2017/2018

Annual Report

MeVis Medical Solutions AG

MeVis

KEY FIGURES (IFRS)

FIGURES IN € k		2017/2018	2016/2017	Change
Revenues		16,758	18,540	-10 %
of which segment[1]	Digital Mammography	10,944	12,462	-12 %
	Development Services	2,406	460	423 %
	Other Operating Activities	3,408	5,618	-39 %
of which billing currency[1]	Euro	2,649	2,944	-10 %
	US-Dollar	14,109	15,596	-10 %
EBITDA		7,603	9,179	-17 %
EBITDA margin		45 %	50 %	
EBIT		6,694	7,962	-16 %
EBIT margin		40 %	43 %	
Net financial result		563	-794	71 %
EBT		7,257	7,168	1 %
Net profit		7,171	5,622	28 %
Earnings per share in € (diluted)		3.94	3.09	28 %
Equity capital		32,059	32,511	-1 %
Intangible assets		11,117	11,722	-5 %
Non-current and current liabilities		6,360	16,568	-62 %
Total assets and liabilities		38,419	49,079	-22 %
Equity ratio in %		83 %	66 %	
Liquid funds[2]		3,477	29,735	-88 %
Employees[3]		94	93	1 %

[1] Excluding intersegment revenues.

[2] Cash

[3] Average of full-time equivalents in the reporting period.

KEY SHARE DATA

As at September 30, 2018	
Industry sector	Software / Medical Technology
Subscribed capital	€ 1,820,000.00
Number of shares	1,820,000
Last quotation on September 28, 2018	€ 34.40
Last quotation on September 29, 2017	€ 39.11
High/low in 2017/2018	€ 40.60 / € 32.80
Market capitalization	€ 62.608 m
Treasury stock	0 (0 %)
Free float	17.8 %
Prime Standard (Regulated market)	Frankfurt and Xetra
Over-the-counter markets	Berlin, Dusseldorf, Munich, Stuttgart
Indices	CDAX, PrimeAS, TechnologyAS, DAXsector Software, DAXsubsector Software, GEX
ISIN / WKN / Ticker symbol	DE000A0LBFE4 / A0LBFE / M3V

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LETTER TO THE SHAREHOLDERS

from left: Marcus Kirchhoff, Dr. Robert Hannemann

Dear Shareholders, Customers,
Business Associates and Employees

Fiscal Year 2017/2018 was another very successful year for MeVis. Taking into account the sale of MeVisLab usage rights in the previous year, sales remained largely stable, although its composition changed significantly. The importance of development services continued to increase. At the same time, the license business and the maintenance business declined as expected. While costs remained stable, the financial result and the tax result developed significantly positively, so that earnings per share increased significantly.

To the financial figures in detail:

Revenues in the past fiscal year 2017/2018 amounted to € 16.8 million (compared to € 18.5 million in fiscal year 2016/2017). 31 % (previous year: 30 %) of sales revenues are attributable to license business of € 5.2 million (previous year: € 5.7 million), 42 % (previous year: 41 %) to revenues from maintenance contracts (software service contracts) of € 7.1 million (previous year: € 7.5 million) and 27 % (previous year: 29 %) to other revenues of € 4.5 million (previous year: € 5.3 million). The decline in license and maintenance revenues compared to the previous year is mainly due to the significantly lower average USD exchange rate compared to the previous year, as the majority of invoices are invoiced in USD. The decline in revenues from other revenues compared with the previous year, which included the sale of extensive usage rights to MeVisLab for € 1.8 million, was reduced by an increase in revenues in the Development Services.

As of fiscal year 2017/2018, we have three reporting segments: The Other Diagnostics segment has been divided into the Development Services (contract development of software modules) and Other Operating Activities (other businesses) segments.

The business with Hologic, which constitutes the Digital Mammography segment, contributed 66 % to revenues this year (compared to 67 % in the previous year); the share of revenues accounted for by the Development Services segment increased strongly from 3 % to 14 %, and the share of revenues accounted for by the Other Operating Activities segment fell sharply from 30 % to 20 %, mainly due to the sale of usage rights to MeVisLab in the previous period.

The **results** are still very satisfactory. EBIT (earnings before financial result and taxes) of € 6.7 million was generated in 2017/2018, compared to € 8.0 million in 2016/2017. Although the EBIT margin of 40 % was lower than the previous year's figure of 43 %, it is still very attractive. The decline is primarily due to the decline in revenues, whereas expenses remained almost constant.

The **financial result** of MeVis is significantly impacted by the exchange rate between the respective balance sheet dates and has improved by € 1.4 million to € 0.6 million compared to the previous year due to the stronger closing rate at the end of the fiscal year.

Due to the fiscal unity in the past fiscal year, only minor **income taxes** for € 0.1 million were incurred, after a tax expense of € 1.5 million in the previous year.

This results in a **net profit** of € 7.2 million (43 % margin) for fiscal year 2017/2018, compared to € 5.6 million (30 % margin) in 2016/2017. This corresponds to undiluted earnings per share of € 3.94 compared to € 3.09 in 2016/2017.

For **fiscal year 2018/2019**, a slight decline in revenues to € 16.0 million to € 16.5 million is expected. The expected revenue decline in the Digital Mammography segment will only be partially offset by the forecast revenue growth in the Development Services and Other Operating Activities segments. Earnings before financial result and taxes (EBIT) are expected to decline significantly to between € 1.5 million and € 2.0 million. This includes an expected impairment of goodwill for the Hologic (Digital Mammography) business of € 4.5 million.

The medium- and long-term prospects for the future remain significantly dimmed by the change initiated by Hologic in its cooperation with MeVis and the associated expected decline in sales to and activities for Hologic, although we expect this decline to be partially offset by a positive development of the Development Services and Other Operating Activities segments.

MeVis is facing several major challenges: Our dependency on Hologic remains very high, accounting for 66 % of sales compared with 67 % in the previous year. The situation with Hologic will have a significant negative impact on sales and earnings in the medium and long term. In addition, new business with our lung cancer screening products failed to meet expectations in 2017/2018 either. On the other hand, the projects initiated in 2016 as part of our cooperation with Varian Medical Systems, which led to initial sales in the development services segment as early as 2016/2017 and were further expanded in 2017/2018, give us a positive outlook. In addition, the joint projects and products with Varex Imaging showed first results in 2017/2018; here, too, we expect a further increase in 2018/2019. However, in our historic core business with medical software solutions, we continue to observe a sustained trend towards complete solutions from PACS providers that are fully integrated into the existing IT landscape. It is becoming increasingly difficult to offer added value with our dedicated workflow and diagnostics software that convinces clinical end customers of the need for separate software applications. In addition, it will become increasingly important that we succeed in expanding and further commercializing our offerings in the areas of cloud based systems, online training products, software as a service, imaging modules and services.

However, we remain confident that MeVis is well prepared to meet the challenges of the future. The most valuable element of our sustainable competitiveness continue to be our experienced, highly qualified employees, who are our guarantee for continued great innovation potential. In addition, with Varex Imaging we have a strong majority shareholder from the medical industry at our side, who supports us in mastering the upcoming challenges in any way.

We would like to take this opportunity to thank all our employees for their extraordinary efforts and to thank our business partners, customers and shareholders for their confidence in us!

Marcus Kirchhoff
Chairman

Dr. Robert Hannemann
Member of the Executive Board

REPORT OF THE SUPERVISORY BOARD FOR THE FISCAL YEAR 2017/2018

Dear Shareholders,

in fiscal year 2017/2018, the Supervisory Board of MeVis Medical Solutions AG continued its trusting and goal-oriented cooperation with the Executive Board. In this respect, it performed the duties incumbent on it by law, the Articles of Association and rules of procedure with due diligence and advised and supervised the Executive Board in the management of the Company.

The Executive Board informed the Supervisory Board regularly and in detail about the business development of MeVis Medical Solutions AG, in particular about the current course of business, the net assets, financial position and results of operations, business planning, strategic corporate development and possible risks. The reports of the Executive Board were discussed in detail at the Supervisory Board meetings and critically reviewed. The Supervisory Board was involved at an early stage in all matters and decisions of fundamental importance for the Company and advised the Executive Board in advance.

SUMMARY OF THE MEETINGS OF THE SUPERVISORY BOARD

In fiscal 2017/2018, the Supervisory Board held five ordinary meetings, each with the participation of the Executive Board, on October 5, 2017, January 11, March 14, July 11 and September 19, 2018, in which the Supervisory Board focused on the Company's results of operations, financial position and net assets, the expansion of customer relationships and the product portfolio, in particular with respect to new technologies, the expansion of distribution channels, general market developments and the associated opportunities and risks for the Company. The annual Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) was approved in writing.

Supervisory Board Meeting on October 5, 2017

The focus of the first meeting of the Supervisory Board, which was held as a video conference, besides the report of the Management Board on the business situation of the Company, including the net assets, financial position and results of operations and the risk report, was the discussion and approval of the business plan for the 2017/2018 fiscal year. In addition, the dates of the meetings for fiscal year 2017/2018 were agreed and the financial calendar was presented.

Supervisory Board Meeting on January 11, 2018

The main subject of this meeting was the Executive Board's report on the course of business in the fiscal year from October 1, 2016 to September 30, 2017, the current business situation and the Annual General Meeting 2018. For this purpose, the Executive Board presented the annual financial statements and management report of MeVis Medical Solutions AG prepared in accordance with the provisions of the German Commercial Code (HGB) as well as the individual financial statements and management report of the Company for the fiscal year 2016/2017 prepared voluntarily in accordance with the International Financial Reporting Standards (IFRS). The meeting was attended not only by the Executive Board but also by the auditor responsible, PricewaterhouseCoopers GmbH Wirtschaftspruefungsgesellschaft, Bremen, who reported in detail to the Supervisory Board on the main results of the audit. For time reasons, Ms. Honeysett and Mr. Verhoef did not attend the meeting in person but by video conference. The documents relating to the financial statements were discussed together with the Executive Board and the auditors. Both financial statements were unanimously approved and thus adopted by the Supervisory Board. The report of the Supervisory Board and the agenda for the Annual General Meeting of MeVis Medical Solutions AG on March 14, 2018, including the necessary resolution proposals to the Annual General Meeting, were also approved.

Supervisory Board Meeting on March 14, 2018

The third meeting of the Supervisory Board in fiscal year 2017/2018 was held in person. The Executive Board and Supervisory Board gave a positive assessment of the Annual General Meeting held in the morning. Subsequently, the Executive Board reported in detail on the current business situation of the Company and the Supervisory Board reviewed the efficiency of its activities at this meeting.

Supervisory Board Meeting on July 11, 2018

The fourth meeting of the Supervisory Board, which was held as a video conference, focused on the Executive Board's reporting on the Company's business situation, including the net assets, financial position and results of operations for the first nine months and the market, competitors, existing business relationships and new sales activities.

Supervisory Board Meeting on September 19, 2018

In the fifth meeting of the Supervisory Board, which was held as a video conference, the Executive Board reported on the Company's business situation, including the net assets, financial position, results of operations and risk report, and discussed and approved the business plan for fiscal year 2018/2019. The dates of the meetings for the 2018/2019 fiscal year were also agreed and the financial calendar presented.

PERSONNEL

There were no changes in the composition of the Supervisory Board and the Executive Board of MeVis Medical Solutions AG in fiscal year 2017/2018.

WORK OF THE COMMITTEES

Due to the size of the Supervisory Board, which consists of three members in total, and because there has been no need to date to form such committees, the Supervisory Board has not formed any committees.

CORPORATE GOVERNANCE

The Executive Board and Supervisory Board support the initiative of the Government Commission on the German Corporate Governance Code, which summarizes the standards of good and responsible corporate governance, and jointly issue a regularly updated Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG). A detailed description of corporate governance at MeVis, including the wording of the Supervisory Board's objectives for its future composition and the most recent joint Declaration of Conformity issued by the Supervisory Board and Executive Board on September 9, 2018, can be found in the Corporate Governance Report in this Annual Report. In addition, all relevant information was made permanently available to shareholders on the Company's website. The disclosures pursuant to Section 289 f HGB are contained in the management reports in accordance with HGB and IFRS. The Supervisory Board has reviewed these disclosures and explanations, which in its opinion are complete, and has adopted them as its own. There were no conflicts of interest of members of the Executive and Supervisory Boards that would have had to be disclosed to the Supervisory Board in fiscal year 2017/2018.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements and management report of MeVis Medical Solutions AG for fiscal year 2017/2018, which were prepared in accordance with the accounting provisions of the German Commercial Code (HGB), were audited by the auditing firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, which was elected by the Annual General Meeting and engaged by the Supervisory Board and an unqualified auditor’s report was issued. The same applies to the individual financial statements and management report of the Company for fiscal year 2017/2018 prepared voluntarily in accordance with the International Financial Reporting standards (IFRS). The aforementioned documents and the auditor's reports were submitted to all members of the Supervisory Board in a timely manner. These documents were discussed at the Supervisory Board's balance sheet meeting in the presence and with the involvement of the auditor. The Supervisory Board had no objections and approved the results of the audit. The Supervisory Board approved the annual financial statements prepared by the Executive Board in accordance with the German Commercial Code (HGB) and the individual financial statements prepared voluntarily by the Execu-

tive Board in accordance with IFRS as of September 30, 2018 following the meeting by circular resolution. The annual financial statements in accordance with HGB are thus adopted.

The Supervisory Board would like to thank the Executive Board and all employees for their performance. The Supervisory Board would like to thank customers and shareholders for the confidence they have shown in us in fiscal year 2017/2018.

Bremen, January 29, 2019

On behalf of the Supervisory Board

Kimberley E. Honeysett
(Chairperson)

CORPORATE GOVERNANCE REPORT

(CORPORATE GOVERNANCE STATEMENT)

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

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

The Executive Board and Supervisory Board of MeVis Medical Solutions AG declared on September 9, 2018 pursuant to Section 161 of the German Stock Corporation Act (AktG) that the recommendations of the "German Corporate Governance Code Government Commission" in the version of February 7, 2017 have been and will in future be met with the following exceptions:

- There are currently no plans to include a deductible within the D&O Insurance for the Supervisory Board (Section 3.8 GCGC). In principle, MeVis Medical Solutions AG does not believe that the commitment and responsibility with which the Supervisory Board members carry out their duties will be influenced by a deductible.
- Pursuant to section 4.2.3 GCGC, the monetary remuneration components of the Executive Board remuneration shall comprise fixed and variable components. The Supervisory Board has decided to abolish the variable remuneration component at the beginning of fiscal 2017/2018. This was done because the members of the Executive Board are also members of the Executive Board of Varex Imaging Deutschland AG, which holds a majority interest in the Company and with which a domination and profit and loss transfer agreement exists. At Varex Imaging Deutschland AG, the members of the Executive Board receive variable remuneration based on the Group's success. As a result of the domination and profit and loss transfer agreement, the Company's success is no longer an indicator of the success of the managerial performance, so the variable remuneration no longer seemed to be meaningful to the Supervisory Board.
- There are currently no caps on severance payments in Executive Board contracts (Section 4.2.3 GCGC). The Supervisory Board is of the opinion that existing Executive Board contract regulations are reasonable. Having a cap on severance payments also runs counter to our basic understanding of an Executive Board contract that is concluded to cover the full term of the member's appointment and does not in principle provide for the possibility of ordinary termination by notice.
- The Supervisory Board of the Company currently abstains from the formation of committees with sufficient expertise (Section 5.3.1 GCGC), in particular there has been no formation of an audit committee (Section 5.3.2 GCGC) nor a nomination committee (Section 5.3.3 GCGC). Due to the specific circumstances of the Company, and especially the size of the Supervisory Board of the MeVis Medical Solutions AG, the Supervisory Board does not believe that the formation and appointment of such committees as stipulated by the code is necessary or appropriate.
- According to section 5.4.2 of the GCGC (German Corporate Governance Code) the Supervisory Board shall include an appropriate number of independent members. The Supervisory Board consists of three members. Since the previous Supervisory Board election, all Supervisory Board seats are filled with persons who are employed by companies of the Varex Imaging Corporation Group. The Varex Imaging Corporation currently holds the majority of shares in the Company via the Varex Imaging Deutschland AG. Deviating from section 5.4.2 of the GCGC the Supervisory Board includes no independent members. For this reason, a number of independent members cannot be taken into account when naming the objectives for the composition of the Supervisory Board pursuant to section 5.4.1 of the GCGC. The

Company considers the complete occupation of the Supervisory Board with members that are employed by companies of the majority shareholder as appropriate in view of the integration of the company into the Varex Group.

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

BODIES OF THE COMPANY

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

EXECUTIVE BOARD AND ITS PROCEDURES

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

Currently, the Executive Board of MeVis Medical Solutions AG consists of two male members with contract durations until December 2020 and March 2021. Personnel changes or the expansion of the Executive Board are currently neither planned nor foreseen. Therefore, the Supervisory Board has specified the target for the percentage of women on the Executive Board to 0 % until December 31, 2020. For any future appointments of Executive Board members, the Supervisory Board will of course include qualified women early in the selection process for potential candidates.

The members of the Executive Board are jointly responsible for the entire management. The Executive Board members keep each other up-to-date on important measures and events in their respective areas. Decisions of the Executive Board are generally made at Board meetings and are recorded in minutes. In addition, internal meetings between the entire Executive Board and mid-level management take place at least once a month. The Supervisory Board has issued rules of procedure for the Executive Board, which documents all the rules of procedure and transactions that require approval.

SUPERVISORY BOARD AND ITS PROCEDURES

The Supervisory Board consists of three members, elected by the shareholders, pursuant to the Company's statutes and convenes at least twice in the half year. The members of the Executive Board generally take part in the meetings of the Supervisory Board and report verbally and in writing on the individual items on the agenda, and answer the Supervisory Board members' questions. The members of the Supervisory Board also discuss certain matters outside the official Supervisory Board meetings or pass resolutions by circulation. The Supervisory Board has issued itself rules of procedure and regularly reviews the efficiency of its activities. On an annual basis the Supervisory Board report sums up the activities in the past fiscal year. Executive and Supervisory Boards work closely together in the Company's best interests. During the fiscal year there were no conflicts of interest.

OBJECTIVES REGARDING THE COMPOSITION OF THE SUPERVISORY BOARD

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

Being a manufacturer of medical software products, the statutory provisions of the German Medical Devices Act (MPG), the European directive on medical products (93/42/EEC), the Canadian Medical Devices Regulation (SOR/98-282), the Korean Good Manufacturing Practice (KGMP) and the US Code of Federal Regulations (21 CFR Part 820 - Quality System Regulation) as well as the requirements of the ISO 13485 standard (Medical devices - Quality management systems - Requirements for regulatory purposes) apply to the Company.

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

The Company's quality management system is certified to EN ISO 13485:2016 by the notified body MEDCERT (ID-number 0482) in the development, manufacturing, final inspection and sale of software for diagnostic evaluation of medical image data as well as intervention support.

