Other Diagnostics segment.

Group Earnings before Interest and Tax (EBIT) may be negative for the assumed sales dynamic of the entire financial year, as a considerably higher amortization risk could encumber group profitability directly. Regarding the individual business segments, operating profitability in the Digital Mammography segment in 2010 will again lie clearly above that of the Other Diagnostics segment.

### *Material events occurring after the balance sheet date*

No transactions of material relevance to the MeVis Group have arisen since the balance sheet date.

Bremen, November 22, 2010

Dr. Carl J.G. Evertsz

Dr. Robert Hannemann

Thomas E. Tynes

Chairman & CEO

Member of the Executive Board

Member of the Executive Board

## MeVis Medical Solutions AG, Bremen

### Interim consolidated financial statement for Q3 2010

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## Consolidated income statement Q1 to Q3 2010

for the period January 1 until September 30, 2010

FIGURES IN € 000s	Notes	Jan. 1 - Sept. 30 2010	Jan. 1 – Sept. 30 2009
<b>Revenues</b>	1	<b>10,903</b>	10,269
Income from the capitalization of development expenses	2	2,163	1,748
Other operating income		1,017	1,292
Cost of material		-404	-430
Staff costs	3	-7,986	-7,742
Other operating expenses	4	-2,223	-2,531
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>3,470</b>	2,606
Depreciation and Amortization	5	-2,636	-1,893
<b>Earnings before interest and tax (EBIT)</b>		<b>834</b>	713
Interest income		341	544
Interest expenses		-571	-742
Other net financial result		144	55
Profit share from associated companies		-74	0
<b>Net financial result</b>	6	<b>-160</b>	-143
<b>Earnings before taxes (EBT)</b>		<b>674</b>	570
Income tax	7	-1,020	-298
<b>Consolidated net result for period</b>		<b>-346</b>	272
<b>Earnings per share in €</b>			
Basic		-0.20	0.16
Diluted		-0.20	0.16

## Consolidated statement of comprehensive income

for the period January 1 until September 30, 2010

FIGURES IN € 000s	Notes	Jan. 1 – Sep. 30 2010	Jan. 1 – Sep. 30 2009
<b>Consolidated net result for period</b>		<b>-346</b>	272
Changes in the currency translation reserve		265	-148
Changes in fair value of available-for-sale financial instruments		29	0
Deferred tax on changes in fair value		-9	0
<b>Other comprehensive income</b>		<b>285</b>	-148
<b>Total comprehensive income</b>		<b>-61</b>	124

## Consolidated income statement Q3 2010

for the period July 1 until September 30, 2010

FIGURES IN € 000s	Notes	July 1 – Sept. 30 2010	July 1 – Sept. 30 2009
<b>Revenues</b>	1	<b>3,582</b>	3,905
Income from the capitalization of development expenses	2	961	173
Other operating income		420	466
Cost of material		-125	-141
Staff costs	3	-2,525	-2,549
Other operating expenses	4	-768	-904
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>1,545</b>	950
Depreciation and Amortization	5	-862	-708
<b>Earnings before interest and tax (EBIT)</b>		<b>683</b>	242
Interest income		93	123
Interest expenses		-171	-182
Other net financial result		353	-8
Profit share from associated companies		-72	0
<b>Net financial result</b>	6	<b>203</b>	-67
<b>Earnings before taxes (EBT)</b>		<b>886</b>	175
Income tax	7	-581	-63
<b>Consolidated net result for period</b>		<b>305</b>	112
<b>Earnings per share in €</b>			
Basic		0.18	0.07
Diluted		0.18	0.07

## Consolidated statement of comprehensive income

for the period July 1 until September 30, 2010

FIGURES IN € 000s	Notes	July 1 – Sept. 30 2010	July 1 – Sept. 30 2009
<b>Consolidated net result for period</b>		<b>307</b>	112
Changes in the currency translation reserve		-718	-93
Changes in fair value of available-for-sale financial instruments		-21	0
Deferred tax on changes in fair value		6	0
<b>Other comprehensive income</b>		<b>-733</b>	-93
<b>Total comprehensive income</b>		<b>-426</b>	19

