ANNUAL REPORT 2013

ADVANCED TECHNOLOGY **FOR MEDICINE**

PULSION
Medical Systems

Key Figures 2013

PULSION (Group)		2013	Change	2012	2011	2010	2009	2008
		IFRS	in %	IFRS	IFRS	IFRS	IFRS	IFRS
Revenues	Euro million	36.5	5%	34.6	32.9	31.5	28.1	28.0
Gross profit	Euro million	25.5	3%	24.7	22.7	20.1	18.6	18.6
EBITDA**	Euro million	12.2	5%	11.6	8.6	6.4	4.2	2.6
EBIT**	Euro million	10.3	8%	9.5	6.8	4.6	2.4	0.6
Consolidated profit/loss**	Euro million	8.8	23%	7.1	4.7	2.8	0.5	-0.7
Cash flows used in operating activities	Euro million	8.8	7%	8.2	8.5	6.5	4.0	1.0
Shareholders´ equity*	Euro million	17.6	-26%	23.9	21.1	17.2	17.0	16.2
Shareholders´ equity percentage*	%	67%	3%	74%	71%	67%	66%	68%
Total assets*	Euro million	26.2	-19%	32.2	29.7	25.7	25.7	23.8
R&D expenses	Euro million	2.3	-6%	2.4	3.0	2.4	2.2	2.2
Employees (average)	Amount	131	6%	124	126	126	139	147
Revenue per employee	KEUR	278	-1%	279	261	250	202	190
Installed base – PiCCO monitors*	Units	8,530	5%	8,150	7,500	6,860	6,247	5,743

* as at December 31.

** the figures in the reporting period 2013 have been adjusted by the acquisition-related expenses resulting from the planned takeover of the company by the Getinge Group in the amount of EUR 1.8 million

PULSION management team, from left to right

Patricio Lacalle
CEO

Stephan Haft
Finance

Dr. Volker Humbert
Medical

Claus Armbrüster
Corporate Sales

Petra te Heesen
Human Resources

Heinz Sewald
Operational Services

Dr. Sergej Kammerzell
Marketing

Dr. Veit Otto
R&D

Aleksandra Wagner
Quality Management

Content

Our employees work every day to create benefits for hospitals, medical staff and patients by creating innovative products, providing training courses, based on the highest quality requirements.

Patricio Lacalle
CEO

Report of the Executive Director

Dear customers, shareholders and employees

The year 2013 again largely fulfilled our expectations. Revenue and earnings were up on the previous year and we achieved the targets we had set ourselves for cost management.

Reported sales increased by more than 5.4%, and adjusted for currency factors, they improved by 5.9%. The pace of growth has therefore picked up compared to the previous year, mostly as a result of strong growth achieved in a number of important regions, including China, the Benelux countries and France.

The improvement in the profit from ordinary activities – before acquisition-related expenses – was achieved, as in the previous year, against a backdrop of consistent cost discipline. We were successful in driving down the net OPEX (other operating expenses before acquisition-related expenses and less other operating income) by approximately EUR 0.3 million to EUR 14.9 million.

Overall, operating EBIT before acquisition-related expenses improved by EUR 0.8 million (8 %) from EUR 9.5 million to EUR 10.3 million.

In 2013 PULSION was able to achieve the financial targets it set for itself, namely the key performance indicators gross margin, EBIT and the free cash flow conversion rate as described subsequently.

At 69.9%, the gross margin fell short only marginally of the target margin of 70%. The main reasons for this were a shift within the customer mix towards distributors, impairment losses on patent costs and approvals no longer utilized and one-time items affecting cost of sales of the Perfusion Imaging business segment.

EBIT finished at EUR 8.6 million, compared to € 9.5 million one year earlier. Adjusted for acquisition-related expenses, EBIT for the financial year 2013 amounted to EUR 10.3 million.

The target for the EBIT / free cash flow conversion rate of 70% was not achieved, with an actual outcome of 35% before acquisition-related expenses. Most of shortfall in free cash flow was attributable to the change in net current assets, with inventories increasing at a more pronounced rate than sales, receivables from customers up and payables to suppliers down.

The main task in 2014 will be to raise the growth rate further with the aid of improved sales management and a broader product range.

We would like to express our gratitude to all employees for their great commitment which has made this result possible.

I. A review of the financial year 2013

In the following we wish to continue our tradition of giving you a full account of the extent to which we achieved the goals we set ourselves in the previous year's Annual Report for the year 2013. As shareholders you can therefore see how we deal with success and failure. We believe that one can learn a lot from both of these and encourage a corresponding culture of intellectually honest discussion, both externally and within the company.

A. Focus on management and key projects 2013

1. Innovation through in-house developments and acquisitions

1.1 Targets for 2013 as stated in the Annual Report 2012

"In 2013 we want to introduce at least one new parameter to the market. Secondly we want to bring our two projects for the continual non-invasive measurement of cardiac output significantly closer to market maturity with the aim of releasing the products to the market by 2014."

1.2 Implementation in 2013

Following a critical clinic test, the planned parameter could not be achieved and it was decided to discontinue the project.
Both of the projects relating to the non-invasive measurement of blood pressure and cardiac output reached all of the qualitative targets set by us for the concept stage. Clinical tests are scheduled for the beginning of 2014. The device is expected to be presented as a prototype at the Intensive Care Congress in March 2014, with the release-to-market planned for the second half of 2014.

2. Acquisitions

2.1 Targets for 2013 as stated in the Annual Report 2012

"The medium-term plan P5 has scheduled one acquisition in 2013. The goal is to acquire a technology that helps us supplement our two call points ICU and OR. In the medium term we plan to integrate the respective technology in our monitoring platform."

2.2 Implementation in

No suitable candidates were identified in 2013. Our internally developed criteria for acquisitions stipulate that companies looked at must comply not only with our requirements for the ICU and OR call points, but also that they must meet various other criteria to justify an investment. None of the candidates managed to comply with all of these requirements.

3. Internationalization

3.1 Targets for 2013 as stated in the Annual Report 2012

"Primary focus on the USA: we are looking for a solution to significantly bolster our presence on this market. The US market constitutes some 40 % of the medical technology market worldwide and we see openings for our technology in this region."

3.2 Implementation in 2013

Due to our sales approach – which we look on as missionary selling with medical expertise – we always prefer the direct sales channel. This approach does not work in USA, however, since selling expenses are too substantial in relation to our narrow product range. Our endeavors to find a suitable national selling partner could not be completed successfully. The next step was to talk with local distributors and sales agents organizations, but here to, the results were disappointing, and we did not make any progress in getting closer to our stated goal.

4. Perfusion Imaging

4.1 Targets for 2013 as stated in the Annual Report 2

"In 2013 we plan to obtain regulatory approval from the Federal Institute for Drugs and Medical Devices (BfArM) for the diagnostic agent ICG in a new field of application. Moreover, we want to gain national approval in at least two additional countries in order to expand our sales territory."

4.2 Implementation in 2013

Following the successful completion of a clinical study at the beginning of 2013, we under-estimated the time required for the subsequent steps to obtain approval for the new field of application and, as a result, our target for 2013 was not achieved. The application for approval is now scheduled to be submitted during the course of 2014.

In terms of geographical coverage, we obtained one new approval in 2013 in Russia. The first orders were supplied during the fourth quarter of 2013.

5. Sales management

5.1 Targets for 2013 as stated in the Annual Report 2012

"Our approach of potential-oriented sales management based on a CRM system with proprietary database is to be fully implemented in all countries operating a direct sales system"

5.2 Implementation in 2013

The concept of potential-oriented sales management was keenly embraced by the sales team and implemented on the basis of a CRM system. Every sales manager monitors the effectiveness of the most important selling activities and provides support to the sales field team with a view to optimizing such activities.

6. Cultural change

6.1 Targets for 2013 as stated in the Annual Report 2012

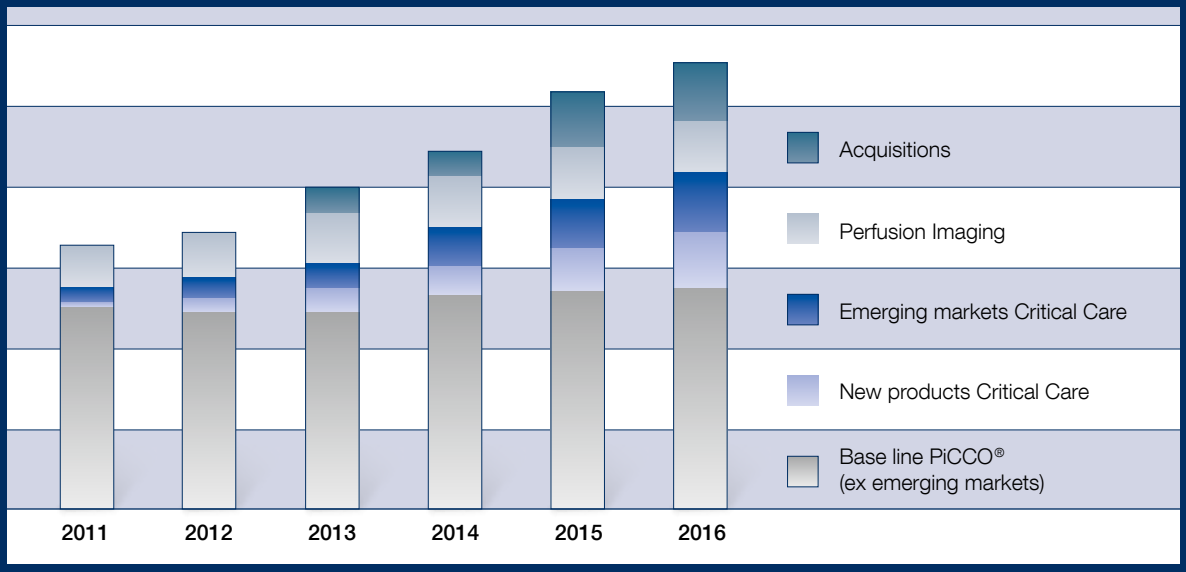
"The management team has updated and newly adopted the cultural principles for PULSION. As part of the process of setting a good example, this group will let themselves be assessed over the course of the year before the change is incorporated throughout the entire enterprise."

6.2 Implementation in 2013

Cultural principles have been systematically incorporated into the activities of the management team with effect from 2013 and their impact, the progress made and, indeed any setbacks suffered, fully and openly discussed. At the inception of this process, an assessment was made by all managers in terms of individual and group performance. In this context, some quite substantial differences were identified for individual performance (high) and group performance (low). Over a period of six months, mutual trust and cohesion within working groups was strengthened noticeably and measurably, which had a positive effect on the organization as a whole.

B. Medium-term forecast – P5

In 2013 we achieved the sales targets set out in our medium-term plan – without acquisitions. This was attributable to the fact that the Perfusion Imaging business unit grew at an above-average rate, whereas sales of the Critical Care business unit fell slightly in the all-important target market, the USA.



II. Outlook

Focus on management and key projects 2014

The Executive Directors will focus in 2014 in particular on following areas, each aimed at achieving faster growth:

P5 – PULSION in 2016, based on the forecast we made at the beginning of 2012, will be extended to 2019

In addition to our established strengths, i.e. innovation, sales management, internationalization and the Perfusion Imaging business unit, the program also includes further development of corporate culture within the PULSION Group.

Our definite plans for 2014:

1. Innovation

In 2014 we want to bring our two projects relating to the continual non-invasive measurement of cardiac output significantly closer to market maturity with the aim of releasing the products to the market during the second half of 2014.

2. Internationalization

The primary focus will remain on the USA: we are still looking for a solution to significantly bolster our presence on this market. The US market constitutes some 40 % of the medical technology market worldwide and we see openings for our technology in this region.

We believe that we have found a suitable partner with Getinge/Maquet and intend to conclude a corresponding sales agreement with that group of companies.

3. Perfusion Imaging

In 2014 we plan to meet the regulatory requirements for a new field of application and to complete submission of the approval application. Moreover, we intend to gain national approval in at least two additional countries in order to expand our sales territory.

4. Sales management

Our approach of potential-oriented sales management based on a CRM system with proprietary database will be further fine-tuned. We intend to ensure that all members of the sales field team are provided with the appropriate level of medical knowledge.

5. Cultural change

We will continue to build on management‘s excellent team spirit in 2014 and encourage constructive criticism within the organization. We also intend to lay the foundation for a more process-orientated organization.

PULSION stock

PULSION Medical Systems SE stock continued its steep upward trend during the financial year 2013.

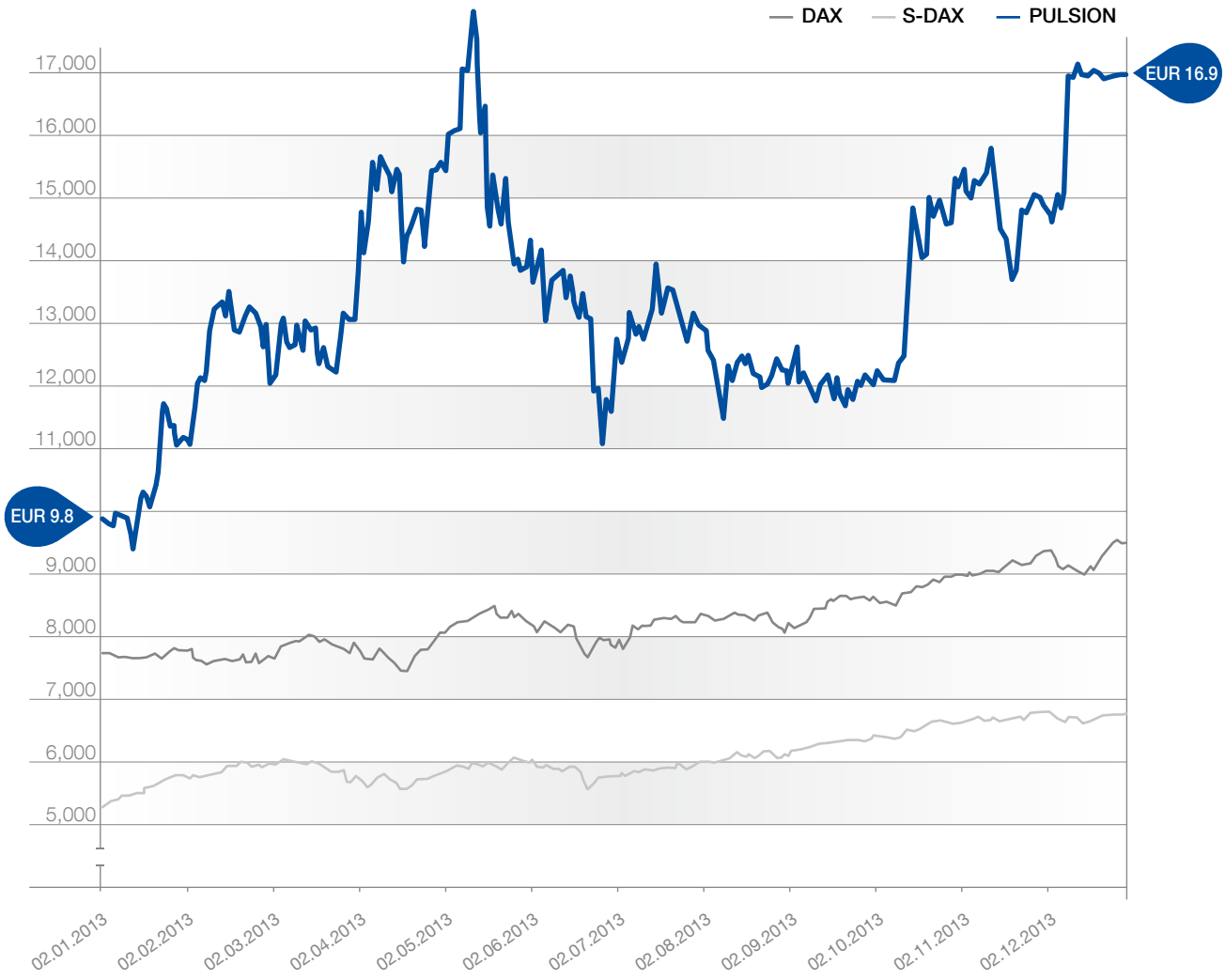
The market price of PULSION stock rose from EUR 9.00 (closing price 2012, Xetra) to EUR 16.91 (year-end price 2013, Xetra), an increase of 88%.

By comparison, in the course of the year the Prime Standard Pharma and Healthcare index gained 24%; the S-Dax rose by 29%.

Key data on PULSION stock at December 31, 2013

ISIN code:	DE 0005487904 (548790)
Ticker symbol:	PUS
Stock market segment:	Prime Standard
Sector index:	Prime Pharma and Healthcare Performance Index
Bearer shares:	8,250,000*
Closing price 2012 (Xetra, EUR):	9.00
Closing price 2013 (Xetra, EUR):	16.91
High (52 weeks, Xetra, EUR):	17.33
Low (52 weeks, Xetra, EUR):	8.60
Market capitalization (closing 2013, Xetra, EUR):	EUR 139.5 million
Earnings per share (diluted, EUR):	0.91
Issued share capital (EUR):	8,250,000
Transparency level:	Prime Standard
Market segment:	Regulated Market

* thereof own (treasury) shares: 35,986.



Investor information

In 2013 the shareholders and the general public were provided with four press releases and four ad-hoc reports on current events and developments. PULSION also held a company presentation at an investors' conference, the Equity Forum of the German Stock Exchange.

Corporate Governance Report

The German Corporate Governance Code (Code) was adopted to instil confidence in the corporate governance of companies listed in Germany. The intention of the Code is to make rules on corporate governance and the monitoring of management within Germany more transparent for national and international investors. The Code is also expressly applicable for companies structured as a Societas Europaea (SE) with a one-tier management system. The principles of good and responsible corporate governance determine the actions of PULSION SE's management bodies. They promote the trust of international and national investors, customers, employees and the general public in the company's management and supervision and are a key factor for sustainable corporate success.

Declaration of Compliance

In accordance with § 161 of the German Stock Corporation Act (AktG), management and supervisory boards of companies listed in Germany are required by law to report once a year on the points the recommendations issued by the "German Government Corporate Governance Code Commission" have been and are being complied with and which recommendations have not been and are not being applied. In this case, the reason for any departures from the recommendations must be given. This requirement applies to the Company in accordance with Art. 9 (1) c) (ii) SE-VO, § 22 SE-AG.

The joint Declaration of Compliance of the Administrative Board and Executive Directors dated December 12, 2013 was made available on the PULSION Group website at www.pulsion.com in accordance with § 161 AktG.

Joint Declaration of Compliance of the Administrative Board and Executive Directors for 2013

Pursuant to Art. 9 (1) c) (ii) SE-VO, and Art. 22 (6) SEAG in connection with § 161 of the German Stock Corporation Act (AktG), the Administrative Board and the Executive Directors of PULSION Medical Systems SE hereby present the following Declaration of Compliance with the recommendations of the „Government Commission on the German Corporate Governance Code" in the version dated May 15, 2012 and in the version dated May 13, 2013 (hereinafter referred to as the "Corporate Governance Code"):

Since issuance of the last Declaration in December 2012, PULSION Medical Systems SE has – taking into account the special aspects of the one-tier system of management applied at the Company, described in point I. below, – complied with the recommendations of the Corporate Governance Code with the exception of the recommendations referred to in point II. below for the reasons provided therein.

I. Special aspects of the one-tier corporate governance system

Taking into account the actual legal structure of the Company, PULSION Medical Systems SE relates the recommendations contained in the Corporate Governance Code to the Company's Administrative Board where the Code refers to a supervisory board and to the Company's Executive Director(s) where the Code refers to a management board.

II. Exceptions to recommendations of the Corporate Governance Code:

1. Minimum of two executive directors

Contrary to section 4.2.1 of the Corporate Governance Code, the Company only has one executive director. Given the size of the Company and the one-tier system of management in place, the Administrative Board considers that it is acceptable to do without a second executive director for a foreseeable period of time. In the medium term, it is planned for the Company to have two executive directors.

2. No committees

The Company's Administrative Board comprises four members. Contrary to sections 5.3.1 to 5.3.3 of the Corporate Governance Code, the Administrative Board does not make use of committees. Since the statutory minimum number of three members of the Administrative Board pursuant to § 23 (1) SEAG is only exceeded by one member, it is considered reasonable not to set up committees for the Administrative Board.

3. Diversity

Patricio Lacalle's inclusion in the Administrative Board means that the board has one member who is not a German citizen and has significant international management experience. In this context, the composition of the Administrative Board complies with the diversity requirements of section 5.4.1 of the Corporate Governance Code.

4. Overview

PULSION Medical Systems SE will comply in future with the recommendations of the Corporate Governance Code. Only the recommendations stated above in points 1, 2 and 3 will not be applied or will not be applied temporarily.

Munich, December 12, 2013

On behalf of the Administrative Board

Dr. Burkhard Wittek

On behalf of the Executive Director

Patricio Lacalle

Corporate governance

Shareholders and Annual General Meeting

Shareholders exercise their rights prior to and at the Annual General Meeting in accordance with the rules specified in the Company's statutes and cast their votes at that meeting. The Annual General Meeting makes resolutions on all matters stipulated by law and with binding effect for all shareholders and the Company. Each share of common stock in PULSION SE carries one vote.

Shareholders who give notice in good time are entitled to attend the Annual General Meeting. Shareholders unable to attend in person have the option of casting their vote via an authorized proxy or, in line with the recommendation of the German Corporate Governance Code, via a representative designated by PULSION SE.

Notice of the Annual General Meeting and information and documents relating to proposed resolutions are published in accordance with the German Stock Corporation Act and are made available in the Investor Relations section of PULSION SE's website.

Administrative Board

The Administrative Board appoints the Executive Directors, governs the Company, defines the principles of its activity and supervises their implementation. In accordance with the Articles of Incorporation, PULSION SE's Administrative Board comprises four members. As a result of the size of the Administrative Board, no committees have been formed since all members are involved in the performance of the tasks that would otherwise be transferred and since no added value would be gained. No members of the Administrative Board hold more than a total of three mandates on non-PULSION Group administrative boards / supervisory boards of listed companies or in other bodies with comparable requirements. The names of the members of the Administrative Board are shown in note 34 of the consolidated financial statements.

Executive Directors

The Executive Directors of PULSION SE manage the Company's business and represent the Company both judicially and extrajudicially. Their activities and decisions are directed at furthering the business interests of the Company, having given due consideration to the interests of shareholders, employees and other stakeholders and with the ultimate objective of generating sustainable added value. The Executive Directors report regularly, fully and in good time to the Administrative Board on all matters relating to business performance, the implementation of corporate strategies and potential risks. The Company currently has one Executive Director. The name of the Executive Director is shown in note 34 of the consolidated financial statements.

Risk management

In accordance with § 91 (2) AktG, the Administrative Board has set up a Group-wide risk management system as an integral part of the Group's planning, management and reporting processes. The risk management system is integrated in the organization, enabling risks to be identified at an early stage and managed appropriately. The risk management system is audited as part of the external annual audit. Further details are provided in the Group Management Report.

Compliance

The Administrative Board, together with the Company's Executive Directors is responsible for ensuring that all provisions of national and international law and internal regulations of PULSION SE are complied with by all PULSION Group entities.

Cooperation between Administrative Board and Executive Directors

Good corporate governance depends on close and efficient cooperation between the Administrative Board and the Executive Directors. The Administrative Board and the Executive Directors work closely together in the interests of the enterprise. Open discussion is of the utmost importance. The Administrative Board defines the principles of the Company's activities and agrees on matters with the Executive Directors, in particular with regard to the strategic direction to be taken by the Company. The Administrative Board is kept informed about the implementation of business strategies, about business performance and forecasts as well as the Group's risk profile and risk management system. Major transactions require the approval of the Administrative Board.

The Chairman of the Administrative Board reports every year to shareholders at the Annual General Meeting on the activities of the Administrative Board. The Chairman also coordinates work within the Administrative Board and chairs its meetings.

The Executive Director fulfils his duties to the Administrative Board by reporting orally and in writing about the Group's current business performance, corporate planning, implementation of the strategic direction and position, including its risk profile and risk management system. On invitation by the Chairman of the Administrative Board, the Executive Director participates in the meetings of the Administrative Board and reports on the various agenda items and responds to questions posed by the Administrative Board.

Remuneration of the Administrative Board and Executive Directors

The compensation system for the Administrative Board and the Executive Director is described in the Group Management Report. In addition, amounts of compensation paid to the members of Company's representative bodies are disclosed by individual person and analyzed into fixed and variable components in the notes to the consolidated financial statements. The structure of the compensation systems is reviewed regularly.