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

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

REMUNERATION OF EXECUTIVE BODIES

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

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

TRANSPARENCY

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

The financial statements and any interim reports are published within the deadlines stipulated for companies listed in the Prime Standard of the regulated market: within a period of four months for the annual financial statements and within a period of three months in the case of the semi-annual financial reports. The Company continues to publish quarterly reports instead of quarterly releases and publishes them within a period of two months.

Insider information that concerns the Company is published immediately pursuant to Section 13 of the German Securities Trading Act (WpHG). Shareholders and potential investors can obtain current information about topical events and recent developments on the internet. All press releases and ad-hoc announcements of MeVis Medical Solutions AG are available online at the Company website. In addition, MeVis Medical Solutions AG takes part in at least one analyst conference per year. Significant and semi-regular events in the financial calendar are published on the Company website.

COMPLIANCE

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

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

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

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

ANNUAL GENERAL MEETING AND SHAREHOLDERS

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

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

RISK MANAGEMENT

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

ACCOUNTING AND AUDITING

MeVis Medical Solutions AG prepares its statutory financial statements and management report in accordance with the German Commercial Code (HGB). The Company also prepares voluntarily individual IFRS financial statements in accordance with International Financial Reporting Standards (IFRS). The half-year financial report and the interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial statements are prepared by the Executive Board and reviewed by the Supervisory Board. The Supervisory Board engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, as the auditors elected by the Annual General Meeting for the fiscal year 2017/2018, to audit the statutory financial statements for the fiscal year 2017/2018 and the individual IFRS financial statements. This approach ensures that no conflicts of interest affect the work of the auditors.

The audits of the financial statements for the fiscal year 2016/2017 were also conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW).

DIRECTORS' DEALINGS

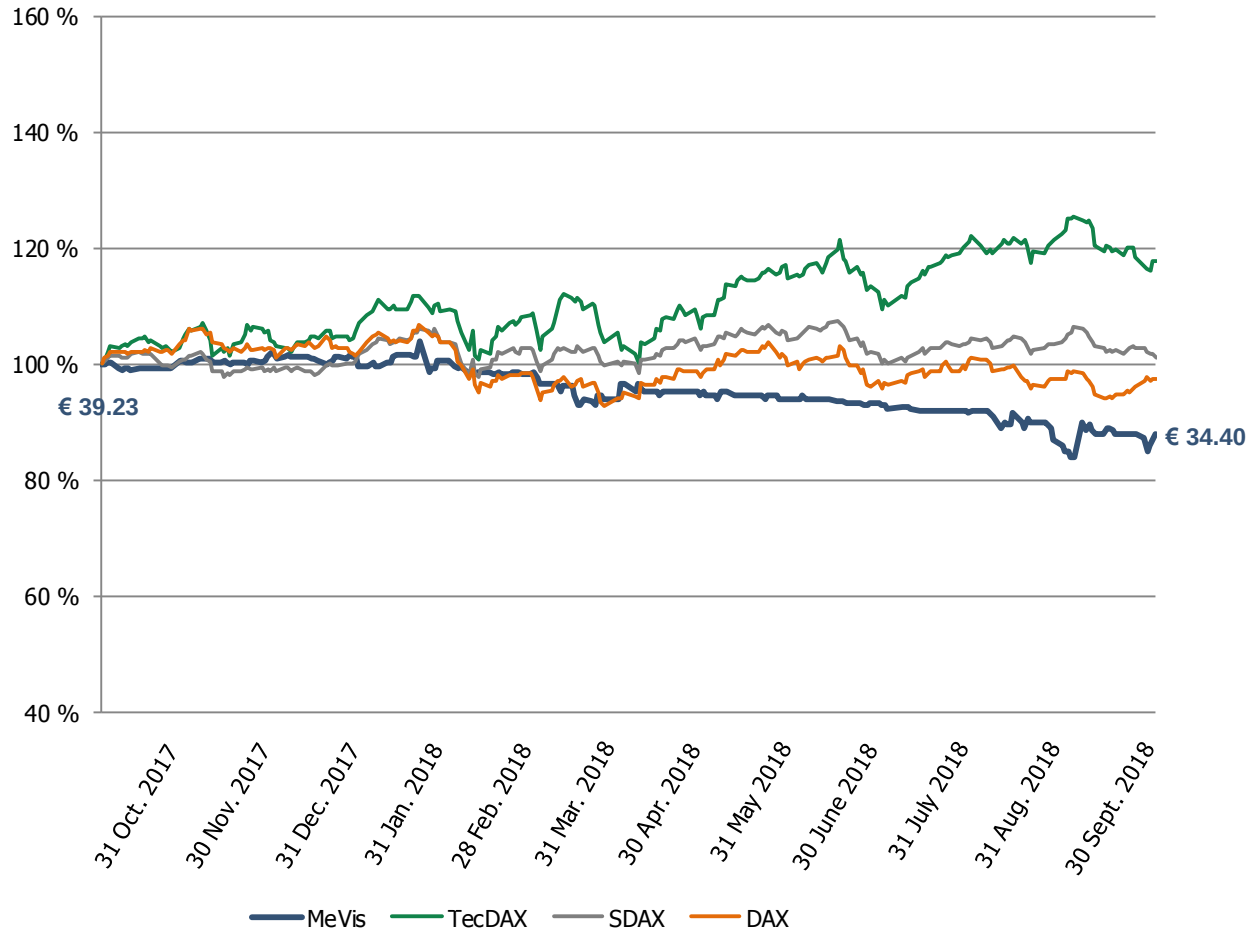
Pursuant to Article 19 of the Market Abuse Regulation (EU) No. 596/2014 (MAR), members of the Company's Executive and Supervisory Boards and related parties are required to announce all own transactions (Directors' Dealings) involving shares and debt securities of MeVis Medical Solutions AG that are traded on the stock market or related financial instruments (e.g. derivatives) where such transactions total or exceed € 5,000 in a calendar year. The Company received no information about Directors' Dealings during the period under review. As of the reporting date, neither the members of the Executive Board nor the members of the Supervisory Board hold shares of MeVis Medical Solutions AG.

THE MEVIS SHARE

STOCK MARKETS IN 2017/2018

Although Wall Street and the Dow Jones rallied from record to record in 2017 and 2018, with a brief, marginal drop in the first three months of 2018, the Dax has lost significantly in value over the last 12 months. Where there was hope at the beginning of the year that the global economy would continue to boom, increasing fears of inflation, rising US interest rates and the trade disputes initiated by the USA with other countries, especially China, weighed on the forecasts of the Dax companies. In fiscal year 2017/2018, the German stock market fell by around 5 % based on the DAX, the leading index, and closed at around 12246 points at the end of September 2018, compared with 12828 points at the end of September 2017. On the other hand, the SDAX remained stable compared with the previous year and the TecDAX even gained 16 %.

DEVELOPMENT OF THE MEVIS SHARE



During fiscal year 2017/2018, from October 1, 2017 to September 30, 2018, In the electronic stock exchange trading XETRA, the peak price of the share, in the electronic stock exchange trading XETRA, was € 40.60 and the lowest price was € 32.80. MeVis Medical Solutions AG ended the fiscal year with a closing price of € 34.40 (XETRA) compared to € 39.11 (XETRA) in the previous year. Thus, the value of the MeVis share at the end of fiscal year 2017/2018 fell by 12 % compared with the closing price at the end of fiscal year 2016/2017. Taking into account 1,820,000 shares in circulation, the market capitalization amounted to approx. € 62.6 million. The number of registered securities accounts with 597 securities accounts as at September 30, 2018 decreased compared with the end of September 30, 2017 (664 securities accounts).

KEY INDICATORS OF THE MEVIS SHARE

	2017/2018	2016/2017	9M 2016
Year-end closing price in €	34.40	39.11	35.90
Annual high in €	40.60	41.00	37.00
Annual low in €	32.80	35.90	24.00
Market capitalization in million € (XETRA year-end)	62.6	71.2	65.3
Number of shares	1,820,000	1,820,000	1,820,000
Price-to-earnings ratio (XETRA year-end)	8.73	12.66	14.32
Earnings per share in € (basic)	3.94	3.09	1.88
Earnings per share in € (diluted)	3.94	3.09	1.86

DEVELOPMENT OF THE SHAREHOLDER STRUCTURE

As of the balance sheet date, 73.65 % of the total share capital of MeVis Medical Solutions AG was held by Varex Imaging Deutschland AG, an indirect subsidiary of Varex Imaging Corporation, Salt Lake City, Utah, USA. According to the shareholder notifications we received, other institutional shareholders are HANSAINVEST Hanseatische Investment-GmbH with approx. 5.51 % and Hauck & Aufhaeuser Fund Services S.A. (Hauck & Aufhaeuser acquired Oppenheim Asset Management Services S.à r.l. at the end of 2017) with approx. 3.01 % of the total share capital of MeVis Medical Solutions AG. This means that around 17.83 % of the shares are currently in free float.

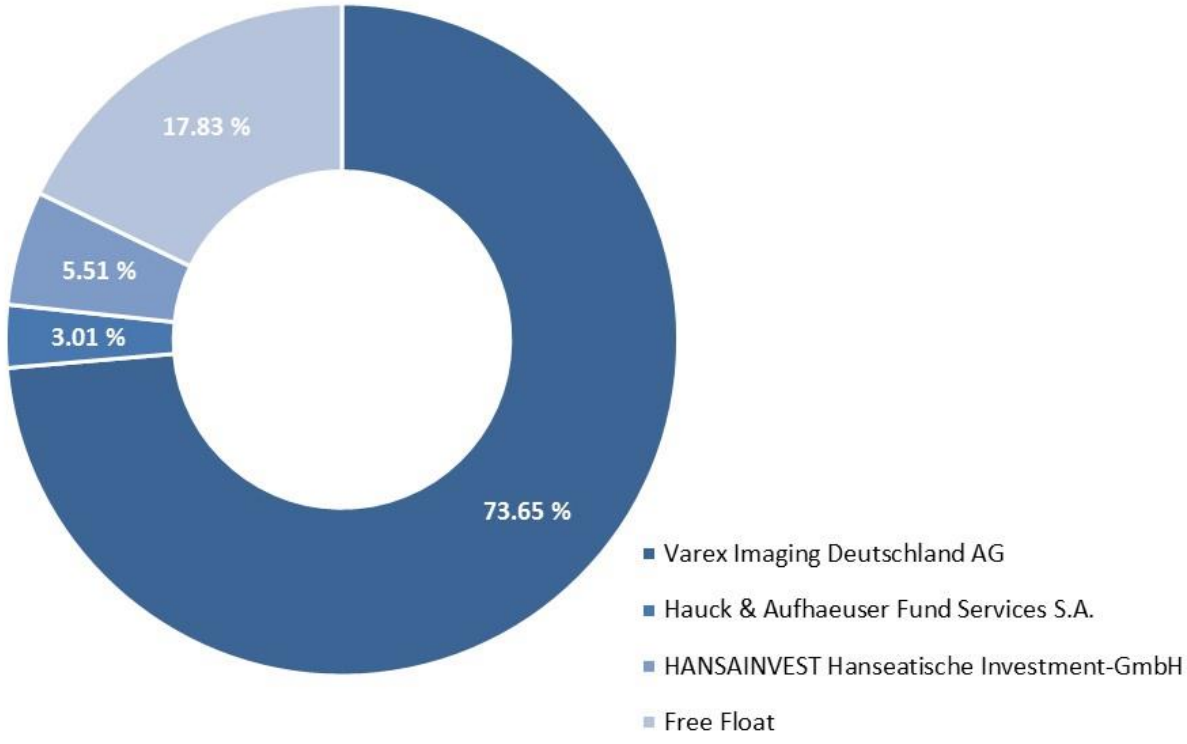


Fig.: Shareholder structure as at September 30, 2018
(In accordance with the shareholder notifications received by us.)

VMS Deutschland Holdings GmbH took over the majority shareholding in MeVis Medical Solutions AG in April 2015 after a voluntary public tender offer. The domination and profit-and-loss transfer agreement signed on August 10, 2015, between VMS Deutschland Holdings GmbH and MeVis Medical Solutions AG was entered into the commercial register of the Bremen local court on October 20, 2015, and thus went into legal effect. With the spin-off agreement dated December 28, 2016, the transfer of MMS AG shares from VMS Deutschland Holdings GmbH to Varex Imaging Deutschland AG was resolved with economic effect as of December 30, 2016. The object of the spin-off agreement is also the domination and profit-and-loss transfer agreement between MMS AG and VMS Deutschland Holdings GmbH. The spin-off became legally effective upon entry in the commercial register on October 12, 2017 and MMS AG therefore belongs to the Varex Group via Varex Imaging Deutschland AG, Willich, under the management of Varex Imaging Corporation, Salt Lake City, Utah, USA. Varex Imaging Deutschland AG holds 73.65 % of the total share capital of MMS AG. The domination and profit-and-loss transfer agreement now existing between Varex Imaging Deutschland AG and MMS AG obliges Varex Imaging Deutschland AG to pay the outside shareholders an annual cash payment ("compensation payment") for each full financial year for the duration of this agreement. This amounts to € 1.13 (gross) or € 0.95 (net) per share for each full financial year.

MANAGEMENT REPORT FOR THE FISCAL YEAR 2017/2018

PREAMBLE

This management report has been prepared in addition to the individual IFRS financial statements.

The present report therefore covers the reporting period from October 1, 2017, to September 30, 2018. The amounts of the prior year provided below refer to the fiscal year 2016/2017 from October 1, 2016, to September 30, 2017.

COMPANY OVERVIEW

BUSINESS ACTIVITIES

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

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

Besides the sale of software licenses, maintenance contracts and services in the field of software development for medical technology companies, MeVis also offers services to clinical end customers. These include, amongst others, three-dimensional technical visualizations (“MeVis Distant Services”), interactive online training options to improve the diagnostic capabilities of clinicians and special online applications in teleradiology (“MeVis Online Services).

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

Breast products

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

Lung products

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

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

Liver products

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

Neurological products

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

MeVis Online Services

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

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

RESEARCH AND DEVELOPMENT

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

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

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

Technology platforms

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

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

REPORTING SEGMENTS

For reporting purposes and internal governance, MeVis has three operating segments (“**Digital Mammography**”, “**Development Services**” and “**Other Operating Activities**”).

The **Digital Mammography** segment develops and markets software products, which support breast diagnostic imaging and intervention. Aside from the original products for digital mammography, new software applications for other imaging modalities such as ultrasound, magnetic resonance imaging and tomosynthesis were added. These products are sold to the medical technology company Hologic.

The **Development Services** segment comprises the assignment of software development teams, i.e. software developers, product and project managers, application specialists and test engineers, for the contract development of software modules for external customers. Major customers in this segment are the Varian Medical Systems Group, Varex Imaging Corporation and Adaptiiv Medical Technologies Inc.

The segment **Other Operating Activities** includes the lung, liver, neuro and MeVis Online Services product areas. In addition to the licensing and maintenance business with software products, primarily in the areas lung and neuro for OEM customers Invivo Corporation and Vital Images, Inc.,the segment includes the services of the "MeVis Distant Services" for technical visualizations used in continuing education, for publications and for presentations and research purposes, as well as MeVis Online Services, such as interactive online training ("MeVis Online Academy") to improve the diagnostic capabilities of clinical end customers.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Macroeconomic situation[1]

After a dynamic 2017 and a solid start to 2018, the global economy experienced rather varied development through to the end of September 2018. Economic development in the eurozone deteriorated slightly, whereas the US economy gathered significant momentum on the back of tax reforms, increases in government spending and initial deregulation efforts. Trade conflicts had a particularly negative impact on the global economy, especially the dispute between the world's two largest economies: the US and China. In addition, there are existing and renewed uncertainty surrounding issues such as Brexit and the consequences for many emerging markets of the turnaround in US interest rate policy. In response to these developments, the International Monetary Fund (IMF) lowered its global growth forecasts by 0.2 % in October 2018 and now only expects global economic growth to match 2017 levels in 2018 and 2019 at 3.7 %. For the US, MeVis' most important economic area, the IMF has also marginally lowered its expectations for growth to 2.9 % for 2018 and 2.5 % in 2019. Experts from the IMF and the Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelskammertag, DIHK) anticipate heightened political risks in the medium term. In 2017, eurozone economic growth reached 2.4 %, but growth is now only expected to stand at 2.0 % and 1.9 % in 2018 and 2019 respectively. As a strong exporter, Germany is likely to notice the downturn somewhat more significantly. The International Monetary Fund (IMF) now expects growth in Germany to come to 1.9 % in 2018 and 2019, 0.3 percentage points lower than forecast in July and 0.6 percentage points down on the April 2018 guidance.

Industry development[2]

According to figures published by manufacturer association Spectaris, the medical technology industry generated global revenues of 390.1 US dollars in 2017, with the US accounting for the largest share of revenue at 38.9 %. This figure is expected to grow annually by approximately 5.2 % until 2022, meaning that the global medical technology market will be worth approximately 522 billion US dollars by 2022. In particular, markets in Asia and emerging markets will experience disproportionately high growth. As a result, the market continues to offer enormous potential. In Germany, medical technology companies were able to increase revenues by 2.5 % in 2017 and generate total revenues of € 29.9 billion. This means that Germany generated roughly 34 % of the industry's € 94 billion in revenues, ahead of Ireland, France, Italy and the UK.

The main driver of the aforementioned growth over the coming years will be rising population and demographic developments, progress in medical technology, particularly in emerging markets, and rising awareness for health and well-being. The digitalization of the healthcare industry will be the primary technological growth driver. Rising costs and increasing requirements due to stricter regulation are the biggest obstacles for the industry.

Medical technology manufacturers are evolving from operating as conventional providers of medical technology, as they did in the previous decade, to being solution providers, as they are in the current decade, and acting as providers of integrated healthcare solutions, as they will in the coming decade. The key aspects of the digitalization trend will be ensuring the integration and compatibility of equipment made by different manufacturers, big data and intelligent data analysis, and telemedicine. Customized medical technology offering innovative treatment opportunities, made possible through brand-new 3D printing techniques, will become a major factor moving forward.

[1] Sources: International Monetary Fund – World Economic Outlook (WEO) Updates 2017/2018

[2] Sources: German Medical Technology Association (BVMed) – Medical Technology Industry Report 2018
Spectaris Annual Report 2018
Boston Consulting Group- BCG) https://www.bcg.com/publications/2017/globalization-medical-devices-technology-medtech-may-be-emerging-markets-next-newthing.aspx

What challenges await the medical technology industry in the future? It is extremely likely that market concentration will increase further, with large foreign companies absorbing an increasing number of small and medium-sized enterprises. Competition from developing countries and markets will also increase considerably. Between 2010 and 2016, the share of the global medical technology market attributable to emerging markets rose from 18 % to 23 % and is forecast to reach 31 % by the year 2022. Not only must aspiring countries be taken more seriously, IT companies with no previous experience in the medical technology market, such as Google, Apple and others, will also have to be monitored closely. These companies and their solutions are set to play a serious role in the healthcare market in the medium term. Information and patient security will also pose a further challenge. With smart technology and cloud storage becoming increasingly popular, the risk of hacker attacks and sabotage is even greater. Data theft not only impacts trust in companies, security vulnerabilities in microchip implants, for example, can also lead to increased health risks.