## Consolidated statement of financial positions as of Sept. 30, 2010

FIGURES IN € 000s	Notes	Sep. 30, 2010	Dec. 31, 2009
<b>Non-current assets</b>			
Intangible assets		27,407	27,095
Property, plant and equipment		979	1,191
Interest in associated companies	8	1,193	0
Deferred tax assets		1,505	1,487
Other financial assets		0	100
		<b>31,084</b>	<b>29,873</b>
<b>Current assets</b>			
Inventories		192	130
Trade receivables		4,561	4,222
Income tax receivables		288	356
Other financial assets	9	7,277	8,540
Other assets		282	116
Cash and cash equivalents		7,630	7,718
		<b>20,230</b>	<b>21,082</b>
<b>ASSETS</b>		<b>51,314</b>	<b>50,955</b>
<b>Equity capital</b>			
	10		
Subscribed capital		1,820	1,820
Capital reserve		28,512	28,465
Revaluation reserve		1,334	1,506
Treasury stock		-3,789	-4,156
Cumulated fair value changes of available-for-sale financial instruments		20	53
Currency translation reserve		245	-20
Retained earnings		4,986	4,939
		<b>33,128</b>	<b>32,607</b>
<b>Non-current liabilities</b>			
Other financial liabilities	11	6,690	6,598
Provisions		17	0
Deferred taxes		1,006	425
Other liabilities		0	2
		<b>7,713</b>	<b>7,025</b>
<b>Current liabilities</b>			
Provisions		111	188
Trade payables		905	1,121
Bank borrowings		0	401
Other financial liabilities	11	6,894	7,478
Deferred income		1,902	1,537
Other liabilities		516	410
Income tax liabilities		145	188
		<b>10,473</b>	<b>11,323</b>
<b>EQUITY AND LIABILITIES</b>		<b>51,314</b>	<b>50,955</b>

## Consolidated cash flow statement

for the period January 1 until September 30, 2010

FIGURES IN € 000s	Jan. 1 – Sep. 30 2010	Jan. 1 – Sep. 30 2009
<b>Earnings before interest and tax (EBIT)</b>	<b>834</b>	713
+ Depreciation and amortization	2,636	1,893
+/- Increase/decrease in provisions	-60	-28
+/- Other non-cash expenses/income	109	424
+ Interest received	273	483
- Interest paid	-4	-4
- Tax paid	-591	-3,210
+ Tax received	0	803
+/- Exchange rate differences received/paid	-313	-136
+/- Decrease/increase in inventories	-62	11
+/- Decrease/increase in trade receivables and other assets	-464	692
-/+ Decrease/increase in trade payables and other liabilities	2,022	-1,093
<b>= Cash flow from operating activities</b>	<b>4,380</b>	547
- Purchase of property, plant and equipment	-136	-207
- Purchase of intangible assets (excl. development cost)	-144	-41
- Payments for capitalized development cost	-2,236	-1,993
Investments in business shares and business units	-2,580	-1,646
- Investments in marketable securities	0	-7,792
+ Proceeds from sale of marketable securities	1,290	5,513
<b>= Cash flow from investing activities</b>	<b>-3,807</b>	-6,166
- Purchase of treasury stock	0	-462
+/- Proceeds from/Repayment of (financial) credits	-401	-334
<b>= Cash flow from financing activities</b>	<b>-401</b>	-796
<b>Change in cash and cash equivalents</b>	<b>173</b>	-6,393
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>-261</b>	-22
+ <b>Cash and cash equivalents at the beginning of the period</b>	<b>7,718</b>	15,257
<b>= Cash and cash equivalents at the end of the period</b>	<b>7,630</b>	8,864

The cash funds are comprised of payment means and their equivalents.