Transparency and communication

All of the requirements set out in section 6 of the German Corporate Governance Code are fulfilled by PULSION. In order to ensure that all market participants are provided with the same level of information, all important information is made available promptly and in a uniform manner on PULSION's website at www.pulsion.com. This includes, among other things, financial reports, the Articles of Incorporation, financial calendar and reportable transactions pursuant to §15a of the German Securities Trading Act (WpHG) (Directors' Dealings).

Information about Directors Dealings and shareholdings in the financial year 2013

Members of the Administrative Board and the Executive Director and certain other senior management staff of PULSION SE as well as related parties of the persons concerned are required pursuant to §15a WpHG to give notice to the Company of the acquisition and disposal of shares of PULSION SE stock. The requirement only applies if the value of the transactions involving a member of a representative body of the Company and with related parties exceeds an amount of at least EUR 5,000.00 in a single calendar year. During the financial year 2013, the following notifications of transactions pursuant to §15a WpHG were given to PULSION SE.

- January 14, 2013, purchase of 2,000 shares at EUR 10.00 for a total amount of EUR 20,010.95 by Leonard Wittek, natural person closely related to a person belonging to key management personnel (Dr. Wittek)

- January 24, 2013, sale of 345 shares at EUR 11.75 for a total amount of EUR 4,047.30 by Leonard Wittek, natural person closely related to a person belonging to key management personnel (Dr. Wittek)

- June 28, 2013, purchase of 700 shares at EUR 11.61 for a total amount of EUR 8,153.77 by Leonard Wittek, natural person closely related to a person belonging to key management personnel (Dr. Wittek)

- August 22, 2013, acquisition via option exercise of 25,000 shares at EUR 5.08 for a total amount of EUR 127,000.00 by Patricio Lacalle, Executive Director

- December 10, 2013, sale of 10,525 shares at EUR 16.90 for a total amount of EUR 177,872.50 by Jürgen Lauer, Member of the Administrative Board

- December 10, 2013, purchase of 10,525 shares at EUR 16.90 for a total amount of EUR 177,872.50 by JüLa Beteiligungs GmbH, legal person closely related to a person belonging to key management personnel (Jürgen Lauer, Deputy Chairman of the Administrative Board)

The details of all securities transactions made by persons required to submit notifications are posted promptly on the PULSION SE website in accordance with legal requirements. The publication documents and the corresponding notifications are also communicated to the German Financial Supervisory Authority (BaFin).

Overview of shareholdings of members of representative bodies in PULSION Medical Systems SE and key management personnel and parties related to them.

Number of shares Dec. 31. 2013	
Executive Directors	
Patricio Lacalle	81,000
Patricio Lacalle	(share options) 25,000
Administrative Board	
Dr. Burkhard Wittek*	4,541,676
Jürgen Lauer	10,525
Frank Fischer**	607,231

* Based on a shareholder pooling agreement

** Directly and indirectly attributable via his activities as a management board member at Shareholder Value Management AG and Shareholder Value Beteiligungen AG.

FORUM European Smallcaps GmbH and other shareholders have set up a shareholders' pool and gave notice that they held 4,541,676 shares in the Company at December 31, 2013. Based on a shareholder agreement, the shares are attributable jointly to pool participants pursuant to § 30 (2) sentence 1 of the German Securities Transitional Act (WpÜG). These shares are attributed to Dr. Wittek in his capacity as Managing Director (Geschäftsführer) of FORUM European Smallcaps GmbH.

Jürgen Lauer directly holds 10,525 shares of the Company at December 31, 2013.

At December 31, 2013 Frank Fischer, together with close family members, holds 56,611 of the Company's shares. In total, 607,231 shares are attributable directly and indirectly to Mr. Fischer through his activities as a management board member of Shareholder Value Management AG and Shareholder Value Beteiligungen AG.

Financial Reporting and Auditing

Financial reporting

The consolidated financial statements are drawn up in accordance with international requirements, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as required to be used in the European Union. Shareholders are also informed during the year in the form of a six-month financial report and two quarterly reports.

The statutory separate entity financial statements of PULSION Medical Systems SE are drawn up in accordance with the German Commercial Code (HGB).

The consolidated financial statements are published within 90 days of the end of the financial year, the interim reports within 45 days of the end of each reporting period.

Share option programs and similar incentive systems

There are no share option programs or similar incentive systems in place for members of the Administrative Board. Two share option programs are available to employees and the Executive Director. Details of these programs are disclosed in note 22 to the consolidated financial statements.

Audit of the financial statements

The separate entity and consolidated financial statements of PULSION SE were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, who had previously been elected by the shareholders at the Annual General Meeting. A declaration of independence was provided by the audit firm before commencement of the audit.

» At Berkshire, full reporting means giving you the information that we would wish you to give to us if our positions were reversed.

Warren Buffet

«

Report of the Administrative Board for the Financial Year 2013

Dear Customers, Shareholders and Employees:

Our Company again made very good progress in the past year.

- Sales grew by 5.4% to EUR 36.5 million. The increase excluding exchange rate factors was 5.9%, roughly 50% higher than the currency-adjusted increase of 4.0% reported in 2012.
- EBITDA before acquisition-related costs came in at EUR 12.2 million, resulting in an adjusted EBITDA margin of 33%.
- EBIT before acquisition-related costs amounted to EUR 10.3 million, and hence a new record level. The same applies for the adjusted EBIT margin, which rose again slightly to 28.3%.
- Free cash flow – defined as cash flow after taxes, net capital expenditure and changes in net current assets – amounted to EUR 3.5 million, compared to EUR 7.5 million one year earlier. The figure corresponds to an EBIT / free cash flow conversion rate of 40%, an outcome which means we fell short of our target of 70% for the first time in four years. The main factor for the deterioration was a sharp increase in cash outflows for net current assets.

Good progress was again made in 2013 with a variety of projects that will strengthen PULSION's business going into the future. You can read about some of these projects in the Administrative Board's discussion of significant issues.

As in previous years, the intention of this report is provide information you – as an owner of the Company with information – in the way cited by Warren Buffett above: in your capacity as a co-owner who has not taken part in a shareholders' meeting for a year. Above all, this requires:

- an open and transparent presentation of developments which particularly affect owners' interests and
- balanced reporting that fairly communicates strengths and weakness as well as opportunities and risks.

1. Report on the activities of the Administrative Board in 2013

1.1 Main points of the Administrative Board's deliberations

In 2013, the Administrative Board again concentrated its activities on issues relating to the medium- and long-term development of the business, including – as in previous years – the P5 project together with profitability forecasts for the years 2012 to 2016, counterstrategies in response to the market launch of the Edwards EV 1000, human resources, innovation management and entry into the world's largest medical technology market, the USA.

Good progress was made in 2013, especially in the field of innovation management. With Mr. Otto now in the team, openness has been taken to a new level, enabling options to key projects to be worked through quickly and efficiently together with specialist departments, the Executive Director and the Administrative Board. As a result, we have been able to make up ground in the vital area of "noninvasive monitoring" and have now, in some cases at least, been able to draw level with other competitors.

During 2013 we also deliberated on and closely followed the progress made with various personnel-related projects on the one hand and corporate-culture-related issues on the other. In one project started in the previous year, a set of cultural principles was defined with the assistance of an external consultant and the process of successive rollout throughout the organization continued in 2013. Work was also carried out on the following key issues:

- Further development of a feedback system for managers
- Development planning for managers
- Successor planning
- Enhancement of existing strategic expertise

We are highly satisfied with the progress made in these areas and would like to take this opportunity to thank Mrs. te Heesen, Head of Human Resources, for forging ahead with these projects with great enthusiasm and personal commitment.

In contrast, the regular discussion on the P5 project brought us to the conclusion that we are unlikely to achieve our targets, primarily due to the fact that, again in 2013, we failed to find a satisfactory way of penetrating the US market.

The ongoing discussion regarding Edwards' market entry with the EV 1000 in the calibrated hemodynamic monitoring segment showed that we are well able to defend our dominant position in the ICU field. That said, a market share of 80% rather than 100% in terms of new placements means we are likely to generate 20% less follow-on catheter sales in the future.

1.2 Search for a strategic partner

As an alternative to continuing on our autonomous course, in spring 2013 the Administrative Board made the decision to look at options for a strategic partnership, which could help PULSION to overcome the barriers and weakness described above.

Our search resulted in a takeover offer from the Swedish Getinge Group, which the Administrative Board approved at the beginning of 2014.

1.3 Due process

During the financial year 2013, the Administrative Board carried out all of its duties in accordance with the law, the Company's statutes and its own terms of reference. It assured itself of the proper governance of the Company by the Executive Directors, monitored the activities of the Executive Directors on a regular basis and supported them in an advisory capacity.

A total of five meetings were held during the year. The Administrative Board was directly involved in decisions of fundamental importance to the enterprise. Any business transactions requiring approval were examined, discussed and authorized by the Administrative Board.

As Chairman of the Administrative Board, I as signatory and my colleagues maintained regular contact with the Executive Director in addition to scheduled meetings in order to discuss major issues and forthcoming decisions.

The Administrative Board has set itself the task of deepening its understanding of individual aspects of the organization, both from the meetings described above and through ad-hoc contacts. We also wish to take up direct contact with employees and with existing and potential customers in order to obtain an "unfiltered" view of the Group's situation. We have accordingly allocated ourselves the following tasks:

a) In my capacity as Chairman of the Administrative Board, one of my primary responsibilities is to oversee "Sales and Marketing in Europe". In 2013, I again spent two days with the field sales team at subsidiaries. Together with Mr. Lacalle, I was also closely involved in the "Search for a strategic partner" project. In this context, I participated in numerous discussions with potential partners and presided over the sales process through to completion.
b) My deputy, Jürgen Lauer, is responsible for monitoring financial reporting, accounting and HR activities. During 2013, in addition to Administrative Board meetings, he also attended several meetings with employees from administrative functions as well as with the Company's external auditor and tax advisers. Moreover, he again performed an HR audit during the year under report.
c) As a member of the Administration Board, Frank Fischer performs in-depth supervision of the Perfusion Imaging business unit.

2. Corporate governance

2.1 Actively practiced corporate governance

As in previous years, corporate governance at PULSION in 2013 was ultimately shaped by the culture of communication actively practiced between the Administrative Board, the Executive Director and members of top management, rather than by codes or formalities. Communication is based on three principles:

a) **Openness** means that the Administrative Board is comprehensively informed of all developments by the Executive Director(s), without prompting if the need arises.
b) **Intellectual honesty** means, above all, that information is passed on "unfiltered". The prerequisite for this is **trust**, such that openness is valued and not exploited.
c) **Constructive criticism** makes it possible to admit mistakes in order to learn from them.

In my view, in 2013 we upheld the same high standards that had become established in the past. Every board meeting held in 2013 was an opportunity for me to learn something new, and it was a pleasure to experience how we, as a team, were able to take the enterprise to a new level.

2.2 Compliance with the relevant version of the Corporate Governance Code

PULSION's approach to the Corporate Governance Code remains unchanged and can be summarized as follows:

a) All recommendations in the relevant version of the Code should be complied with, unless highly significant objections apply in specific cases.
b) Suggestions should be checked in each separate case for their suitability.

For a list of these divergences and the reasons for them, please see the Declaration of Compliance dated December 12, 2013 published on the PULSION website at www.pulsion.com.

3. Focus of the Administrative Board's work in 2013

By the date on which this report was drawn up, the Getinge Group had exceeded the minimum threshold of 75% of the voting rights. As a consequence, after the AGM in May 2014, Getinge will hold two or three of the nonexecutive positions on the Administrative Board, which means that the agenda will also change.
It therefore makes little sense for the current Administrative Board to present its agenda for 2014.

4. Changes to composition of representative bodies

The following changes to the composition of PULSION's Administrative Board and the Executive Directors took place in 2013.
In accordance with the resolution taken at the Annual General Meeting on May 16, 2013, Patricio Lacalle was elected as member of the Administrative Board.

Mr. Lacalle will continue in his position as Executive Director.

5. Audit of the separate and consolidated financial statements

The Consolidated Financial Statements have been drawn up in accordance with International Financial Reporting Standards (IFRS). The auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, have audited the Company and Consolidated Financial Statements of PULSION Medical Systems SE, as well as the Company and Group management reports. The auditors have described the relevant auditing principles in their Auditors' Report.

They concluded that PULSION SE and its subsidiaries complied with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed for use within the European Union.
The Consolidated Financial Statements were given an unqualified audit opinion.

The Company Financial Statements, the Company Management Report and the Dependent Company Report pursuant to § 312 AktG (German Stock Corporation Act), the Consolidated Financial Statements and the Group Management Report, together with the long-form audit reports of the auditors were made available to all members of the Administrative Board. The relevant documents were discussed in detail at the Administrative Board meeting held on March 17, 2014, in the presence of the external auditors.

The Administrative Board examined the Company Financial Statements, the Company Management Report, the proposed appropriation of results and the Dependent Company Report as well as the Consolidated Financial Statements and Group Management Report. No objections were raised. At the meeting held on March 17, 2014, the Administrative Board concurred with the results of the external audit. The Company and Consolidated Financial Statements prepared by the Executive Director are thus approved and the Company Financial Statements adopted in accordance with § 172 AktG. The Administrative Board agrees with the Management Report and the assessment of the enterprise's position and future development presented therein.

6. Risk management

The Administrative Board deliberated on the Company's risk management system again during the financial year 2013.
The early warning system for risks was also tested in conjunction with the external audit of the Company Financial Statements. The Administrative Board was not made aware of any major weaknesses in the system.
For further information with regard to risks, please see the Risk Report included in the notes to the financial statements.

7. Approval of the Dependent Company Report

In accordance with § 312 AktG, it was again necessary to draw up a Dependent Company Report. The Executive Director prepared the Dependent Company Report in accordance with § 313 AktG. The report was audited by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft.

Since the audit did not give rise to any objections, the external auditors issued the following assurance report:

"Based on our audit and the conclusions reached, we confirm that

1. The disclosures made in the report are factually correct.
2. The consideration received or paid by the Company for each legal transaction disclosed in the report was not unreasonably high.
3. There are no other circumstances relating to the transactions and measures disclosed in the report which would lead to a conclusion different to that reached by the Executive Director."

The Administrative Board examined the Report on Relationships with Affiliated Companies (Dependent Company Report) and approved it in accordance with § 324 AktG. The Administrative Board had no objection to the report and the conclusion reached by the Executive Director.

8. Thanks to our shareholders and employees

8.1 Shareholders

The Administrative Board would like to thank PULSION's shareholders for the trust they have placed in the Administrative Board. The Company had its fourth successive record-breaking year in 2013. The Company's share price increased during the year under report by 74%, once again easily outperforming the reference index, the S-DAX.

8.2 Employees

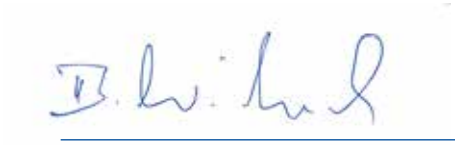
We would also like to thank all employees for the commitment shown in 2013. They have demonstrated that they can take PULSION to an earnings level with which it can join the "world league" for medium-sized medical technology companies.

In the final analysis, the takeover by Getinge is also recognition

a) That we have created something that is not simple to replicate.
b) That Getinge has confidence in PULSION's ability to become the global competence center for hemodynamic monitoring.

Thanks to Getinge's global market presence, PULSION's expertise will be deployed globally in future. With this backing, you will now be able to take PULSION to even greater heights.

Munich, March 14, 2014



Dr. Burkhard Wittek
Chairman of the Administrative Board

The year in review

January

February

FDA approval of ProAQT technology

March

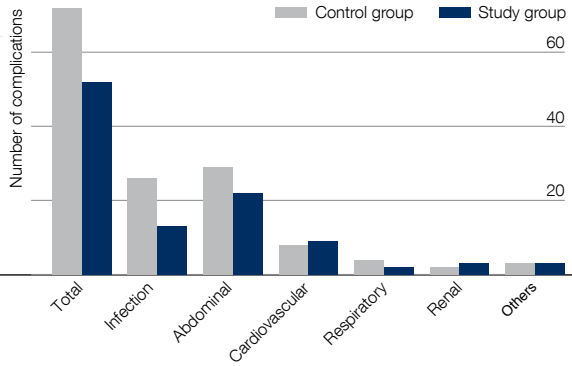
Launch of the new website

April

May

June

July



Publication of the ProAQT Outcome Study in the "Critical Care" journal, Salzwedel et al.
First proven confirmation in a randomized study that the use of ProAQT can bring about a significant reduction in the rate of perioperative complications

August

September

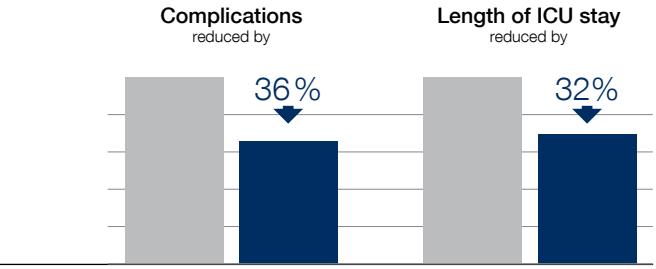
October

November

December

Approval of PiCCO technology in Mexico

Attendance with newly re-designed booth at ISICEM in Brussels



Publication of the PiCCO Outcome Study in the "Anaesthesiology" journal, Göpfert et al.
First proven confirmation in a randomized study of a reduction of one day in the length of stay in the Intensive Care Unit

Introduction onto the market of the new PulsioFlex Software Version 4.0 with improved interactive design

Marketing campaign promoting
the use of PULSION technologies in cardiac surgery and for the treatment of patients with cardiogenic shock

Group Management Report*

1. A review of the financial year**

PULSION Group sales totaled EUR 36.5 million in 2013, 5.4% up on the previous year's level of EUR 34.6 million. Adjusted for currency factors (i.e. calculated on the basis of the previous year's exchange rates), the increase was 5.9%.

Sales of the Critical Care business unit, with its core product PiCCO®, climbed by 3.1% from EUR 28.8 million in 2012 to EUR 29.7 million in 2013, while sales of the Perfusion Imaging business unit grew by 16.8% from EUR 5.8 million to EUR 6.8 million.

The gross margin fell slightly to 69.9% as a result of exceptional factors (2012: 71.5%).

The adjusted profit before interest and taxes (EBIT) – i.e. excluding expenses in conjunction with the planned takeover of the Company totaling EUR 1.8 million – improved by EUR 0.8 million (+8%) from EUR 9.5 million to EUR 10.3 million. The corresponding adjusted EBIT margin for the year 2013 was 28.3%, compared to 27.5% one year earlier.

The adjusted Group net profit for the year attributable to the Company (i.e. after minority interests) rose from EUR 7.0 million in 2012 to EUR 8.8 million in 2013. Adjusted earnings per share went up accordingly from EUR 0.82 to EUR 1.07.

Free cash flow (FCF) after taxes fell from EUR 7.5 million to EUR 3.5 million, resulting in an adjusted EBIT / free cash flow conversion rate of 35%, compared to the previous year's 79%. The sharp reduction is almost entirely due to the increase in net current assets.

The high level of cash funds at the end of the previous year and the free cash flow generated in the year under report were used primarily to pay a special dividend (EUR 13.5 million) and to buy back own shares amounting to EUR 0.7 million.

* Mandatory application of German Accounting Standard 20 (GAS 20) was taken as the opportunity to change the presentation of the Group Management Report compared to the previous year.

** Some of the following key performance indicators (KPIs) cannot be directly identified in the income statement or balance sheet. A reconciliation is provided in section 4.2. of the Group Management Report.

2. General information on the Group

2.1. Business units and organization

2.1.1. Structure

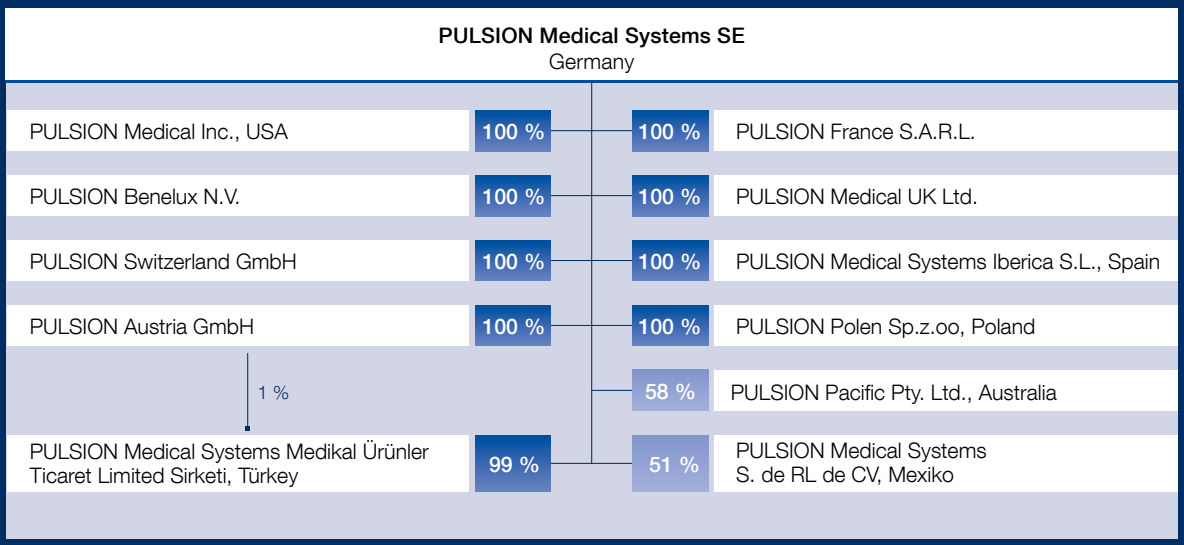
PULSION Medical Systems SE has its registered seat and business premises in Feldkirchen near Munich, from which location all centralized corporate functions were managed during the financial year 2013.

The PULSION Group operates with two business units:

a) **Hemodynamic Monitoring (Critical Care),** i.e. the development, manufacture and sale of systems worldwide used to monitor, diagnose and manage the physical parameters of seriously ill and intensive care patients in hospitals.

b) **Perfusion Imaging**, i.e. the development, manufacture and sale of indocyanine green ("ICG") and of complementary devices used to visualize micro-perfusion.

The parent company, PULSION Medical Systems SE, has eleven subsidiaries, each of which is responsible for the sale of PULSION's products in the corresponding market segments and which are fully consolidated in PULSION Medical Systems SE's consolidated financial statements.
PULSION Medical Systems SE is either directly represented in all core markets via its sales companies in the field of hemodynamic monitoring systems or has entered into corresponding cooperation arrangements with capable sales partners.



2.1.2. Business model

The business model: recurring revenues

PULSION's business model in its Critical Care business unit is based on generating recurring revenue from the sale of disposables. This is an integral aspect of achieving sustainable sales growth, since the level of sales is largely dependent on the use of existing products rather than on new customer business. The principal factor is therefore the usage of disposables for hemodynamic monitoring systems, which are placed on the market either for sale or rental.

Disposables, such as monitoring catheters, measurement probes and sensors, can only be purchased via PULSION. The sales objective is therefore to ensure a high level of applications in the market based on PULSION monitoring equipment using a variety of distribution channels. As well as marketing its own monitoring systems, PULSION also works together with major medical technology providers that sell monitoring hardware, since PULSION retains responsibility for disposables business, even if the equipment used comes from other providers.

In its Perfusion Imaging business unit (previous year: Perfusion business unit), the Company also pursues a business model, which involves selling hardware (here in the form of a near-infrared camera system), together with the disposable product ICG PULSION®. Unlike in the Critical Care business unit, ICG can also be used independently of our hardware with other fluorescence-based imaging systems.

2.1.3 Segments

Two business units: Critical Care and Perfusion Imaging

In its **Critical Care** business unit, PULSION develops and manufactures medical products for diagnostics and the monitoring of critically ill patients. The products are primarily for use in intensive care units and – following the introduction of ProAQT® catheter technology in conjunction with the new PulsioFlex® platform – increasingly also in operating theaters. The products provide physicians with extensive information regarding the condition of the cardiovascular system (which supplies the organs with oxygen) as well as information about the condition of other important systems within the body. This method of combining an extensive number of parameters enables doctors to build up a meaningful, complete picture of a patient's condition and reinforces the decisions they make with regard to implementing the appropriate treatment. The time saved and the information gained make it possible to commence promptly with the correct therapy, thus avoiding complications.

The **Perfusion Imaging** business unit deals with the visualization of blood perfusion in tissues and organs. For example, it enables pathological changes in blood vessels to be visualized. During surgery and post-operatively, it is possible to check whether there is an adequate blood supply to the tissues.

For this purpose, PULSION uses its own diagnostic agent, ICG PULSION® (indocyanine green). Once it has been injected into the bloodstream it becomes fluorescent. An optical imaging system makes the blood vessels visible. This enables medics to see the perfusion of superficial tissue layers – a genuine alternative to more expensive imaging procedures that has the added advantage of not exposing patients to radiation.