Due to political realignment, there is a considerable amount of uncertainty regarding the future and the focus of the healthcare system in MeVis' most important sales market, the US. In our opinion, the significance of medical imaging, a sub-segment of medical technology, has seen and will continue to see above-average growth. Multi-modal and functional imaging, diagnostics support and model-based therapy, as well as new and optimized workflows, computer assistance and automation, are areas of innovation with above-average growth potential for the sector.

A look at the current situation at MeVis – especially with regard to our areas of focus on breast cancer diagnostics, 2D and 3D breast screening (three-dimensional digital tomosynthesis) and lung cancer screening – reveals various trends. From an application perspective, demand for three-dimensional digital tomosynthesis systems remained a factor. The introduction of this still relatively new technology is leading to stronger demand for the relevant imaging devices. According to U.S. Food and Drug Administration (FDA) statistics[3] from October 2018, there are a total of 8,704 certified breast screening centers in the US with a total of 19,564 mammography screening devices. Of the 8,704 certified centers (October 2017: 8,726), 4,708 centers (October 2017: 3,694) have also been certified for tomosynthesis diagnostics so far. These figures show that the ongoing trend towards switching from 2D to 3D continues and will increase over the years ahead. Given the ubiquity of tomosynthesis systems, however, many PACS manufacturers now likewise offer software applications for analyzing tomosynthesis data that, although not approaching the range of functions of the products developed by MeVis, are nevertheless increasingly popular with clinical end customers due to their complete integration in the IT landscape already existing in the clinical environment. As a result, the outlook for the dedicated software solutions market that is relevant to MeVis remains somewhat bleak in terms of marketing our mammography and screening solutions.

Since mid-2013, there has been an emerging trend, at least in the US, to introduce CT-based lung cancer screening programs. It has been demonstrated in national studies[4] (Early Lung Cancer Action Project – ELCAP, and National Lung Screening Trial – NLST) in the US that CT lung screening is vastly superior to normal X-ray imaging for detecting lung cancer at an early stage. The United States Preventive Services Task Force (USPSTF) issued a corresponding recommendation[5] for national lung screening, under certain circumstances, in December 2013. Following a decision by the Centers for Medicare and Medicaid Services (CMS)[6], these measures have been refundable since January 2016 and will be reimbursed by health insurance companies in the US.

[3] US Food and Drug Administration / Scorecard Statistics (https://www.fda.gov/Radiation-EmittingProducts/MammographyQualityStandardsActandProgram/FacilityScorecard/ucm595007.htm)

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

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

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

The results of Europe's ten-year NELSON lung-cancer study[7], published in September 2018, provided emphatic confirmation of the results of the NLST study, significantly increasing the likelihood of lung-cancer screen programs being introduced in Europe over the next few years.

We assume that demand will consequently increase for software solutions that simplify and shorten this sophisticated form of examination while improving its quality. MeVis is already addressing this potentially growing field with the Veolity Lung Screening and Veolity Lung CAD products, as well as the MeVis Online Academy e-learning portal and the Lung Academy. The first certified lung cancer screening centers have begun investing in the new solutions that are required. However, the investment decisions remain cautious. The certified centers appear to be initially assessing for themselves just how high the demand for the offered services and the level of acceptance among high-risk groups will actually be. Other countries are joining the US and are conducting their own studies to evaluate whether a government program for the early diagnosis of lung cancer should be introduced. Studies are already under way in Canada, Australia, South Korea and the UK. The introduction of extensive lung screening is still the subject of controversial debate in Germany and the rest of Europe.

Based on its specialized product portfolio in the field of breast diagnostics, its broad research base and the existing relationships with customers, MeVis assumes that it will be able to continue to maintain and further expand its current market position in a targeted manner in some market segments in 2018. However, large PACS system suppliers and providers of vendor-neutral archives (VNAs) are continuing to develop, also with regard to the market segments relevant to the Company, meaning that it takes ongoing effort to stay ahead of the competition in terms of technology and launch new products with relevant competitive advantages over these providers. In view of the continued reluctance of clinical end users to purchase new products, the future performance of the business will depend to a large degree on the ability of the Company to expand existing sales channels and tap new markets.

In addition, the further performance of the business with lung products and applications will depend highly on whether, when and to what extent the published findings regarding the clinical effectiveness of this technology lead to the appropriate remuneration of the quality-assured methods and their inclusion in clinical routine. Not least, the success of the MeVis technology in use depends on a consistently high rate of participation and access among the high-risk groups entitled to it, i.e. patient acceptance of preventive screening.

PERFORMANCE / SALES REPORT

Performance

Sales amounted to € 16,758 k (prev. year: € 18,540 k) in the reporting period. The new license business accounted for 31 % of revenues (prev. year: 30 %), at € 5,162 k (prev. year: € 5,652 k), and 42 % (prev. year: 41 %) was attributable to the maintenance business at € 7,066 k (prev. year: € 7,528 k).

Earnings before financial result and taxes fell from € 7,962 k to € 6,694 k.

The Company's operations consist of the development and sale of software licenses, the maintenance business this entails and the software development for medical technology companies, as well as the provision of services for technical visualization (Distant Services) and in the context of online training.

At approximately 98 % of total sales, the software business, which includes products for the medical technology companies Hologic, Vital Images and Invivo, again made the greatest contribution to the Company's total sales in this reporting period.

[7] International Association for the Study of Lung Cancer (IASLC) – NELSON Study (https://wclc2018.iaslc.org/media/2018%20WCLC%20Press%20Program%20Press%20Release%20De%20Koning%209.25%20FINAL%20.pdf)

Revenues and earnings in the Digital Mammography segment

In the past fiscal year, sales in the Digital Mammography segment amounted to € 10,944 k (prev. year: € 12,462 k).

License sales amounted to € 3,755 k (prev. year: € 3,963 k) in fiscal year 2017/2018, while revenues from maintenance and support services amounted to € 6,054 k (prev. year: € 6,406 k). Total Digital Mammography product sales (licenses and maintenance) amounted to € 9,809 k (prev. year: € 10,369 k); a slight downward trend can be seen here. Revenues from services in the Digital Mammography segment amounted to € 1,131 k in the reporting period (prev. year: € 2,086 k).

In fiscal year 2017/2018, as in the previous year, sales in the Digital Mammography segment were reported exclusively in US dollars.

Amortization totaled € 706 k (prev. year: € 1,049 k), while operating expenses in the Digital Mammography segment stood at € 3,140 k (prev. year: € 3,014 k), with personnel expenses amounting to € 2,954 k (prev. year: € 2,886 k).

The operating result in the segment fell to € 7,098 k (prev. Year: € 8,399 k), with this segment continuing to make a significant contribution to the company's result.

Other operating income in the Digital Mammography segment came in at € 466 k (prev. year: € 369 k). Other operating expenses totaled € 811 k (prev. year: € 733 k). As a result, net profit in the segment amounted to € 6,752 k (prev. year: € 8,035 k). The EBIT margin in the Digital Mammography segment declined slightly to 62 % (prev. year: 64 %).

Revenues and earnings in the Development Services segment

Sales in the Development Services segment developed positively in the reporting period to € 2,406 k (prev. year: € 460 k), as more services were provided for the Varian Medical Systems Group and Varex Imaging Corporation. Sales invoiced in Euros amounted to € 1,465 k (prev. year: € 0 k) and sales invoiced in US dollars amounted to € 941 k (prev. year: € 460 k).

Scheduled depreciation amounted to € 71 k (prev. year: € 17 k) and operating expenses in the Development Services segment amounted to € 1,750 k (prev. year: € 532 k), with personnel expenses amounting to € 1,697 k (prev. year: € 513 k). As there was a higher personnel requirement for the provision of the increased development services, staff costs rose accordingly

The operating result in the segment amounted to € 585 k (prev. year: € -89 k). Other operating income amounted to € 267 k (prev. year: € 66 k) and other operating expenses amounted to € 443 k (prev. year: € 121 k).

This results in a segment result of € 409 k (prev. year: € -144 k). The EBIT margin improved from -31 % to 17 % in line with the positive revenue trend.

Revenues and earnings in the Other Operating Activities segment

Business volume in the Other Operating Activities segment fell to € 3,408 k (prev. year: € 5,618 k) in the reporting period, whereas the prior year was influenced by one-off revenue from the sale of MeVisLab usage rights in the amount of € 1,800 k.

License sales came in at € 1,407 k (prev. year: € 1,689 k), while sales from maintenance and support services, which consist mostly of maintenance of existing software applications, amounted to € 1,012 k (prev. year: € 1,122 k). Total revenues from license and maintenance business amounted to € 2,419 k (prev. year: € 2,811 k). Revenues from services (services, consulting and training) amounted to € 986 k (prev. year: € 2,804 k). The previous year included the sale of extensive usage rights for the MeVisLab tool for the development of software prototypes in the amount of € 1,800 k.

In the Other Operating Activities segment, invoices are generated in both euros and US dollars; in the indirect channel, the invoice currency depends upon the headquarters of the relevant medical technology company, whereas in the direct channel it is based on the headquarters of the relevant clinical end user. Reve-

nues invoiced in euros came in at € 1,184 k (prev. year: € 2,944 k), while revenues invoiced in US dollars amounted to € 2,224 k (prev. year: € 2,674 k).

Amortization totaled € 132 k (prev. year: € 151 k), while operating expenses in the Other Operating Activities segment stood at € 3,415 k (prev. year: € 4,898 k), with personnel expenses amounting to € 3,180 k (prev. year: € 4,539 k). Since the Development Services segment had an increased personnel requirement compared to the previous year and the average number of employees increased only slightly in the fiscal year, staff costs in this segment decreased accordingly.

The operating result in the segment came in at € -139 k (prev. year: € 569 k). Other operating income in the segment amounted to € 501 k (prev. year: € 581 k), while other operating expenses amounted to € 830 k (prev. year: € 1,079 k).

The segment result amounted to € -468 k (prev. year: € 71 k). The EBIT margin in the Other Operating Activities segment deteriorated from 1 % to -14 %, with the proceeds of € 1,800 k from the sale of extensive usage rights for the MeVisLab tool in particular contributing to the positive EBIT margin in the previous year.

EARNINGS POSITION

Total sales came in at € 16,758 k in the fiscal year (prev. year: € 18,540 k). These revenues were generated by revenues from licensing sales of € 5,162 k (prev. year: € 5,652 k), revenues from maintenance contracts (software service contracts) of € 7,066 k (prev. year: € 7,528 k) and other revenues of € 4,530 k (prev. year: € 5,360 k). The year-on-year decline in license and maintenance revenues is mainly due to the significantly lower average USD exchange rate compared to the previous year, as the majority of invoices are invoiced in USD. The decline in other revenues compared with the previous year, which included the sale of extensive usage rights for the MeVisLab tool for developing software prototypes in the amount of € 1.8 m, was reduced by an increase in revenues in the area of development services.

Other operating income increased to € 1,234 k (prev. year: € 1,016 k), as more costs from the provision of administrative services for MBC KG as well as Varex Imaging Deutschland AG were charged on in the reporting period.

The cost of materials, including the cost of services purchased, totaled € 474 k (prev. year: € 506 k), and staff costs amounted to € 7,831 k in the reporting period (prev. year: € 7,938 k). Despite an increase in the number of employees, the decline is attributable in particular to the fact that the Executive Board has no longer received the bonus from MMS AG since the current fiscal year. The average number of permanent employees expressed as full-time equivalents rose to 92 (prev. year: 90) in the reporting period, and the annual average number of student interns expressed as full-time equivalents fell to 2 (prev. year: 3).

Other operating expenses totaled € 2,084 k (prev. year: € 1,933 k). Other operating expenses comprised rental expenses of € 598 k (prev. year: € 592 k), travel expenses of € 204 k (prev. year: € 227 k), severance payments of €175 k (prev. year € 0 k) legal and consulting costs of € 157 k (prev. year € 242 k) and costs for maintenance and repair of € 153 k (prev. year: € 198 k). Remaining other operating expenses amounted to € 972 k (prev. year: € 674 k).

Earnings before financial result, taxes, depreciation and amortization (EBITDA) therefore came to € 7,603 k in fiscal year 2017/2018 (prev. year: € 9,179 k). The EBITDA margin deteriorated to 45 % compared to 50 % in the previous year. The deterioration was primarily due to the decline in sales revenues, whereas expenses remained almost constant.

Depreciation, amortization and impairments of intangible assets and property, plant and equipment amounted to € 909 k (prev. year: € 1,217 k) and decreased primarily due to lower amortization of capitalized development costs.

Earnings before financial result and taxes (EBIT) amounted to € 6,694 k in the reporting period (prev. year: € 7,962 k). Accordingly, the EBT margin declined to 40 % compared to 43 % in the previous year.

The financial result amounted to € 563 k in the reporting period (prev. year: € -794 k). This positive development was largely due to the improvement in the balance of income and expenses from exchange rate differences in the amount of € -21 k (prev. year: € -1,459 k).

Earnings before taxes (EBT) therefore came to € 7,257 k in the reporting period (prev. year: € 7,168 k). The EBT margin (return on sales) increased accordingly to 43 % compared to 39 % in the previous year.

Income taxes of € 86 k were incurred in this fiscal year, while income taxes of € 1,546 k were incurred in the previous year. Due to the effective fiscal unity with Varex Imaging Deutschland AG since October 1, 2017, income taxes decreased accordingly.

After-tax earnings (net profit) in the reporting period therefore totaled € 7,171 k (prev. year: € 5,622 k), which represents basic earnings per share of € 3.94 (prev. year: € 3.09).

FINANCIAL POSITION

Cash flow from operating activities came to € 5,521 k (prev. year: € 7,324 k) in the reporting period. The decrease is primarily attributable to the € 1,268 k decrease in earnings before financial result and taxes as well as the non-cash income of € 1,796 k. This result was also attributable to the € 794 k decrease in taxes paid and the € 994 k increase in trade receivables and other assets. On the other hand, cash flow from operating activities was positively impacted by the € 794 k decrease in taxes paid compared with the previous year and the € 994 k lower increase in trade receivables and other assets.

Net cash flow from investing activities stood at € -22,433 k in the period under review (prev. year: € -221 k) and comprised spending on property, plant and equipment and intangible assets in the amount of € 208 k (prev. year: € 221 k) and from the loan granted to Varex Imaging Deutschland AG with a payout amount of € 16,225 k. In addition, the cash flow from investing activities includes a payment for short-term funds transfers to Varex Imaging Deutschland AG, which was offset against the liability from profit transfer for the fiscal year 2017/2018 as of the balance sheet date.

Cash flow from financing activities amounted to € -9,368 k (prev. year: € -0 k). It consists of the profits under commercial law of the fiscal years 2016 and 2016/2017 paid to Varex Imaging Deutschland AG.

The liquidity-relevant change in cash and cash equivalents came to € -26,280 k in the period under review (prev. year: € 7,103 k).

As of the balance sheet date, cash and cash equivalents amounted to € 3,477 k (prev. year: € 29,735 k). These consisted solely of cash. The company's liquidity was ensured at all times during the year under review.

NET ASSET POSITION

The balance sheet total decreased by € 10,660 k to € 38,419 k in the year under review (prev. year: € 49,079 k). The decrease in assets is mainly due to the decrease in cash and cash equivalents by € 26,258 k to € 3,477 k (prev. year: € 29,735 k), as among other things the obligations from the profit transfer to Varex Imaging Deutschland AG for the fiscal years 2016 and 2016/2017 were settled in the reporting year. In addition, Varex Imaging Deutschland AG was granted a loan, which resulted in a payment of € 16,225 k. Furthermore, cash and cash equivalents decreased due to a transfer of funds to Varex Imaging Deutschland AG of € 6,000 k during the year, which was offset against the liability of MMS AG from the profit transfer for the fiscal years 2017/2018 as of the balance sheet date.

As of the balance sheet date, non-current assets increased by 100 % to € 31,264 k (prev. year: € 15,665 k), which is mainly due to the loan granted to Varex Imaging Deutschland AG, which is reported under other financial assets.

Property, plant and equipment, which primarily consists of acquired office and business equipment, as well as spending on modern IT file server technology, declined by € 101 k to € 215 k (prev. year: € 316 k) as of the balance sheet date.

The 79 % decrease in current assets in the reporting period to € 7,155 k (prev. year: € 33,414 k) is mainly due to the aforementioned reduction in cash and cash equivalents.

Equity declined as of the reporting date to € 32,059 k (prev. year: € 32,511 k). This was due above all to the difference between the net profit for fiscal year 2017/2018 calculated according to IFRS of € 7,171 k and the annual net profit of € 7,619 k paid to the majority shareholder.

The equity ratio increased, due to the increase in total assets and liabilities, to 83 % (prev. year: 66 %). Subscribed capital remained unchanged at € 1,820 k (prev. year: € 1,820 k), as did the capital reserve at € 7,475 k (prev. year: € 7,745 k). Retained earnings fell by € 365 k to € 22,625 k (prev. year: € 22,990 k). This corresponds to the total of net income for the year of € 7,171 k (prev. year: € 5,622 k), changes in revaluation reserves of € 87 k (prev. year: € 100 k), the profit transfer from the domination and profit and loss transfer agreement of € 7,619 k (prev. year: € 5,211 k), and actuarial losses of € 4 k (prev. year: losses of € 45 k).

Non-current liabilities amounted to € 327 k as of the reporting date and were € 26 k above the previous year's level (prev. year: € 301 k), which is predominantly attributable to the change in interest rate for calculation purposes that relates to pension provisions.

Current liabilities fell by 63 % to € 6,033 k (prev. year: € 16,267 k), mainly due to the aforementioned decrease in the profit transfer obligation and the decline in deferred items from € 3,029 k to € 1,228 k.

CONTROL SYSTEM

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

NON-FINANCIAL PERFORMANCE INDICATORS

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

Staff

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

MMS AG had 101 permanent employees as of the reporting date (prev. year: 101) as well as 3 student testers on a temporary basis (prev. year: 3). This equates to a total of 93 full-time equivalents (prev. year: 94), 91 of whom were permanent employees (prev. year: 93) and 2 (prev. year: 1) student tester on a temporary basis. The vast majority of employees received a voluntary bonus payment in the past fiscal year as well as their fixed remuneration.

Quality Management and Regulatory Affairs

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

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

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

Innovativeness

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

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

Solid customer relationships

MeVis owes its leading market position to its successful long-term cooperation with major international medical technology companies. Under the umbrella of the OEM sales model, distribution of software applications is carried out under the medical technology company's respective brand names who are typically also manufacturers of imaging devices. In recent years, development support for OEMs has also gained in importance. Our major customers include Siemens, Hologic, Invivo (a subsidiary of Philips), Vital Images (a subsidiary of Canon/Toshiba) and Varian Medical Systems. In the past fiscal year, MeVis was able to win Varex Imaging Corporation as a customer. Excellent customer relationships are the basis for MeVis' success. On account of their personal, efficient and competent services, our key account managers contribute to increasing customer satisfaction and promoting a long-term, profitable customer relationship. Moreover, we consider our customers a driving force for innovation, which is reflected in our continuous development of products with new or additional services at the request of our existing customers.