## Statement of changes in equity

for the period January 1 until September 30, 2010

FIGURES IN € 000s	Subscribed capital	Capital reserve	Revaluation reserve	Treasury shares	Cumulative change in fair value for sale of available assets	Currency equalization item	Group equity generated	Total
<b>As of January 1, 2009</b>	<b>1,820</b>	<b>28,363</b>	<b>1,679</b>	<b>-3,694</b>	<b>0</b>	<b>75</b>	<b>4,368</b>	<b>32,611</b>
Purchase of treasury shares	0	0	0	-462	0	0	0	-462
Disposal of treasury shares	0	0	0	0	0	0	0	0
Reclassification from revaluation reserve in line with amortization/depreciation	0	0	-130	0	0	0	130	0
Stock options – change in fair value	0	125	0	0	0	0	0	125
Total consolidated earnings	0	0	0	0	0	-148	273	125
<b>As of September 30, 2009</b>	<b>1,820</b>	<b>28,488</b>	<b>1,549</b>	<b>-4,156</b>	<b>0</b>	<b>-73</b>	<b>4,771</b>	<b>32,399</b>
<b>As of January 1, 2010</b>	<b>1,820</b>	<b>28,465</b>	<b>1,506</b>	<b>-4,156</b>	<b>53</b>	<b>-20</b>	<b>4,939</b>	<b>32,607</b>
Purchase of treasury shares	0	0	0	367	0	0	0	367
Reclassification from revaluation reserve in line with amortization/depreciation	0	0	-172	0	0	0	172	0
Stock options – change in fair value	0	47	0	0	0	0	0	47
Currency equalization item	0	0	0	0	0	265	0	265
Change in fair value for sale of available financial instruments	0	0	0	0	-33	0	0	-33
Total consolidated earnings	0	0	0	0	0	0	-125	-125
<b>As of September 30, 2010</b>	<b>1,820</b>	<b>28,512</b>	<b>1,334</b>	<b>-3,789</b>	<b>20</b>	<b>245</b>	<b>4,986</b>	<b>33,128</b>

## MeVis Medical Solutions AG, Bremen

### Notes to the interim consolidated financial statements as of September 30, 2010

#### *Basic information on the group*

##### **General information**

The MeVis Group's first half-year interim report was prepared according to the provisions of § 37x Abs. 3 WpHG, along with consolidated interim financial statements and a consolidated management report.

The consolidated interim financial statements of MeVis Medical Solutions AG, Bremen (MMS AG) as of June 30, 2010 were prepared in accordance with the provisions of § 315a Abs. 1 HGB and the rules and regulations in force on the balance sheet date, and approved by the European Union of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), as well as according to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). This interim report was compiled for September 30, 2010 in accordance with IAS 34 "Interim Reporting". The notes to the interim consolidated financial statements are presented in abridged form in accordance with the IAS 34 voting rights. The interim statement and report are neither audited nor subjected to other reviews.

##### **Acquisition of equity interest in Medis Holding B.V**

The company entered into an agreement with Reiber Consultancy B.V., Rotterdam (Netherlands) in January 2010 concerning the combination of business activities, accompanied by a step-by-step capital participation of up to 100% in Medis Holding B.V., Leiden (Netherlands), (hereafter: "Medis Holding"). Medis Holding holds 100% of the share capital in Medis medical imaging systems, B.V., Leiden (Netherlands), (hereafter: "Medis"). Capital participation in Medis Holding B.V. by 2011 was made possible in three defined steps by a subsequent earn-out arrangement. In the first step, a cash capital deposit of €400,000 was agreed to and paid at the time of contractual closing. This is equivalent to a capital stake of roughly 14%. In the second step, a further 27% of shares in Medis were procured on May 31, 2010. The purchase price for this is comprised of a cash component of €500,000 and a share exchange for which treasury stock to the value of €367,000 was transferred.