ICG PULSION® has certain properties which enable it to be used not only as a diagnostic agent but also for quality assurance and documentation purposes in a number of areas. This technology is employed in fields such as ophthalmology and neurosurgery, as well as being of use during abdominal surgery, breast cancer surgery and plastic surgery. PULSION currently holds exclusive drug approval in nine European countries. The company also has permission to market ICG PULSION® in the USA, where PULSION is one of two providers.

Overview of Critical Care products

The minimally invasive trend monitoring system, ProAQT®, was introduced in 2012 under the umbrella of the StepWISE® – Intelligent Patient Monitoring brand, which encompasses all of our monitoring technologies. There are more noninvasive technologies waiting in the pipeline to be introduced onto the market in 2014, and thereby supplement the current range of products. The degree of invasiveness can be varied, depending on the requirements and on the severity of the patient's condition, in order to collect either basic or more extensive information. As technologies become less invasive, the indications for using hemodynamic monitoring increase, thus adding significantly to the number of target markets for PULSION products.

PULSION currently provides two monitoring platforms:

- the traditional PiCCO® platform and
- the PulsioFlex® platform introduced in 2012.

Catheters and probes are assigned to both of these platforms, with which certain parameters at specified levels of accuracy can be measured. The most important of these are:

- PiCCO® technology
- ProAQT® technology
- CeVOX® technology
- LiMON® technology

By the end of 2013, it will be possible to combine these platforms with catheters and probes in the following ways:

	PulsioFlex®	$PiCCO_2$®
ProAQT®	✓	
PiCCO®	✓	✓
CeVOX®	✓	✓
LiMON®	✓	✓

In the following section we provide a brief summary of these products and technologies.

Monitoring platforms

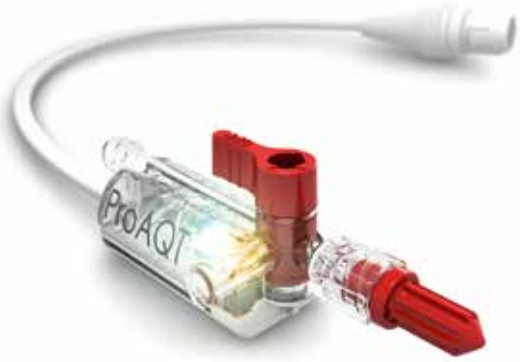
With its **PiCCO$_2$® platform**, PULSION has a system which is widely used in intensive medical care for treating critically ill patients.

The **PulsioFlex® platform**, which was introduced in 2012, has contributed considerably towards broadening PULSION's target markets because it offers technology for use in perioperative medicine – i.e. in a field other than intensive care – and therefore promises great potential for growth.

Catheters and probes

The **PiCCO®** catheter is the flagship among the disposables sold by PULSION. It enables doctors and medical practitioners to monitor the cardiovascular systems of critically ill intensive care patients and to manage the selected therapy. The catheter can be calibrated and, as such, is well suited for monitoring patients' conditions over a longer period. It is therefore mostly employed in intensive care units.

CeVOX® technology is designed to monitor the patient's oxygen balance (ratio of oxygen supply to oxygen requirement) on a continuous basis. Inadequate oxygen supply – which could result in severe complications – can thus be detected at an early stage.



ProAQT® sensors are a simplified version of the PiCCO® technology for use on high-risk patients and during high-risk procedures – i.e. primarily in the operating room. The technology is minimally invasive and can be set up by nursing staff via a standard radial catheter.

LiMON® technology is used to evaluate and monitor liver function. This product is used in intensive care medicine for the early detection of complications and to monitor the progress of patients suffering from liver function disorders as well as liver failure. There are many indications for using LiMON® in conjunction with liver surgery – for example, to monitor the donor organ following liver transplantation, or to assess liver function prior to a liver resection.

Overview of Perfusion Imaging products

ICG PULSION® (indocyanine green) is the core product of the Perfusion Imaging business unit. The agent indocyanine green fluoresces when stimulated by light of specific wavelengths. ICG PULSION® is injected directly into the circulatory system and allows superficial vessels to be visualized when used in conjunction with an imaging device.

There are numerous areas of application.

- Ophthalmic physicians use the dye to identify pathological changes in the vascular bed at the fundus of the eye.
- By using ICG PULSION® in neurosurgery, procedures for clipping/coiling aneurysms can be monitored quickly and reliably.
- In plastic surgery, skin grafts can be monitored for good circulation following skin transplantation.

The **Photodynamic Eye (PDE)** is a camera unit which can be used in conjunction with ICG PULSION® in several of the surgical areas mentioned above. PDA allows the fluorescence of ICG PULSION® to be visualized.

2.1.4 Management and control

The operations of the PULSION Group are managed by its Executive Directors (Direktorium), which defines the Group strategy and agrees upon it with the Administrative Board (Verwaltungsrat). At present, there is only one Executive Director. The search for a second Executive Director to take over responsibility for Development and Operations is currently in progress and should be brought to a conclusion during the first half of 2014.

Below the level of Executive Directors, PULSION is organized in two business units, **Critical Care** and **Perfusion Imaging**.

The Critical Care segment is organized by operating function, with department heads for sales, marketing, clinical studies and development.

The Perfusion Imaging business unit is managed by a divisional head, who deploys available resources for product development and clinical studies as well as sales and marketing.

In addition, a number of overarching functions (such as finance, HR, logistics and regulatory affairs, which are separately staffed) provide services for both business units.

2.1.5 Research and development

Research and development activities are essential to the sustained corporate success of the PULSION Group. Decisions made to invest in these areas are designed to ensure the Group's long-term growth strategy. R&D activities are therefore planned on a long-term basis and monitored continuously by both the Executive Director and the Administrative Board. These activities are managed and monitored by means of summarized project analyses for individual development projects and actual/budget variance analysis.

In 2013, the development process was revised to focus on the following priorities:

- A new method of monitoring market needs in the field of design control was developed in order to improve documentation.
- All product literature in the "technical files" was newly created in order to expedite processes for gaining international approval.
- Risk management relating to development processes was redefined and brought up to date with current standards.

The following milestones were reached:

Disposables

- In February 2013, the FDA issued approval for the sale of ProAQT® in the USA.

Hardware

- The "Golden Eye" project – a device for visualizing ICG – reached an important milestone with the completion of a prototype.
  This device is scheduled for market launching under the name of IC-Flow® in May 2014.
- The laboratory prototype was completed in October 2013, as part of the "noninvasive monitoring" project, and is due to be presented at the ISICEM in Brussels in March 2014.

Software

- The new, improved software version (v4.0) for PulsioFlex® became available in July 2013.
- Centralized data collection for clinics via a patient data management system (PDMS) is an important requirement for monitoring systems. The PulsioFlex® software can now be synchronized with four of the main PDMS suppliers.

Regulatory approvals

- New approvals for PiCCO$_2$® were obtained in 2013 as follows:
  - March, Mexico
  - July, Belarus
- o New approvals for PulsioFlex® were obtained in 2013 as follows:
  - March, Mexico
  - August, New Zealand
- New approvals for ICG PULSION® were received in 2013 as follows:
  - July, Russia
- The following milestones for the Extension of Applications Study for ICG PULSION® were reached in 2013
  - Patient recruitment completed
  - Completion of approval documentation for submission to the Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte, BfArM)
- Furthermore, PULSION's quality management system was newly certified in May.

Patents

- Nine patents were obtained for various parts of the world in 2013, including patents relating to CeVOX® probe technology and one patent relating to parameter indexing in conjunction with PiCCO® technology.
- Work on a system to monitor patents of PULSION's principal competitors, started in 2013, will be continued and completed in 2014.

Total R&D expenditure in the financial year totaled EUR 3.4 million, of which EUR 1.4 million were recognized as assets. The development ratio before capitalization (defined as expenditure divided by sales) increased year-on-year from 7.0% to 9.4%. PULSION also outsources R&D activities to third parties.

3. Business management and strategy

3.1 Internal management system

As in the previous year, PULSION manages, steers and controls its business units on the basis of an integrated management information system (MIS). The system includes comprehensive monthly reporting on the sales and earnings position of PULSION Medical Systems SE and its subsidiaries. Performance is monitored on the basis of an actual/budget variance analysis for the balance sheet, income statement and cash flow statement and for other key performance indicators derived from monthly reports.

Based on these monthly MIS reports and supplemented by weekly management review meetings attended by the Executive Director, members of the management team and country managers, actual sales and performance against targets are monitored continuously, so that any necessary countermeasures can be initiated as quickly as possible. The measures decided upon in this context are also monitored continuously in the form of management reviews.

In order to ensure that the Group achieves its targets, performance is monitored on the basis of defined financial Key management parameters, the most important of which are

a) Sales
b) EBIT
c) The EBIT free cash flow conversion rate

The management reporting system also delivers a number of other KPIs, which are reviewed each month, firstly by management and secondly by the Administrative Board, including

a) Employee fluctuation rate
b) Development targets / Expenditure before capitalization

The KPIs described above are applied in the same way to both business units.

3.2. Strategy and targets

3.2.1. Corporate strategy P5

PULSION's multiyear strategy is summed up in the P5 Project, which has been used to guide the Group since 2012 in six strategic areas over a 5-year period, namely

a) **Steady growth of existing products in the Critical Care business unit within the DACH region.** Business relating to the PiCCO® platform in the DACH region was highly subdued in 2013, with sales revenue dropping by 7%. We already have a high penetration rate in this region and are therefore directly affected by policies adopted to hold down costs within the healthcare sector.

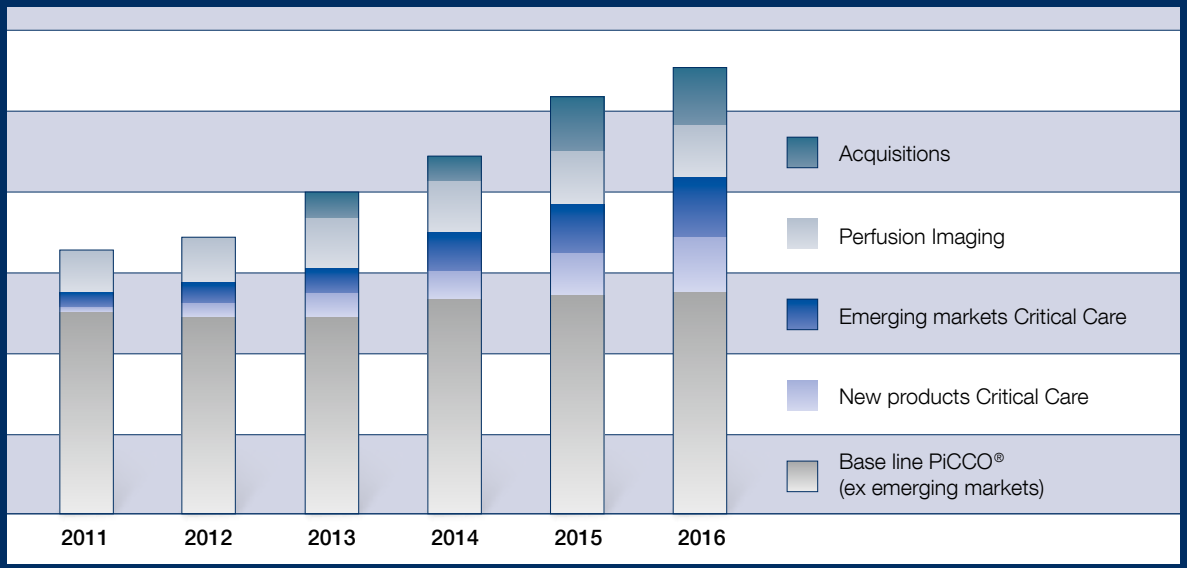
b) **Growth of existing products in the Critical Care business unit outside the DACH region – excluding emerging markets.**
We wish to achieve faster growth in this part of our strategy, since penetration rates are significantly lower here than in the DACH region. We were able to succeed in this aim with a growth rate of over 4%.

c) **Growth of 16% p.a. from existing products in the Critical Care business unit on emerging markets.**
This target was exceeded in 2013 with a growth rate of over 22% on these important growth markets.

d) **Growth from new products in the Critical Care business unit**
The PulsioFlex® monitor (together with the accompanying catheters and probes) contributed approximately EUR 2.2 million to sales revenue. Overall, the growth rate achieved was in line with forecasts.

e) **Growth for Perfusion Imaging business unit**
The Perfusion Imaging business unit surpassed all expectations and grew by almost 17% in 2013.

f) **Acquisition of new technologies or products**
The sixth building block in our P5 strategy is the acquisition of technologies or products that fit into our razor/razor blade business model and our educational selling process. We investigated a whole host of acquisition options in 2013, without – for a number of reasons – actually making a move.



3.2.2. Targets and strategies of the Critical Care business unit

Worldwide, up to three million intensive care patients and up to 15 million surgical patients could potentially benefit each year from improved hemodynamic monitoring and management. At present, the number of patients benefiting from these healthcare technologies is below 500,000, since these methods have so far not become standard applications.

The medical-technology industry is extremely polarized. Numerous minor and start-up companies are lined up against a handful of "global players". PULSION, as mid-size enterprise, has positioned itself exactly between these two groups. We are investing in the development of new technologies, demonstrating innovative strength similar to that achieved by smaller-size companies and ensuring we do not lose market share to new players.

Alongside its innovative skills, PULSION's second major strength is its excellence in selling. Our sales concept follows an "educational selling" approach, built on a combination of customer workshops and medical expertise in selling. This strategy has proved itself as a very useful way of holding out against the "selling machinery" of large-scale corporations.

As a specialist company selling medical technology products that require a high degree of explanation, PULSION has the opportunity to enter into cooperation arrangements with the major manufacturers of integrated, standardized monitors. PULSION established new technologies and can therefore develop the so-called "early markets" for advanced monitoring. PULSION's products generally provide users with considerably more information about patients than the products of larger companies operating in the field of standard monitoring. If the markets accept PULSION's innovations and the demand for these products grows accordingly, it is then an interesting proposition for manufacturers of integrated patient monitoring systems to have these new technologies incorporated in their own platforms.

Numerous major monitor manufacturers have already incorporated PULSION's technologies in their patient monitoring systems, thereby expanding the available equipment base at an above-average rate. PULSION benefits on the one hand from the revenue generated by the license arrangement, and on the other from the growth in the volume of disposable product business, which remains under PULSION's control. One important milestone reached in 2013 was the launch of General Electric's E-PiCCO module, which should also create additional impetus for growth with OEM-related business.

From our base in Germany, our Critical Care business unit has pioneered the field of minimally invasive hemodynamic monitoring to gain market leadership in Europe. The downside of this development is that our sales revenue is heavily concentrated on European markets, which accounted for just under 80% of total Group sales in 2013. In this respect, we are the archetypal European company – benefiting from a strong underlying culture of technological innovation and "German" efficiency in execution, but at the same time highly dependent on a continental market with a low GDP growth rate.

Strengthening PULSION's position in European markets

Our declared aim is to expand our international business in all major and potentially large markets through direct sales. We consider this strategy as the best way to market our products – which require a relative high degree of explanation – and an easier way to finance the placement of monitors than through distributors. We will achieve this target, either through our own sales companies or through joint ventures with local partners.

This concept has proven successful. The focus on educational selling enabled us to achieve double-digit growth in the Benelux region, France and Poland in 2013. After successfully stabilizing the situation in crisis-hit Spain, we were even able to register sales growth in this region. The restructuring process in the United Kingdom has been completed, and should begin to bear fruit with renewed growth in 2014.

Key market USA

As far as the world's established markets are concerned, the key market for medical technology remained the USA, which accounts for 40 to 50% of the global demand for hemodynamic monitoring.

After many years of attempting to penetrate the US market, in 2013 we came to the conclusion that we will not succeed with our own resources alone. This recognition was the main factor driving us to find a strategic partner – which, in turn, led to the takeover offer announced towards the end of 2013.

Early presence in emerging markets

In view of PULSION's stated strategy of penetrating early markets in order to gain market share during the all-important growth phase, the cornerstone for these endeavors was laid in previous years in the form of cooperation arrangements with distributors and the forming of our own sales companies.

We continue to see the highest earnings potential in the emerging markets of Asia (excluding Japan). The designation "emerging markets" covers markets in Latin America, Asia-Pacific (excluding Japan) and other sales regions. By far the most important market in this region is China. We have been represented there for many years by an exclusive distributor who has performed excellent work in establishing PULSION's presence on this market, largely by adopting for China the well-established educational selling concept (workshops and road shows), which already proved so effective in Europe. Additional momentum is also being created by Mindray, a manufacturer of integrated patient monitoring systems, which has helped to increase "installed base" and expand PULSION's market presence by selling PiCCO® modules. Targeted activities in China provided a significant boost to sales, which jumped by 39%.

Japan

The world's second-largest national market for medical technology is Japan. Our strategy here is based on a long-term distribution arrangement with a Japanese company that has exclusive rights to represent PULSION in Japan. Japan currently accounts for less than 2% of Group sales. Even after taking account of the distributor's margin, we are still clearly under-represented in this market. Approvals for ProAQT® and PulsioFlex® will be sought in 2014 and should be obtained by the beginning of 2015. For this reason, we forecast accelerated growth from 2015 onwards.

As medical doctors within the PULSION team, we are constantly striving to ensure that clinical evidence is backed up by scientific studies. This year, two studies were brought out in which we have been able to prove that the number of complications and the length of hospital stays can be reduced with the help of PiCCO® and ProAQT®.

Dr. Volker Humbert (left)
Head of Medical

Dr. Sergej Kammerzell (right)
Head of Marketing

3.2.3. Targets and strategies of the Perfusion Imaging business unit

Due to the wide range of applications in which it can be used, the market landscape for the fluorescent dye ICG PULSION® is also highly heterogeneous. The use of ICG for fluorescence angiography (to depict the blood vessels of the ocular fundus) has become well established in the field of ophthalmology. The method has also become the standard in the field of neurosurgery. Momentum is also provided by PULSION's strategic cooperation with equipment manufacturers for imaging diagnostics.

In the Perfusion Imaging business unit, our strategy in the USA is to sell our products indirectly via a distributor and OEM customers.

3.2.4. Clinical studies that validate and document the medical benefit of PULSION products

In 2013, two pieces of work were published which specifically demonstrated the usefulness of PULSION technologies for the medical care of critically ill and high-risk patients.

- Prospective randomized study, published in June 2013, of 100 patients who underwent cardiac surgery*. It was possible to demonstrate that hemodynamic therapy, based on PiCCO® technology parameters, precisely targeted at an early stage, can reduce complications and the length of time spent in intensive care in the postoperative period. The rate of complications suffered by patients in the PiCCO® group was 36% lower than those in the control group, and their length of stay in the intensive care unit was 32% shorter.

* Published in Anesthesiology, the Journal of the American Society of Anesthesiologists, (Goepfert MS et al., Individually Optimized Hemodynamic Therapy Reduces Complications and Length of Stay in the Intensive Care Unit, Anesthesiology 2013).

- Prospective randomized study, published in September 2013**. This multi-center study, carried out on 160 patients in five European hospitals, investigated individually targeted therapy using ProAQT® technology during major abdominal surgical procedures. This study also showed that the complication rate in the study group had been reduced considerably (by 28%) compared to the control group.

Both studies indicate that the use of PULSION technologies is medically beneficial for patients and also has financial advantages because it can reduce the length of hospital stays.

The completion of another Outcome Study with ProAQT® technology is expected in 2014. The study involves approximately 150 patients who have undergone major abdominal surgery. It will examine the effects of individually targeted hemodynamic therapy on patients, compared to a control group given conventional therapy. A retrospective analysis of a large database of more than 1,000 PiCCO® patients is also expected to be published. This analysis will also make it possible to draw conclusions about the significance of individual parameters.

The two studies and the publications cited above will help to establish hemodynamic monitoring as standard practice during surgery on high-risk patients and in the treatment of critically ill patients in the intensive care unit.

3.2.5 Targets and strategy in the area of purchasing, production and logistics

Key performance indicators (KPIs) have been defined and are monitored in order to reduce risks relating to purchasing, production and logistics. Similarly, appropriate escalation steps and processes have been designed to minimize reaction times. Thanks to the newly introduced KPI reporting system, combined with rigorous implementation of selected measures, rectification work in production was reduced by one half to approximately 0.3%.

PULSION's stated long-term strategy is to devolve purchasing responsibility for non-in-house-constructed components completely to suppliers, with a view to reducing the complexity of the procurement chain, while still maintaining the highest quality standard.

We are also endeavoring to minimize complexity by developing standardized packaging solutions that ideally suit PULSION's production and selling processes.

PULSION is also implementing measures to free up working capital by reducing internal safety volume levels for inventories and transferring this responsibility to suppliers.

** Published in Critical Care (Salzwedel C, Perioperative goal-directed hemodynamic therapy based on radial arterial pulse pressure variation and continuous cardiac index trending reduces postoperative complications after major abdominal surgery: a multi-center, prospective, randomized study, Crit Care 2013)

4. Report on economic position

4.1. Review of course of business in the reporting period

4.1.1. General economic environment

The global economy stabilized in 2013 by comparison with the previous year, largely due to highly expansionary monetary policies being pursued in most of the world's industrialized countries. Worldwide production figures were even slightly up in 2013. Unlike the previous year, the greatest momentum for growth was generated by industrialized countries. Emerging markets were only able to benefit on a less pronounced scale from global economic growth, partly due to substantial capital outflows and downward pressure on their own local currencies.

The economic position in the **eurozone** – one of PULSION's key markets – improved significantly over the course of 2013. The stubborn recession that had dragged on since 2011 was finally overcome in the second quarter of 2013 with a positive growth rate of 0.3%. As expected, the rate dipped again in the third quarter of 2013, but remained positive at 0.1%. Germany made a significant contribution to the improved situation in the eurozone and, at the same time, a number of other sales markets which are important for PULSION, such as Spain, also showed early signs of vitality. Nevertheless, the situation in many eurozone countries remained a cause for concern, due to high levels of public sector debt.

The economy in the **United States** – the most important market for PULSION outside the European region – has been gathering pace since the end of 2012, reporting quarter-on-quarter growth of 0.3% in the first quarter of 2013 and 0.6% in the second.

The emerging markets most relevant to PULSION (China, Brazil and Mexico) reported growth rates in 2013 that were comparable with earlier years.

4.1.2 Sector-specific developments

Critical Care business unit

The market for advanced hemodynamic monitoring within the Critical Care sector can be subdivided into (highly) invasive (PA catheters), minimally invasive and noninvasive hemodynamic monitoring systems. For the time being, invasive monitoring systems still account for the largest market share worldwide. The total market for hemodynamic monitoring systems can be described as having slow growth rates, generally below 1% p.a.

The various market segments, however, are developing in significantly different ways. The invasive market is shrinking, particularly in the face of the improved measurement results that minimal and noninvasive systems can deliver and increased demand for simple, efficient solutions capable of displaying a patient's vital signs. Minimal and noninvasive systems are increasingly displacing invasive systems and – due to new indications and technical developments – are finding more fields of application than ever before. This trend continued during the year under report. In contrast to invasive systems, minimal and noninvasive systems can, in some cases, boast double-digit growth rates and possess sufficient potential to generate additional growth in the future. PULSION offers a variety of product solutions for use in the growing sector of minimal and noninvasive monitoring. Further product developments are in the pipeline.

Thanks to the obvious medical benefits to be gained in this field, the market is relatively independent of macro-economic developments and cyclical fluctuations. Moreover, in the light of highly technical product specifications and approval restrictions in certain markets, the sector is characterized by a small and fairly

constant number of providers. PULSION is the market leader for minimally invasive monitoring systems in Europe, which is the second largest market worldwide after the USA. PULSION is well positioned in the Asian region, which accounts for approximately 10% of the total minimally invasive hemodynamic market, of which PULSION has a high double-digit market share. The biggest potential for growth is evident the USA, the world's largest market for hemodynamic monitoring systems. The US market still features a greater percentage of highly invasive systems than in Europe. Nevertheless, invasive systems have already lost a significant amount of ground to less invasive systems, a trend which continued throughout 2013. PULSION is confident that this trend will continue to impact markets in the future.

Perfusion Imaging business unit

The market for ICG PULSION® fluorescent dye within the **Perfusion Imaging** business unit is a niche business characterized by a very small number of market players worldwide. A further point to consider is that market participants sell the fluorescent dye in some countries – often due to higher approval hurdles – from a monopoly position, i.e. without the participation of other competitors. The use of ICG in the new diagnostic approach offers significant potential for growth, particularly with respect to the treatment of breast cancer. The market for diagnostic approaches of this kind is still at a very early stage. PULSION's competitors in the USA have, however, already achieved good growth rates with this approach in recent years.