OVERALL STATEMENT

The fiscal year 2017/2018 was again successful for MeVis in view of the financial figures, in which MeVis continued to participate in the very good market position of Hologic for breast cancer screening. Due to the still solid cost structure, very good results could be achieved.

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

CORPORATE DISCLOSURES (SECTION 289a HGB)

Composition of the subscribed capital

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

Restrictions on voting rights or the transfer of shares

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

Shares in capital exceeding 10 % of the voting rights

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

- With the spin-off agreement dated December 28, 2016, the transfer of the shares in MMS AG from VMS Deutschland Holdings GmbH to Varex Imaging Deutschland AG was concluded with economic effect as of December 30, 2016. The domination and profit and loss transfer agreement between MMS AG and VMS Deutschland Holdings GmbH was also a subject of the spin-off agreement. The spin-off became legally effective upon entry in the commercial register on October 12, 2017 and thus MMS AG belongs via Varex Imaging Deutschland AG, Willich, to the Varex Group under the management of Varex Imaging Corporation, Salt Lake City, Utah, USA. Varex Imaging Deutschland AG holds 73.65 % of the total share capital of MMS AG.

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

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

Authorization of the Executive Board to issue or buy back shares

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (SECTION 289f HGB)

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

REMUNERATION REPORT

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

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

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

As explained in the financial statements (Note 34), the total remuneration paid to the Executive Board in the period under review came to € 447 k (prev. year: € 745 k).

OPPORTUNITIES AND RISKS REPORT

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

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

Macroeconomic factors and health policy debates, such as on the importance of screening programs for early lung cancer detection, continue to play a key role in the Company’s business environment. The Executive Board is therefore unable to rule out that external factors will adversely impact the market environment as well as the Company’s sales and distribution expectations for 2018 and beyond.

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

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

The Company’s risk management system is geared toward coordinating the processes for monitoring, early detection and managing all business risks in accordance with the Business Control and Transparency Act. The purpose is to identify at an early stage any risks, in particular risky transactions, accounting misstatements and breaches of the law with a material effect on the assets, financial and earnings of the Company and to minimize potential negative effects.

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

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

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

a) Product development-related risks

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

Some of these development costs were capitalized and reported as assets. Due to a change in the assessment of the market environment, MeVis already impaired a large portion of these investments in 2010 and 2011. This experience shows that the development of new products and enabling technologies entails a signi-ficant risk despite extensive market studies, including in cooperation with new customers. While MeVis is increasingly trying to focuses on reducing sales risks relating to the development of products, for example by the participation of large customers in the development costs, there remains a financial risk resulting from necessary technological preliminary developments. Since the issue of a release to Hologic in the fourth quarter of 2014, MeVis has not been able to activate development services, which means that the extent of this impairment risk will be reduced even further over the next few years by amortizing the capitalized development expense.

b) Opportunities arising from the introduction of lung cancer screening

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

c) Exchange rate risks and opportunities

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

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

In addition, the Company identified the following opportunities and risks in particular. The risks are subdivided into those relating to business activities, market risks and those related to research and development. In the individual areas, the risks are presented in order of importance, beginning with the highest significance:

BUSINESS-RELATED OPPORTUNITIES AND RISKS

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

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

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

b) Risks related to the expiry of the SecurView™ agreement with Hologic as of December 31, 2019

The existing agreement with the medical technology company Hologic for the distribution of the SecurView™ product has been extended in December 2017 by two years and now runs until December 31, 2019. Due to the very large installed base of SecurView™ in the market, a need for maintenance services and possibly also new licenses is also assumed from January 1, 2020, so that a contract extension beyond December 31, 2019 is to be expected. A potential amendment or non-extension of the contract could in turn significantly impair the assets, liabilities, financial position and profit and loss due to the importance of this business for MeVis.

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

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

d) Product liability risks

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

e) Risks in connection with the utilization of brands

It is possible that there are third-party brands, names and company names which are similar to those used or registered as brands by MMS AG or its affiliate for similar or identical goods and services. Therefore there is a possibility of conflicts arising with third parties with respect to brands or designations (e.g. product or company names), which may result in MeVis not being permitted to use the desig-

nation or brand name in question. This would also entail the risk of liability for damages on the part of MMS AG or MBC KG.

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

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

g) Risks associated with financial instruments

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

h) Liquidity risks

A change to the business and market environment of MMS AG and its affiliates could result in the Companies no longer being in a position to meet their financial obligations arising during the course of their operations. Such an erosion of the Company's liquidity position could result in one of the above-mentioned risks, such as that with existing key customers, or significant payment delays. Securing liquidity therefore forms an integral part of the ongoing liquidity and debtor management at MMS AG and its affiliates. It is therefore just as important as financial due diligence for new customers. As of the reporting date, MMS AG reported cash and cash equivalents of € 3.5 million (previous year: € 29.7 million). The Company assumes that this liquidity will be sufficient. Additional liquidity needs may arise in years to come, if the planned sales revenues should not be achieved and at the same time the costs of the Company cannot be reduced accordingly. The Company had no credit facilities at banks as of the reporting date. The liquidity risks are significantly reduced by the obligation of Varex Imaging Deutschland AG to a possible assumption of losses, as stated in the domination and profit and loss transfer agreement, secured by comfort letters from the US parent company, Varex Imaging Corporation as well as Varian Medical Systems, Inc.

MARKET-RELATED OPPORTUNITIES AND RISKS

a) Risks arising from the necessity for ongoing product optimization

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

b) Risks arising from the further development of PACS systems

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

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

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

RISKS IN CONNECTION WITH RESEARCH AND DEVELOPMENT

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

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

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

ACCOUNTING AND AUDITING

MeVis Medical Solutions AG prepares its statutory financial statements and management report in accordance with the German Commercial Code (HGB). The Company also prepares voluntarily individual IFRS financial statements in accordance with International Financial Reporting Standards (IFRS). The half-year financial report and the interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The financial statements are prepared by the Executive Board and reviewed by the Supervisory Board. The Supervisory Board engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, as the auditors elected by the Annual General Meeting for fiscal year 2017/2018, to audit the statutory financial statements for fiscal year 2017/2018 and the individual IFRS financial statements. This approach ensures that no conflicts of interest affect the work of the auditors.

The audits of the financial statements for the fiscal year 2016/2017 were also conducted by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bremen, in accordance with the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW).

ACCOUNTING RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

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

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

The Company has an internal control and risk management system covering the accounting process, in which suitable structures and processes are defined, and implemented in the organization. Prompt and accurate accounting is ensured for all transactions. Statutory standards and accounting standards are complied with, and the relevance and impacts on the annual financial statements of amendments to the laws and accounting standards are analyzed, adopted and implemented on a continuous basis. The staff involved is regularly trained in this work.

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

OUTLOOK

Fiscal year 2017/2018 developed better than assumed in the forecast published in January 2018: The original forecast assumed a significant decline in sales to € 14.5 million to € 15.0 million, whereas sales in the 2017/2018 fiscal year only declined to € 16.8 million. The better sales development compared to the original forecast is mainly due to the Digital Mammography segment. Here, the decline in revenues was lower than originally expected, especially in the maintenance business - due to more maintenance contracts between Hologic and clinical end customers than forecast - but also in the license business - due to a better than expected sales development. A similar picture emerges for EBIT: Originally, a significant decline to € 3.0 million to € 3.5 million was forecasted for 2017/2018 for this key performance indicator. In fact, EBIT declined only to € 6.7 million. Compared to the original forecast, in addition to the lower decline in revenues in the Digital Mammography segment, the following two factors in particular contributed to the lower decline in EBIT: lower staff costs due to a slightly lower number of employees, especially in the first quarters, as well as higher other operating income from the provision of administrative services for Group companies than originally assumed. Since the positive deviation from the original forecast already became apparent in the course of the 2017/2018 fiscal year, a corresponding forecast increase was published in August 2018 as ad hoc disclosures.

For fiscal year 2018/2019, a slight decline in revenues to € 16.0 million to € 16.5 million is expected. The expected revenue decline in the Digital Mammography segment will only be partially offset by the forecast revenue growth in the Development Services and Other Operating Activities segments. Earnings before financial result and taxes (EBIT) are expected to decline significantly to between € 1.5 million and € 2.0 million. This includes an expected impairment of goodwill for the Hologic (Digital Mammography) business of € 4.5 million.

As in the previous reporting period, the Executive Board will regularly review its expectations during fiscal year 2018/2019 based on current business developments.

Bremen, January 29, 2019

Marcus Kirchhoff
Chairman

Dr. Robert Hannemann
Member of the Executive Board

INCOME STATEMENT

for the period from October 1, 2017 to September 30, 2018
(previous year: October 1, 2016 to September 30, 2017)

FIGURES IN € k	Notes	2017/2018	2016/2017
Revenues	9	**16,758**	**18,540**
Other operating income	10	1,234	1,016
Cost of material	11	-474	-506
Staff costs	12	-7,831	-7,938
Other operating expenses	13	-2,084	-1,933
Earnings before interest, taxes, depreciation and amortization (EBITDA)		7,603	9,179
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	14	-909	-1,217
Earnings before interest and taxes (EBIT)		6,694	7,962
Income from equity investments	4	458	533
Interest income		158	159
Interest expenses		-15	-8
Other net financial result		-38	-1,478
Net financial result	15	**563**	**-794**
Earnings before taxes (EBT)		7,257	7,168
Income tax	16	-86	-1,546
Net profit		**7,171**	**5,622**
Net profit attributable to shareholders		**7,171**	**5,622**
Earnings per share in €	17		
Basic		3.94	3.09
Diluted		3.94	3.09

STATEMENT OF COMPREHENSIVE INCOME

for the period from October 1, 2017 to September 30, 2018
(previous year: October 1, 2016 to September 30, 2017)

FIGURES IN € k	Notes	2017/2018	2016/2017
Net profit		**7,171**	**5,622**
Items that are never recognized as profit or loss			
Actuarial losses from pensions	21/22	-4	-45
		-4	**-45**
Other comprehensive income		**-4**	**-45**
Total comprehensive income		**7,167**	**5,577**
Total comprehensive income attributable to share-holders		**7,167**	**5,577**

STATEMENT OF FINANCIAL POSITION

As of September 30, 2018 (previous year: September 30, 2017)

FIGURES IN € k	Notes	2017/2018	2016/2017
Non-current assets			
Intangible assets	18	11,117	11,722
Property, plant and equipment	18	215	316
Joint venture/Equity investments	4	1,885	1,991
Trade receivables	19	1,636	1,636
Other financial assets	19	16,411	0
		31,264	**15,665**
Current assets			
Trade receivables	19	3,286	3,362
Other financial assets	19	287	150
Other assets	19	105	167
Cash	20	3,477	29,735
		7,155	**33,414**
ASSETS		**38,419**	**49,079**
Equity capital	21		
Subscribed capital		1,820	1,820
Capital reserve		7,475	7,475
Revaluation reserve		139	226
Retained earnings		22,625	22,990
		32,059	**32,511**
Non-current liabilities			
Pension provisions	22	327	301
		327	**301**
Current liabilities			
Provisions	22	163	138
Trade payables	28	336	279
Other financial liabilities	23	2,661	11,393
Deferred income	24	1,228	3,029
Other liabilities	25	336	204
Income tax liabilities		1,309	1,224
		6,033	**16,267**
EQUITY AND LIABILITIES		**38,419**	**49,079**

STATEMENT OF CASH FLOWS

for the period from October 1, 2017 to September 30, 2018
(previous year: October 1, 2016 to September 30, 2017)

	FIGURES IN € k	Notes	2017/2018	2016/2017
	Earnings before financial result and tax (EBIT)	29	**6,694**	**7,962**
-	Payments for share-based remunerations	35	0	-750
+	Dividend payments from joint ventures	4	564	153
+	Depreciation, amortization and impairments	14	909	1,217
-/+	Decrease/increase in provisions	22	51	28
+/-	Other non-cash expenses/income		-1,796	6
+	Interest received		4	177
-	Tax paid		-1	-795
+/-	Decrease/increase in trade receivables and other assets		-91	-1,085
-/+	Decrease/increase in trade payables and other liabilities		-813	411
=	**Cash flow from operating activities**		**5,521**	**7,324**
-	Payments for investments in property, plant and equipment	18	-105	-170
-	Payments for investments in intangible assets (excl. development costs)	18	-103	-51
-	Payments for granting of loans	19	-16,225	0
	Payments for short-term funds transfers	23	6,000	0
=	**Cash flow from investing activities**		**-22,433**	**-221**
-	Payments to shareholders (profit transfer)	23	-9,368	0
=	**Cash flow from financing activities**		**-9,368**	**0**
	Change in cash and cash equivalents		**-26,280**	**7,103**
	Effect of exchange rates on cash and cash equivalents		**22**	**-1,724**
+	**Cash and cash equivalents at the beginning of the period**		**29,735**	**24,356**
=	**Cash and cash equivalents at the end of the period**	20	**3,477**	**29,735**

This item comprises cash.

STATEMENT OF CHANGES IN EQUITY

for the period from October 1, 2017 to September 30, 2018
(previous year: October 1, 2016 to September 30, 2017)

FIGURES IN € k	Subscribed capital	Capital reserve	Revaluation reserve	Retained earnings	Total
Note	21	21	21	21	-
Balance on Oct. 1, 2016	**1,820**	**8,219**	**326**	**22,524**	**32,889**
Net profit	0	0	0	5,622	5,622
Other comprehensive income	0	0	0	-45	-45
Total comprehensive income	0	0	0	5,577	5,577
Issue of stock options	0	6	0	0	6
Settlement of claims from share-based remunerations	0	-750	0	0	-750
Payout from profit transfer agreement	0	0	0	-5,211 *	-5,211
Transfer from revaluation reserve to retained earnings based on amortization	0	0	-100	100	0
Balance on Sep. 30, 2017	**1,820**	**7,475**	**226**	**22,990**	**32,511**
Balance on Oct. 1, 2017	**1,820**	**7,475**	**226**	**22,990**	**32,511**
Net profit	0	0	0	7,171	7,171
Other comprehensive income	0	0	0	-4	-4
Total comprehensive income	0	0	0	7,167	7,167
Payout from profit transfer agreement	0	0	0	-7,619	-7,619
Transfer from revaluation reserve to retained earnings based on amortization	0	0	-87	87	0
Balance on Sep. 30, 2018	**1,820**	**7,475**	**139**	**22,625**	**32,059**

* see note 39

NOTES FOR THE FISCAL YEAR 2017/2018

BASIC INFORMATION ON MMS AG

1. GENERAL DISCLOSURES

MeVis Medical Solutions AG ("MMS AG", "MeVis" or "Company" for short) was incorporated in 1997 and commenced business in 1998. It has its registered office in Bremen/Germany. Its address is Caroline-Herschel-Str. 1, 28359 Bremen. MMS AG is registered in the Commercial Register of the District Court of Bremen (HRB 23791 HB).

VMS Deutschland Holdings GmbH took over the majority shareholding in MeVis Medical Solutions AG in April 2015 after a voluntary public tender offer. The domination and profit-and-loss transfer agreement signed on August 10, 2015, between VMS Deutschland Holdings GmbH and MeVis Medical Solutions AG was entered into the commercial register of the Bremen local court on October 20, 2015, and thus went into legal effect. With the spin-off agreement dated December 28, 2016, the transfer of MMS AG shares from VMS Deutschland Holdings GmbH to Varex Imaging Deutschland AG was resolved with economic effect as of December 30, 2016. The object of the spin-off agreement is also the domination and profit-and-loss transfer agreement between MMS AG and VMS Deutschland Holdings GmbH. The spin-off became legally effective upon entry in the commercial register on October 12, 2017 and MMS AG therefore belongs to the Varex Group via Varex Imaging Deutschland AG, Willich, under the management of Varex Imaging Corporation, Salt Lake City, Utah, USA. Varex Imaging Deutschland AG holds 73.65 % of the total share capital of MMS AG.

Varex Imaging Corporation prepares the consolidated financial statements for the largest and smallest group of entities and MMS AG is included in these. The consolidated financial statements are filed with the U.S. Securities and Exchange Commission (SEC) and can be obtained from the head office of the group parent company.

The individual IFRS financial statements of MMS AG according to IFRS as of September 30, 2018 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 on the application of international accounting standards as well as the supplementary provisions of German commercial law pursuant to Section 325 (2a) (HGB) were observed. The requirements have been complied with in full and result in the presentation of a true and fair view of the assets, liabilities, financial position and profit or loss of MMS AG.

These individual IFRS financial statements have been prepared on a voluntary basis to provide a complete picture of the Company's net assets, financial position and results of operations after the subsidiaries of MMS AG were merged or consolidated on August 1, 2013. It can be seen as an additional information source next to the financial statements prepared in terms of the German commercial law.

The currency used in the individual IFRS financial statements is the Euro. Unless otherwise stated, all figures are quoted in thousands of Euros (€ k). 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.

The individual IFRS financial statements as of September 30, 2018 were approved for submission to the Supervisory Board by MMS AG's Executive Board on January 23, 2019. The Supervisory Board is responsible for examining the individual IFRS financial statements and approving them. The individual IFRS financial statements will be published on the Company website on January 29, 2019.

2. BUSINESS ACTIVITIES OF MMS AG

MMS AG develops innovative software for analyzing and evaluating image data and marketing it to equipment manufacturers of medical devices and providers of medical IT platforms.

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

Besides the sale of software licenses, maintenance contracts and services in the field of software development for medical technology companies, MeVis also offers services to clinical end customers. These include, amongst others, three-dimensional technical visualizations (“MeVis Distant Services”), interactive online training options to improve the diagnostic capabilities of clinicians and special online applications in teleradiology (“MeVis Online Services).

3. REPORTING SEGMENTS OF MMS AG

According to IFRS 8, operating segments are to be defined on the basis of internal reporting, which is regularly reviewed with regard to decisions on the allocation of resources to these segments and the assessment of their profitability.

For the purpose of reporting to the Executive Board and internal management by the Executive Board, MeVis has two operating segments (“**Digital Mammography**”, “**Other Diagnostics**” and “**Other Operating Activities**”).

The **Digital Mammography** segment develops and markets software products, which support breast diagnostic imaging and intervention. Aside from the original products for digital mammography, new software applications for other imaging modalities such as ultrasound, magnetic resonance imaging and tomosynthesis were added. These products are sold to the medical technology company Hologic.

The **Development Services** segment comprises the assignment of software development teams, i.e. software developers, product and project managers, application specialists and test engineers, for the contract development of software modules for external customers. Major customers in this segment are the Varian Medical Systems Group, Varex Imaging Corporation and Adaptiiv Medical Technologies Inc.