Within the scope of the agreed combination of business activities, Medis will receive access to the MeVisAP technology platform and the MeVisLAB development environment, which form the centerpiece of the multi-modal software solutions provided by the MeVis Group. Medis develops software solutions which enable cardiologists, technicians and researchers to carry out exact quantification of cardiovascular imaging data. Medis products are geared towards diagnostic imaging of cardiovascular diseases by means of magnetic resonance tomography (MRT), computer tomography (CT), X-ray images and intravascular ultrasound. Medis operates a subsidiary company in Raleigh (NC/USA).

Medis Holding B.V. generated earnings of €-186,000 after taxes in the 3<sup>rd</sup> quarter of 2010. Due to the incremental share of around 41%, the MeVis Group achieves earnings from associated companies of €-74,000.

### Accounting and valuation methods

The interim consolidated financial statements from January 1 to September 30, 2010 use the same recognition and measurement policies as the IFRS consolidated financial statements for fiscal 2009. The interim consolidated financial statements of September 30, 2010 should therefore be read in conjunction with the interim statements of December 31, 2009. From the outset, shares in Medis Holding are reported using the at-equity method, due to the secured substantial influence of the group granted in the purchase agreement.

### Selected notes on the consolidated balance sheet and consolidated income statement

#### 1. Revenues

Revenues break down by type as follows:

Figures in € 000s	Jan. 1 – Sept. 30 2010	Jan. 1 – Sept. 30 2009
Software and licenses	6,764	7,601
Maintenance (software service contracts)	3,558	2,111
Services (consulting and training)	230	399
Hardware	351	158
	<b>10,903</b>	<b>10,269</b>

#### 2. Income from the capitalization of development costs

Research and development costs of €5,134,000 (September 30, 2009: €4,276,000) were incurred during the reporting period. In accordance with IAS 38, development costs of €2,236,000 (September 30, 2009: €1,993,000) were capitalised, of which €73,000 (September 30, 2009: €245,000) was accounted for by third parties.

#### 3. Staff costs

The average headcount was 227 (previous year 241). This corresponds to an average of 180 full-time equivalents (previous year 186). Of the 227 employees, 30 (2009: 32) are accounted for by the proportionately consolidated company MeVis BreastCare GmbH & Co. KG. The average figures include 61 testers (as a rule, students employed on a negligible part-time basis; previous year 75).

#### 4. Other operating expenses

Figures in € 000s	Jan. 1 – Sept. 30 2010	Jan. 1 – Sept. 30 2009
Rental/leasing expenses	421	428
Legal and consulting costs	314	515
Cost of preparing and auditing financial statements	160	194
Guarantee expenses	145	64
Travel expenses	137	147
Maintenance/repairs	112	121
Energy costs	80	66
Accounting costs	75	65
Insurance	60	57
External work	50	27
Stationary	47	36
Advertising costs	43	54
Vehicle costs	37	30
Cleaning expenses	32	29
Telephone expenses	28	27
Internet expenses	25	24
Membership subscriptions	6	13
Personnel recruiting	1	42
Other	450	592
	<b>2,223</b>	<b>2,531</b>

#### 5. Depreciation and amortization

Figures in € 000s	Jan. 1 – Sept. 30 2010	Jan. 1 – Sept. 30 2009
Amortization of industrial property rights and similar rights and customer bases	943	859
Amortization of capitalized development costs	1,345	611
Depreciation of property, plant and equipment	348	423
<b>Total amortization/depreciation</b>	<b>2,636</b>	<b>1,893</b>

#### 6. Net financial result

The net financial result of the MeVis Group totalled €-160,000 (Q3 2009: €-143,000) on September 30, 2010. This was comprised of interest income from the cash investment of €341,000 (Q3 2009: €544,000); interest expenses of €571,000 (Q3 2009: €742,000); other net financial result of €144,000 (Q3 2009: €55,000), and profits from associated companies of €-74,000 (Q3 2009: €0). The other net financial result comprised essentially value changes in currency-hedging instruments of €26,000 (Q3 2009: €296,000), as well as currency translation gains net of currency translation losses of €167,000 (Q3 2009: €-241,000).