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4.1.3. Competitive environment

Hemodynamic monitoring

Apart from Edwards Lifesciences as the largest market competitor, PULSION is principally confronted with smaller rivals such as LiDCO and Deltex Medical in Europe and ICU Medical and Cheetah Medical in the USA.

Competitor	Reporting period	Segment	Revenue growth
PULSION	2013	Critical Care	3.1%
Edwards	2013	Critical Care	-4.1%
LiDCO	QI–QII 2013	Group	27.0%
Deltex	QI–QII 2013	Group	-9.0%

Sales achieved by the Edwards Critical Care division fell by 4.1% in 2013. The decrease was explained by the removal of the central venous access catheter from its product range on the one hand and the sale of Swan-Ganz catheters on the other. The comparable figure for PULSION Critical Care was 3.1%.

LiDCO continues to be successful, but only in its home market, the United Kingdom, and did not achieve any notable growth in other regions during the first six months of the period under report. For this reason, LiDCO is not seen as being particularly relevant for PULSION as a competitor outside the UK.

Deltex, which also operates primarily on its UK home market, reported a 9% drop in sales revenue for the same six-month period. The number of monitors placed remains at a low level, and for this reason PULSION does not currently perceive Deltex as a competitor outside the UK.

Perfusion Imaging

PULSION holds approvals in seven European countries and sells ICG throughout Europe, with the exception of France, where the company Serb currently holds an approval, thus preventing the sale of ICG PULSION® on this market. The US market is one of the few in the world where ICG is sold by more than one provider, with PULSION and Akorn taking the lion's share of the market. PULSION sells ICG in almost all countries. Unlike in the USA, the exceptions are countries in which a competitor holds an approval (currently Japan, South Korea, and Brazil.

Due to the wide range of applications, the growth rates recorded by Perfusion Imaging differ significantly from one region to the next. PULSION sells ICG in countries within Europe, for which it has approval, without having to face any competition. Sales are generated primarily in the area of ophthalmology (approx. 80% of total sales) and neurosurgical applications (approx. 10% of total sales). The market for use in neurosurgical applications, however, is already seen as saturated in the light of current therapy recommendations. Further potential for growth in existing application areas is only possible by expanding geographical coverage. In this context, PULSION obtained a new approval for Russia in 2013.

4.2. Comparison of forecast outcomes and actual outcomes

In the following section, forecasts made in the outlook contained in the 2012 Annual Report are compared with actual outcomes and any variances explained.

The following table provides an overview of targets and actual outcomes:

	Outlook 2012	Actual 2013	Difference
Increase of adjusted revenue*	at least 6%	5.9%	-0.1%
Adjusted EBIT margin	at least 23%	28.3%	5.3%
Increase of R&D expenditure	> 30%	37.0%	7.00%
Adjusted EBIT free cash flow conversion rate	70%	34.9%	-35.10%

* Organic increase in revenue, i.e. excluding currency impact and acquisition costs.

The previous year's forecasts are based on figures not directly visible in the income statement. For this reason, we provide the following reconciliation of key performance indicators.

Reconciliation of key performance indicators relevant for managing the business

		KEUR
	Reconciliation of sales – excluding currency impact	
	Sales as per consolidated income statement	36,475
	Currency impact* within the reporting period	186
	Sales – excluding currency impact	36,661
	Reconciliation of adjusted EBIT, EBT and Group net profit	
	EBIT as per consolidated income statement	8,558
+	Expenses in conjunction with planned takeover of the PULSION Group	1,752
	Adjusted EBIT	**10,310**
	Adjusted EBIT margin	**28.3%**
	Financial result	-33
	Adjusted EBT	**10,277**
	Adjusted income taxes	-1,524
	Adjusted group net profit before minority interests	**8,753**
	Adjusted group net profit after minority interests	**8,774**
	Reconciliation of adjusted EBIT free cash flow conversion rate	
	Free cash flow as per consolidated cash flow statement	3,461
+	Noncash expenses in conjunction with planned takeover of the PULSION Group	138
	Adjusted free cash flow	3,599
	Adjusted EBIT	10,310
	Adjusted EBIT to free cash flow conversion rate	**34.9%**
	Reconciliation of R&D expenditure	
	R&D costs as per consolidated income statement	2,271
-	Noncash expenses	-245
+	Capitalization of development expenses	1,418
	Development expenses in reporting period	**3,444**

* The currency impact is calculated as the difference between sales as reported and sales for the period calculated using exchange rates prevailing in the previous reporting period

Sales target

In 2012 the Board of Executive Directors forecast sales growth excluding currency impact and before acquisitions of at least 6%, which would have resulted in sales of at least EUR 36.7 million for the financial year 2013. With actual sales of EUR 36.5 million and a currency-adjusted growth rate of 5.9%, PULSION was very close to achieving the target it had set for itself.

EBIT target

In the 2012 Annual Report, the Executive Director forecast an EBIT margin of at least 23% for the financial year 2013.

The Group actually recorded an adjusted EBIT margin of 28.3%, thus easily surpassing the target of 23% by 5.3 percentage points. This outcome was attributable in particular to the fact that a number of planned selling and marketing projects were postponed until 2014 and because a number of vacant posts in this area were not filled.

EBIT/FCF conversion rate

In the 2012 Annual Report, the Executive Director set a target of 70% for the EBIT/FCF conversion rate.

The actual outcome for the adjusted EBIT/free cash flow conversion rate of 34.9% was well short (approximately 35%) of the target of 70% set for the year. The primary reason for this shortfall was the negative change of EUR 3.1 million in net current assets, which mainly reflected an increase in trade receivables (up by EUR 1.8 million) and a decrease in trade payables (down by EUR 0.7 million). Overdue receivables at the level of the Spanish subsidiary contributed to the increase in trade receivables. In addition, good levels of business with distributors towards the end of the financial year caused receivables to rise.

Increase in R&D expenditure for investments

Alongside its earnings targets, 2013 was also planned to be a so-called “pace-gathering year,” with R&D expenditure up by 30% in order to accelerate the pace of growth in 2014.

R&D expenditure rose to EUR 3.4 million in 2013, an increase of 35% on the previous year. The increase was in line with the previous year’s forecast of a rise in development expenditure in excess of 30%.

4.3. Overall management statement on business performance

The 2013 financial year was a successful one for the PULSION Group and our overall targeted growth rate was achieved with precision. Although the targets set for individual markets were not achieved in all cases, the overall course of events in the year under report proved favorable. Importantly, PULSION recorded good growth rates in practically all promising foreign markets that will be vital for future business.

Good progress was made in the field of R&D. Planned investment projects were successfully implemented, thus setting a stable course for the coming financial year. Important approvals were procured and the necessary steps taken to obtain new ones. Specifically, receipt of the approval for ProAQT® in the USA in the first quarter of the year under report opened up good sales opportunities, as reflected in the sales figures for 2013 as planned. The Perfusion Imaging business unit achieved important milestones in its work on the development of a new product capable of depicting ICG in human tissue.

4.4. Earnings performance

Sales

Sales grew by 5.4% in 2013 (2012: 5.1%) to KEUR 36,475 (2012: KEUR 34,621). Adjusted for exchange rate factors, the increase in 2013 was 5.9% (2012: 4.0%), which means growth was approximately 50% up on the previous year.

Analysis of sales

The Critical Care segment recorded a 3.1% rise in sales, similar to the growth recorded one year earlier. As can be seen from the following table, sales generated with monitors rose by 4.2% (2012: 0.9%). Sales of Critical Care disposable products went up by 2.7%, compared to 4.1% one year earlier.

The Perfusion Imaging business unit achieved a slightly faster growth rate than one year earlier (16.8% in 2013 compared to 16.0% in 2012), with new sales driven by the diagnostic agent ICG PULSION®. The subsidiary in the USA again contributed greatly towards this increase.

Sales by product and business unit

in KEUR		2013	2012	Change in %
Monitors	Critical Care	6,937	6,658	4.2%
	Perfusion Imaging	287	482	-40.5%
Disposables	Critical Care	22,747	22,147	2.7%
	Perfusion Imaging	6,504	5,334	21.9%
Total	**Critical Care**	**29,684**	**28,805**	**3.1%**
Total	**Perfusion Imaging**	**6,791**	**5,816**	**16.8%**
Total		**36,475**	**34,621**	**5.4%**

Overall, the sales mix between monitors and disposables remained stable in 2013, with disposables accounting for a dependable 80% (2012: 79%). The percentage share is likely to continue rising as PiCCO® technology is integrated in an increasing number of patient monitoring systems sold by our partners.

By far the most important PULSION product family is the PiCCO® system, which consists of a monitor and a range of catheters.

In 2012, some 126,000 PiCCO® catheters were sold, similar to the previous year's volume. The installed base of PiCCO® monitors rose by 4.6% to an approximate total of 8,530.

Moreover, our strategic partners have placed approximately 15,200 PiCCO® modules in the market during the last seven years.

PULSION's second largest product group is ICG, which is marketed by the Perfusion Imaging business unit. Sales generated with ICG PULSION® grew by approximately 22% to KEUR 6,504. As in the previous year, the USA was the principal growth driver, with business up by almost 45% in the year under report.

Sales by region:

Region	2013	2012	Change 2012–2013
	KEUR	KEUR	
DACH*	15,518	15,877	-2.3%
Western Europe (excluding DACH)	11,779	10,889	8.2%
Eastern Europe	1,623	1,456	11.5%
USA	2,940	2,370	24.1%
Japan	576	561	2.7%
Latin America	357	238	49.8%
Asia Pacific (excluding Japan)	3,405	2,735	24.5%
ROW**	278	495	-43.9%
Total	**36,475**	**34,621**	**5.4%**

* Germany, Austria, Switzerland

** Rest of the world

Sales in the core **DACH** region slipped by 2.3%.

Sales rose by 8% in the **Western Europe region (excluding DACH)**. A strong sales performance in the Benelux countries (+ 25%) was not sufficient, however, to compensate for lower sales revenue recorded by our subsidiaries in Spain and the United Kingdom. The year-on-year decrease in sales revenue in the PIGS countries – which continued to suffer in 2013 from the effect of the financial market crisis – was reduced from 27% to 10%.

Our subsidiary in the **USA** improved its sales figures by approximately 24%, with Perfusion Imaging business (up by 45%) making a substantial contribution to this growth.

Together with our distribution partner, a growth rate of close to 3% was once again recorded for **Japan** in 2013.

Sales in the **Eastern Europe** region, which account for 5% of total sales, grew by approximately 12%. In this context, it is important to mention the positive performance of our recently founded subsidiary in Poland.

The growth rate achieved in the **Latin American** market was again approximately 50%, despite only accounting for about 1% of total Group sales. For the first time, our joint venture in Mexico was able to make a contribution to this positive development in 2013.

The **Asia-Pacific** region (excluding Japan) grew significantly faster than in the previous year, with sales again up by 25%. While sales generated by our Pacific subsidiary were slightly down, our Chinese distributor made a valuable contribution with a sales increase of more than 18%.

Taking the last three groups as an approximation of our performance on **emerging markets**, the proportion of PULSION's sales generated on emerging markets increased from 10% in the previous year to 12% in 2013.

Sales by distribution channel

Distribution channel	2013	2012	Change 2012–2013
	KEUR	KEUR	
Direct	27,201	26,354	3.2%
Majority-owned subsidiaries	652	548	19.0%
Distributors	8,622	7,719	11.7%
Total	**36,475**	**34,621**	**5.4%**

Direct business is that generated by our wholly owned subsidiaries in Europe (including Turkey) and the USA. Overall, sales recorded by these companies grew by 3.2% in the year under report.

The category **majority-owned subsidiaries** currently comprises only the companies in Australia and Mexico. While business in Australia remained flat, the situation in Mexico has now begun to look brighter.

Worldwide business generated via **distributors** again rose significantly in 2013. Our distributor in China made a significant contribution to this development with sales of KEUR 600.

The **gross margin** decreased slightly in 2013 from 71.5% to 69.9%, partly due to the increase in sales to distributors (which generally generate lower margins) and partly due to impairment losses of EUR 0.2 million recognized due to the discontinuation of a development project and EUR 0.1 million recognized on capitalized patents.

The fact that the gross margin in the Critical Care business unit increased at a less pronounced rate than sales (1.9% as opposed to 3.1%) was mainly attributable to the growth in business with distributors, which achieves lower margins. The increase in the gross margin for the Perfusion Imaging business unit in the year under report was also significantly lower than the increase in sales (8.9% compared to 16.8%), mainly due to one-off expenses incurred to allocate products to target markets other than those for which they were originally produced.

Selling and marketing expenses dropped marginally from EUR 10.1 million to EUR 10.0 million in the year under report. Cost increases of EUR 0.2 million in the Perfusion Imaging business unit were more than offset by cost savings of EUR 0.3 million in the Critical Care business unit.

Selling and marketing expenses as a percentage of revenues in 2013 were 27.3% compared to 29.1% one year earlier.

At EUR 2.3 million, **research and development expenses** in 2013 were EUR 0.2 million or 6% lower than in the previous year (EUR 2.4 million). However, including capitalized development costs, total R&D expenditure rose sharply, as planned, by more than 40% or EUR 1.0 million to EUR 3.4 million compared to the previous year. Expenditure was ramped up substantially in both business units. After capitalization of development costs, R&D expenses in the Perfusion Imaging business unit were at a similar level to the previous year, whereas those of the Critical Care business unit decreased by EUR 0.2 million.

R&D expenditure can be reconciled to the income statement as follows:

	2013	2012
	KEUR	KEUR
R&D costs as per consolidated income statement	2,271	2,425
Noncash expenses	-245	-111
Capitalization of development expenses	1,418	107
R&D expenditure before capitalization and excluding impairment losses	**3,444**	**2,421**

Based on R&D expenditure before capitalization and excluding impairment losses, the R&D ratio in 2013 was 9.4% (as a percentage of sales) compared to 7.0% in the previous year. Although this figure fell short of the targeted ratio of 10%, the underlying objectives for development activities were achieved in 2013.

General and administrative expenses amounted to EUR 3.7 million and were thus higher than in the previous year (2012: EUR 3.4 million). The expense ratio was therefore 10.2%, as compared to 9.9% in the previous year. The target is to achieve an expense ratio of 10%.

In order to boost sustainable growth, in 2013 the Company made the decision to seek a **strategic buyer** for the PULSION Group as a whole. Advisory costs and management bonus entitlements arising in conjunction with the search for a suitable buyer as well as the contractually agreed consulting fees arising in connection with the takeover offer made by the Getinge Group – announced in December 2013 and published on January 14, 2014 – are presented separately on a newly created line item within the income statement. Overall, a total expense of TEUR 1,752 was recognized in the income statement.

	KEUR
Fees for investment consulting	1,389
Management bonus	225
Fees for lawyers, patent lawyers, tax accountants and auditors	138
Total	**1,752**

After adjustment for exceptional expenses of KEUR 1,752 in conjunction with the takeover offer from the Getinge Group, **operating expenses** net of **other operating income** decreased by KEUR 269 to KEUR 14,877 in 2013. Other operating income rose by KEUR 295 to KEUR 1,288, partly due to license fees and retrospective billing for prior periods.

Overall, the Group recorded an **operating profit (EBIT)** of KEUR 8,558 for the financial year 2013. Adjusted for exceptional expenses relating to the takeover offer, adjusted EBIT improved by KEUR 775 from KEUR 9,535 in 2012 to KEUR 10,310 in 2013. The adjusted EBIT margin for the year 2013 was 28.3%, as compared to 27.5% one year earlier. The adjusted EBIT for the two business units – also excluding the expenses relating to the planned takeover – improved by 8.5% for Critical Care and 6.6% for Perfusion Imaging.

In this context, the Critical Care business unit benefited in particular from reduced selling and R&D expenses (down by KEUR 188) and the rise in sales revenue (up by KEUR 879). The improvement in the Perfusion Imaging business unit's EBIT was also influenced by the KEUR 975 rise in sales, while at the same time held down by higher expenses, particularly in the area of selling and administration.

Based on a tax expense of KEUR 1,044, the **effective tax rate** for the year of 12.2% was significantly lower than the previous year's rate of 27.4%, mainly reflecting the impact of the recognition of deferred tax assets on tax losses available for carryforward at the level of subsidiaries in the USA, the Benelux and France amounting to KEUR 1,613. A detailed reconciliation of the Group tax expense showing the various effects is provided in the notes to the consolidated financial statements (note 11).

Adjusted **Group net profit after minority interests** increased by almost 25% from KEUR 7,027 in 2012 to KEUR 8,774 in 2013. The disproportionate rise compared to EBIT was mainly attributable to the recognition of deferred tax assets on tax losses available for carryforward.

Adjusted for expenses relating to the takeover offer from the Getinge Group, **adjusted earnings per share in 2013 amounted to EUR 1.07**, up by 30.7% on the previous year's EUR 0.82. This improvement, which was greater than the increase in net profit, was attributable to the share buybacks implemented in 2012 and 2013, which reduced the average number of shares in circulation by approximately 4.5% compared to the previous year.

4.5. Net assets position

Fixed assets

On the assets side of the balance sheet, **noncurrent assets** totaled EUR 10.6 million and were thus above the previous year's level of EUR 8.7 million. A significant portion of the increase resulted from the recognition of deferred tax assets on the tax loss carryforwards of the three foreign subsidiaries totaling EUR 1.6 million. Intangible assets increased slightly (by EUR 0.5 million) due the capitalization of development costs, while property, plant and equipment, at EUR 5.0 million, remained approximately at the previous year's level.

Current assets

Trade accounts receivable went up EUR 1.8 million over the twelve-month period from EUR 5.7 million to EUR 7.5 million, as a result of which the number of sales days outstanding increased sharply to 74, compared to 60 days at the end of 2012. The increase was primarily due to outstanding receivables at the level of the Spanish subsidiary. The Company expects to collect these amounts during the first half of 2014.

Inventories stood at EUR 6.2 million at December 31, 2013, and were hence EUR 0.4 million higher than one year earlier. The inventory turnover rate of 1.8 in 2013 was unchanged from the previous year.

Liabilities

On the equity and liabilities side of the balance sheet, liabilities went up by EUR 0.2 million from EUR 8.4 million at the end of 2012 to EUR 8.6 million at December 31, 2013, with EUR 1.3 million relating to noncurrent and EUR 7.3 million to current liabilities. Adjusted for provisions amounting to EUR 1.6 million recognized at the end of the reporting period in conjunction with the takeover offer from the Getinge Group, liabilities relating to operations fell sharply by EUR 1.6 million to EUR 5.7 million, corresponding to a decrease of 22%. The liability for value added tax increased by EUR 0.4 million, while payables to suppliers and other liabilities decreased by EUR 0.8 million and EUR 0.4 million respectively. Net deferred tax liabilities went up by EUR 0.1 million to EUR 1.0 million, while current tax payables decreased by EUR 0.8 million to EUR 1.8 million.

Net liquidity

Cash and cash equivalents amounted to EUR 1.0 million at December 31, 2013. This figure also corresponds to net liquidity, since the Group – as at the end of the previous year – did not have any bank or financing liabilities at December 31, 2013. At the end of the previous year, net liquidity had totaled a positive amount of EUR 11.4 million.

Equity

Equity decreased significantly in 2013 (by EUR 6.3 million) from EUR 23.8 million to stand at EUR 17.6 million at December 31, 2013. The decrease was primarily due to the special dividend of EUR 13.5 million and also to the repurchase of treasury shares by the Company amounting to EUR 0.7 million. The profit for the financial year 2013 increased equity by EUR 7.5 million, but was not sufficient to fully offset the impact of other items which reduced equity. The **equity ratio** fell accordingly from 74% to 67.2%.

4.6. Financial position

4.6.1 Principles and objectives of financial management

The key objectives of PULSION's financial management are to ensure adequate liquidity, to avert financial risks and to ensure financial flexibility. Our cash management focuses on the targeted control of liquidity and the optimization of cash flows within the Group. Cash inflows generated by the operating business units represent the Group's main source of finance. In the event of short-term intermediate financing being needed to cope with liquidity spikes, PULSION can revert to short-term credit facilities available from credit institutions.

In the absence of debt financing, the Group currently has no need to hedge any interest rate risks. Likewise, prompt payment of underlying transactions obviates the need to hedge its foreign currency risks.

PULSION uses a rolling liquidity forecast to monitor key cash flows.

"Free cash flow" is used as the primary indicator to gauge the success of its financial management and is calculated as follows:

a) Cash flow from operating activities after taxes
b) Less cash flows relating to changes in net current assets
c) Less cash flows from investing activities

This key performance indicator is used each quarter to measure the ability of the PULSION Group to generate cash flows.

4.6.2 Liquidity

Cash flow of the Group – overview

in KEUR	2013	2012	Change	Change in %
Cash flow from operating activities before changes in net current assets	8,778	8,232	546	7%
Cash flow from changes in net current assets	-3,098	777	-3,875	-499%
Cash flow from operating activities after changes in net current assets	**5,680**	**9,009**	**-3,329**	**-37%**
Cash flow from investing activities	-2,219	-1,490	-729	49%
Free cash flow	**3,461**	**7,519**	**-4,058**	**-54%**
Cash flow from financing activities	-13,771	-4,890	-8,881	182%
Effects of exchange rate changes on net cash held in foreign currencies	-36	0	-36	
Cash funds at beginning of period	11,387	8,758	2,629	30%
Cash funds at end of period	1,041	11,387	7,452	65%
Decrease/increase in cash funds	-10,346	2,629	7,488	285%

Cash flows from operating activities before changes in net current assets increased in 2013 to KEUR 8,778 (2012: KEUR 8,232). The increase in net profit for the year was primarily opposed by the increase in cash outflows for tax payments.

In a contrasting development, changes in **net current assets** resulted in a cash outflow of KEUR 3,098 in 2013, compared with a cash inflow of KEUR 777 in the previous year. The main factors behind this negative development were the longer number of days of sales outstanding for trade accounts receivable on the one hand and lower trade accounts payable on the other. The increase in the number of days of sales outstanding for trade accounts receivable was largely attributable to overdue receivables at the level of the Spanish subsidiary and to the high level of sales at the end of the year.

PULSION products are innovative and therefore need a margin that is high enough to finance the development and approval costs required in the field of medical technology. As the finance manager, my job is to ensure good profitability in order to safeguard PULSION's underlying financial strength on a sustainable basis.

Stephan Haft
Head of Finance

Cash flow from changes in net current assets

	KEUR
+/- Changes in inventories	-532
+/- Changes in trade accounts receivable	-1,818
+/- Changes in trade accounts payable	-748
Cash flow from changes in net current assets	**-3,098**

Overall, **cash flow from operating activities after changes in net current assets** went down by KEUR 3,329 to KEUR 5,680 in 2013 (2012: KEUR 9,009).

Cash outflows for investing activities totaled KEUR 2,219 and were therefore KEUR 729 higher than in the previous year. The increase reflects the higher level of R&D expenditure planned in the previous year and implemented during the financial year under report. Capitalized development costs increased in 2013 to KEUR 1,418.

Placements of monitors to customers via rental/lease arrangements – the basis for future sales of consumables – fell by approximately 34% from KEUR 1,255 in 2012 to KEUR 817 in 2013.

This decrease compares with a KEUR 279 increase in monitor sales.

As in the previous year, we were able to place the PiCCO® platform (predominantly in intensive care units – ICUs) as well a considerable number of the new PulsioFlex® platforms (mainly in operating rooms (ORs).

These investments in the market will help us achieve sales growth in the coming years.

Free cash flow after taxes decreased by KEUR 4,058 to KEUR 3,461 (2012: KEUR 7,519).

The adjusted EBIT / free cash flow conversion rate in 2013 was 34.9%, well below the rate of 79% recorded one year earlier. The deterioration mainly reflects the fact that the change in net current assets was KEUR 3,098 higher than in the previous year.

A number of major cash outflows arose in the year under report in connection with cash flows from financing activities:

a) Dividend payment of KEUR 13,490,
b) Shares buybacks for KEUR 693.

As a result of the various cash flows described above, cash and cash equivalents decreased by EUR 10.4 million to EUR 1.0 million.

Credit lines available, but not utilized at the end of the reporting period amounted to KEUR 500. In the light of the Group's positive business prospects, management concluded that these credit lines are no longer required and accordingly gave notice to terminate them during the first quarter of 2014.

4.6.3. Capital expenditure

Total capital expenditure in 2013 amounted to EUR 2.5 million (2012: EUR 1.7 million) and comprise the following:

In EUR millions	2013	2012
Capitalized development costs	1.4	0.1
Capitalized costs for monitors	0.8	1.0
Other items of capital expenditure	0.3	0.6
Total	**2.5**	**1.7**

The capital expenditure ratio (i.e. the ratio of capital expenditure to sales) increased year-on-year from 5% to 7%, mostly reflecting the higher level of investment in R&D.