The segment **Other Operating Activities** includes the lung, liver, neuro and MeVis Online Services product areas. In addition to the licensing and maintenance business with software products, primarily in the areas lung and neuro for OEM customers Invivo Corporation and Vital Images, Inc.,the segment includes the services of the "MeVis Distant Services" for technical visualizations used in continuing education, for publications and for presentations and research purposes, as well as MeVis Online Services, such as interactive online training ("MeVis Online Academy") to improve the diagnostic capabilities of clinical end customers.

MMS AG distinguishes between the geographical areas USA and Europe on the basis of the local distribution of the realized sales.

BASIC PRINCIPLES OF THE FINANCIAL STATEMENTS

4. JOINT VENTURES

Shares in entities whose business activities are co-managed by MMS AG and another company (joint ventures) are consolidated at equity. Under the equity method, the respective carrying amount is increased or reduced by the changes in equity of the joint venture as far as they apply to the shares of MMS AG.

The financial statements included under the equity method in the individual IFRS financial statements have been prepared using uniform recognition and measurement principles.

Joint venture companies accounted for using the equity method

Name and location of the company	Share in %
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen (“MBC GmbH”)	51.0
MeVis BreastCare GmbH & Co. KG, Bremen (“MBC KG”)	51.0

MeVis Medical Solutions AG holds 51 % of MBC KG, a joint venture with Siemens Healthcare GmbH (**"**Siemens**"**).

The focus of the activities of this company is the development, marketing and distribution of software and consulting services, especially in the area of multi-modal soft copy reading systems for the screening, diagnosis and treatment of breast diseases.

As of September 30, 2018, Siemens continued to hold 49 % of the capital of MBC KG. In addition, Siemens has a call option which it may exercise at any time with respect to a further 2 % share in MBC 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 MeVis’ scope for exerting influence on the Company. Accordingly, MBC KG is a joint venture and therefore accounted for using the equity method. MBC GmbH is the general partner of MBC KG. The investment ratios and accounting method correspond to those of MBC KG.

The financial information on the MeVis Breastcare GmbH & Co. KG is as follows:

FIGURES IN € k	2017/2018	2016/2017
Non-current assets	117	52
Current assets	5,359	5,418
Thereof: Cash and cash equivalents	(4,463)	(4,074)
Non-current liabilities	36	23
Current liabilities	1,792	1,577
Revenues	5,554	5,648
Net income / total result	876	1,018
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	-40	-126
Interest income	0	0
Interest expenses	-4	0
Income tax	-163	-185

An equity-accounted amount of € 1,861 k (2016/2017: € 1,974 k) can be derived from the assets and liabilities of MBC KG. The difference compared with the statement of financial position relates to the equity of MBC GmbH.

In the fiscal year 2017/2018, MBC KG paid a pro rata dividend of € 564 k (prev. year: € 153 k) for the fiscal year 2016/2017 to MMS AG.

5. CURRENCY TRANSLATION

The average exchange rates are the arithmetic median of the monthly average exchange rates in the respective fiscal year. The USD/EUR exchange rate underlying currency translation is as follows:

	End-of-year exchange rate		Annual average exchange rate	
Currency	**Sep. 30, 2018**	**Sep. 30, 2017**	**Oct. 1, 2017-Sep. 30, 2018**	**Oct. 1, 2016-Sep. 30, 2017**
USD/€	1.1576	1.1806	1.1906	1.1046

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.

ACCOUNTING AND MEASUREMENT POLICIES

6. ACCOUNTING AND MEASUREMENT POLICIES

Recognition of revenues

Revenues are recognized when it is likely that the economic benefits from the transactions will flow to the Company and the amount is reasonably assured. As a matter of principle, MeVis 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 (collectability)
- 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 (collectability),
- the percentage of completion of the transaction can be reliably measured on the reporting 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 MeVis:

Software and licenses

License fees and royalties resulting from the utilization of 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 and software development services

Revenues from the provision of consulting services and software development services are recognized in the period in which the service in question is provided. MMS AG entered into a contract with a customer, in which the fee is based on the revenues that the customer receives from the sale of licenses for its software, which was developed with the support of MeVis. Since it is not possible to determine the revenues for MeVis reliably when preparing the financial statements, the expected revenues were initially recognised on the basis of the costs incurred.

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 expenses

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 condition that the development expenses 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 MeVis' 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 customers. 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 two to four years. Developments that are not yet ready for use are subject to an annual impairment test. Impairment tests are also conducted in case of indicators of possible impairment (triggering events).

Interest income

Interest income is recognized when it arises.

Interest expenses

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 MeVis mainly result from the accumulation of pension accruals.

Goodwill

Goodwill acquired through business combinations and continued in the individual IFRS financial statements of MMS AG are not subject to depreciation and amortization; instead, an impairment test of goodwill is car-

ried 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. The company had previously determined the 31st of December as the date of the annual review. For the first time in 2016, the annual review took place on the 30th of September. Impairment testing of goodwill is carried out at the level of cash generating units ("CGU" for short) 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. For the material goodwill of MeVis, the applicable CGU is identical to MMS AG's continued business with Hologic, after the accretion of MeVis BreastCare Solutions GmbH & Co. KG (hereafter: "MBS KG") in August 1, 2013. 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 off. 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, on the one hand, based on historical experience, and, on the other hand, taking into account detectable changes – especially from contract changes with important customers. 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 CGUs to which goodwill is allocated.

Other intangible assets

Other intangible assets (without development costs) consist of software patents, licenses and similar rights produced by the Company. The Company amortizes intangible assets with a finite 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 in particular. The expected useful lives for customer relationships are ten years. Intangible assets with an indefinite useful life and intangible assets not ready for use are not subject to scheduled amortization; instead, an impairment test is carried out once a year.

Property, plant and equipment

Property, plant and equipment are shown at acquisition or construction cost less scheduled, utilization-related depreciation and amortization as well as impairment losses. The cost of acquisition consists of the purchase price plus ancillary and subsequent acquisition costs less discounts received on 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 extraordinary depreciation and amortization cease to apply, the assets in question are written up to a maximum of their 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 derivatives with a positive fair value. Accordingly, financial assets are recognized in the statement of financial position if they give MeVis 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 assets:

Financial assets at fair value through profit or loss comprise financial assets held for trading or financial assets designated in this category. Derivative financial instruments are assigned to this measurement category. Changes in the fair value of financial assets in this category are recognized in the income statement upon such change arising. No assets have been allocated to this category as of the balance sheet date.

Loans and receivables (LaR) are non-derivative financial assets with fixed or determinable payments, which are not traded in an active market. Loans and receivables are recognized at amortized cost. This category includes trade receivables, financial receivables included in other financial assets and loans as well as cash. Interest income from items in this category is calculated using the effective interest rate method.

Available-for-sale (AfS) financial assets are recognized at fair value in equity. Valuation changes are recorded in a separate shareholders' equity item without affecting profit or loss until the assets are disposed of (AfS reserve). No assets have been allocated to this category as of the balance sheet date.

Taxes

The Company applies IAS 12, Income Taxes. Income taxes include all taxes imposed on MeVis 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. According to the liability method stipulated 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. MeVis 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. We also refer to note 16.

Equity instruments

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' equity capital are reported in the statement of changes in 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 reporting date. Since 2013, actuarial gains and losses are not recognized in profit or loss immediately, but recognized in equity with no effect on profits via other income or offset against this. Past service cost is recognized immediately in profit and loss. For defined benefit plans, the amount recognized in the statement of financial position is the present value of the defined benefit obligation, and reduced by the fair value of existing plan assets. If the calculation of the statement of financial position amount as set out above results in an asset, the amount recognized is limited to 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 reporting 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 the Executive Board and the employees are recognized at the fair value of the equity instrument on the grant date. The fair value of the liability is recognized under personnel expenses. This is also allocated over the vesting period.

The fair value of the payments is calculated in each case using a Monte Carlo simulation. The main determinants of the value of staff options are the value of the shares 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.

In addition to modeling movements in the underlying financial instrument, allowance is also made in connection with the measurement of the fair value of the assets for possible exits of option holders from the Company as well as the premature exercise of the options. To cover these eventualities, the Company has derived further relevant input variables for the simulation models on the basis of statistical distribution models which model these decisions.

The Company uses so-called “exponential distribution” to calculate the probability of an option holder leaving the Company prematurely or the holder of an employee option exercising the option prior to the expiry of its term, taking into account the vesting period.

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. An average service period of 6.2 years for members of the Executive Board was assumed on the basis of this analysis. With respect to the Company’s employees, an average service period of 13.3 years is assumed.

Financial liabilities

Financial liabilities comprise primary liabilities and the negative fair values of derivative financial instruments. Primary liabilities are recognized in the statement of financial position if MeVis has a contractual obligation to transfer cash or any other financial assets to another entity. A primary 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

MeVis receives development grants from public bodies. These are recognized in the income statement as soon as the expenses for which the grants have been received are incurred by MeVis. The installments received are reported under other operating income. If eligible services exceed received grants, these are capitalized under other financial assets.

Leases

A lease is classified as an operating lease if, in principle, all risks and opportunities associated with ownership are retained by the lesser. 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.

7. MATERIAL JUDGMENTS AND ESTIMATES

The preparation of the individual IFRS financial statements, as adopted in the EU, 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 statement of financial position subject to management estimates are goodwill of € 10,625 k (2016/2017: € 10,625 k) and intangible assets with a finite useful life of € 492 k; 2016/2017: € 1,097 k). In addition to the development expenses included in the intangible assets with a finite useful life with € 24 k (2016/2017: € 380 k), the proceeds that can be generated through the use of these developments have to be estimated. With regard to trade receivables (€ 4,922 k; 2016/2017: € 4,998 k), management does not expect any defaults given the limited number of customers and customers’ credit ratings. The provisions (€ 490 k; 2016/2017: € 439 k) mainly relate, in addition to pension obligations warranty costs, of

which the actual amount is uncertain. This is a general provision for warranty risks. The discharge is based on individual warranty claims asserted by the customer.

At least once a year, MeVis tests existing goodwill for impairment (€ 10,625 k; 2016/2017: € 10,625 k). The respective carrying amount of the CGU is compared to the recoverable value of the corresponding CGU, to which the goodwill is allocated. Calculation of the recoverable value of a CGU involves estimates of the corresponding cash flow and appropriate discount interest on the part of the management.

Of the revenues of € 16,758 k reported in the company's IFRS individual financial statements, Hologic as a major customer accounts for revenues of € 11,120 k, of which € 6,054 k are revenues from maintenance contracts and € 3,755 k are revenues from the sale of licenses. The maintenance contracts are usually concluded as part of the sale of new licenses, but also subsequently as an extension of the original maintenance period. The duration of the contracts is usually 12 months, so that the amounts received in advance for the term of the contracts are deferred without affecting net income. These are released to the income statement on a monthly basis in accordance with the term of the contract. License revenues result primarily from the sale of new licenses. In addition, the Company generates revenue from license upgrades for licenses that have already been sold. Hologic pays monthly installments over a period of 12 months on the basis of a plan drawn up by Hologic and agreed with the Company for the expected number of newly concluded extensions of maintenance contracts and license upgrades. The final settlement is carried out annually, in each case for the period from May 1 to April 30 of the following year. As a result, there are no final accounts for the total sales revenue of € 729 k for the months of May to September 2018. These revenues are based on the estimates and assumptions of the legal representatives, which in turn are based on assumptions made by Hologic. Therefore, these revenues are subject to uncertainties.

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

8. EFFECTS OF NEW ACCOUNTING STANDARDS

MMS AG’s individual IFRS financial statements as of September 30, 2018 including the previous year’s figures have been prepared in accordance with IFRS as adopted by the European Union as of the reporting date in question.

The applied recognition and measurement principles generally correspond to the methods used in the previous year’s consolidated financial statements. MeVis has also applied the following new/revised standards relevant to the business activities of the Company, for which application first became mandatory in the fiscal year 2017/2018. However, they had no or at least no material impact on the individual IFRS financial statements or the consolidated financial statements at the time of first application:

IAS 7 - Cashflow Statement

IAS 7 requires expanded disclosures regarding the development of liabilities in the balance sheet during the reporting period. The IASB defines financial liabilities as those "whose payments have been or will be classified as cash flows from financing activities in the cash flow statement".

MMS AG has implemented the changes to the disclosures in the notes to the financial statements in Note 29.

IAS 12 - Income Tax

The amendment clarifies the question of the recognition of deferred tax assets on temporary differences arising from unrealised losses.

The amendment has no effect on the fiscal year, as MMS AG does not recognize deferred taxes on temporary differences due to the income tax unity.

MMS AG does not plan to apply the following new or amended standards and interpretations, which are not mandatory until later financial years, at an early stage. Unless otherwise indicated, the effects on the IFRS individual financial statements of MMS AG are currently being reviewed.

ADOPTED BY THE EU

IFRS 9 - Financial Instruments

IFRS 9 adopted in July 2014 replaces the previous guidelines in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidelines on rating and measuring financial instruments as well as a new model of loan losses expected to calculate impairments on financial assets as well as new general accounting guidelines for hedging transactions. It also includes guidelines on the recognition and derecognition of financial instruments under IAS 39.

Although the new standard will also be of fundamental importance to MMS AG, but since no derivative financial instruments have been used since 2015 and the key financial instruments are restricted to original receivables with interest and redemption payments and liabilities, the effects are not considered to be so comprehensive. With regard to the new method of recognizing expected credit losses, the impact is also expected to be minor, since large parts of the receivables exist against a customer without significant loan defaults in the past.

IFRS 9 is to be applied for the first time in fiscal years beginning on or after January 1, 2018. MMS AG will apply IFRS 9 for the first time for the fiscal year beginning October 1, 2018. No material effects on the balance sheet and income statement are expected.

IFRS 15 - Revenue from Contracts with Customers and Clarifications

IFRS 15 Revenues from Contracts with Customers defines a framework for determining whether, to what extent and at what point revenues are reported. It replaces the previous guidelines on reporting revenues, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

MMS AG has concluded individual contracts with various customers which, in addition to the sale of software and licenses, also include other services, which sometimes include time-related components (multi-component contracts).

Based on the analyses performed, there are no material effects on the balance sheet and income statement at the time of transition to IFRS 15. Contrary to the current disclosure, customer prepayments in connection with maintenance contracts are no longer classified as deferred revenue but as contract liabilities.

The amendments are to be applied for the first time in fiscal years beginning on or after January 1, 2018. MMS AG applies IFRS 15 for the first time for the fiscal year beginning on October 1, 2018. The modified retrospective method is used as the transitional method. Under this method, all contracts not yet terminated as of October 1, 2018 are assessed in accordance with IFRS 15. The comparative period is not adjusted.

IFRS 16 - Leases

The IASB issued the final standard IFRS 16 “Leases” on January 13, 2016. The resultant amendments mainly affect the lessee and have the consequence that fundamentally all leases and the associated contractual rights and obligations have to be recognized in the statement of financial position of the lessee as right of use and lease liability.

MMS AG currently has several lease contracts with limited maturities (< 5 years) for office space as well as cars and copy stations. Due to the new provisions of IFRS 16, the balance sheet will be extended in this regard. To the extent that MMS AG is the lessor, the previous accounting standards have largely remained unchanged, in particular with regards to the classification of leasing conditions that are still required.

IFRS 16 shall be applied for the first time in fiscal years beginning on or after January 1, 2019. The Company does not currently intend to apply this standard at an early date. IFRS 16 would therefore have to be applied by MMS AG for the first time for the fiscal year beginning on October 1, 2019, so that the company will start a project to implement the new standard in the calendar year 2018.

Additional new Standards

With regard to the new standards listed below, the Executive Board already assumes that they will not have any material impact on the IFRS individual financial statements.

IFRS adopted by the EU	Application date [EU]
Clarification of IFRS 15 [Revenue from contracts with customers]	January 1, 2018
Amendments to IFRS 4 [Insurance contracts] Through adoption of IFRS 9 [Financial instruments]	January 1, 2018
Annual improvements to IFRS [2014-2016 cycle] - IFRS 1, IFRS 12, IAS 28	January 1, 2018
Amendments to IAS 40: Investment property	January 1, 2018
Amendments to IFRS 2: Classification and evaluation of transaction with share-based payment	January 1, 2018
Foreign currency transactions and advance consideration on IFRIC 22	January 1, 2018
Uncertainty over income tax treatments IFRIC 23	January 1, 2019
Amendments to IFRS 9: Premature refunding option with negative prepayment penalty	January 1, 2019
Amendments to IAS 28: long term investments in associates and joint ventures	January 1, 2019
Annual improvements to IFRS [2015-2017 cycle] - IFRS 3, IFRS 11, IAS 12, IAS 23	January 1, 2019
Amendments to IAS 1: Presentation of financial statements	January 1, 2020
Amendments to IAS 8: Accounting policies, changes in accounting estimates and errors	January 1, 2020
Amendments to IAS 19: Employee benefits	January 1, 2020
Insurance contracts IFRS 17	January 1, 2021

NOTES TO THE INCOME STATEMENT

9. REVENUES

Revenues break down by type as follows:

FIGURES IN € k	2017/2018	2016/2017
Maintenance (software service contracts)	7,066	7,528
Software and licenses	5,162	5,652
Services	4,523	5,350
Hardware	7	10
	16,758	**18,540**

The breakdown by segments is disclosed in the segment report (see Note 30).

The revenues 2017/2018 do not include any service revenues determined using the stage-of-completion method (2016/2017: € 182 k). The accumulated costs of the service revenues deferred at the reporting date are € 1,636 k (2016/2017: € 1,636 k).

10. OTHER OPERATING INCOME

FIGURES IN € k	2017/2018	2016/2017
Income from recharges	1,149	939
Other	85	77
	1,234	**1,016**

11. COST OF MATERIALS/SERVICES PURCHASED

FIGURES IN € k	2017/2018	2016/2017
Cost of services purchased	380	378
Cost of materials	94	128
	474	**506**

12. STAFF COSTS

FIGURES IN € k	2017/2018	2016/2017
Wages and salaries	6,623	6,763
Social security charges and expenditure on old age pensions and support	1,208	1,175
	7,831	**7,938**

Social security and old-age pension and related expenses include the employer contribution to the government pension plan for employees of € 557 k (2016/2017: € 543 k). In the reporting period the average headcount was 105 (2016/2017: 105). The average figures do not include the Executive Board. There were no commercial and executive employees in the current fiscal year (2016/2017: commercial: 0, executive: 1). This is equivalent to an average of 94 full-time positions (2016/2017: 93).