## 7. Income taxes

Income tax expenses result essentially from MBS KG trade tax expenses. In addition, increased latent tax expenses were registered, which are likewise largely attributable to MBS KG. These result come on the one hand from tax amortisation within the framework of the company carve-out and on the other from the changes to the currency derivatives that has lead to increased passivation of latent taxes.

## 8. Interest in associated companies

Interest in associated companies concern the equity interest (at equity) of roughly 41% acquired in Medis Holding B.V., Leiden (Netherlands) on May 31, 2010.

## 9. Other short-term financial assets

Figures in € 000s	Sep. 30, 2010		Dec. 31, 2009	
	Total	thereof: current	Total	thereof: current
Loans granted and receivables	275	275	763	763
Derivatives	213	213	214	114
Securities	6,037	6,037	7,375	7,375
Deferred interest	205	205	207	207
Other	547	547	81	81
	<b>7,277</b>	<b>7,277</b>	<b>8,640</b>	<b>8,540</b>

Derivatives comprise forward exchange transactions which were measured at market value with an impact on profit and loss.

These securities are primarily *Pfandbrief* bonds and corporate bonds.

## 10. Shareholder's Equity

### 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, the assets and liabilities of MBS KG were completely revalued. Where these increases were attributable to the 51% interest in MBS KG already held by the Group, the difference was recognized within the revaluation reserve. Amounts equalling the depreciation expense recognized on these assets are reclassified as retained earnings on a proportionate basis.

Figures in € 000s	
Status as of Dec. 31, 2008	1,679
Transfer of the amount corresponding to write-downs and the associated deferred taxes to consolidated equity generated, without an impact on profit and loss	-130
Status as of Sep. 30, 2009	1,549
<b>Status as of Dec. 31, 2009</b>	<b>1,506</b>
Transfer of the amount corresponding to write-downs and the associated deferred taxes to consolidated equity generated, without an impact on profit and loss	-172
<b>Status as of Sept. 30, 2010</b>	<b>1,334</b>

## Own stock

By recasting the decision of the General Meeting on July 9, 2008 concerning the procurement of the company's own stock in accordance with Section 71 (1) No. 8 of the Stock Corporation Act, the company was authorised to acquire up to ten percent of its current share capital (€1,820,000) on or before January 8, 2010. The board decided on November 4, 2008 to acquire up to 91,000 additional treasury shares via the stock exchange. As part of this stock buyback program, the company acquired 33,682 of its own shares for a total amount of €1,163,223.49 as of March 31, 2009. Upon termination of the stock buyback program, MMS AG's total treasury stock comprised 122,850 shares as of March 31, 2009. As part of the second step in the acquisition of Medis shares, 18,726 treasury shares were transferred to the seller on May 31, 2010. There were thus a total of 104,124 treasury shares as of June 30, 2010. This is equivalent to 5.72% of the current share capital.

## 11. Other financial liabilities

Figures in € 000s	Sept. 30, 2010	Dec. 31, 2009
Liability from 49% acquisition of MBS KG	6,519	6,296
Liability to Fraunhofer MEVIS	170	297
Other	1	5
<b>Other non-current financial liabilities</b>	<b>6,690</b>	<b>6,598</b>

Figures in € 000s	Sept. 30, 2010	Dec. 31, 2009
Liability from 49% acquisition of MBS KG	5,273	5,134
Staff liabilities	867	67
Liability from acquisition of "R2 Image Checker CT" business	542	2,026
Liabilities to Fraunhofer MEVIS	179	178
Derivative financial instruments	32	59
Miscellaneous other financial liabilities	1	14
<b>Other current financial liabilities</b>	<b>6,894</b>	<b>7,478</b>

## 12. Transactions with related persons and businesses

As of December 31, 2009, no material changes have taken place regarding business transacted with related persons and businesses.