Share buybacks

The Company uses available funds to buy back shares if the market share price is lower than its estimated innate value. The Company has therefore continued to buy back some of its own shares (treasury shares).

In total, 63,114 shares were acquired in 2013 for a total market price of EUR 692,769.66. All buybacks were executed via the stock exchange; a public buyback offer was not made.

The average price for all buybacks was EUR 10.98 per share.

Of the shares bought back, 60,650 were used to service share option programs. In conjunction with the capital reduction decided upon by the Administrative Board in the first quarter of 2013, a further 650,000 shares were cancelled (at the expense of own shares).

In total, 35,986 treasury shares were held at December 31, equivalent to 0.44% of the Company's share capital. The Company is currently planning to use these shares primarily to service share option programs. Any remaining shares will be canceled.

After deduction of the 35,986 treasury shares held by the Company at the year end, the number of outstanding shares at December 31, 2013 was 8,214,014 (net).

5. Quality and environmental management

PULSION's quality management system was certified by Dekra Certification GmbH in the previous year as complying with EN ISO 13485:2012 + AC:2012 standards. The certification status for PULSION's quality management system was reconfirmed in 2013 following the successful completion of the annual monitoring audit. In accordance with the European Union Directive on medical devices (MDD 93/42/EEC), PULSION is entitled to sell its products with the CE label within the European Union.

The PULSION quality management system also complies with the requirements of the US authorities, FDA, the Canadian CMDCAS approval directives and also with the GMP requirements applicable in Brazil. PULSION is continuously improving its own quality management system.

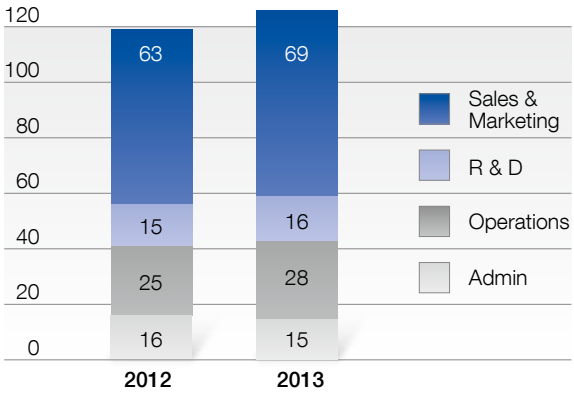
PULSION is committed to protecting the environment and endeavors to keep its energy requirements and waste to a minimum. Neither the production process nor the products themselves pose any direct or indirect risks to the environment

6. Employees

Employees and employment structure

The Company had a worldwide workforce (including 1 person employed on a low wage-earning basis) of 131 employees at the end of 2013 compared to 121 employees (including 1 person employed on a low wage-earning basis) at the beginning of the year.

In terms of full-time equivalents (FTEs), the workforce increased from 119 in 2012 to 128 at the end of 2013.



As in the previous year, more than 50% of PULSION's staff are involved in selling and marketing activities. Approximately two thirds of these people work in the field sales force.

This structure is one of the Group's strategic strengths and a good basis for further growth.

New posts were created and filled in both the Quality and R&D departments, further raising the level of expertise within the organization.

Sales per employee (annual average) increased from KEUR 279 in 2012 to KEUR 278 in 2013.

Human resources

The provision of further training for employees was again given a high priority in 2013. During the year, a total of 36 employees received further external training, as compared with 40 one year earlier. The main focuses were on selling and product knowledge as well as further training in the areas of leadership and quality assurance. An additional training module was implemented, this time for sales managers, based on the training module for sales staff initiated in 2012 and completed in 2013. The budget for external training was raised by approximately 40%.

Another clear focus is on linking employee remuneration where possible to corporate targets and performance, which is now the case for most employees within the Group. Bonus agreements include a remuneration component based on specific personal targets and Group EBIT. The variable portion of remuneration based on EBIT is 30% for first-tier management, 20% for department heads and 10% for all other employees.

Employee fluctuation

The employee fluctuation rate is calculated on the basis of the average number of employees during the past 12 months – up to the end of the reporting period – and the number of employees leaving the Group during that period (BDA formula: fluctuation rate = departures/average number of employees x 100).
Temporary staff and trainees are not included for the purposes of calculating the employee fluctuation rate.
Fluktuation

Fluctuation rate 2013

	Average number of embloyees	Embloyees leaving	Embloyee fluctuation rate
Field sales force	45	7	16%
Other areas	86	22	26%
Total	**131**	**29**	**22%**

Fluctuation rate 2012

	Average number of embloyees	Embloyees leaving	Embloyee fluctuation rate
Field sales force	40	7	18%
Other areas	81	19	23%
Total	**121**	**26**	**21%**

The employee fluctuation rate in the field sales force continued to fall in 2013 year-on-year (16% compared to 18%). The measures that have been implemented are now taking effect, thus helping to keep the rate at a low, stable level.

By contrast, the fluctuation rate in **other areas** was not reduced in line with plan, and rose instead by a further 3 percentage points. Out of the 29 exits during the 2013 financial year, five related to termination of contract by us or mutually agreed outplacement.

Overall, the fluctuation rate went up slightly from 21% to 22%, mainly due to the increase in other areas.

A whole raft of measures was implemented in 2013 which enabled the Group to reduce the fluctuation rate further. In 2014, the focus of measures will be on ensuring that new employees are successful integrated into their new jobs as quickly as possible.

7. Events after the end of the reporting period

As communicated in the previous year, the Company has set itself the goal of closing strategic gaps in the areas of product innovation and presence in the US sales region through acquisitions. Due to the lack of promising takeover opportunities, the Company came to the decision over the course of 2013, as an alternative, to look for a strategic partner to close these gaps.

This search culminated with a takeover offer from the Swedish Getinge Group, to which the Administrative Board gave its approval at the beginning of 2014. Alsterhöhe 1. VV AG, in future: MAQUET Medical Systems AG ("MAQUET") published its decision on December 4, 2013 to make an offer to the shareholders of PULSION Medical Systems SE ("PULSION shareholders"), under a voluntary public takeover bid pursuant to § 10(1) in conjunction with §§ 29, 34 of the German Securities Acquisition and Takeover Act ("WpÜG"), to acquire all shares of PULSION Medical Systems SE ("PULSION shares") ("takeover offer"). MAQUET is part of the Swedish Getinge Group, managed by Getinge AB, which is listed on the Stockholm Stock Exchange. The takeover offer, published by MAQUET on January 14, 2014, includes an offer to purchase all no-par bearer shares of PULSION Medical Systems SE at a price of EUR 16.90 per share.

At the time of approval of the Annual Report for 2013, all conditions attached to the purchase offer by the Getinge Group had been fulfilled and 78.55% of shares transferred by the end of the acceptance period.

The Company expects its integration in the Getinge Group to open up major opportunities in the areas of product innovation and sales presence. No disclosures as to the scale of these benefits can be made by the date on which the consolidated financial statements are authorized for issue due to the fact that operational details have not yet been agreed with Getinge.

8. Opportunities and risks report

As an internationally operating organization, the PULSION Group is exposed to a variety of risks. Risk policies are directed at safeguarding the going-concern status of group entities and increasing the value of the business on a sustainable basis. Based on this principle, all corporate decisions are therefore made following detailed risk analysis and assessment.

Within its core area of expertise, PULSION consciously takes on risks which it considers manageable and controllable if there are corresponding prospects for profitable business. The aim in other areas is to avoid risks. As a general rule, decisions made in these areas are not likely to involve any risks which could threaten the going-concern status of the Company.

Opportunities are derived from the strategies and targets set at business unit or Group level and play a key role in PULSION's efforts to achieve sustainable growth.

8.1. Risk management system

PULSION has risk management and internal control systems in place, which are commensurate with the size and circumstances of the enterprise.

Risk management system

Risks are defined as potential future internal and external events that might have a negative impact on PULSION's short- and medium-term targets or its strategic targets.

A uniform risk management system has been installed across the PULSION Group by the Executive Directors, covering all functions and processes. The objective of the Group-wide risk management system is to detect risks at an early stage in order to assess, communicate and manage those risks. Serving as an integrated management and control tool, the risk management system forms the basis for decision-making, i.e. whether to accept new risks or implement measures in order to minimize any potentially adverse impact. One of the prerequisites for good risk management is that risks are identified at an early stage and at all corporate levels.

The Risk Manager heads the risk management organization. Operational risks are managed by members of the operational risk management team under the leadership of the Risk Manager. Entity Risk Managers have been designated for each of the subsidiaries.

The system is based primarily on a bottom-up approach. Those responsible for business processes within the various departments are required to review processes, transactions and new developments for potential and existing risks and to report operational risks appropriately. The Group Risk Management Manual, which is revised on an ongoing basis to take account of internal and external developments and changing conditions, helps employees to identify potential risks and assess the probability of potential losses for the Group.

Risks are **measured** on the basis of the likelihood of occurrence and amount of loss using a gross and net measurement approach. Net measurement means that the effect of risk-mitigating measures has already been taken into account. In some cases, it is also necessary to make qualitative assessments. The budgeted Group operating profit is used for the purpose of measuring the materiality of the net amount of any given risk. Risk minimization measures are defined by Risk Managers within the organization. These measures are monitored continuously thereafter and assessed on a rolling basis. Risks are considered over a period of one year.

PULSION's risk management system does not include the identification of opportunities.

Workshops are held at least every six months under the leadership of the Risk Manager. The results are incorporated in PULSION's standardized risk reporting system and communicated to the Executive Directors and Administrative Board. If a risk or loss has been incurred, it is reported immediately. Two risk workshops were held in 2013. The Executive Director was kept informed of all risks. There were no matters that required reporting in connection with potential risks.

PULSION's controlling system complements the risk management system with monthly and quarterly analyses and reports containing comparisons to the prior year, forecast or estimated figures, and appropriate variance analysis.

The proper functioning and effectiveness of PULSION's system for the early identification of risks pursuant to § 91 (2) of the German Stock Corporation Act (AktG) is audited in conjunction with the annual year-end audit.

Internal control and management system relevant for the consolidated financial reporting process

The internal control system (ICS) in place within the PULSION Group covers all principles, procedures and measures taken to ensure that financial reporting systems are functioning effectively, economically and properly and that relevant regulations are complied with. The accuracy and reliability of accounting and financial reporting processes, and hence the preparation of consolidated financial statements and a Group management report in compliance with the law, are safeguarded by a whole range of procedures and internal controls. Changes in law, financial reporting standards and other pronouncements are regularly analyzed to assess whether they are relevant or have an effect on the consolidated financial statements. Any necessary changes are incorporated in the Group's Accounting Policies Manual.

The internal control system for financial reporting is based on control procedures that are either integrated in the relevant processes or are independent of those processes. Procedures integrated in processes include:

a) The dual control principle which is documented in authorized signatory rules or work instructions (SOPs)
b) The maintenance of records to ensure the correct and proper treatment of transactions
   - Segregation of duties wherever possible, given the appropriate personnel structures, and if economically acceptable
   - An access and authorization concept at all management levels
   - A group reporting system based on the Group Accounting Policies Manual

Group companies prepare their financial statements locally. In some cases, transactions are recorded centrally at the level of the parent company. The amounts shown in the subsidiaries' separate financial statements are recorded mostly in the relevant local accounting systems.

For the purposes of preparing consolidated financial statements, data is collated via a uniform Group reporting package based on the Group Accounting Policies Manual. Group companies are responsible for complying with the manual and other group-wide instructions and for the proper and timely execution of financial reporting-related processes and systems. Throughout the reporting process, local companies receive support from contacts at the parent company. The reporting packages submitted by Group companies are reviewed and checked at Group level in order to ensure that the consolidated financial statements are properly and reliably derived from them.

Thanks to well-defined structures and processes, the internal control and risk management system enables all relevant items to be recorded, processed and assessed and then presented appropriately in the consolidated financial statements. The internal control system does, however, have some inherent limitations, in particular with regard to discretionary decisions, unsuitable controls and other circumstances. As a consequence, there can be no absolute guarantee that the objectives of financial reporting will be met or that errors will be prevented or identified with the appropriate level of assurance.

8.2. Report on risks in connection with financial instruments

The assets, liabilities and forecast transactions of the PULSION Group are subject to both cash flow risks and risks associated with fluctuations in exchange rates.

The objective of financial risk management is to mitigate these risks by means of a combination of ongoing operating and finance-oriented activities. Exchange rate risks are kept to a minimum exclusively by means of targeted cash flow management. PULSION does not hedge risks by means of derivative financial instruments.

Essentially, further risks in connection with **nonderivative financial instruments** arise at PULSION only in the form of **default risks on trade accounts receivable**. These risks are countered in a series of steps. We proactively endeavor to limit or prevent credit/default risk by obtaining information about the creditworthiness of business partners from the relevant credit information agencies. In addition, through proactive debtor management, we keep a close eye on the payment behavior of business partners and any deterioration is dealt with at the appropriate higher level.

8.3. Opportunities

Opportunities relate to internal and external developments that have a positive impact on the Group, particularly when they affect key performance indicators used to manage the Group.

Opportunities derive primarily from the strategies and objectives of the business units and those of the Group as a whole. Responsibility for the timely and regular identification, analysis and exploitation of opportunities lies with the management of the Group and the business units. Opportunities management is part of the Group-wide planning and control system. In this context, market and competition analyses are carried out in order to identify potential opportunities.

Opportunities are presented below, ranked according to the importance attributed to them by the management for the future development of the Group.

8.3.1. Organic growth potential

Research and development

Innovative strength, driven forward through extensive expertise and application knowledge in all of the fields in which PULSION operates, opens up opportunities to enter into new growth markets. In the previous year, the Critical Care business unit engaged for the first time in the field of perioperative hemodynamic monitoring. ProAQT® trend monitoring opens the door for PULSION to another growth market – one which is many times greater that the market for intensive care. In addition,

PULSION is also developing a noninvasive method for the continuous measurement of blood pressure and cardiac output, which should come onto the market in 2014.
Great sales potential is seen for the device being developed by the Perfusion Imaging business unit to depict ICG within human tissue. This device is also planned to come onto the market in 2014.

Training of personnel and sales partners
The complexity of the products sold by both of PULSION's business units demands a high level of expertise on the part of the sales force. The Company sees a considerable degree of sales potential in the targeted, sustainable training and further education of its employees, particularly in the field of sales. The educational selling concept, which has proven its efficacy in Germany, is due to be implemented in conjunction with an e-learning system, which makes it possible to carry out staff training at all of our foreign subsidiaries, regardless of time and place. The first training measures were already successfully carried out in our core markets during 2013 and will be greatly intensified throughout the new financial year.

Strategic partnerships
PULSION has built up a large network of key opinion leaders, scientists and leading clinical experts and is guided by a Medical Advisory Board comprising international experts in the fields of anesthetics and critical care medicine. The network is a valuable source of information and helps PULSION keep abreast of the latest market developments. It can also provide access to new distribution channels and markets, thus creating additional growth opportunities.

Sales partner companies
PULSION sees good opportunities for growth by entering into new strategic sales partnerships in the field of perioperative monitoring, particularly in the USA, but also in other markets where the technology is gaining ground. The plan is to exploit existing potentials together with these sales partner companies. At present, PULSION's license partners comprise Philips Healthcare, Dräger Medical, Mindray and GE Healthcare.

8.3.2. Macro-economic opportunities

We do not consider changes in the macro-economic environment to be of major significance for the future of our business.
The consumption of our products – mostly used in the treatment of critically ill patients – is determined by other factors, the most important of which are the ability to innovate, the competition and reimbursement arrangements.

8.3.3. Overall statement on opportunities situation

As in the previous year, the best opportunities for growth are likely to be generated by gaining market share in well-established markets – such as the USA – where PULSION is underrepresented in comparison to its presence on the European market. From today's perspective, we are most likely to achieve this aim by working in cooperation with a US-based medical technology company, which can implement the concept of educational selling. In addition to these opportunities on the selling side, PULSION is also confident that the new products planned for market launch in 2014 will generate sustainable growth for both business units. Entry into the market for noninvasive hemodynamic monitoring systems looks particularly promising.

8.4. Risks

On account of its business activities and international outlook, PULSION is exposed to a number of risks which are categorized according to similarity and presented by drawing up a ranking of the materiality of the risks for the Group. Unless otherwise stated, the risks described affect both business units to an equal degree. If one business unit is exposed to a greater risk than the other or if only one business sector is exposed to a particular risk, this is described accordingly.

8.4.1. General environment and sector risks

The market

Developments in the medical technology sector are generally subject to a high degree of technological change. In view of the attractiveness and needs of this market segment, it can be assumed that competition will continue to intensify in the future. This situation gives rise to potential risks for PULSION, e.g. strong downward pressure on selling prices. There is also a risk that the net assets, financial and earnings position of the Group could be adversely affected if PULSION does not react adequately to market developments regarding the range of products it offers.

PULSION counters these risks by continually developing its range of products. This includes the enhancement of existing technologies and the expansion of the product range to include new developments. Risks are also minimized by ensuring that intellectual property is appropriately protected by patents and registered trade names, etc., by continuous market observation and ongoing improvements to cost structures.

Competitors

Based on our current understanding of the situation, Edwards' entry into the market with the product Edwards EV1000 represents a risk which we are observing carefully. Also based on information available to our field sales organization, the number of EV1000 devices placed in Europe as of December 31, 2013, as in the previous year, was lower than PULSION's own target for fending off the competition.

8.4.2. Risks relating to government healthcare policies

Governmental policies to hold down costs within the healthcare sector represent a structural risk for growth and hence could have an impact on forecast sales. PULSION is affected both directly and indirectly by such developments.

In countries where product costs are reimbursed to hospitals – particularly in Brazil, China and Belgium – there is a risk that the level of reimbursements will be reduced. At best, this trend would result in lower sales revenue and less revenue per unit sold. At worst, however, the reimbursement level could be reduced so sharply that PULSION would no longer be able to work profitably in the market.

In countries **with fixed-sum treatment amounts (Diagnosis Related Group systems or DRGs)**, such as Germany, France or the USA, PULSION is constantly required to document that the use of PULSION technologies creates measurable medical and commercial benefits. If the fixed-sum treatment amounts are frozen or lowered, there is a risk that clinics may restrict the use of PULSION products to particularly critical cases or even entirely discontinue their use.

PULSION cannot influence the outcome of this risk directly and is dependent on changing governmental policies within the healthcare sector.

8.5. Corporate strategic risks

Research and development

PULSION invests continuously in the improvement of existing products and new developments in existing business units, in order to maintain and expand its market position. There is a risk that R&D strategies will no longer hold their own in the dynamic market environment in which PULSION operates, which could have an adverse impact on earnings and result in shortfalls in forecasted sales. PULSION counters this risk proactively by ensuring that the R&D and sales teams work closely together and make good use of the sales team's in-depth knowledge of the end-customer market, enabling us to react swiftly to changes in requirements or market conditions and to counter corresponding risks at an early stage.

Negative study results

PULSION itself commissions studies that examine the diagnostic and therapeutic methods of its products. Independent studies in which products sold by PULSION are tested are also carried out by third parties. The results of such studies are treated very seriously in the medical technology field. There is a risk for PULSION that the results of studies conflict with product benefits, which could affect the sales volumes of certain products. PULSION counteracts this risk by imposing the highest possible standards during the development phase of new products and when enhancing existing products. In order to identify aberrations immediately and to adopt the appropriate measures, PULSION is also continuously in close contact with the institutes carrying out tests.

Expansion outside Germany

PULSION is also indirectly exposed to the risk environment facing its subsidiaries. Unforeseen costs may arise from relations with its subsidiaries based on the erroneous assessment of general statutory and contractual conditions. To counter this risk, regular close coordination is undertaken within the framework of the standardized Group reporting system, as described under point 3.1 on the internal management system.

Furthermore, the investment phases of the sales companies may deviate from the planned financing periods and lead to an additional, unforeseen liquidity requirement. Distribution agreements were put in place with all subsidiaries in 2010 with a view to improving the liquidity position of these entities. The agreements ensure that a consistent margin can be earned by corresponding adjustments to transfer prices for monitors and disposables between the German parent company and subsidiaries.

Investments in foreign markets also entail the risk that assumptions made at the time of the investment decision will fail to bear fruit, or not do so to the anticipated extent, on account of changed market conditions or unforeseen entry barriers. If incurred, this risk could have an adverse impact on forecast sales and EBIT. PULSION counters this risk by means of thorough and sustainable planning of market entries and closely monitoring and controlling its foreign activities in conjunction with the internal management information system.

8.5.1. Operational risks

Product liability risk

Product liability has always represented a substantial risk for enterprises in the MedTech and life science sector, since in the worst case, products could cause physical damage or injury to patients which, in turn, may result in substantial product liability claims.

PULSION counters this risk by utilizing a comprehensive quality management system, based on international standards and norms, to ensure the highest standards of safety and product quality. In addition, a product liability insurance policy with international coverage is in place.

No material claims relating to product warranty have been brought against PULSION to date. It cannot, however, be ruled out that the Company will have to face such claims in the future and that the amounts involved

could exceed the amounts insured. PULSION did not need to make use of its product liability insurance in 2013.

Production and purchasing risks

Production and purchasing risks can arise, for example, in the event of the loss of a supplier, e.g. as a result of insolvency or persistent quality problems. This could theoretically mean that the affected products cannot be produced due to parts or components shortages and that therefore the end products cannot be sold. The creditworthiness of small and financially weak suppliers is therefore regularly checked. Supplier audits ensure that suppliers and contract manufacturers meet the required high quality standards. We counter the risk of loss of specific tools by carrying out regular checks and maintenance.

Framework agreements with suppliers and regular volume forecasts also facilitate planning on both sides. Safety volume levels for the most important products and components mitigate the purchasing risk.

In relation to production risks, despite applying the very highest quality standards, there is no guarantee that a particular production batch may not have to be recalled if a defect is identified. Such an event could have a materially adverse impact on earnings. PULSION mitigates this risk by working in accordance with applicable medical technology standards.

PULSION only manufactures at one location. Natural hazards could result in loss of production and adversely affect PULSION's ability to generate sales revenue. This risk is minimized by restricting access to sensitive areas and by ensuring that all hazardous and toxic materials are safely stored. Production premises are also protected by means of appropriate building measures.

8.5.2. Regulatory risks

Product approvals

Very strict approval regulations apply in the MedTech and pharmaceutical sectors (i.e. for ICG PULSION®) and can differ from country to country. Requirements are likely to become even stricter in future. The failure to obtain new approvals for the Group's products, or even a delay in obtaining approval, could have a negative impact on PULSION's sales revenue and earnings and could result in an impairment of capitalized development costs.

PULSION works continuously with experienced external consultants and trains its own staff in the appropriate areas in order to identify and react to potential risks at an early stage. Since 2012, extensive regulatory know-how has been built up and personnel resources further expanded, enabling process product approvals to be performed faster and more effectively.

Approvals for production and internal processes

In addition to product approvals, PULSION's internal quality systems and production processes are certified by authorized bodies and subjected to regular audits by state agencies. The scope of applicable requirements continues to grow. Full compliance is therefore imperative to avoid the risk of losing approvals.

Since 2012, PULSION has worked continuously to build up and improve its know-how, capacities and processes. Despite these measures, the risk of noncompliance with stipulated requirements remains.

Patents and intellectual property

Infringement of patents by third parties

PULSION is exposed to the risk of competitors replicating PULSION's products, despite the patent protection measures that are in place. This risk is mitigated by engaging qualified specialists to observe products currently on the market. However, PULSION is not aware of any infringements of patents or other protected industrial rights by third parties.

Infringement of patents by PULSION

Apart from the risk of competitors infringing PULSION's patents, there is also a risk that existing patents in target markets are not identified in conjunction with the development process and that this does not become apparent until a competitor makes a claim for patent infringement. The consequence of such a claim is that planned market entrances or product launches in target markets could be held up temporarily, which, in turn, could result in forecast sales not being achieved and, under certain

circumstances, have a negative impact on EBIT in the form of impairment losses and/or provisions. This risk is countered by the appropriate testing of patents by specialists throughout the development process.

8.5.3. Financing risks

Financial market crisis

The consequences of the financial market crisis have still not been fully eliminated. The year 2013 did, however, see some easing in public-sector spending in PULSION's core markets. Due to its current customer structure – mostly revolving around state-financed hospitals – PULSION is nevertheless indirectly affected by changes in public-sector spending patterns.

Financing risks

PULSION counters bad debt risk with a tight receivables management system and provides for such risk in the form of specific and general allowances as deemed necessary. For export business with distributors, PULSION generally obtains payments in advance to protect the Group from bad debts. The risk is also mitigated by the fact that PULSION does business with a wide range of customers, many of which are financed by public sector budgets or which are public sector organizations themselves. PULSION is not exposed to significant seasonal fluctuations in its cash flows.