13. OTHER OPERATING EXPENSES

FIGURES IN € k	2017/2018	2016/2017
Rental expenses/Leasing	598	592
Travel expenses	204	227
Severance payments	175	0
Legal and consulting costs	157	242
Maintenance/repairs	153	198
Vehicle costs	83	78
Training costs	62	71
Internet expense	61	69
Energy costs	58	65
Stationary	55	45
Cleaning expenses	47	38
Events/Congresses	43	35
Expenses of the Annual General Meeting	42	35
Catering expenses	41	33
External work	40	33
Others	265	172
	2,084	**1,933**

14. DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

FIGURES IN € k	2017/2018	2016/2017
Amortization of purchased industrial property rights and similar rights and customer base	354	354
Amortization of capitalized development costs	356	693
Depreciation of property, plant and equipment	199	170
Total depreciation, amortization and impairment losses	**909**	**1,217**

15. INTEREST INCOME / INTEREST EXPENSE AND OTHER NET FINANCIAL RESULT AS WELL AS EARNINGS FROM EQUITY COMPANIES

MMS AG's financial result for the 2017/2018 fiscal year amounted to € 563 k (2016/2017: € -794 k). It comprises the result from equity investments of € 458 k (2016/2017: € 533 k), interest income from the investment of cash and cash equivalents and the issue of a loan (LaR) of € 158 k (2016/2017: € 159 k), interest expenses of € 15 k (2016/2017: € 8 k) and the other financial result of € -38 k (2016/2017: € -1,478 k). The other financial result includes the balance of income and expenses from exchange rate differences of € -21 k (2016/2017: € -1,459 k) and other expenses of € 17 k (2016/2017: € 19 k).

16. INCOME TAX

FIGURES IN € k	2017/2018	2016/2017
Current income taxes reporting period	86	1,532
Current income taxes previous period	0	14
Deferred taxes	0	0
	86	**1,546**

Deferred tax assets and liabilities for temporary differences are to be calculated on the basis of an income tax rate of 32.28 % (2016/2017: 31.9 %).

When calculating deferred tax assets on loss carryforwards, each loss carryforward is generally assessed at the relevant tax rate. In Germany (Bremen) this is 16.45 % for trade tax loss carryforwards and 15.8 % for corporation tax loss carryforwards.

On August 10, 2015, VMS Deutschland Holdings GmbH and MMS AG concluded a domination and profit and loss transfer agreement with its majority shareholder at that time, VMS Deutschland Holdings GmbH. As there was no full-year financial integration in fiscal year 2015, the fiscal unity for income tax purposes did not begin until January 1, 2016. In 2016, MMS AG's fiscal year was also changed to a different fiscal year from October 1 to September 30, resulting in a short fiscal year from January 1 to September 30, 2016. Due to the fiscal unity that existed from 2016, no deferred taxes were recognized on temporary differences and loss carryforwards of the Company as of September 30, 2016.

With the spin-off and takeover agreement dated December 28, 2016 as well as the approval resolutions of the Annual General Meeting of Varex Imaging Deutschland AG on December 28, 2016 and the shareholders' meeting of VMS Deutschland Holdings GmbH on December 28, 2016, VMS Deutschland Holdings GmbH has hived off its shares in MMS AG to Varex Imaging Deutschland AG. The spin-off was entered in the commercial register of VMS Deutschland Holdings GmbH on October 12, 2017. The domination and profit and loss transfer agreement was transferred to Varex Imaging Deutschland AG as part of the general legal succession.

As there was no full-year financial integration into Varex Imaging Deutschland AG in the fiscal year ending September 30, 2017, the Company was liable for the current income taxes of the fiscal year 2016/2017. The Company assumes that the financial integration into Varex Imaging Deutschland AG took place on January 1, 2017, as the date of the transfer of beneficial ownership of the shares of MMS AG. Accordingly, the shares in MMS AG were recognized in the HGB financial statements of Varex Imaging Deutschland AG as of September 30, 2017. As of September 30, 2017, it was therefore to be assumed that the income tax unity would become effective as of October 1, 2017. In accordance with its formal approach, MMS AG therefore did not recognize deferred taxes on temporary differences in its IFRS individual financial statements as of September 30, 2017.

As the fiscal year 2018 is also expected to continue as a fiscal unity for income tax purposes, no deferred taxes were recognized on temporary differences of the Company as of September 30, 2018.

Deferred tax assets on loss carryforwards would have to be recognized if they were expected to be usable in the foreseeable future - within 3 years - taking into account the minimum taxation. Although the existing trade tax loss carryforwards are indefinite, they cannot be used in the foreseeable future due to the income tax unity with Varex Imaging Deutschland AG that has existed since 1 October 2017. Deferred tax assets on losses carried forward were therefore not capitalized either.

The reconciliation from theoretical to effective tax expense is as follows:

FIGURES IN € k	**2017/2018**	**2016/2017**
Earnings before taxes (EBT)	7,257	7,168
Theoretical tax expense 32.28 %	2,342	2,286
Non-tax-deductible expenses	33	171
Tax-free income	-89	-102
Utilization of unrecognized tax loss carry forwards	0	-729
Recognition of previously unrecognized (removal of previously recognized) deductible temporary differences	75	-60
Effects of fiscal unity on temporary differences	-2,275	0
Changes in estimates from previous years	0	14
Other effects	0	-34
Effective tax expense	**86**	**1,546**
Effective tax rate	1 %	21.5 %

Deferred tax assets on loss carryforwards are calculated as follows:

FIGURES IN € k	2017/2018	2016/2017
Corporation tax loss carryforwards	0	0
Trade tax loss carryforwards	2,008	2,008
Deferred tax assets gross	**330**	**324**
Non-recognized deferred tax assets on loss carryforwards	-330	-324
Deferred tax assets on tax loss carryforwards net	**0**	**0**

17. 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 fiscal year. Earnings per share (fully diluted) are calculated on the assumption that all securities, stock options and stock awards with a potentially dilutive effect are converted or exercised.

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

As of the balance sheet date, there were no more outstanding stock options.

	2017/2018	2016/2017
Consolidated net profit in € k	7,171	5,622
Weighted average of shares outstanding during the reporting period - basic	1,820,000	1,820,000
Dilution through stock options	0	0
Weighted average of shares outstanding during the reporting period - diluted	1,820,000	1.820,000
Basic earnings per share in €	**3.94**	**3.09**
Diluted earnings per share in €	**3.94**	**3.09**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

18. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The development in acquisition and production costs and cumulative amortization of intangible assets (including goodwill) as well as property, plant and equipment for the fiscal year 2017/2018 and the fiscal year 2016/2017 are shown in the statement of changes in fixed assets in the annexes to the notes.

Carrying amounts

FIGURES IN € k			**Assets and other rights**	
	Acquired intangible assets with a finite useful life	Internally generated intangible assets with a finite useful life	Goodwill	Total
Balance on Sep. 30, 2018	468	24	10,625	11,117
Balance on Sep. 30, 2017	717	380	10,625	11,722

In accordance with IAS 38, no software development costs were capitalized in the fiscal year 2017/2018, same as in the previous year, as internally generated intangible assets with a finite useful life. As in the previous year, no services that can be capitalized were purchased. Depreciation and amortization of € 356 k (2016/2017: € 693 k) was attributable to capitalized development costs in the period under review.

Goodwill was assigned to specific cash generating units (CGUs) on the acquisition date for the purpose of future impairment tests. The annual date for which the impairment test is to be carried out is set for the first time to the September, 30 (until 2015: December, 31). The cash generating units along with their respective goodwill as of the reporting date are shown at their carrying amounts in the following table.

Carrying amounts by cash generating units

FIGURES IN € k	**2017/2018**	**2016/2017**
	Goodwill	Goodwill
Digital Mammography		
Hologic-Business	10,479	10,479
Other Operating Activities		
Business unit Distant Services	146	146

As part of the impairment test as of September 30, 2018, goodwill was tested for impairment. In accordance with IAS 36, an impairment loss is recognized for an impairment loss if the recoverable amount of the cash-generating unit is lower than its carrying amount. The recoverable amount was determined as the higher of the fair value less costs to sell and the value in use of the cash-generating unit using a DCF method. The starting point was the recoverable cash flows forecast by the Company over a detailed planning horizon of 5 years. The chosen planning horizon reflects the market development expected by management in the short to medium term. In addition, a going-concern value was recognized for the cash-generating unit. The going concern value corresponds to the present value of the free cash flows at the end of the detailed forecast period. The underlying growth rate is 0.0 % (2016/2017: 0.0 %). For the Hologic CGU, a decrease in cash flows of 30 % per year was assumed for the years beyond the five-year planning period, as the company's management, based on historical experience at the end of the planning horizon, assumes a steady decline in business with new licenses and maintenance contracts with Hologic, whereby a conservative discount was still taken into account. By far the most significant planning assumption for the Hologic CGU is revenue development, which was based on management estimates of license revenues and the development of the maintenance business in the coming years. The assumptions regarding the development of the employees working for these CGUs and the associated expenses as well as the discount rate are of significantly less significance. Since the cash flows are generated almost exclusively in the US dollar zone, the calculation was made on a US dollar basis. The discount rate used for the detailed planning phase was 8.37 % after

taxes or 31.82 % before taxes (2016/2017: 8.30 % after taxes or 27.11 %). The fair value determined in this way is allocated to the fair value hierarchy category 3.

The impairment tests in accordance with IAS 36 for the CGUs Hologic and Distant Services did not result in any impairment for the 2017/2018 fiscal year.

For the CGU Hologic, the recoverable amount as of September 30, 2018 was € 0.3 million higher than the carrying amount of this cash-generating unit. As the value in use is higher than the fair value less costs to sell, this was used as the recoverable amount. A 10 % decrease in sales compared to the planning assumptions would have resulted in an impairment of goodwill of € 1.2 million for the CGU Hologic. In this case, the value in use of this CGU no longer provides sufficient cover for the corresponding carrying amount. With sales down by 1.75 %, the value in use corresponds just to the carrying amount. An increase in the discount rate before taxes by 10 % to 35.00 % would have resulted in an impairment loss of € 0.1 million. There is currently no need for impairment if the discount rate before taxes increases by 6.66 % to 33.94 %.

In the 2017/2018 fiscal year, the development of property, plant and equipment was mainly characterised by investments in IT equipment. In total, investments in property, plant and equipment amounted to € 103 k (2016/2017: € 170 k).

Research and Development

Overall, the expenses for research and development totaled € 3,417 k (2016/2017: € 3,576 k) in the fiscal year 2017/2018.

19. TRADE RECEIVABLES, OTHER FINANCIAL ASSETS AND OTHER ASSETS

Trade receivables

An adjustment of € 9 k (2016/2017: € 9 k) 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 credit rating of the individual debtors was identified and it is therefore assumed that the unadjusted amounts owing will be paid in due course. The average age of the overdue receivables of € 1,259 k (2016/2017: € 235 k) is 65 days (2016/2017: 98 days). The Company does not hold any collateral for these outstanding items.

Of the total amount of trade receivables of € 4,922 k (2016/2017: € 4,998 k) € 3,286 k (2016/2017: € 3,362 k) are due for settlement within one year and € 1,636 k (2016/2017: € 1,636 k) have a remaining term of more than one year.

FIGURES IN € k			**of which: not impaired as of the reporting 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	more than 180 days
Trade receivables								
as of Sep. 30, 2018	4,922	9	3,672	441	553	49	96	120
as of Sep. 30, 2017	4,998	9	4,772	59	27	4	5	140

As in the previous year, payments for trade receivables, already derecognized, have not been received.

Trade receivables of € 2,488 k (2016/2017: € 3,098 k) are held in USD.

The receivables, which are neither past due nor impaired, mainly relate to the main customer Hologic, Inc. with whom long business relationships are maintained. In the past, no impairment losses were recognized, so that the default risk is considered to be low.

Trade receivables include receivables determined by using the stage-of-completion-method in the amount of € 1,636 k (2016/2017: € 1,636 k) with a remaining term of more than one year. Discounting is not required.

Other financial assets

FIGURES IN € k	2017/2018	2016/2017
Loans	16,411	0
Interest receivables from loans	153	0
Other receivables	134	148
Other	0	2
	16,698	**150**

The loan of USD 19.2 million granted to Varex Imaging Deutschland AG has been in existence since 16 October 2017 and bears interest at a rate of 1 % per annum. The fair value of the loan receivable corresponds essentially to the book value.

Other receivables are fully due from MBC KG.

Other financial assets are due for settlement within one year within the following maturity bands:

FIGURES IN € k			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 360 days	more than 360 days
Other financial assets							
as of Sep. 30, 2018	16,698	0	287	0	0	0	16,411
as of Sep. 30, 2017	150	0	150	0	0	0	0

With regard to other financial assets, there are no indications at the balance sheet date that the debtors will not meet their payment obligations at maturity.

Other assets

Other assets mainly consist of accruals of € 105 k (2016/2017: € 167 k).

20. CASH

The assets contained in this item comprise demand deposits and overnight deposits of € 3,475 k (2016/2017: € 29,734 k) subject to interest of to 0.60 % (prev. year: to 0.93 % p.a.). In addition, there is cash on hand of € 2 k (2016/2017: € 1 k).

21. SHAREHOLDERS' EQUITY

The changes in subscribed capital, the share premium, the revaluation reserve and retained earnings are shown in the statement of changes in shareholders' equity.

Subscribed capital

The share capital of MMS AG totals € 1,820,000 (2016/2017: € 1,820,000) and comprises 1,820,000 (2016/2017: 1,820,000) shares without par value.

As at September 30, 2017 and as at September 30, 2016 there is an authorized capital in the amount of € 910 k. In accordance with the resolution passed by the shareholders at the Annual General Meeting on June 9, 2015, the Executive Board is authorized, subject to the Supervisory Board's approval, to increase the Company's share capital by a total of up to € 910 k on or before June 8, 2020.

Capital reserve

The capital reserve of € 7,475 k (2016/2017: € 7,475 k) mainly results from the premium of € 28,080 k from the capital increase of MMS AG in 2007, which took place within the scope of an IPO. Net IPO expenses of € 1,139 k were deducted from equity. This includes tax relief of € 505 k. The sale of treasury stock resulted

in an increase of € 1,314 k in 2007 and an amount of € 321 k (2016/2017: € 321 k) attributable to stock options is also shown in the capital reserve. Due to the surrender of treasury stock with a value below acquisition cost, € 434 k was offset against capital reserves in 2011.

As at December 31, 2013, € 18,325 k was withdrawn from the capital reserve to compensate the accrued losses of MMS AG.

On February 18, 2015, the Company tendered its entire treasury shares based on the voluntary public takeover offer of VMS Deutschland Holdings GmbH at the offer price of € 17.50 per share. The tender was accepted by VMS Deutschland Holdings GmbH on April 21, 2015. The difference of € 1,593 k resulting from book value of treasury shares totaling € 3,300 k and the selling price in the amount of € 1,707 k, reduced the capital reserve to € 8,207 k.

In fiscal year 2016/2017, the capital reserve was reduced by € 750 k due to the redemption of claims from share-based payments.

The capital reserve of MMS AG, which amounts to € 7,475 k as of the balance sheet date, is not available for dividend distribution.

Revaluation reserve

The assets and liabilities of MBS KG had to be completely revalued 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. To the extent that this increase in value was attributable to the 51 % interest in MBS KG already held by the Company, the difference had to be allocated to the revaluation reserve. The amount of € 1,688 k allocated comprised intangible assets of € 2,411 k less deferred taxes of € 723 k thereon. Amounts corresponding with the amortization recognized on these assets are transferred proportionately to retained earnings. With the merger of MBS KG into MMS AG in the fiscal year 2013, the values from the revaluation reserve were also transferred into the individual IFRS financial statements.

FIGURES IN € k	2017/2018	2016/2017
Status as at Oct. 1, 2017 (prev. year: Oct. 1, 2016)	**226**	**326**
Transfer to retained earnings within equity without impacting profit or loss of the amount corresponding with the amortization and the deferred taxes thereon	-87	-100
Status as at Sep. 30, 2018 (prev. year: Sep. 30, 2017)	**139**	**226**

Retained earnings

Retained earnings include statutory reserves pursuant to Section 150 of the German Stock Corporation Act of € 5 k. In accordance with Section 150 (2) of the Stock Corporation Act no further statutory reserves are necessary. In addition, this item includes accumulated gains and losses from previous years and the earnings for the current fiscal year as well as actuarial gains and losses (net of deferred tax).

The change in retained earnings is shown in the following table:

FIGURES IN € k	2017/2018	2016/2017
Status as at Oct. 1, 2017 (prev. year: Oct. 1, 2016)	**4,540**	**4,540**
Retained earnings	0	0
Status as at Sep. 30, 2018 (prev. year: Sep. 30, 2017)	**4,540**	**4,540**

The changes in actuarial gains and losses are shown in the following table:

ANGABEN IN TAUSEND €	2017/2018	2016/2017
Status as at Oct. 1, 2017 (prev. year: Oct. 1, 2016)	**-225**	**-180**
Actuarial gains and losses	-4	-45
Status as at Sep. 30, 2018 (prev. year: Sep. 30, 2017)	**-229**	**-225**

The retained earnings were reduced by the transferred profits in favor of VMS Deutschland Holdings GmbH in the amount of € 7,619 k (2016/2017: € 5,211 k) due to the domination and profit and loss transfer agreement effective since October 20, 2015.

22. PROVISIONS

Pension provisions (non-current)

Provisions for pensions reported in the statement of financial position break down as follows:

FIGURES IN € k	2017/2018	2016/2017
Defined benefit obligation	707	688
Reinsurance	-380	-387
Reported in statement of financial position	**327**	**301**

Provisions for pensions relate to defined benefit plans. Retirement capital from reaching the age of 63 years and surviving dependents' capital have been promised. The extent of the benefits varies in principle according to the conversion of remuneration and an annual interest rate of 4 %. The underlying discount rate is 2.20 % (2016/2017: 2.20 %). Pension and related benefits as well as the expenditure necessary to cover these obligations are valued and accounted for according to the projected unit credit method stipulated in IAS 19 "Employee Benefits". Biometric probabilities based on Heubeck's 2018G guideline tables are also used. Future annual increases in income and entitlements by the time a pension can first be drawn are not taken into account if the entitled party does not have a corresponding claim. The plan was completed in 2013. Apart from the payments already made, no further payments under the plan are due before 2020. No further contributions are made to the plan.

The change in the present value of entitlements determined pursuant to IAS 19 is shown in the following table:

FIGURES IN € k	2017/2018	2016/2017
Defined benefit obligation at the beginning of the fiscal year	688	635
Interest cost of acquired rights	15	8
Actuarial losses	4	45
Defined Benefit Obligation at the end of the fiscal year	**707**	**688**

A reduction of 0.5 percentage points in the interest rate for calculation purposes, to 1.70 % (2016/2017: 1.70 %), would increase the defined benefit obligation (DBO) disclosed above to € 810 k (2016/2017: € 793 k) as of the September 30, 2018 valuation date. An increase of 0.5 percentage points in the interest rate for calculation purposes, to 2.70 % (2016/2017: 2.70 %), would decrease the defined benefit obligation (DBO) disclosed above to € 620 k (2016/2017: € 600 k) as of the September 30, 2018 valuation date.