## 13. Contingent receivables and contingent liabilities

In comparison with the contingent receivables and contingent liabilities presented in the consolidated financial statements for the fiscal year 2009, no changes occurred in the first half of the current financial year.

## 14. 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 dilutory 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 entitled members of the management board. 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 of outstanding shares is determined by taking into account shares redeemed and reissued, subject to chronological weighting.

	Sept. 30, 2010	Sept. 30, 2009
Consolidated net income for the year, in €000s	-346	272
Weighted average of the number of no-par-value shares outstanding during the period under review	1,700,965	1,711,397
Basic earnings per share in €	-0.20	0.16
Diluted earnings per share in €	-0.20	0.16

## 15. Segment information

MeVis Group activities remained divided into the reportable segments of Digital Mammography and Other Diagnostics in the 3<sup>rd</sup> quarter of 2010. The management of each of these segments reports directly to the executive board of MMS AG in its function 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).

The following table contains a reconciliation of the results of operating activities of the segments with consolidated Earnings before Interest and Taxes (EBIT).

Figures in € 000s	Digital Mammography		Other Diagnostics		Other/Consolidation and reconciliation		MeVis Group	
	Jan. 1 – Sept. 30		Jan. 1 – Sept. 30		Jan. 1 – Sept. 30		Jan. 1 – Sept. 30	
	2010	2009	2010	2009	2010	2009	2010	2009
External revenues	8,230	7,445	2,673	2,825	0	0	10,903	10,269
Intersegment revenues	0	0	4	70	-4	-70	0	0
<b>Revenues</b>	<b>8,230</b>	<b>7,445</b>	<b>2,677</b>	<b>2,895</b>	<b>-4</b>	<b>-70</b>	<b>10,903</b>	<b>10,269</b>
Grants	0	0	520	14	0	0	520	14
<b>Total segment revenues</b>	<b>8,230</b>	<b>7,445</b>	<b>3,197</b>	<b>2,909</b>	<b>-4</b>	<b>-70</b>	<b>11,423</b>	<b>10,283</b>
Capitalization of development expenses	1,184	1,164	1,078	584	-99	0	2,163	1,748
Depreciation and amortization	-1,419	-812	-1,257	-1,081	40	0	-2,636	-1,893
Operating expenses	-2,941	-2,724	-5,540	-5,722	91	274	-8,390	-8,172
<b>Segment net profit and loss</b>	<b>5,054</b>	<b>5,072</b>	<b>-2,522</b>	<b>-3,310</b>	<b>28</b>	<b>205</b>	<b>2,560</b>	<b>1,966</b>
Other operating income	54	249	1,339	1,512	-896	-482	497	1,279
Other operating expenses	-699	-791	-2,316	-2,231	792	491	-2,223	-2,531
<b>Result of operating activities</b>	<b>4,410</b>	<b>4,530</b>	<b>-3,499</b>	<b>-4,029</b>	<b>-77</b>	<b>214</b>	<b>834</b>	<b>713</b>

**16. Post balance sheet events**

No transactions of material relevance to the MeVis Group have arisen since the balance sheet date.

Bremen, November 22, 2010

Dr. Carl J.G. Evertsz  
Chairman & CEO

Dr. Robert Hannemann  
Member of the Executive Board

Thomas E. Tynes  
Member of the Executive Board



## Responsibility Statement („Bilanzzeit“)

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 management 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, November 22, 2010

MeVis Medical Solutions AG

Carl J.G. Evertsz, Ph.D.

Chairman & CEO

Robert Hannemann, Ph.D.

Member of the Executive Board

Thomas E. Tynes

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](http://www.mevis.de/mms/en/Financial_Reports.html).

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