8.5.4. Other risks

Personnel

As in all "Mittelstand" (mid-sized) companies, the loss of employees in key functions and technical specialists also poses a risk for PULSION.

The loss of field sales force staff means a break in the continuity of relationships with customers. Field sales force staff can only be replaced after a certain period of time and, once found, require an induction period of six to twelve months before becoming as effective as their predecessor. At worst, a deterioration in employee fluctuation rates in key positions could have an adverse impact on future sales performance.

PULSION therefore endeavors to retain its employees within the Group on a long-term basis by means of performance-based remuneration, a profit share, and a share option program. Increasing amounts of resources are also being invested in employee development programs. The outcome of these measures and the focus placed on this issue was that the employee fluctuation rate remained at a similar level to the previous year.

Information technology

PULSION's daily operations depend increasingly on error-free and secure information technology solutions. In order to minimize any resulting risks at an early stage, PULSION utilizes state-of-the-art hardware and software, redundant systems, virus and access protection systems to ensure the integrity of its data and systems. Practically all servers run in virtualized environments.

Nevertheless, the loss of important and/or confidential data through Internet attacks, theft and uncontrollable events cannot be ruled out entirely. Such occurrences could have a negative impact on PULSION's competitive position.

Legal and tax risks

As a result of its international activities, PULSION is exposed to a variety of legal risks, particularly those relating to tax and antitrust laws.

8.5.5. Overall statement on risk situation

As in the previous year, market and competition risks continue to dominate PULSION's risk profile, with only minor changes occurring in the overall risk situation. In principle, PULSION considers its potential risk exposures – especially in the field of performance and regulatory risks – as manageable on account of the relevant countermeasures taken. At present, management has not identified any key areas capable of having a significant impact on earnings. Similarly, healthcare policies and financial risks, over which PULSION is unable to exert any direct influence, are also not perceived by the Group as being likely to have a significant impact on earnings.

With regard to the individual risks reported, the Executive Director is convinced that no significant risks exist which are not covered – either individually or in aggregate – by the budgeted operating profits. This also applies to risks for which a higher potential financial loss was calculated, since a low probability of occurrence could be assumed in respect of them.

In view of the sound balance sheet structure of the Group and the current business outlook, as well as the risks described in this report, the Executive Director does not anticipate any substantial threat to the Group's going-concern status. Management views PULSION's earning capacity as a sound basis for future business development and is convinced that this will generate the necessary resources to exploit any opportunities that present themselves to the Group. The Executive Director considers that the risk structure and risk weighting is similar to the previous year and concludes that the Group's overall risk profile is unchanged

9. Other disclosures

9.1 Statement on Corporate Governance

Declaration of Compliance

In accordance with Art. 9 (1) c) (ii) SE Directive, § 22 (6) SE Implementation Act (SEAG) and in conjunction with § 161 of the German Stock Corporation Act (AktG), the executive directors and administrative boards of listed companies set up in the form of European companies (Societas Europaea) are required to issue an annual declaration that the recommendations of the Government Commission "German Corporate Governance Code" have been and are being complied with and to provide details of which recommendations were or are not being complied with.

The Declaration of Compliance for PUSLION Medical Systems SE is reproduced within the Corporate Governance section of the Annual Report.

The declaration is also available on PULSION's website at www.pulsion.com under the menu item "Investor."

Disclosures relating to corporate governance practices

A description of corporate governance practices is provided in the Corporate Governance Report section of the 2013 Annual Report.

Description of the work procedures of the Executive Directors and Administrative Board

A description of the work procedures of the Executive Directors and Administrative Board is provided in the Corporate Governance Report section of the 2013 Annual Report.

9.2 Compensation report

Compensation report

Description of the compensation system for Executive Directors and the Administrative Board
In accordance with § 315 (2) no. 4 of the German Commercial Code (HGB), the following section provides a description of the principal features of the compensation system as well as details of the total remuneration of the Executive Directors and the Administrative Board of PULSION Medical Systems SE, as required to be disclosed by § 314 (1) no. 6 HGB.

Compensation system for Executive Directors

The Administrative Board determines the total remuneration of the individual Executive Directors, finding a reasonable balance between their duties, the work performed, and the Company's economic position.

The total remuneration of the Executive Directors comprises

a) a fixed amount,
b) a performance-related variable component based on annual performance (short-term bonus),
c) a bonus based on PULSION's multiyear performance ("long-term bonus").

The short-term bonus is split as follows:

a) approximately 70% based on sales, EBIT and free cash flow (all equally weighted) by comparison to the annual budget,
b) approximately 30% based on individually defined targets.

The long-term bonus is measured by reference to the targets set out in the P5 medium-term plan, specifically

a) sales in 2016,
b) EBIT in 2016,

and the continued exercising of the function of Executive Director until December 31, 2015.

In the event of a change in the majority shareholder, the Executive Director receives a one-off bonus, the level of which is dependent on the share price in the take-over offer. At a share price of at least EUR 16.50 the bonus amounts to KEUR 100. If the change in majority shareholder takes place in 2014, the long-term bonus increases by KEUR 80.
Executive Directors are also entitled to the use of company cars.

Compensation system for the Administrative Board

In accordance with the Company's Articles of Incorporation, the Administrative Board is made up of four members. In accordance with the resolution taken at the Annual General Meeting in May 2011, the remuneration of the Administrative Board comprises a fixed component and a corporate performance-related component. This arrangement was applicable in the period from 2011 through to the end of 2013.

The fixed remuneration (basic remuneration) amounts to EUR 12,500 for a member, EUR 18,750 for the Deputy Chairman and EUR 25,000 for the Chairman of the Administrative Board. Administrative Board members who have not held office for the whole of a financial year receive their remuneration on a time-apportioned basis from the date of their election.

The performance-based remuneration is calculated on the basis of annual earnings as follows:

a) if the Group's EBIT margin as per the consolidated financial statements (EBIT as a percentage of group sales) is at least 15.0% but less than 20.0% in a financial year, each Administrative Board member receives an additional remuneration for the financial year equivalent to 50% of the basic remuneration;
b) if the Group's EBIT margin is at least 20.0% in a financial year, each member receives an additional remuneration for the financial year equivalent to 100% of the basic remuneration.

Full details of the remuneration of each individual member of the Administrative Board for the financial year 2013 are provided in note 35 to the consolidated financial statements.

9.3. Disclosures pursuant to § 315 (4) HGB

Die The following disclosures are made in compliance with § 315 (4) HGB.

Composition of share capital

Based on the authorizations given by the shareholders at the Annual General Meeting on May 18, 2010, May 26, 2011 and May 16, 2012, the Administrative Board resolved on March 13, 2013 to retire 650,000 shares by way of share capital reduction. The share capital reduction was entered into the relevant commercial register on April 15, 2013 and reduced the number of own (treasury) shares. The share capital as of December 31, 2013 stood at EUR 8,250,000, divided into a total of 8,250,000 non-par-value bearer shares. The holders of shares of common stock are entitled to one vote per share and to dividends as declared.

There are no restrictions relating to voting rights or the transfer of shares pursuant to § 315 (4) HGB. No shareholders have special rights.

Shareholders with more than 10% of voting rights

The following direct and indirect investments in the share capital of PULSION Medical Systems SE, which exceed 10% of the voting rights, have been notified to PULSION Medical Systems SE:

Forum European Smallcaps GmbH and other shareholders have set up a shareholders' pool. According to the most recent notification of shareholdings received by the Company, the pool holds 55.05% of the share capital of PULSION Medical Systems SE at December 31, 2013. As a result of the shareholder pool agreement, these shares are mutually attributable to the pool participants pursuant to § 30 (2) sentence 1 WpÜG.

Irrevocable undertakings in conjunction with the takeover offer made by Alsterhöhe 1. V V AG (in future: MAQUET Medical Systems AG)

In connection with the decision announced on December 4, 2013 by Alsterhöhe 1. V V AG (in future: MAQUET Medical Systems AG) to submit a takeover offer for PULSION shares amounting to EUR 16.90 per share, the following parties – Forum European Smallcaps GmbH, Forum Private Equity GmbH, Forum Venture Capital GmbH and Dr. Burkhard Wittek, Mr. Patricio Lacalle, Shareholder Value Management AG, Shareholder Value Beteiligungen AG, Absolutissimo Fund – Value Focus Fund, the Frankfurt Equity Fund for Foundations A and the Frankfurt Equity Fund for Foundations T on December 4, 2013, and JüLa-Beteiligungs GmbH on January 9, 2014 – concluded various **irrevocable undertakings** to tender their shares for sale.

The principal shareholders gave an irrevocable undertaking to accept the takeover offer within two days of publication of the offer document. This commitment applies for all PULSION shares held by the principal shareholders on the date of publication of the offer document.

The principal shareholders accepted the takeover bid following publication on January 15 and 16, 2014.

Appointment and removal of Executive Directors, Changes to Articles of Incorporation

The appointment and removal of Executive Directors are based on the rules contained in § 40 of the Stock Corporation Act for SEs (SE-AG); changes to the Articles of Incorporation are made in accordance with Art. 9 (1) c) (ii) SE-VO in conjunction with §§ 133 and 179 AktG.

Authorization to issue shares

Conditional capital of KEUR 481 was in place at the balance sheet date in accordance with shareholder resolutions taken at the Annual General Meeting which can be used to issue share options.

Authorized capital

Based on the resolution taken at the Annual General Meeting, the Administrative Board is authorized to increase the share capital of PULSION Medical Systems SE, prior to May 15, 2018, by up to EUR 2,475,000.00 by the issue, in one or several steps, of up to 2,475,000 new non-par bearer shares. The capital increases can be executed in return for cash and/or noncash contributions and the statutory subscription rights of the existing shareholders may be excluded.

Authorization to buy back shares

In a resolution passed at the Annual General Meeting held on May 16, 2012, the Company was authorized to buy back up to 10% of its own share capital up to and including May 17, 2017. As of December 31, 2012, the Company held 683,522 own shares purchased through its buyback program, which is equivalent to approximately 7.68% of the Company's share capital. In January 2013, the Company bought back a further 40,568 own shares via the stock market.

Pursuant to Section 71, subsection 1 number 8 of the Stock Corporation Act (AktG) and in conjunction with a resolution passed by the Annual General Meeting held on May 16, 2013, the Company was authorized to purchase up to 10% of its current share capital. Since the authorization was granted, PULSION has bought back 22,546 of the 825,000 shares covered by the authorization. Altogether, the Company bought back 63,114 own shares over the course of the year under report.

The authorization is valid for a period of 5 years and expires on May 15, 2018.

Provisions in place in the event of a change in ownership

The service contract in place between PULSION and its Executive Director provides for a one-time compensation and the payment of a multiyear bonus, which become due in case of a change of control. The amount of the one-time compensation is based on PULSION's performance and the price of the share. If the takeover offer is accepted, the Executive Director will receive a one-time payment of EUR 100,000 and a multiyear payment of EUR 80,000.

Certain customer and/or supplier contracts can be terminated in the event of a change of control

Furthermore, § 315 (4) nos. 5, 8 and 9 HGB are not applicable to PULSION at the balance sheet date.

10. Outlook

The Company has set itself the goal of closing strategic gaps in the areas of product innovation and presence in the US sales region through acquisitions. Due to the lack of promising takeover opportunities, the Company came to the decision over the course of 2013, as an alternative, to look for a strategic partner to help implement the measures necessary to rise to those strategic challenges.

This search culminated with a takeover offer from the Swedish Getinge Group, to which the Administrative Board gave its approval at the beginning of 2014. The Company expects its integration in the Getinge Group to open up major opportunities in the areas of product innovation and sales presence. No disclosures as to the scale of these benefits can be made by the date on which the consolidated financial statements are authorized for issue due to the fact that operational details have not yet been agreed with Getinge.

The budget 2014 – which does not take account of benefits arising from the new shareholder structure – provides for the following:

- Expenditure for development (before capitalization), which constitutes the key parameter for the monitoring of performance targets, is planned to increase by more than 40%.
- The employee fluctuation rate, particularly in non-selling areas, should decrease by at least 6 percentage points and therefore be below 20%.

Sales growth is again primarily expected to come from the following sources:

- Placements of PulsioFlex® monitoring platforms in the operating room (OR) at the previous year's level combined with strong growth in the sale of disposables, in order to achieve sales growth with ProAQT® trend monitoring without having a detrimental impact on our monitoring business with PiCCO® in the intensive care unit (ICU).
- Ramp-up of the new joint venture as well as of the distributors and subsidiaries in emerging markets, continued sales growth.
- Further growth in the Perfusion segment driven by new applications of ICG used in third-party systems and PULSION's own IC-Flow monitor system.

Provided there is no major deterioration in the economic conditions relevant for PULSION in 2014, Group sales are expected to **increase** by between 4% and 6%. This sales increase is organic, i.e. adjusted for currency effects and without the influence of the Getinge Group.

Apart from the sales increase, the Company expects the following for the financial year 2014:

- an **EBIT margin** between 26% and 28%
- an **EBIT / free-cash flow conversion rate** of 50%.

10.1. Overall statement on the future development of business in 2014

The Executive Director continues to assume that business performance will be positive. In the course of the coming year, in the field of Critical Care the Company intends to broaden the basis of installed devices by means of direct sales and via sales partners and simultaneously retain the growth rate of its disposables. In the Perfusion Imaging business unit, for 2014 PULSION is preparing for the approval of a new device and sees growing demand for ICG as a new range of application.

The Executive Director fully expects the takeover offer by the Getinge Group, which was successfully completed during the first quarter of 2014, to enable access to new technologies and important geographical markets, such as the USA.

Forward-looking assertions

These consolidated financial statements contain assertions that refer to the future performance of PULSION Medical Systems SE and to economic and business conditions and developments. These assertions represent estimations made on the basis of information available at the date this management report was prepared. If these assertions do not prove accurate or if other risks should arise, actual results could differ from those expected.

Feldkirchen, March 14, 2014
PULSION Medical Systems SE

Patricio Lacalle
Executive Director

Consolidated Financial Statements

Consolidated Balance Sheet of PULSION Medical Systems SE at December 31, 2013

Assets	Note	Dec. 31, 2013	Dec. 31, 2012
		KEUR	KEUR
Non-current assets			
Intangible assets	13, 14	3,944	3,459
Property, plant, equipment	15	4,916	5,113
Investment property	17	77	110
Other non-current assets		36	38
Defered taxes	11	1,613	0
Total non-current assets		**10,586**	**8,720**
Current assets			
Inventories	18	6,185	5,736
Trade accounts receivable	19	7,505	5,729
Other current assets	20	844	629
Cash and cash equivalents	21	1,041	11,387
Total current assets		**15,575**	**23,481**
Total assets		**26,161**	**32,201**

Equity and Liabilities	Note	Dec. 31, 2013	Dec. 31, 2012
		KEUR	KEUR
Equity	22, 23		
Share capital		8,250	8,900
Additional paid-in capital		2,550	2,391
Treasury shares		-415	-4,776
Other reserves		-723	-732
Accumulated profit		7,736	17,921
Minority interests	12	190	134
Total equity		**17,588**	**23,838**
Non-current liabilities			
Provisions	24	156	167
Other liabilities	26	167	103
Deferred taxes	11	985	883
Total non-current liabilities		**1,308**	**1,153**
Current liabilities			
Provisions	24	1,634	238
Trade accounts payable	25	1,091	1,842
Tax liabilities	11	1,834	2,617
Other liabilities	26	2,706	2,513
Total current liabilities		**7,265**	**7,210**
Total equity and liabilities		**26,161**	**32,201**

Group Income Statement of PULSION Medical Systems SE for the Financial Year Ended December 31, 2013

	Note	2013	2012
		KEUR	KEUR
Sales	5	36,475	34,621
Cost of sales	6	-10,992	-9,874
Gross profit		**25,483**	**24,747**
		69.9%	71.5%
Selling and marketing expenses	9	-9,970	-10,085
Research and development expenses	9	-2,271	-2,425
General and administrative expenses	9	-3,728	-3,438
Expenses resulting from planed take over of the group	10	-1,752	0
Other operating expenses	8	-196	-191
Other operating income	8	1,288	993
Operating profit		**8,854**	**9,601**
Interest expenses		-561	-205
Interest income		265	139
Earnings before interests and taxes (EBIT)		**8,558**	**9,535**
		23.5%	27.5%
Interest expenses	7	-57	-19
Interest income	7	24	87
Earnings before taxes (EBT)		**8,525**	**9,603**
Income taxes	11	-1,044	-2,507
Group net profit (before minority interests)		**7,481**	**7,096**
of which attributable to shareholders of the Group parent company		7,502	7,027
of which attributable to minority interests	12	-21	69
Earnings per share			
Undiluted - ordinary operations after taxes (in €)	31	0.92	0.82
Diluted - ordinary operations after taxes (in €)		0.91	0.82
Average number of shares in circulation (undiluted)		8,198,881	8,579,720
Average number of shares in circulation (diluted)		8, 219,645	8,602,288

Reconciliation of Result to Consolidated Total Comprehensive Income of PULSION Medical Systems SE for the Financial Year Ended December 31, 2013

	2013	2012
	KEUR	KEUR
Group net profit (before minority interests)	7,481	7,096
Items that may be reclassified subsequently to profit or loss		
Income and expenses from currency translation recognized directly in equity	28	44
Total comprehensive income	**7,509**	**7,140**
of which attributable to minority interests	7	32
of which attributable to owners of the parent company	7,502	7,108

Consolidated Cash Flow Statement of PULSION Medical Systems SE for the Financial Year ended December 31, 2013

			2013	2012
			KEUR	KEUR
Cash flow from operating activities		Group net profit after monority interests	7,502	7,027
		Minority interests	-21	69
	+	Amortization and depreciation of intangible assets and property, plant and equipment	1,859	1,916
	+	Interest expenses	57	19
	-	Interest income	-24	-86
	+	Income tax	1,044	2,507
	+/-	Changes in other assets	-213	-155
	-/+	Changes in other liabilities	456	195
	-/+	Changes in deferred taxes	0	-219
	-/+	Changes in tax receivables / tax liabilities	-27	32
	-/+	Changes in provisions	1,433	-105
	-	Interest paid	-53	-19
	+	Interest received	24	68
	-	Taxes paid	-3,322	-2,463
	+	Tax received	15	22
	+/-	Other non-cash income and expenses	48	-576
		Cash flow from operating activities before changes	**8,778**	**8,232**
	+/-	Changes in inventories	-532	-123
	+/-	Changes in trade accounts receivable	-1,818	498
	-/+	Changes in trade accounts payable	-748	402
		Cash flow from changes in net current assets	**-3,098**	**777**
		Cash flow from operating activities after changes in net current assets	**5,680**	**9,009**
Cash flow from investing activities		Purchase of intangible assets	-1,554	-244
		Purchase of property, plant and equipment (without monitors)	-166	-405
		Purchase of monitors	-817	-1,255
		Proceeds from disposal of intangible assets	245	100
		Proceeds from disposal of property, plant and equipment	73	275
		Proceeds from disposal of financial assets	0	39
		Cashflow from investing activities	**-2,219**	**-1,490**
		Free cash flow	**3,461**	**7,519**
Cash flow from financing activities	-	Payments for repurchase of treasury shares	-693	-4,549
	-	Distribution of dividends	-13,490	0
	+	Equity payments from other shareholders	49	0
	-	Repayments of bank borrowings	0	-455
	+	Payments from employees exercising stock options	363	104
		Cash flow from financing activities	**-13,771**	**-4,890**
Cash funds at end of period		Decrease / increase in cash funds	-10,310	2,629
		Cash funds at beginning of period	11,387	8,758
		Effects of exchange rate changes on the balance of cash held in foreign currencies	-36	0
		Cash funds at end of period	**1,041**	**11,387**

Consolidated Statement of Changes in Equity of PULSION Medical Systems SE at December 31, 2013

		Subscribed Capital	Own shares	Additional-paid-in capital	Other reserves	Accumulated deficit / profit	Minority interest	Total
	Shares	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Balance at January 1, 2012	**9,577,302**	**9,577**	**-3,414**	**1,532**	**-813**	**14,113**	**102**	**21,097**
Exchange differences	0	0	0	0	81	0	-37	44
Group net profit	0	0	0	0	0	7,027	69	7,096
Total result of the period	**0**	**0**	**0**	**0**	**81**	**7,027**	**32**	**7,140**
Capital reduction	-677,302	-677	2,973	677	0	-2,973	0	0
Employee share option programs	0	0	214	182	0	-246	0	150
Share purchase program	0	0	-4,549	0	0	0	0	-4,549
Total items directly recognized in equity	**-677,302**	**-677**	**-1,362**	**859**	**0**	**-3,219**	**0**	**-4,399**
Total	**-677,302**	**-677**	**-1,362**	**859**	**81**	**3,808**	**32**	**2,741**
Balance at December 31, 2012	**8,900,000**	**8,900**	**-4,776**	**2,391**	**-732**	**17,921**	**134**	**23,838**
Balance at January 1, 2013	**8,900,000**	**8,900**	**-4,776**	**2,391**	**-732**	**17,921**	**134**	**23,838**
Exchange differences	0	0	0	0	0	0	28	28
Group net profit	0	0	0	0	0	7,502	-21	7,481
Total result of the period	**0**	**0**	**0**	**0**	**0**	**7,502**	**7**	**7,509**
Capital reduction	-650,000	-650	4,424	650	0	-4,424	0	0
Aquisition minority interests	0	0	0	0	0	0	49	49
Reclassification within equity	0	0	0	9	9	-18	0	0
Distribution of dividends	0	0	0	0	0	-13,490	0	-13,490
Employee share option programs	0	0	630	-500	0	245	0	375
Share purchase program	0	0	-693	0	0	0	0	-693
Total items directly recognized in equity	**-650,000**	**-650**	**4,361**	**159**	**9**	**-17,687**	**49**	**-13,759**
Total	**-650,000**	**-650**	**4,361**	**159**	**9**	**-10,185**	**56**	**-6,250**
Balance at December 31, 2013	**8,250,000**	**8,250**	**-415**	**2,550**	**-723**	**7,736**	**190**	**17,588**

Analysis of Changes in Fixed Assets of PULSION Medical Systems SE at December 31, 2013

	Historical costs					
	Jan. 1, 2013	Translation differences	Additions	Reclassifi-cations	Disposals	Dec. 31, 2013
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible Assets						
Purchased intangible assets	875	0	80	0	0	955
Internally generated intangible assets	6,263	0	1,474	0	342	7,394
	7,138	**0**	**1,554**	**0**	**342**	**8,349**
Property, plant and equipment						
Technical equipment, plant and machinery	1,916	0	12	0	0	1,928
Other equipment, furniture and fittungs	9,158	-8	972	0	581	9,541
	11,074	**-8**	**984**	**0**	**581**	**11,469**
Investment property	268	0	0	0	21	247
	18,480	**-8**	**2,538**	**0**	**944**	**20,065**

Analysis of Changes in Fixed Assets of PULSION Medical Systems SE at December 31, 2012

	Historical costs					
	Jan. 1, 2012	Translation differences	Additions	Reclassifi-cations	Disposals	Dec. 31, 2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Intangible Assets						
Purchased intangible assets	852	0	123	0	100	875
Internally generated intangible assets	6,102	0	121	40	0	6,263
	6,954	**0**	**244**	**40**	**100**	**7,138**
Property, plant and equipment						
Technical equipment, plant and machinery	2,090	0	0	-40	134	1,916
Other equipment, furniture and fittungs	8,288	-1	1,461	0	590	9.158
	10,378	**-1**	**1,461**	**-40**	**724**	**11,074**
Investment property	379	0	0	0	111	268
	17,711	**-1**	**1,705**	**0**	**935**	**18,480**

	Accumulated depreciation and impairment						Carrying amounts	
	Jan. 1, 2013	Translation differences	Additions	Disposals	Dec. 31, 2013	Dec. 31, 2013	Dec. 31 2013	Dec. 31 2012
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	701	0	41	0	0	742	213	174
	2,979	0	756	0	71	3,664	3,731	3,285
	3,680	**0**	**797**	**0**	**71**	**4,406**	**3,944**	**3,459**
	1,063	0	139	0	0	1,202	726	853
	4,898	-8	913	0	452	5,351	4,190	4,260
	5,961	**-8**	**1,052**	**0**	**452**	**6,553**	**4,916**	**5,113**
	158	0	12	0	0	170	77	110
	9,799	**-8**	**1,861**	**0**	**523**	**11,129**	**8,937**	**8,682**

	Accumulated depreciation and impairment					Carrying amounts	
	Jan. 1, 2012	Translation differences	Additions	Disposals	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
	636	0	65	0	701	174	216
	2,223	0	756	0	2,979	3,285	3,880
	2,859	**0**	**821**	**0**	**3,680**	**3,459**	**4,096**
	1,015	0	170	122	1,063	853	1,075
	4,376	-1	909	386	4,898	4,260	3,912
	5,391	**-1**	**1,079**	**508**	**5,961**	**5,113**	**4,987**
	214	0	16	72	158	110	165
	8,464	**-1**	**1,916**	**580**	**9,799**	**8,682**	**9,248**

Notes to the Consolidated Financial Statements 2013

1. General information

PULSION Medical Systems SE, which has its registered office at 85622 Feldkirchen, Hans-Riedl-Str. 21, Germany, (hereafter also referred to as "PULSION", "PULSION SE", "PULSION Group" or the "Company") was established in 1990 and has been listed on the Prime Standard of the Frankfurt Stock Exchange since June 2001.