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

FIGURES IN € k	2017/2018	2016/2017
Interest expense: interest on the entitlements already vested	15	8
Net pension expenditure on benefit obligations	**15**	**8**

To secure the employees' pension claims, MeVis has taken out reinsurance, which is pledged to the individual employees. The employees are entitled to the higher of the pension claim or reinsurance coverage. As of September 30, 2018 the fair value of reinsurance amounted to € 380 k (2016/2017: € 387 k), and thus remained as in the previous year below the defined benefit obligation amount.

The development of claims under reinsurance policies is shown in the following table:

FIGURES IN € k	2017/2018	2016/2017
Status at the beginning of the reporting year	**387**	**366**
Payouts	**-12**	**0**
Added value	5	21
Status at the end of the reporting year	**380**	**387**

The profits from the appreciation in value of the reinsurance were charged to staff costs. Over the next five years, pension obligations are payable only to a small extent. Because of the reinsurance policies, the liquidity exposure of the Company from this is minor.

Other provisions (current)

Current provisions developed as follows in fiscal year 2017/2018:

FIGURES IN € k	Status at Oct. 1, 2017	Utilization	Addition	Accrued interest	Release	Status at Sep. 30, 2018
Warranty provisions	138	0	25	0	0	163
Other provisions	**138**	**0**	**25**	**0**	**0**	**163**

The warranty provisions relate to contractual warranty obligations to customers.

23. OTHER CURRENT LIABILITIES

Other financial liabilities contain the following items:

FIGURES IN € k	2017/2018	2016/2017
Liabilities to affiliated companies	1,619	9,368
Staff liabilities	1,042	2,025
Other financial liabilities	**2,661**	**11,393**

Liabilities to affiliated companies of € 1,619 k relate to the profit transfer under commercial law based on the existing domination and profit and loss transfer agreement with Varex Imaging Deutschland AG in the amount of € 7,619 k, which were offset against claims from funds transferred to Varex Imaging Deutschland AG during the year in the amount of € 6,000 k.

Staff liabilities primarily comprise of the costs for the 13th salary and the cost of bonuses.

24. 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.

25. MISCELLANEOUS OTHER LIABILITIES

Miscellaneous other liabilities contain the following items:

FIGURES IN € k	2017/2018	2016/2017
Current tax liabilities	176	142
Payments received	114	21
Salary liabilities	36	24
Other	10	17
Miscellaneous other liabilities	**336**	**204**

The payments received relate mainly to payments for maintenance from Hologic, Inc.. The current tax liabilities relate to income tax and church tax as well as value added tax.

26. CONTINGENT LIABILITIES

MMS AG is under an obligation to grant a loan of up to € 820 k to the MBC KG joint venture at standard bank conditions in the event that the latter company's capital requirements exceed the capital contributions paid in by the partners. Given the economic situation of MBC KG a claim is currently not expected.

27. FINANCIAL OBLIGATIONS

FIGURES IN € k	Total	less than 1 year	1 to 5 years	over 5 years
Rental contracts	2,368	526	1,842	0
Leasing contracts	182	81	101	0
Total financial obligations as of Sep. 30, 2018	**2,550**	**607**	**1,943**	**0**
Rental contracts	2,894	526	2,105	263
Leasing contracts	121	66	55	0
Total financial obligations as of Sep. 30, 2017	**3,014**	**592**	**2,160**	**263**

The rental contracts are mainly leases with limited terms for office space. In addition to the option already exercised to extend the contract by 5 years, the lease for the office space has an additional option to extend it by 5 years. Rental expenses of € 526 k (2016/2017: € 526 k) were incurred in the fiscal year, which are reported under other operating expenses.

All of the leases for passenger vehicles and copiers of MMS AG in 2017/2018 are operating leases. Economic ownership of these leased assets remains with the respective lessor. MMS AG recognizes lease payments as expense. In 2017/2018, a total of € 72 k (2016/2017: € 66 k) was included in other operating expenses.

28. MANAGEMENT OF FINANCIAL RISKS

In the course of its operations, MMS AG is primarily exposed to exchange rate fluctuations due to its international business activities.

Besides, MMS AG is exposed to financial risks in the form of liquidity and default risk.

Management of exchange risk

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

Liquidity risk

The Company requires sufficient liquid funds to settle its financial obligations. Liquidity risks arise when customers are unable to meet their obligations to the Company in the course of normal business. As of the reporting date the Company has cash and cash equivalents in the amount of € 3,477 k (2016/2017: € 29,735 k).

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 those business partners with a favorable credit rating. As three customers account for most of the Company'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 enhanced risk of default. Provision has been made in the statement of financial position 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).

Listed market prices (category 1) and other observable information (category 2) are currently not used by the Company. The third category applies to the other financial instruments of the Company.

FIGURES IN € k	**2017/2018**	**2016/2017**
Category 3 (other financial assets)	21,620	5,148
Financial assets	**21,620**	**5,148**
Category 3 (other financial liabilities)	2,997	11,672
Financial liabilities	**2,997**	**11,672**

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

Financial assets and financial liabilities

The carrying amount of liquid assets, current trade receivables, other financial assets, trade payables and other financial liabilities essentially corresponds to the fair value due to the relatively short-term maturity of these financial instruments. Non-current trade receivables relate to receivables from development contracts, so that the carrying amount is also close to fair value. Where no quoted market prices are available, the fair values of publicly traded financial instruments are estimated on the basis of quoted market prices for identical or similar investments. For all other financial instruments, an estimate of the fair value has been made based on the expected cash flow or the underlying net assets of each asset. All carrying amounts are more or less the same as the fair value of the items in question.

The carrying amounts, measurement and fair values of the financial instruments are presented below by valuation categories:

FIGURES IN € k	IAS 39 category	Carrying amount as of Sep. 30, 2018	Amortized cost
Assets			
Trade receivables	LaR	4,922	4,922
Other financial assets	LaR	16,698	16,698
Cash	LaR	3,477	3,477
Equity and liabilities			
Trade payables	FLAC	336	336
Other current financial liabilities	FLAC	2,661	2,661
Of which aggregated by IAS 39 category:			
Loans and Receivables	LaR	25,097	25,097
Financial Liabilities measured at amortised Costs	FLAC	2,997	2,997

FIGURES IN € k	IAS 39 category	Carrying amount as of Sep. 30, 2017	Amortized cost
Assets			
Trade receivables	LaR	4,998	4,998
Other financial assets	LaR	150	150
Cash	LaR	29,735	29,735
Equity and liabilities			
Trade payables	FLAC	279	279
Other current financial liabilities	FLAC	11,393	11,393
Of which aggregated by IAS 39 category:			
Loans and Receivables	LaR	34,883	34,883
Financial Liabilities measured at amortised Costs	FLAC	11,672	11,672

The contractually agreed (non-discounted) interest and capital payments for the primary financial liabilities break down as follows as of the reporting date.

FIGURES IN € k		**Cash flow 2019**			**Cash flows 2020-2023**			**Total**		
	Carrying amount Sep. 30, 2016	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	2,661	0	0	2,661	0	0	0	0	0	2,661

FIGURES IN € k		**Cash flow 2018**			**Cash flows 2019-2022**			**Total**		
	Carrying amount Sep. 30, 2017	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	11,393	0	0	11,393	0	0	0	0	0	11,393

Net gains/losses by category break down as follows:

	from subsequent measurement				Net result	
FIGURES IN € k	from interests	at fair value	Currency translation	Derecognition of receivables and liabilities	**2017/ 2018**	**2016/ 2017**
Loans and Receivables (LaR)	158	0	-21	0	137	-1,300
Derivate	0	0	0	0		0
Financial Liabilities measured at Amortised Costs (FLAC)	0	0	0	0	0	-8
					137	**-1,308**

Sensitivity analysis

To reflect market risks, IFRS 7 prescribes sensitivity analyses showing the effects of hypothetical changes in the relevant risk variables on earnings and shareholders' equity. MMS AG is mainly exposed to exchange rate risk. If one considers the receivables portfolio, which has a USD balance sheet value equivalent to € 2,488 k (2016/2017: € 3,098 k) as of September 30, 2018, the resulting elasticity is € 507 k (2016/2017: € 631 k) with a change in the US dollar exchange rate of +/-10 %. Taking these valuation bands into account, the elasticity of the other financial assets, which have a USD portfolio converted into € 16,564 k (2016/2017: € 0 k), the resulting elasticity is € 3,370 k (2016/2017: € 0 k), and for the liquid funds, which have a USD portfolio of € 2,779 k (2016/2017: € 28,517 k), an elasticity of € 561 k (2016/2017: € 5,761 k) as at September 30, 2018.

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 statement of financial position.

FIGURES IN € k	**2017/2018**	**2016/2017**
Other financial liabilities	2,661	11,393
Gross financial liabilities	**2,661**	**11,393**
Cash	3,477	29,735
Other financial assets	16,698	150
Gross financial receivables	**20,175**	**29,885**
Net financial receivables	**17,514**	**18,492**
Economic capital	**32,059**	**32,511**

29. DISCLOSURES ON THE STATEMENT OF CASH FLOWS

The statement of cash flows 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.

The reconciliation of financial liabilities is as follows:

FIGURES IN € k	2017/2018	2016/2017
As of Oct. 1, 2017 (Prev. year: Oct. 1, 2016)	**9,368**	**4,157**
Obligation to shareholders arising from profit transfer	7,619	5,211
Payments to shareholders from profit transfer	-15,368	0
As of Sep. 30, 2018 (Prev. year: Sep. 30, 2017)	**1,619**	**9,368**

30. SEGMENT REPORTING

As of September 30, 2018, the Company's activities were divided into the reportable segments of Digital Mammography, Development Services, and Other Operating Activities. The management of each of these segments reports directly to the Management Board of MMS AG in its capacity as the responsible corporate body.

The Development Services segment became significant in the fiscal year because the revenues of this segment exceed the quantitative threshold of at least 10% of the Company's total revenues as defined in IFRS 8.13 (a). Accordingly, the prior year comparatives have been restated in accordance with IFRS 8.18.

Since the Digital Mammography and Development Services segments together account for more than 75 % of MMS AG's revenues, the non-reportable business segments were combined and presented in the "Other Operating Activities" category.

Revenues and segment earnings, which correspond to earnings before interest and taxes (EBIT), are the key parameters for assessing and controlling the earnings position of a segment.

The breakdown of the segments is as follows:

	Digital Mammography		Development Services		Other Operating Activities		MMS AG	
FIGURES IN € k	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Revenues	10,944	12,462	2,406	460	3,408	5,618	16,758	18,540
Total segment revenues	**10,944**	**12,462**	**2,406**	**460**	**3,408**	**5,618**	**16,758**	**18,540**
Depreciation and amortization	-706	-1,049	-71	-17	-132	-151	-909	-1,217
Operating expenses	-3,140	-3,014	-1,750	-532	-3,415	-4,898	-8,305	-8,444
Result of operating activities	**7,098**	**8,399**	**585**	**-89**	**-139**	**569**	**7,544**	**8,879**
Other operating income	466	369	267	66	501	581	1,234	1,016
Other operating expenses	-811	-733	-443	-121	-830	-1,079	-2,084	-1,933
Segment net profit and loss (EBIT)	**6,753**	**8,035**	**409**	**-144**	**-468**	**71**	**6,694**	**7,962**

The assets and liabilities are not part of internal reporting to the Executive Board.

Revenues in the Digital Mammography are generated exclusively with the customer Hologic Inc.

Segmentation of external revenues by geographical regions is as follows:

	Digital Mammography		Development Services		Other Operating Activities		MMS AG	
FIGURES IN € k	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
USA	10,944	12,462	1,733	460	2,224	2,674	14,901	15,596
Europa	0	0	673	0	1,184	2,944	1,857	2,944
Externe Erträge	**10,944**	**12,462**	**2,406**	**460**	**3,408**	**5,618**	**16,758**	**18,540**

31. RELATED PARTIES

The Company 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.

Related parties and companies include the joint ventures, MBC KG and MBC GmbH, Varex Imaging Deutschland AG and, via this entity, the affiliated companies of the Varex Group, as well as the Executive Board and Supervisory Board and their close family members.

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

FIGURES IN € k	2017/2018	2016/2017
Joint Ventures		
Receivables	134	148
Income (from services)	1,289	1,546
Expenses	24	2
Parent company		
Receivables (from granting of loans)	16,564	0
Liabilities (from profit and loss transfer agreement)	1,619	9,368
Income (from services)	1,433	439

Information on the remuneration of Board members are included in note 34.

32. 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 Section 21 et seq. of the German Securities Trading Act (WpHG) concerning changes in the voting rights held in MMS AG:

1) On March 30, 2015, Oppenheim Asset Management Services S.à.r.l., Luxembourg, Luxembourg, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 % threshold of the voting rights on March 24, 2015 and on that day amounted to 3.012 % (corresponding with 54,820 voting rights).

   On March 30, 2015, TBF Gesellschaft mit beschränkter Haftung, Singen, Germany, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 % threshold of the voting rights on March 24, 2015 and on that day amounted to 3.012 % (corresponding with 54,820 voting rights). 3.012 % of voting rights (corresponding with 54,820 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 6 in connection with sentence 2 WpHG. Attributed voting rights are held by the following shareholders, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: Oppenheim Asset Management Services S.à.r.l.

   On March 30, 2015, TBF Global Asset Management GmbH, Singen, Germany, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 % threshold of the voting rights on March 24, 2015 and on that day amounted to 3.012 % (corresponding with 54,820 voting rights). 3.012 % of voting rights (corresponding with 54,820

voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 6 WpHG. Attributed voting rights are held by the following shareholders, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: Oppenheim Asset Management Services S.à.r.l.

On March 30, 2015, Mr. Peter Dreide, Germany, informed us according to Section 21 (1) WpHG that his share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 % threshold of the voting rights on March 24, 2015 and on that day amounted to 3.012 % (corresponding with 54,820 voting rights). 3.012 % of voting rights (corresponding with 54,820 voting rights) are attributed to Mr. Dreide in accordance with Section 22 (1) Sentence 1 No. 6 in connection with sentence 2 WpHG. Attributed voting rights are held by the following shareholders, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: Oppenheim Asset Management Services S.à.r.l.

2) On April 21, 2015, VMS Deutschland Holdings GmbH, Darmstadt, Germany, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % threshold of the Voting Rights on April 21, 2015 and on that day amounted to 73.52 % (corresponding with 1,337,995 Voting Rights).

   On April 21, 2015, Varian Medical Systems International AG, Cham, Switzerland, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % threshold of the voting rights on April 21, 2015 and on that day amounted to 73.52 % (corresponding with 1,337,995 voting rights). 73.52 % of voting rights (corresponding with 1,337,995 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: VMS Deutschland Holdings GmbH.

   On April 21, 2015, Varian Medical Systems Nederland BV, Houten, Netherlands, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % threshold of the voting rights on April 21, 2015 and on that day amounted to 73.52 % (corresponding with 1,337,995 voting rights). 73.52 % of voting rights (corresponding with 1,337,995 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 WpHG . Attributed voting rights are held by the following companies under its control, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: VMS Deutschland Holdings GmbH, Varian Medical Systems International AG.

   On April 21, 2015, Varian Medical Systems Nederland Holdings BV, Houten, Netherlands, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % threshold of the voting rights on April 21, 2015 and on that day amounted to 73.52 % (corresponding with 1,337,995 voting rights). 73.52 % of voting rights (corresponding with 1,337,995 voting rights) are attributed to the company in accordance with Section 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: VMS Deutschland Holdings GmbH, Varian Medical Systems International AG, Varian Medical Systems Nederland BV.

   On April 21, 2015, Varian Medical Systems, Inc., Wilmington, Delaware, United States, informed us according to Section 21 (1) WpHG that its share of the voting rights on MeVis Medical Solutions AG, Bremen, Germany, exceeded the 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % threshold of the voting rights on April 21, 2015 and on that day amounted to 73.52 % (corresponding with 1,337,995 voting rights). 73.52 % of voting rights (corresponding with 1,337,995 voting rights) are attributed to the company in accordance Section 22 (1) Sentence 1 No. 1 WpHG. Attributed voting rights are held by the following companies under its control, whose share of the voting rights in MeVis Medical Solutions AG amounts to 3 % or more: VMS Deutschland Holdings GmbH, Varian Medical Systems International AG, Varian Medical Systems Nederland BV, Varian Medical Systems Nederland Holdings BV.

   On January 5, 2017, Varex Imaging Deutschland AG, Willich, Germany, informed us according to Section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany,

exceeded the 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 % and 50 % threshold of the Voting Rights on April 21, 2015 and on that day amounted to 73.52 % (corresponding with 1,337,995 Voting Rights).

3) On January 5, 2017, Varex Imaging Deutschland AG, Willich, Germany, informed us according to section 21 (1) WpHG that on December 31, 2016, Varex Imaging Deutschland AG, Willich, Germany, received an authorization from VMS Deutschland Holdings GmbH to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without any instructions and for an unlimited period of time. On this date, 73.65 % of the voting rights were attributed to Varex Imaging Deutschland AG in accordance with section 22 (1) (this corresponds to 1,340,498 voting rights).

   On January 5, 2017 Varex Imaging Investments BV, Dinxperlo, Netherlands, informed us according to section 21 (1) WpHG that its subsidiary, Varex Imaging Deutschland AG, Willich, Germany, received an authorization from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without any instructions and for an unlimited period of time. On that day 73.65 % of the voting rights were attributed to the company according to section 22 (1) (this corresponds to 1,340,498 voting rights).

   On January 5, 2017 Varex Imaging Investments Holding BV, Dinxperlo, Netherlands, informed us according to section 21 (1) WpHG that its sub-subsidiary, Varex Imaging Deutschland AG, Willich, Germany, received an authorization from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without any instructions and for an unlimited period of time. On that day 73.65 % of the voting rights were attributed to the company according to section 22 (1) (this corresponds to 1,340,498 voting rights).

   On January 5, 2017 Varex Imaging Corporation, Wilmington, Delaware, USA, informed us according to section 21 (1) WpHG that its sub-sub-subsidiary, Varex Imaging Deutschland AG, Willich, Germany, received an authorization from VMS Deutschland Holdings GmbH on December 31, 2016 to exercise the voting rights in MeVis Medical Solutions AG, Bremen, Germany, without any instructions and for an unlimited period of time. On that day 73.65 % of the voting rights were attributed to the company according to section 22 (1) (this corresponds to 1,340,498 voting rights).

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

4) On June 7, 2017 HANSAINVEST Hanseatische Investment-GmbH, Hamburg, Germany, informed us according to section 21 (1) WpHG that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, exceeded the 5 % threshold of the Voting Rights on June 6, 2017 and on that day amounted to 5.51 % (corresponding with 100,277 Voting Rights).

5) On October 13, 2017 Varian Medical Systems, Inc, Wilmington, Delaware, USA, informed us according to section 21 (1) WpHG (old version) that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, amounted to 0 % on October 12, 2017 (corresponding with 0 Voting Rights).

6) On July 4, 2018 Peter Dreide informed us according to section 33 (1) WpHG (new version) that its share of the voting rights in MeVis Medical Solutions AG, Bremen, Germany, amounted to 0 % on July 1, 2018 (corresponding with 0 Voting Rights). The announcement also covered the TBF Gesellschaft mit beschränkter Haftung and the TBF Global Asset Management GmbH.

33. CORPORATE BODIES OF MEVIS MEDICAL SOLUTIONS AG

EXECUTIVE BOARD		
Marcus Kirchhoff Chairman Dassendorf	from Mar. 1, 2012	· Member of the Shareholders' Committee of MeVis BreastCare GmbH & Co. KG · Member of the Executive Board of Varex Imaging Deutschland AG (since Jan. 20, 2017) · Member of the Board of Trustees of Fraunhofer-Institut für Bildgestützte Medizin MEVIS
Dr. Robert Hannemann Bremen	from Oct.1, 2010	· Managing Director of MeVis BreastCare GmbH & Co. KG · Member of the Executive Board of Varex Imaging Deutschland AG (since Oct. 27, 2016) · Member of the Board of Directors of Varex Imaging International AG, Switzerland (since Nov. 25, 2016)
SUPERVISORY BOARD		
Kimberley E. Honeysett Chairperson Sandy, Utah, USA	from Mar. 8, 2017	· Senior Vice President, General Counsel and Corporate Secretary at Varex Imaging Corporation · Member of the Supervisory Board of Varex Imaging Deutschland AG (since Oct. 20, 2016) · Member of the Board of Directors of Varex Imaging International AG, Switzerland (since Nov. 25, 2016)
Clarence R. Verhoef Deputy Chairman Sandy, Utah, USA	from Mar. 8, 2017	· Senior Vice President and Chief Financial Officer at Varex Imaging Corporation · Member of the Supervisory Board of Varex Imaging Deutschland AG (since Oct. 20, 2016) · Member of the Board of Directors of Varex Imaging International AG, Switzerland (since Nov. 25, 2016)
Matthew C. Lowell Los Altos, California, USA	from Mar. 8, 2017	· Vice President, Finance - Treasury & Business Development at Varex Imaging Corporation · Member of the Supervisory Board of Varex Imaging Deutschland AG (since January 20, 2017)

Shareholdings of the corporate bodies

As of September 30, 2018, members of the Executive Board and Supervisory Board held no shares in the Company.

34. REMUNERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

Executive Board remuneration

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

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

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

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

In fiscal year 2016/2017, the members of the Executive Board received the following remuneration:

FIGURES IN €	**Fixed remune-ration**	**Performance-related remuneration**	**Components with long-term incentive characteristic**	**Pecuniary benefits from non-cash benefits**	**Stock options**	**Total**
	Salary	Bonus	Bonus with share price dependent lever			
Marcus Kirchhoff	223,600.00	110,000.00	77,000.00	10,045.04	0.00	420,645.04
Dr. Robert Hannemann	176,400.00	86,700.00	60,690.00	1,132.87	0.00	324,922.87
Total	**400,000.00**	**196,700.00**	**137,690.00**	**11,177.91**	**0.00**	**745,567.91**

In addition, Dr. Robert Hannemann received a bonus payment of € 23,260.00 from Varex Imaging Deutschland AG in the fiscal year 2016/2017.

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

Granted benefits

In the years 2016/2017 and 2017/2018 the Executive Board members were granted the following benefits:

FIGURES IN € k	Marcus Kirchhoff Executive Board Chairman				Dr. Robert Hannemann Executive Board Member			
Benefits received	**2017/ 2018**	**2017/ 2018 (Min)**	**2017/ 2018 (Max)**	**2016/ 2017**	**2017/ 2018**	**2017/ 2018 (Min)**	**2017/ 2018 (Max)**	**2016/ 2017**
Fixed remuneration	240	240	240	224	197	197	197	176
Additional benefits	9	9	9	10	1	1	1	1
Total	**249**	**249**	**249**	**234**	**198**	**198**	**198**	**177**
Annual variable remuneration	0	0	0	110	0	0	0	87
Multi-year variable remuneration								
Bonus on a share dependent lever	0	0	0	77	0	0	0	61
Stock options	0	0	0	0	0	0	0	0
Total variable remuneration	**0**	**0**	**0**	**187**	**0**	**0**	**0**	**148**
Pension expenses	0	0	0	0	0	0	0	0
Total remuneration	**249**	**249**	**249**	**421**	**198**	**198**	**198**	**325**

Inflows

In the years 2016/2017 and 2017/2018 the following inflows were received by the Executive Board members:

FIGURES IN € k	Marcus Kirchhoff Executive Board Chairman		Dr. Robert Hannemann Executive Board Member	
Inflow	**2017/2018**	**2016/2017**	**2017/2018**	**2016/2017**
Fixed remuneration	240	224	197	176
Additional benefits	9	10	1	1
Total	**249**	**234**	**198**	**177**
Annual variable remuneration	110	83	87	65
Multi-year variable remuneration				
Bonus on a share dependent lever	445	42	360	93
Stock options	0	152	0	107
Total variable remuneration	**555**	**277**	**447**	**265**
Pension expenses	0	0	0	0
Total remuneration	**804**	**511**	**645**	**442**

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

In addition, Mr. Kirchhoff and Dr. Hannemann received Varex shares worth € 16,482.63 and € 23,697.91 respectively, from Varex Imaging Deutschland AG in the past fiscal year. Mr. Kirchhoff also exercised Varex stock options worth € 37,499.86. Dr. Robert Hannemann received a bonus payment of € 23,260.00 from Varex Imaging Deutschland AG in the fiscal year 2016/2017.

Supervisory Board remuneration

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

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

a. Kimberley E. Honeysett

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

b. Clarence R. Verhoef

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

c. Matthew C. Lowell

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

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

35. STOCK OPTION PLANS

At MMS AG's Annual General Meeting of August 22, 2007, the shareholders passed a resolution to create contingent capital of € 130 k in order to issue up to 130,000 stock options to staff or members of the Executive Board on or before December 31, 2011. The Annual General Meeting on June 15, 2011 extended the stock option program until December 31, 2015. The vesting period was also extended from a minimum of two years to at least four years in light of new statutory requirements.

MMS AG was entitled to settle the stock options in cash form – in other words, a combination model was in place. At the date of issue, a fulfillment in equity instruments was preferred, therefore the evaluation was made based on the principles for equity-settled options. The options granted were forfeited if an employee leaves the company. All outstanding stock options had a term of five years from the date of grant. The options granted prior to 2013 have now expired or have been exercised for the first time in 2016. For options granted after 2013 a waiting period of 4 years applied, this determined the vesting period of the options. Correspondingly, the expense associated with the granting of stock options was distributed over 4 years. The fair value of the employee options granted in 2013 was determined based on a Monte Carlo simulation, estimating the normal distribution of the yield on the future stock price. The nominal distribution is described by the parameters "mean value" and "variance", which were derived from the MeVis share price trend and volatility. This simulation put the total fair value of stock options of the 28,089 options granted in 2013 at € 65 k, € 2.31 per option. Expense equaling the fair value was spread over the vesting period of four years. For fiscal year 2016/2017 the expense totaled € 6 k (2016/2017: € 12 k).

Since the stock option program of MMS AG expired on December 31, 2015, the maximum term of the outstanding options is until December 31, 2020.

In the course of the fiscal year 2016/2017, all options were exercised or forfeited or expired, so that no more options were available at the end of fiscal year 2017/2018.

	2017/2018			2016/2017		
	Beginning of reporting period	Change	End of reporting period	Beginning of reporting period	Change	End of reporting period
Outstanding stock options	0	0	0	0	0	0
Options granted	71,510	0	71,510	71,510	0	71,510
Options forfeited	-17,600	0	-17,600	-17,600	0	-17,600
Options exercised	-29,146	0	-29,146	-3,000	-26,146	-29,146
Options lapsed	-24,764	0	-24,764	-24,764	0	-24,764
Total	**0**	**0**	**0**	**26,146**	**-26,146**	**0**
of which exercisable options	*0*	*0*	*0*	*0*	*0*	*0*

36. GERMAN CORPORATE GOVERNANCE CODEX

The Executive Board and Supervisory Board of MeVis Medical Solutions AG support the initiative of the "Government Commission on the German Corporate Governance Code" and thus have issued a joint declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG), confirming that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated February 7., 2017 have been and will be generally complied with, disclosing which recommendations have not been and will not be followed. The current declaration of conformity is dated September 9, 2018. Shareholders can view it on the Company website as a PDF.

37. FEES PAID FOR SERVICES OF THE STATUTORY AUDITOR

FIGURES IN € k	2017/2018	2016/2017
Audit of financial statements (non-period € 35 k; prev. year € 0 k)	120	73
Other assurance services	0	0
Tax advisory	0	0
Total	**120**	**73**

38. EVENTS AFTER THE REPORTING DATE

No material events occurred after the reporting date.

39. APPROPRIATION OF PROFITS / PAY COMPENSATION

The profit according to German commercial law of € 7,619 k will be transferred to Varex Imaging Deutschland AG because of the domination and profit and loss transfer agreement effective since October 20, 2015.

Under the domination and profit and loss transfer agreement, VMS Deutschland Holdings GmbH has committed itself to pay the outside shareholders for the duration of the contract an annual compensation payment for each fiscal year starting 2015. Per fiscal year this amounts to € 1.13 gross / € 0.95 net per registered share. The obligation was transferred to Varex Imaging Deutschland AG as part of the spin-off.

Bremen, January 29, 2019

Marcus Kirchhoff
Chairman & CEO

Dr. Robert Hannemann
Member of the Executive Board

CHANGES IN FIXED ASSETS

for the period October 1, 2017 through September 30, 2018

FIGURES IN € k		Cost of acquisition or construction				
		Balance on Oct. 1, 2017	Additions	Reclassifi-cations	Disposals	Balance on Sep. 30, 2018
I.	**Intangible assets**					
	Purchased industrial property rights and similar rights	2,718	105	0	-853	1,970
	Customer base / contract relations	4,091	0	0	0	4,091
	Development expenses	11,349	0	0	0	11,349
	Goodwill	10,625	0	0	0	10,625
		28,783	**105**	**0**	**-853**	**28,035**
II.	**Property, plant and equipment**					
	Other equipment, furniture and office equipment					
	IT-equipment	1,449	83	0	-540	992
	Furniture and office equipment	482	20	0	-68	434
		1,931	**103**	**0**	**-608**	**1,426**
		30,714	**208**	**0**	**-1,461**	**29,461**

Accumulated depreciation and amortization					Carrying amounts	
Balance on Oct. 1, 2017	Depreciation and amortization	Reclassifi-cations	Disposals	Balance on Sep. 30, 2018	Balance on Sep. 30, 2018	Balance on Sep. 30, 2017
2,598	126	0	-853	1,871	99	120
3,494	228	0	0	3,722	369	597
10,969	356	0	0	11,325	24	380
0	0	0	0	0	10,625	10,625
17,061	**710**	**0**	**-853**	**16,918**	**11,117**	**11,722**
1,168	170	0	-539	799	193	281
447	29	0	-64	412	22	35
1,615	**199**	**0**	**-603**	**1,211**	**215**	**316**
18,676	**909**	**0**	**-1,456**	**18,129**	**11,332**	**12,038**

CHANGES IN FIXED ASSETS

for the period October 1, 2016 through September 30, 2017

FIGURES IN € k		Cost of acquisition or construction				
		Balance on Oct. 1, 2016	Additions	Reclassifi-cations	Disposals	Balance on Sep. 30, 2017
I.	**Intangible assets**					
	Purchased industrial property rights and similar rights	2,667	51	0	0	2,718
	Customer base / contract relations	4,091	0	0	0	4,091
	Development expenses	11,349	0	0	0	11,349
	Goodwill	10,625	0	0	0	10,625
		28,732	**51**	**0**	**0**	**28,783**
II.	**Property, plant and equipment**					
	Other equipment, furniture and office equipment					
	IT-equipment	1,312	137	0	0	1,449
	Furniture and office equipment	449	33	0	0	482
		1,761	**170**	**0**	**0**	**1,931**
		30,493	**221**	**0**	**0**	**30,714**

Accumulated depreciation and amortization					Carrying amounts	
Balance on Oct. 1, 2016	Depreciation and amortization	Reclassifi-cations	Disposals	Balance on Sep. 30, 2017	Balance on Sep. 30, 2017	Balance on Sep. 30, 2016
2,504	94	0	0	2,598	120	163
3,234	260	0	0	3,494	597	857
10,276	693	0	0	10,969	380	1,073
0	0	0	0	0	10,625	10,625
16,014	**1,047**	**0**	**0**	**17,061**	**11,722**	**12,718**
1,024	144	0	0	1,168	281	288
421	26	0	0	447	35	28
1,445	**170**	**0**	**0**	**1,615**	**316**	**316**
17,459	**1,217**	**0**	**0**	**18,676**	**12,038**	**13,034**

INDEPENDENT AUDITOR'S REPORT

To MeVis Medical Solutions AG, Bremen

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

Audit Opinions

We have audited the separate financial statements of MeVis Medical Solutions AG, Bremen, which comprise the statement of financial position as at 30 September 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year from 1 October 2017 to 30 September 2018 and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of MeVis Medical Solutions AG for the financial year from 1 October 2017 to 30 September 2018. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] in accordance with the German legal requirements.

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

- the accompanying separate financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 325 Abs. [paragraph] 2a HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Company as at 30 September 2018, and of its financial performance for the financial year from 1 October 2017 to 30 September 2018, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the separate financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for Audit Opinions

We conducted our audit of the separate financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Separate Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the separate financial statements and on the management report.

Key Audit Matters in the Audit of the Separate Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the financial year from 1 October 2017 to 30 September 2018. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ **Impairment of goodwill**

❷ **Revenue recognition**

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and Issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ **Impairment of goodwill**

① In the separate financial statements of the Company, goodwill totalling € 10,625 k (27.7 % of the balance sheet total) is shown under intangible assets. Goodwill is tested for impairment once a year or on an ad hoc basis by the Company in order to determine possible impairment losses. The impairment test is performed at the level of the groups of cash-generating units to which the respective goodwill is allocated. As part of the impairment test, the book value of the respective goodwill is compared with the corresponding recoverable amount. The recoverable amount is determined on the basis of the higher of fair value less costs to sell and value in use. The valuation is generally based on the present value of future cash flows of the respective group of cash-generating units. The present values are determined using discounted cash flow models. The Company's medium-term planning forms the starting point, which is updated with assumptions about long-term growth rates. Expectations about future market developments and assumptions about the development of macroeconomic factors are also taken into account. Discounting is based on the weighted average cost of capital of each group of cash-generating units. As a result of the impairment test, no impairment loss was identified.

The result of this valuation depends to a large extent on the assessment of the management with regard to the future cash inflows of the respective group of cash-generating units, the discount rate used, the growth rate and other assumptions and is therefore subject to considerable uncertainty. With this background and given the complexity of the valuation, this fact was of particular importance in our audit.

② Within the scope of our audit, we have, among other things, followed the methodical procedure for carrying out the impairment test. After comparing the future cash inflows used in the calculation with the Company's medium-term planning, we assessed the adequacy of the calculation. With the knowledge that even relatively small changes in the discount rate used can have a significant effect on the amount of the Company's value determined in this way, we dealt intensively with the parameters used in determining the discount rate used and we have reperformed the calculation scheme. In order to take account of the existing forecast uncertainties, we have reviewed the sensitivity analyses prepared by the Company and performed our own sensitivity analyses for the cash-generating units with low excess cover (carrying amount compared with recoverable amount). For those cash-generating units for which a possible change in an assumption would result in a recoverable amount below the carrying amount of the cash-generating unit including the allocated goodwill, we have ensured that the necessary disclosures have been made in the notes.

The valuation parameters and assumptions applied by the management are generally in line with our expectations and within what we consider to be acceptable ranges.

③ The Company's disclosures on the balance sheet item intangible assets are included in Note 18 to the financial statements.

❷ **Revenue recognition**

① The revenues of € 16,758 k reported in the separate financial statements mainly relate to revenues from services, software and licenses as well as maintenance. Hologic as a major customer accounts for revenues of € 11,120 k of which € 6,054 k are revenues from maintenance contracts and € 3,755 k are revenues from the sale of licenses.

The maintenance contracts are usually concluded as part of the sale of new licenses, but also subsequently as an extension of the original maintenance period. The duration of the contracts is usually 12 months, so that the amounts received in advance for the term of the contracts are deferred without affecting net income. These are released to the income statement on a monthly basis in accordance with the term of the contract.

License revenues result primarily from the sale of new licenses. In addition, however, the company still generates revenues from license upgrades for licenses that have already been sold.

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

As a result, there are no final accounts for the total sales revenue of € 729 k for the months of May to September 2018. These revenues are based to a large extent on the estimates and assumptions of the management and are therefore subject to considerable uncertainties. With this in mind, this fact was of particular importance in our audit.

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

③ The Company's revenue recognition disclosures are included in Note 6 to the financial statements.

Other Information

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

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

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

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

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

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

The executive directors are responsible for the preparation of the separate financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German com-

mercial law pursuant to § 325 Abs. 2a HGB and that the separate financial statements, in compliance with these requirements, give a true and fair view of the as-sets, liabilities, financial position, and financial performance of the Company. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements and of the Management Report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements and this management report.

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

- Identify and assess the risks of material misstatement of the separate financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the separate financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the separate financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements present the underlying transactions and events in a manner that the separate financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 325 Abs. 2a HGB.

- Evaluate the consistency of the management report with the separate financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 14 March 2018. We were engaged by the supervisory board on 19 October 2018. We have been the auditor of the MeVis Medical Solutions AG, Bremen without interruption since the financial year 2016/2017.

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

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Thomas Dräger.

Bremen, January 29, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Dräger
Wirtschaftsprüfer
(German Public Auditor)

ppa. Konstantin Kessler
Wirtschaftsprüfer
(German Public Auditor)

RESPONSIBILITY STATEMENT (“BILANZEID”)

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

Bremen, January 29, 2019

MeVis Medical Solutions AG

Marcus Kirchhoff	Dr. Robert Hannemann
Chairman & CEO	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 Bundesanzeiger (German Federal Gazette) for technical reasons (e.g. conversion of electronic formats). In the case of any doubt, the version submitted to the Bundesanzeiger will prevail.

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

The report is available for downloading in both languages on the Internet at:

http://www.mevis.de/en/investor-relations/financial-reports/

FINANCE CALENDAR 2018/2019

Date	Event
January 29, 2019	Annual Report 2017/2018
February 26, 2019	Interim Report for Q1 2018/2019
March 21, 2019	Annual General Meeting, Bremen
May 23, 2019	Interim Report for H1 2018/2019
Sep. 2019	Fall Conference, Frankfurt am Main
August 29, 2019	Interim Report for Q3 2018/2019

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