As of December 31, 2013, the PULSION Group encompasses 12 entities with a total workforce of 131 employees (2012: 121), of whom 88 (2012: 88) worked at the head-quarters of PULSION SE in Feldkirchen.

The business object is the development, manufacture and sale of systems worldwide to monitor, diagnose and manage the physical parameters of seriously ill and intensive care patients in hospitals. PULSION produces and markets intravenous diagnostics and specific sterile disposable items used to monitor patients.

The Consolidated Financial Statements for the year ended December 31, 2013 were released by the Executive Director on March 14, 2013 for approval by the Administrative Board.

2. Disclosures relating to accounting and financial reporting

Shares of PULSION Medical Systems SE are traded in the Prime Standard subsegment of the Frankfurter Stock Exchange's Regulated Market, with the consequence – pursuant to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and the Council dated July 19, 2002, in the relevant applicable version

– that the Company is required to prepare Consolidated Financial Statements in accordance with International Financial Reporting Standards.

PULSION SE prepares its consolidated financial statements ("Consolidated Financial Statements") in

accordance with the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), applicable as of December 31, 2013, issued by the International Accounting Standard Boards (IASB) and endorsed by the EU before the Consolidated Financial Statements are drawn up. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and earlier Interpretations issued by Standing Interpretation Committee (SIC) which are applicable for the financial year 2013 are complied with in these Consolidated Financial Statements if endorsed by the EU before the Consolidated Financial Statements are drawn up. The supplementary requirements contained in § 315 (1) of the German Commercial Code (HGB) are also taken into account. The Consolidated Financial Statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Notes to the Consolidated Financial Statements.

The Consolidated Financial Statements are prepared in Euro, the Group's reporting currency. In accordance with the functional currency concept, items in the financial statements of each of the group entities are determined in the currency of the primary economic environment in which the entity operates. Currency transactions which are not denominated in the functional currency are translated using the spot exchange rate between the functional and the nonfunctional currency applicable at the date of the transaction. Any exchange differences are recognized immediately in profit or loss.

All amounts are stated in thousands of Euro (KEUR) unless otherwise stated. Amounts are rounded in accordance with normal commercial practice. This can result in rounding differences.

Group reporting date

The reporting date of the entities included in the Consolidated Financial Statements is December 31 of each year. The relevant accounting period in each case is January 1 to December 31.

The following new Standard and Interpretations and Amendments to existing the Standard and Interpretations were required to be applied for the first time for annual periods beginning on January 1, 2013

- **IAS 1 Amendment: Presentation of Items of Other Comprehensive Income** (effective date: July 1, 2012); this Amendment did not have any significant impact on the Consolidated Financial Statements.
- **IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters and Government** Loans (effective date: January 1, 2013); these Amendments did not have any significant impact on the Consolidated Financial Statements.
- **IFRS 13 Fair Value Measurement** (effective date: January 1, 2013); this Amendment did not have any significant impact on the Consolidated Financial Statements.
- **IAS 12 Income Taxes: Deferred Taxes – Recovery of Underlying Assets** (effective date: January 1, 2013); this Amendment did not have any significant impact on the Consolidated Financial Statements.
- **IAS 19 Employee Benefits** (effective date: January 1, 2013); this Amendment did not have any significant impact on the Consolidated Financial Statements.
- **Improvements to IFRS (2009–2011)** (effective date: January 1, 2013); these Amendments did not have any significant impact on the Consolidated Financial Statements.
- **IFRS 7 Amendment: Disclosures – Offsetting Financial Assets and Financial Liabilities** (effective date: January 1, 2013); this Amendment did not have any significant impact on the consolidated financial statements.

The following new Standards and Interpretations and Amendments to existing Standards and Interpretations, which are theoretically applicable for annual periods beginning on or after January 1, 2013, are only required to be applied in the EU for annual periods beginning on or after January 1, 2014 and have not been applied by PULSION.

IFRS 10 Consolidated Financial Statements (effective date: January 1, 2014); the new Standard is not expected to have any significant impact on the Consolidated Financial Statements.

- **IFRS 11 Joint Arrangements** (effective date: January 1, 2014); the new Standard is not expected to have any significant impact on the Consolidated Financial Statements.
- **IFRS 12 Disclosure of Interest in Other Entities** (effective date: January 1, 2014); the new Standard is not expected to have any significant impact on the Consolidated Financial Statements.
- **IAS 27 Separate Financial Statements** (revised 2011) (effective date: January 1, 2014); the new Standard is not expected to have any significant impact on the Consolidated Financial Statements.
- **IAS 28 Investments in Associates and Joint Ventures (revised 2011)** (effective date: January 1, 2014); the new Standard is not expected to have any significant impact on the Consolidated Financial Statements.
- **Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities** (effective date: January 1, 2014); these Amendments are not expected to have any significant impact on the Consolidated Financial Statements.
- **IAS 32 Amendment: Offsetting Financial Assets and Financial Liabilities** (effective date: January 1, 2014); these Amendments are not expected to have any significant impact on the Consolidated Financial Statements.

New Standards and Interpretations and Amendments to existing Standards and Interpretations, are not normally applied by PULSION before their mandatory application date.

3. Group reporting entity and principles

Group reporting entity

In accordance with the requirements of IAS 27, all subsidiaries are included in the Consolidated Financial Statements of PULSION Medical Systems SE.

The group reporting entity is unchanged compared to December 31, 2012.

The following entities are consolidated in addition to the parent company:

	Country	Date founded*	Investment
PULSION France S.A.R.L., Rungis	France	October 1, 1999	100%
PULSION Benelux N.V., Gent	Belgium	January 22, 1999	99,96%
PULSION Medical Inc., Dallas, Texas	USA	October 1, 1999	100%
PULSION Medical UK Limited, Hounslow	Great Britain	August 7, 1998	100%
PULSION Pacific Pty. Limited, Sydney	Australia	December 22, 1999	58%
PULSION Medical Systems Iberica S.L., Madrid	Spain	November 27, 2000	100%
PULSION Switzerland GmbH, Baar	Switzerland	December 9, 2008	100%
PULSION Austria GmbH, Wien	Austria	January 1, 2009	100%
PULSION Polen Sp.z.oo., Warschau	Poland	June 15, 2010	100%
PULSION Medical Systems S. de RL de CV	Mexico	June 1, 2011	51%
PULSION Medical Systems Medikal ÜRÜNLER Ticaret Limited Sirketi	Turkey	September 27, 2011	99%

* Date of foundation corresponds to date of first-time consolidation.

The shares of PULSION Benelux N.V., Gent and PULSION Medical Systems Medikal ÜRÜNLER Ticaret Limited Sirketi not held by the parent company are held by PULSION France S.A.R.L., Rungis (for the Belgian subsidiary) and by PULSION Austria GmbH, Vienna (for the Turkish subsidiary) respectively.

The process of winding up the nonconsolidated entity, KI Medical Services Ipari ès Kereskedelmi Korlàtolt Felelössègü Tàrsasàg, was completed during the financial year under report.

Basis of consolidation

The group reporting entity included all subsidiaries, where PULSION has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities: this is normally the case when voting power in the entity concerned is greater than 50 percent. Control is realized at each of the subsidiaries by holding a majority of the voting power. There are no associates. All group entities draw up financial statements to December 31 of the relevant financial year. In order to ensure uniform accounting policies throughout, some of the recognition and measurement methods of the individual subsidiaries were adjusted to those of the PULSION Group.

Intragroup balances are eliminated in accordance with IAS 27. Receivables and payables of consolidated group entities are offset against each other.

With effect from the date of first-time consolidation, intragroup income and expenses are offset against each other in accordance with IAS 27.

Gains and losses arising on intragroup transactions, which are included in the carrying amount of assets, are eliminated in accordance with IAS 27. These assets are therefore measured at Group acquisition or manufacturing cost.

Deferred tax is recognized on consolidation adjustments which have an income statement impact if the tax effect is expected to reverse in future financial years.

Foreign currency translation

The consolidated financial statements are drawn up in euros, PULSION's functional and presentation currency. Assets and liabilities of subsidiaries whose functional currency is not the euro are translated using the closing rate method. Equity transactions are translated using the historical rates prevailing at the date of the transaction. Income statement items are translated using the average exchange rate for the financial year. Translation differences are recognized directly in equity (other reserves).

Foreign currency transactions are recorded using the spot exchange rate prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at subsequent balance sheet dates using the closing rate. Gains or losses arising from the restatement of foreign currency items are recognized in the income statement on the lines "Exchange gains" and "Exchange losses". Exchange differences on nonmonetary assets and liabilities are recognized directly in equity (other reserves).

The main exchanges rates used to draw up the consolidated financial statements were as follows:

	Closing rate at	Closing rate at	Average rate	Average rate
	Dec. 31, 2013	Dec. 31, 2012	2013	2012
AUD	0.6445	0.7846	0.7263	0.8055
CHF	0.8157	0.8280	0.8127	0.8296
GBP	1.1976	1.2220	1.178	1.2328
MXN	0.0556	0.0581	0.059	0.0591
PLN	0.2409	0.2452	0.2386	0.2389
TRY	0.3394	0.4223	0.3953	0.4318
USD	0.7263	0.7565	0.753	0.7781

4. Accounting principles

Assets and liabilities are measured in the consolidated financial statements on the basis of their amortized historical cost. Unless otherwise stated, the accounting policies described below were applied consistently for each of the accounting periods presented.

Significant accounting areas of judgment and the principal sources of uncertainties in estimates: The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, use its judgment and apply assumptions that can have an impact on the amounts reported in the financial statements and accompanying notes. Estimates and the underlying assumptions to those estimates are derived, where available, from past experience and after taking all relevant factors into consideration. Actual results could differ from estimates. Assumptions used to make estimates are regularly reviewed. Changes in estimates only affecting one accounting period are only taken into account in that accounting period. In the case of changes in estimates that affect the current and future accounting periods, these are taken into account appropriately in the current and subsequent accounting periods.

The most important forward-looking assumptions and other principal sources of uncertainties in estimates at the end of the reporting period, which could entail the risk that the varying amounts of assets and liabilities might need to be changed significantly in the next financial year, are described below.

a) Revaluation of property, plant and equipment and investment property:

As described in Note 15 – Property, plant and equipment – the Group reviews the estimated useful lives of assets at the end of each financial year. The useful lives assumed for capitalized monitors are based on an assessment of the revenue that can be generated with the monitors concerned over their expected life cycle.

b) Recoverability of internally generated intangible assets:

Development costs are capitalized in accordance with the criteria described in Note 13 Intangible assets. The initial recognition of costs as an asset is based on the Executive Director's assessment that technical and commercial feasibility has been demonstrated; this is usually the case if a product development project has reached a specific milestone. For the purposes of determining the amounts to be capitalized, the Executive Director makes assumptions with respect to the amounts of future expected cash flows from the project, the discount factors to be applied and the period over which economic benefits are expected to flow to the entity.

If assumptions (in particular the estimate of future expected cash flows) change in subsequent accounting periods, the appropriate adjustments will be recorded.

c) **Income taxes**:
Uncertainties exist with regard to the interpretation of complex tax regulations as well as to the amount and timing of future taxable income. Due to this complexity, it is possible that variances will arise between actual results and assumptions taken and that future changes in assumptions may require an adjustment to the tax expense recorded for earlier periods. Deferred tax assets are only recognized to the extent that taxable income is available for offset against tax losses available for carryforward. The Group has tax losses available for carryforward at the level of subsidiaries with a history of loss-making. Although the tax losses do not lapse – with the exception of the USA, where the tax losses elapse after 20 years – they cannot be offset against taxable income of other group entities.

d) **Provisions and accrued liabilities:**
Provisions are recognized to cover pending and future court proceedings for legal disputes. Provisions are recognized and measured in the amount of the probable outcome of the legal disputes based on information available and after consultation with the lawyers concerned. If the amount of expected obligations changes as a result of changes in the legal situation, it may be necessary to change provisions in subsequent years with a corresponding impact on earnings.

Revenue recognition: Revenue is recognized in accordance with IAS 18 in the case of the sale of goods, when the significant risks and rewards of ownership of the goods are transferred to the buyer and as soon as it is deemed sufficiently certain that the consideration will be paid. For sales contracts, revenue is recognized when the goods are delivered (transfer of risks and rewards) and for works contracts, revenue is recognized when the goods are accepted by the customer.

In the case of multicomponent transactions (i.e. where monitors are made available to customers on the basis of equipment loan agreements, entered into with customers on the basis of annual flat-rate fees in combination with fixed annual purchase volumes for related catheters), revenue is recognized individually for each transaction. Revenue on equipment loan agreements for which consideration is received is recognized on a time-apportioned basis, based on the term of the contract. No revenue is recognized if equipment is made available to a customer without a sales consideration and without a purchase volume commitment.
Revenue from sales of consumables sold in conjunction with equipment loan agreements and purchase volume commitments for customers are recognized in accordance with IAS 18 on delivery of the goods (transfer of risks and rewards).

Sales are stated net of discounts, allowances, settlement discounts and other rebates.

Cost of sales: Cost of sales comprises the manufacturing-related cost of goods sold, bought-in development work and the purchase cost of goods for resale when sold. This includes all directly attributable materials and production overhead costs as well as systematically allocated production overheads, including depreciation of production plant facilities, amortization of production-related and product-related intangible assets, depreciation of items of equipment loaned to end users and accounted for as property, plant and equipment, write-downs on inventories and an appropriate portion of production-related administrative overhead costs.

Expenses related to the planned takeover of PULSION: This line item has been newly created in the Consolidated Income Statement in view of substantial expenditure incurred firstly in connection with the search for a strategic partner in the field of product innovation aimed at strengthening PULSION's sales presence and secondly in connection with the ensuing takeover offer made to the Company. All expenditure relating to the planned takeover of the Company by the Getinge Group – which announced the publication of a takeover offer for PULSION Medical Systems SE on December 4, 2013 and issued the actual takeover offer

on January 14, 2014 – is aggregated in this line item. In addition to consultants' expenses arising in conjunction with the search process for the planned takeover, this line item includes commission fee expenses as well as the expense of management bonuses that will fall due in the event that the takeover is successfully completed – an outcome which the Company considers is highly probable at the end of the reporting period.

Goodwill: Goodwill arising on a business combination is recognized as an asset on the date on which the Group obtains control over the asset (acquisition date). It corresponds to the amount by which the consideration given exceeds the amount of all noncontrolling interests in the acquired entity and the fair value of the equity previously held by the acquirer in the acquired entity and the net amount of the identified assets and liabilities acquired at the acquisition date.
Goodwill is tested for impairment at least once a year and is not subject to scheduled amortization. Impairment losses recognized on goodwill are not reversed in subsequent periods. On the sale of a subsidiary, the amount attributable to goodwill is taken into account for the purposes of determining the gain or loss on disposal.

Intangible assets: Software, development projects, approvals and patents have finite useful lives and are measured initially at cost. The cost of development projects includes borrowing costs to the extent that the asset meets the criteria of a qualifying asset. Scheduled amortization is computed using the straight-line method over the estimated useful lives of the asset. The estimated useful lives for the various classes of intangible assets are as follows:

Internally generated intangible assets	5–20 years
Externally generated intangible assets	3–5 years

Development costs are expensed as incurred. The following items are excluded from this general rule:

- Expenditure on development projects which are in the so-called "application development phase" and which meet the criteria for recognition set out in IAS 38.57. The normal useful life for the business in this case is five years. Capitalized items are amortized on a straight-line basis.
- Expenditure on approvals in Europe and the USA. These costs are depreciated on a straight-line basis over periods of between five and ten years, commencing on the date of market introduction.
- Expenditure to obtain patents. Once a patent has been issued, it is amortized straight-line over a useful life of 20 years. If efforts to obtain a patent are discontinued or if the patent is not matched by any or only insufficient cash flow generating business, the patent and/or patent family is written down to its fair value or, if appropriate, derecognized.

These items are recognized in accordance with IAS 38 as internally generated intangible assets.

Property, plant and equipment: Property, plant and equipment are stated in accordance with IAS 16 at acquisition or manufacturing cost less accumulated depreciation. Acquisition/ manufacturing cost includes all costs directly attributable to an item. Subsequent costs are only recognized as part of the cost of the asset or – if relevant – as a separate asset if it is probable that future economic benefits will flow to the Group and if the cost of the asset can be measured reliably. All other repair and maintenance costs are recognized as expenses in the period in which they are incurred. In previous years, borrowing costs were capitalized for qualifying assets.
Depreciation is determined using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property, plant, and equipment are as follows:

Buildings	25 years
Leasehold improvements	2–33 years
Other factory and office equipment	3–13 years
Monitors accounted for as fixed assets	7.5 years

Useful lives are reviewed at each reporting date and amended where necessary.

Monitors made available to customers in the form of rental or loan agreements are recorded at the contract date within property, plant and equipment, measured

at the lower of their acquisition/manufacturing cost or net realizable value and are depreciated over a useful life of 7.5 years.

Impairment of intangible assets (excluding goodwill) and property, plant and equipment: Property, plant and equipment and intangible assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the assets are impaired. If such indications exist, the recoverable amount of the asset is calculated in order to determine the level of the impairment loss. The recoverable amount corresponds to the higher of the asset's fair value less costs to sell and its value in use. The value in use of the asset is measured in terms of the present value of expected cash flows. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is then calculated for the smallest identifiable group of assets (cash-generating unit/CGU), to which the asset concerned can be allocated. At that stage, a forecast is made of the cash flows that can be generated over the estimated useful life of the asset or CGU. The discount factor used takes account of the risks attached to the asset or the CGU. An impairment loss is recognized in profit or loss if the recoverable amount is lower than the asset's or CGU's carrying amount. If the recoverable amount for the asset or CGU increases at a later date, the impairment loss is reversed so that its carrying amount does not exceed the amortized cost that would have arisen had there not been any previous impairment loss. The reversal of an impairment loss is also recognized in profit or loss.

Inventories: Inventories are stated at the lower of acquisition/manufacturing cost or net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business less necessary variable costs to complete the sale. Manufacturing cost comprises the direct cost of production material and wages and a proportion of production overheads, including depreciation. Acquisition cost comprises the purchase price and all ancillary costs directly attributable to the acquisition. Acquisition and manufacturing costs are measured using the standard cost method. Borrowing costs are not capitalized since PULSION does not have any qualifying assets. Write-downs are recognized in the case of inventory and market risks, including write-downs for slow-moving inventories based on inventory turnover periods and past experience, measured separately for production material/components and finished products.

Nonderivative financial instruments Nonderivative financial instruments comprise mainly trade accounts receivable, other receivables, noncurrent loans receivable, financial assets, marketable securities and liquid funds as well as financial liabilities and trade accounts payable.

On initial recognition, nonderivative financial instruments are measured at their fair value. Transaction costs incurred in conjunction with the acquisition of financial instruments (which are not measured at fair value through profit or loss) increase the carrying amount on initial recognition. Transaction costs incurred in conjunction with the acquisition of financial instruments measured at fair value through profit or loss are recognized immediately as expenses. Subsequent to initial recognition, nonderivative financial instruments are measured – depending on the category to which they are allocated – either at fair value or at amortized cost. Management allocates nonderivative financial instruments to categories on first-time recognition. If no specific market value is provided in the Notes to the Consolidated Financial Statements, the market value approximates the carrying amount of the asset or liability concerned.

A distinction must be made between the following categories:

- Financial assets measured at fair value through profit or loss are subcategorized as **"Voluntarily designated"** or **"Held for trading"**. Neither of these categories arises as a general rule within the PULSION Group.
- Financial investments held to maturity are measured at their amortized cost. These, too, do not normally occur within the PULSION Group.
- Loans and receivables not held for trading are measured as a general rule at fair value on first-time recognition and subsequently at amortized cost. This category within the PULSION Group relates in

particular to receivables from customers and sundry other receivables. Non- or low-interest-bearing receivables with a remaining term of more than one year are discounted to their present value using the effective interest method and a risk-adjusted market interest rate. Specific allowances are recognized as appropriate on receivables, for which a loss is expected, after taking account of credit, interest rate and discount settlement risks. An allowance based on past experience is recognized on receivables to take account of the general credit risk.

- Available-for-sale financial assets are measured as a general rule at their fair value. This category generally covers all financial assets which do not fall into one of the other categories described above.

A financial asset or a part of it is derecognized if PULSION loses control over the contractual rights to receive cash flows from the asset or if these rights have expired. This is usually the case if

- the rights are exercised,
- the rights lapse,
- the entity gives up the rights or transfers them to a third party as part of a sale, or
- the contracts have expired.

Derivative financial instruments: As a general principle, the PULSION Group does not hold any derivative financial instruments.

Cash and cash equivalents: Cash and cash equivalents comprise demand deposits, cash in hand and cash at banks and are measured at their acquisition cost.

Investment property: The real estate presented as investment property relates to rented residential accommodation and offices which are held to earn rentals and are not used by the Group for operational purposes. Investment property is measured at acquisition cost less scheduled depreciation and impairment losses.
Scheduled depreciation is computed using the straight-line method over the estimated useful life of the asset. The useful life of the investment property is 25 years. The fair value of investment property was determined on the basis of a discounted forecast of net cash flows up to the end of the asset's useful life within the business and recoverable sales proceeds, in each case discounted using an appropriate risk-adjusted interest rate. An additional valuation was not carried out by a valuation expert. The relevant assets are tested for impairment whenever circumstances and situations change such that there is an indication that the respective carrying amounts of such assets may not be recoverable. The Company has elected not to obtain an external independent expert valuation for the investment property concerned.

Subscribed capital and additional paid-in capital: Capital instruments which are not subject to ancillary conditions are always accounted for as equity capital. Equity capital instruments are measured on the basis of issue proceeds received less directly attributable issue costs, defined as costs which would not have arisen if the equity capital instruments had not been issued.

Own equity capital instruments which are bought back by the Company are deducted directly from equity. Sales, issues and cancellations of own equity capital instruments are not recognized in profit or loss.

Leasing: Leasing arrangements are classified as finance leases if substantially all of the risks and rewards incident to ownership are transferred to the lessee. All other leases are classified as operating leases. There were no finance lease arrangements at the end of the reporting period.

PULSION as lessor in operating leases: The Group makes equipment available to customers on the following terms:

- Free-of-charge usage: Equipment is made available to customers free of charge on condition that they agree to purchase minimum volumes of disposable products. Ownership of the equipment remains with the Company. The equipment is depreciated over 90 months and the depreciation expense presented in cost of sales.
- Loan of equipment combined with usage agreements: These contracts generally run for a period of three years and are combined with minimum

purchase volumes of disposable products. In addition, an annual usage fee is charged. This revenue is recognized on a time-allocated basis. Legal ownership of the equipment remains with the Group. This equipment is also therefore capitalized within property, plant and equipment and depreciated over a period of 90 months.

Provisions: In accordance with IAS 37, a provision is recognized when the entity has a present obligation to a third party as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at their expected settlement amount. The amount recognized as a provision is the best estimate at the balance sheet date of the expenditure required to settle the present obligation at the end of the reporting period taking account of inherent risks and uncertainties pertaining to the obligation. Provisions for warranties on products sold are recognized and measured on the basis of the Group's past experience of the level of costs necessary to settle warranty obligations. If a number of similar obligations exist, the probability of incurrence is determined on the basis of the overall group of these obligations. Noncurrent provisions are discounted using an appropriate market interest rate. The impact of unwinding discounted amounts and of interest rate changes are reported within the financial result.

Financial liabilities: Financial liabilities are recognized whenever a Group entity becomes a contractual party to a financial instrument and are classified either as "financial liabilities measured at fair value through profit and loss" or as "other financial liabilities".

Financial liabilities are required to be measured on initial recognition at their fair value. Transaction costs, which are directly attributable to the issue of financial liabilities not measured at fair value through profit or loss, reduce the fair value of financial liabilities on initial recognition. Transaction costs, which are directly attributable to the issue of financial liabilities measured at fair value through profit or loss, are recognized immediately in the income statement.

Other financial liabilities: Other financial liabilities, e.g. loans payable, trade accounts payable and other liabilities are measured at cost using the effective interest method.

Contingent liabilities / assets: Contingent liabilities are possible external obligations, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Company. They can also be present obligations that will probably not result in the outflow of resources or the amount of which cannot be quantified reliably. In accordance with IAS 37, contingent liabilities are not recognized in the balance sheet.

Income taxes

Income tax expense represents the aggregate amount of current and deferred tax expense. Current and deferred taxes are recognized in the income statement, unless they relate to items which are recognized in other comprehensive income/directly in equity, in which case current and deferred taxes are also recognized in other comprehensive income/directly in equity. If current or deferred taxes result from first-time recognition in conjunction with a business combination, the tax impact is included in the accounting treatment of the business combination.

a) **Current tax:** Income tax expense represents the aggregate amount of current and prior period tax expense as well as foreign withholding taxes and deferred tax. Taxable profit differs from pre-tax profit in the Consolidated Income Statement due to income and expenses, which either do not become taxable/deductible until later periods or never become taxable/deductible. The Group's current tax liability is measured on the basis of enacted or substantively enacted tax rates.

b) **Deferred taxes:** Deferred taxes are recognized on timing differences between the tax bases and accounting carrying amounts of assets and liabilities in the Consolidated Balance Sheet (liability method), on consolidation procedures and on tax losses available for carryforward. The effect of changes in tax rates on deferred tax assets and liabilities is

reflected in the income tax expense of the period in which the tax rate change is enacted. If the criteria set out in IAS 12 are met, deferred taxes are recognized on temporary differences between the tax base of the assets and liabilities of consolidated entities and the carrying amounts of those assets and liabilities in the Consolidated Balance Sheet (netted).

Deferred taxes are recognized in general for all taxable temporary differences; deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the taxable temporary differences can be utilized. Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date and that are expected to be valid at the date when the deferred tax asset is realized or the deferred tax liability is settled.

c) The carrying amount of deferred tax assets is reassessed at the end of the reporting period and reduced if it is no longer probable that sufficient taxable profit will be available to allow the deferred tax asset to be recovered.

Employment benefits: In conjunction with legal provisions, employees are given the opportunity to participate in a company pension plan. This plan does not involve any obligations for PULSION. The Group has no other pension obligations. Employees' remuneration comprises a fixed and a variable component. Bonus payments are agreed individually and disbursed in the following financial year.

Employee share participation program/share options: Two stock option pro¬grams are in place as incentives to tie employees and executive management into the Company. Stock options issued after November 7, 2002 (Stock Option Plan 2003 and Stock Option Plan 2006) are measured at their fair value in accordance with the requirements of IFRS 2. The amount calculated is recognized as an expense at the end of the vesting period and offset against the corresponding amount previously recognized in equity.

When own (treasury) shares are used to service exercised share options, the own (treasury) shares are reduced and additional paid-in capital increased by an amount equivalent to the difference to the exercise price of the share option. The Company's conditional capital has not been used up to the end of the reporting period in conjunction with the stock option program.

Explanatory Notes to the Consolidated Income Statement

5. Sales

Sales by product line are as follows:

	2013	2012
	KEUR	KEUR
Equipment	6,937	6,658
Disposables	22,747	22,147
Indication / diagnosis	6,791	5,816
	36,475	**34,621**

Equipment sales include all revenues related to equipment manufactured and sold by the Group. Equipment sales comprise primarily revenues generated by sales and, to a minor extent, license and rental income as well as equipment usage fees and repair services. The product group "Indication / diagnosis" includes revenues from the sale of the fluorescent dye, ICG PULSION®

6. Cost of sales and personnel expenses

Cost of sales comprises primarily the cost of raw materials and supplies used (KEUR 7,262; 2012: KEUR 9,309) and of bought-in goods and services (KEUR 1,022; 2012: KEUR 749).

Depreciation, amortization and write-downs totaling KEUR 1,520 (2012: KEUR 1,452) are included. Depreciation of KEUR 636 (2012: KEUR 692) was recognized on monitors and amortization of KEUR 756 (2012: KEUR 740) on intangible assets.

In the period under report, losses amounting to KEUR 28 (2012: KEUR 0) were recorded for derecognized intangible assets.

Reversals of impairment losses on current assets totaling KEUR 18 (2012: KEUR 232) were included in the cost of sales.

The expense line items in the consolidated income statement contain the following personnel expenses:

	2013	2012
	KEUR	KEUR
Wages & Salaries	8,152	7,598
Statutory social security	1,555	1,363
Expenses for stock options	0	30
	9,707	**8,991**

Wages and salaries include personnel recruitment costs of KEUR 155 in 2013 (2012: KEUR 246). Personnel expenses include a pension expense of KEUR 18 (2012: KEUR 18).
PULSION had a worldwide workforce (including 1 person employed on a low wage-earning basis) of 131 employees at the end of the year compared to 121 employees (including 1 person employed on a low wage-earning basis) one year earlier.

7. Financial result

Interest expense includes KEUR 57 (2012: KEUR 19) for liabilities to banks. Interest earned on bank balances totaled KEUR 24 (2012: KEUR 87).

At December 31, 2013, the Group had unused credit lines of KEUR 500 (2012: KEUR 177).

8. Other operating income and expenses

Other operating income is analyzed below.
The main items included are income from the reversal of provisions amounting to KEUR 248 (2012: KEUR 379), income from the private use of company vehicles amounting to KEUR 155 (2012: KEUR 121) and rental income amounting to KEUR 22 (2012: KEUR 22). This line item also includes license income of KEUR 888 (2012: KEUR 0), of which KEUR 392 relates to prior periods.

9. Selling expenses, research and development expenses and general and administrative expenses

As well as personnel, advertising, trade fair and selling expenses, the Group's operating expenses also include legal and advisory expenses, rental expenses and business travel costs. Operating expenses also include non-capitalizable development costs. The main expenses in the year under report were as follows:

KEUR	2013	2012
Personnel expenses	9,707	9,143
Travel expenses	1,490	1,527
Legal and consulting expenses	1,311	1,438
Marketing expenses	1,121	1,051
Building expenses	1,004	1,054
Other costs	799	1,142
Depreciation	537	594
Total	**15,969**	**15,949**

10. Expenses related to the planned takeover of PULSION

This line item in the Consolidated Income Statement was newly created in the financial year under report in view of substantial expenditure incurred firstly in connection with the Company's search for a strategic partner in the field of product innovation aimed at strengthening PULSION's sales presence and secondly in connection with the ensuing takeover offer made to the Company.

All expenditure relating to the planned takeover of the Company by the Getinge Group – which announced the publication of a takeover offer for PULSION Medical Systems SE on December 4, 2013 and issued the actual takeover offer on January 14, 2014 – is aggregated in this line item.

In addition to consultants' expenses arising in conjunction with the search process for the planned takeover, this line item includes commission fee expenses as well as the expense of management bonuses amounting to KEUR 1,752 (recognized as provisions at the end of the reporting period).

11. Income taxes

	2013	2012
	KEUR	KEUR
Income taxes	2,552	2,726
(of which relating to prior periods)	295	-22
Deferred tax income	-1,508	-219
Total tax expenses	**1,044**	**2,507**

The amount reported as current tax expense relates to German corporation tax, solidarity surcharge, German trade municipal tax, deductible foreign withholding taxes and foreign income taxes of the non-Germ an group entities as computed under relevant national tax rules. Tax provisions at December 31, 2013 amounted to KEUR 1,834 (2012: KEUR 2,617).

Deferred taxes are calculated on the basis of the relevant local tax rates. Deferred taxes at December 31, 2013 were computed for the German company on the basis of a corporation tax rate of 15.0% (December 31, 2012: 15.0%). In addition, a solidarity surcharge of 5.5% (December 31, 2012: 5.5%) on corporation tax and an effective municipal trade tax rate of approximately 11.55% (December 31, 2012: 12.99%) were taken into account. A tax rate of 27.38% (December 31, 2012: 28.80%) was accordingly used to calculate deferred taxes for the Germany company.

A deferred tax asset has been recognized for tax losses available for carryforward by group entities to the extent that it is probable that taxable profit will be available in the future to offset those losses. Recognition is based on the Five-Year Forecast drawn up for the PULSION Group. Based on this forecast, the Group has not recognized deferred tax assets of KEUR 1,840 (2012: KEUR 3,496) on unused foreign tax losses of KEUR 5,412 (2012: KEUR 12,135), which can be carried forward by non-German PULSION entities for offset against future taxable profit, since they fall outside the planning period. Following the success of the takeover offer in the first quarter of 2014, as a result of which the Getinge Group acquired 78.55% of PULSION's shares, which is deemed to be a non-adjusting event after the reporting period, the Company has concluded – based

on current tax legislation in the relevant countries involved – that deferred tax assets amounting to KEUR 1,613, recognized as of December 31, 2013 on tax losses available for carryforward, will not or will not be fully capable of being recognized as assets in the future, and that, as a consequence, such deferred tax assets will, in future, have to be derecognized either in part or even in full.

The following summary shows a reconciliation between the expected tax expense and the actual tax expense. Due to the materiality of the German company within the PULSION Group, the expected tax expense is based on the cumulative German tax rate of 27.4% (2012: 28.8%) for corporation tax, solidarity surcharge and municipal trade tax.

	2013	2012
	KEUR	KEUR
Group profit before taxes	8,525	9,603
Expected tax expense	2,333	2,768
Effect of changes in tax rates	0	-88
Tax expense/income – prior years	295	-22
Differences to group tax rate	41	12
Foreign withholding taxes	0	-1
Nondeductible expenses, adjustments for tax rules	23	100
Change in recoverability of deferred tax assets	-1,631	-148
Other	-16	-114
	1,044	**2,507**

	Dec. 31, 2013		Dec. 31, 2012	
	KEUR	KEUR	KEUR	KEUR
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	1,023	13	907
Property, plant and equipment	321	4	267	12
Inventories	189	0	152	0
Receivables and other current assets	0	9	25	33
Liabilities	67	0	22	0
Consolidation procedures	0	526	0	526
Accumulated deficit	1,613	0	117	0
	2,189	**1,562**	**595**	**1,478**
Offset of deferred tax assets and liabilities	-576	-576	-595	-595
Total	**1,613**	**986**	**0**	**883**

12. Minority interests

Die Entwicklung der Minderheitenanteile ist dem Konzern-Changes in minority interests are shown in the Consolidated Statement of Changes in Equity. The minority shareholders' interest in group equity relates to the directly held investments in PULSION Pacific Pty. Limited, Australia and PULSION Medical Systems S. de RL de CV, Mexico. During the financial year 2013, equity capital of PULSION Medical Systems S. de RL de CV, Mexico was increased by KEUR 100, of which KEUR 49 related to the minority shareholders.

Explanatory Notes to the Consolidated Balance Sheet

13. Intangible assets

Reference is also made to the Analysis of Changes in Fixed Assets in conjunction with the comments provided below.

Intangible assets at December 31, 2013 comprised:

At December 31, 2013	Historical cost	Accumulated amortization and impairment losses	Carrying amount
	KEUR	KEUR	KEUR
Approvals	2,456	1,585	871
Patents	1,000	525	475
Distribution rights	178	178	0
Product development	3,938	1,554	2,385
Software	765	564	201
Goodwill	12	0	12
Total	**8,349**	**4,406**	**3,944**

Intangible assets at December 31, 2012 comprised:

At December 31, 2012	Historical cost	Accumulated amortization and impairment losses	Carrying amount
	KEUR	KEUR	KEUR
Approvals	2,456	1,370	1,086
Patents	1,042	429	613
Distribution rights	178	178	0
Product development	2,765	1,179	1,586
Software	685	523	162
Goodwill	12	0	12
Total	**7,138**	**3,679**	**3,459**

	Remaining amortization period	
	from	up to
Approvals	1 month	8 years
Patents	4.5 years	20 years
Product development	7 months	5 years
Software	1 month	3 years

As in the previous year, no new borrowing costs were capitalized on intangible assets in 2013. The total historical cost of borrowing costs recognized as an asset at the end of the reporting period was KEUR 182 (2012: KEUR 182). Amortization amounting to KEUR 797 (2012: KEUR 821) and disposals due to the recognition of intangible assets totaling KEUR 71 (2012: KEUR 0) were recorded in 2013. Amortization is included in the cost of sales. The annual testing of the impairment of intangible assets gave rise to impairment losses of KEUR 245 (reported in R&D expenses) on capitalized developments costs due to the discontinuation of a development project and KEUR 97 (2012: KEUR 111) on capitalized patents (reported in the cost of sales).

14. Goodwill

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Cost	12	12
Accumulated impairment losses	0	0
Carrying amount at year-end	**12**	**12**

In accordance with an agreement certified by public notary on December 23, 2008, PULSION AG acquired all of the shares of ESOMA Beteiligungsverwaltung GmbH (name changed to PULSION Austria GmbH in accordance with resolution dated December 23, 2008), which has its registered office in Vienna, for a purchase price of KEUR 39.5. The share capital of the acquired entity is KEUR 35. The investment was consolidated for the first time with effect from January 1, 2009 when the shares were transferred with legal effect, giving rise to goodwill of KEUR 12. The acquired company did not have any active operations at the date of acquisition and did not account for any significant assets or liabilities. Following the acquisition of the shares, the sales region Austria is now being handled by this subsidiary.

In accordance with IFRS 3 in conjunction with IAS 39, goodwill is not subject to systematic amortization. Recoverability is tested annually in the form of an impairment test. In this context, the carrying amount of the relevant cash-generating unit (CGU) is compared against its recoverable amount, which is measured on the basis of a five-year plan, using the discounted cash flow method. The CGU's cash flows are discounted using an after-tax cost of capital rate of 8.2%. For the purposes of calculating the perpetual annuity, a growth rate of 1 percent was assumed (unchanged from the previous year). An impairment loss is recognized if the recoverable amount is lower than the carrying amount. Even with a sensitivity of +/–2% in the risk discount factor and a change in the growth factor of 1%, no recoverable amounts arose which were lower than the carrying amount.

No impairment losses were recognized on the year under report (2012: KEUR 0).

15. Property, plant and equipment

Reference is also made to the Analysis of Changes in Fixed Assets in conjunction with the comments provided below.

As at the end of the previous financial year, no impairment losses were recognized in 2013 on property, plant and equipment to reduce their carrying amount to fair value. The depreciation expense for 2013 totaled KEUR 1,052 (2012: KEUR 1,079).

Changes in property, plant and equipment are shown in the analysis of changes in fixed assets. Monitors rented or loans to end users are reported on the line "Other equipment, furniture and fittings". The carrying amount of monitors at December 31, 2013 was KEUR 2,780 (2012: KEUR 2,735).

16. Lease liabilities

As in the previous year, the Group had no contractual obligations under finance leases at the end of the reporting period. Obligations relating to operating leases are disclosed in Note 27.

17. Investment property

The Company sold one item of real estate in the year under report, and therefore only holds one item of real estate at December 31, 2013 which it accounts for as investment property. The sale gave rise to a loss of KEUR 8. The remaining property is measured at amortized cost and is being depreciated over a period of 25 years.

Rental income from investment property amounted to KEUR 22 in 2013 (2012: KEUR 22). Costs directly related to investment property amounted to KEUR 0 (2012: KEUR 7). The fair value of real estate presented as investment property corresponds roughly to the carrying amount. At the balance sheet date, mortgages on property totaled KEUR 266 (2012: KEUR 266). The investment property held at the end of the accounting period is not subject to any restrictions on realizability. No significant contractual obligations exist in connection with the investment property.

18. Inventories

Inventories comprise:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Raw materials and supplies	2,937	3,247
Work in progress	126	519
Finished goods	3,122	1,970
	6,185	**5,736**

Write-downs on inventories were as follows

	Dec. 31, 2013		Dec. 31, 2013	
		KEUR		KEUR
Raw materials and supplies	3,353		3,774	
Gross amount value adjusted	-416	2,937	-527	3,247
Work in progress	126	126	519	519
Finished goods	3,271		2,026	
Gross amount value adjusted	-149	3,122	-56	1,970
		6,185		**5,736**

Die auf das Geschäftsjahr 2013 entfallende Wertaufl- income from the reversal of previously recognized write-downs on inventories (due to increases in net realizable value) amounted to KEUR 18 in 2013 (2012: income from reversal of TEUR 232) and was recognized in the cost of sales. This includes income from the reversal of write-downs on slow -moving inventories amounting to KEUR 18 (2012: income of KEUR 226) and expenses for scrapping finished goods amounting to KEUR 101 (2012: KEUR 18).

19. Trade accounts receivable

	Dec. 31, 2013	Dec. 31, 2012
Trade accounts receivable, gross	7,556	5,762
Allowances	51	33
Trade accounts receivable, net	**7,505**	**5,729**

Impairment allowances developed as follows:

	2013	2012
Allowances at January 1	333	342
Allocated	49	24
Reversed	-32	-333
Allowances at December 31	**51**	**33**

The impairment allowances include specific allowances amounting to KEUR 51 (2012: KEUR 33). Specific allowances on receivables entail a significant degree of estimation and the assessments of individual balances based on the creditworthiness of each customer. Impairment allowances are based on estimates.
During the reporting period, no trade accounts receivable were derecognized (2012: KEUR 0.2).

The Group's payment periods range from 14 and 120 days depending on the customer concerned. Interest is not recognized on overdue receivables. Payment periods are exceeded significantly at the level of a number of the Group's subsidiaries. Past experience shows, however, that this does not result in a higher level of bad debts. The Group endeavors to reduce the level of arrears by increased receivables management activities.

Impairment losses on trade accounts receivable are determined individually. In addition, the bad debt risk in the case of new customers outside Germany is minimized by requiring up-front payments and carrying out creditworthiness checks. Trade accounts receivable relate to individual customers and global distributors. There is no concentration of receivables for individual customers.

Specific impairment allowances of KEUR 51 were recognized on trade accounts receivable totaling KEUR 3,365 (2012: TEUR 2,402) which were overdue at the balance sheet date. The allowance was recorded to reflect a significant change in the creditworthiness of one debtor and the fact that the outstanding amounts are not expected to be paid. The Group does not hold any collateral for these items.

The age structure of overdue receivables for which no impairment allowances have been recognized was as follows:

KEUR	Carrying amount	of which neither subject to impairment loss nor overdue at the year-end	of which not subject to impairment loss and overdue at the year-end in the following time windows				of which subject to impairment loss and overdue at the year-end
			1 to 30 days	30 to 60 days	60 to 90 days	more than 90 days	
	Dec. 31, 2013						
Trade accounts receivable	7,505	4,140	840	372	214	1,940	51
	Dec. 31, 2012						
Trade accounts receivable	5,729	3,328	778	421	252	951	24

For the purposes of determining the recoverability of trade accounts receivable, all changes in the creditworthiness of customers from the date on which payment periods are agreed through to the balance sheet date are taken into account. Due to the structure of the customer base and the lack of correlation between customers, there is no significant concentration of credit risk. Management is therefore of the opinion that no further impairment allowances need to be recognized.

20. Other current assets

This item comprises the following:

	Dec. 31, 2013	Dec. 31, 2012
	KEUR	KEUR
Deferred expenses	303	404
Advance payments to suppliers	311	41
Receivables from German Tax Office	97	65
	711	**510**
Other	133	119
Total	**844**	**629**

21. Cash and cash equivalents/cash funds

Cash funds reported in the Consolidated Cash Flow Statement comprise only cash at bank (on demand) and cash on hand totaling KEUR 1,041 (2012: KEUR 11,387).

22. Equity

The composition of and changes in shareholders' equity are shown in the Consolidated Statement of Changes in Equity.

The holders of shares of common stock are entitled to one vote per share and to dividends as declared.

Conditional Capital: Conditional Capitals II and III of EUR 350,000 and EUR 130,500 respectively were in place at the end of the reporting period for the issue of shares in conjunction with the stock option plans. The two Conditional Capitals give a total contingent capital of EUR 480,500.

Authorized capital: Based on the resolution taken at the Annual General Meeting, the Administrative Board is authorized to increase the share capital of PULSION Medical Systems SE, prior to May 15, 2018, by up to EUR 2,475,000.00 by the issue, in one or several steps, of up to 2,475,000 new non-par bearer shares. The capital increases can be executed in return for cash and/or noncash contributions and the statutory subscription rights of the existing shareholders may be excluded.

Share capital changes: Based on the authorizations given by the shareholders at the Annual General Meeting on May 18, 2010, May 26, 2011 and May 16, 2012, the Administrative Board resolved on March 14, 2013 to retire 650,000 shares by way of share capital reduction. The share capital reduction was entered into the relevant commercial register on April 15, 2013. As a result, the Company's share capital as of December 31, 2013 stands at EUR 8,250,000, divided into a total of 8,250,000 non-par-value bearer shares. The holders of shares of common stock are entitled to one vote per share and to dividends as declared. The Company's share capital, which is fully paid up, was reduced at the time of the share capital reduction by the nominal amount of the cancelled shares.

Additional paid-in capital results from share premiums arising in conjunction with share capital increases and in connection with share options. When own (treasury) shares are used to service employee stock option programs, additional paid-in capital is reduced at the exercise date by an amount equivalent to the cost of buying back the shares less the exercise price of the options.
When the Company's share capital is reduced, a transfer is made to additional paid-in capital out of unappropriated profit at an amount equivalent to the nominal value of the cancelled shares in accordance with § 237 (5) AktG.
In 2013, an amount of KEUR 225 was transferred from unappropriated profit to additional paid-in capital.

Other reserves relate primarily to translation differences.

Capital management disclosures: PULSION endeavors to maintain a strong financial position, with a view to safeguarding its going-concern status, maximizing financial flexibility and retaining the trust of shareholders.

The Group therefore focuses in terms of capital management on optimizing the relationship between equity and net debt – with the Group endeavoring to cover all operational financial requirements out of operations – and on improving the equity ratio.

Equity decreased during the financial year 2013 by 26.2%, mainly due to the dividend paid for the financial year 2012 and the share capital reduction executed in the year under report. The equity ratio fell as a result to 67.2% (December 31, 2012: 74%), whereas the return on equity improved to 36.2% (December 31, 2012: 31.3%) and the return on total capital increased to 25.7% (December 31, 2012: 22.7%) This improvement in capital rates of return in 2013 mainly reflects the increase in net profit for the year at the same time that the balance sheet total has decreased.

Performance indicator	Basis of computation	Dec. 31, 2013	Dec. 31, 2012
Equity ratio	Equity / balance sheet total	67,2%	74,0%
Return on equity	Group profit / average equity	36,2%	31,3%
Return on total capital	Group profit / average total capital	25,7%	22,7%

Based on a proposal made by the Executive Director and Supervisory Board, and in accordance with a resolution taken by the Annual General Meeting, a dividend of EUR 0.30 per share was paid for the financial year 2012 together with a special dividend of EUR 1.35 per share, resulting in a total distribution of KEUR 13,490.

	KEUR
Balance at January 1, 2013	2,391
Addition relating to transfer to additional paid-in capital pursuant to § 237 AktG	650
Transfer from fair value measurement of share options	9
Share premium arising on exercise of stock options incl. adjustment from the accumulated profit	-500
Balance at December 31, 2013	**2,550**

Reserve for own shares and acquisition of own shares

In accordance with a resolution taken at the Annual General Meeting on May 16, 2012, the Company was authorized to acquire – by May 17, 2017 at the latest – up to 10% of its own share capital. At December 31, 2012 the Company held 683,522 of its own shares as a result of buybacks, corresponding to approximately 7.68% of share capital. In January 2013 a further 40,568 PULSION shares were repurchased via the stock exchange. In accordance with § 71 (1) no. 8 AktG and on the basis of the shareholders' resolution taken at the Annual General Meeting on May 16, 2013, the Company was authorized to acquire up to 10% of its current share capital as own (treasury) shares. Of the 825,000 shares covered, PULSION has acquired 22,546 shares since the authorization was given. In total, 63,114 shares were acquired in 2013 for a total market price of EUR 692,770.

Based on the authorizations given by the shareholders at the Annual General Meeting on May 18, 2010, May 26, 2011 and May 16, 2012, the Administrative Board resolved on March 14, 2013 to retire 650,000 shares by way of share capital reduction. The share capital reduction was executed against own (treasury) shares.

The authorization runs for 5 years and expires on May 15, 2018.

During 2013, a total of 60,650 treasury shares with a value of EUR 352,979 were used to service stock options. A total of 30,900 options relating to employee participation programs had not been exercised by the end of the reporting period.
At 31 December 2013 PULSION SE holds a total of 35,986 own shares, corresponding to approximately 0.44% of the Company's share capital.

Minority interests

Minority interests in equity relate to minority shareholders of PULSION Pacific Pty. Limited, Australia and PULSION Medical Systems S. de RL de CV, Mexico.

23. Incentive compensation plans

he Group has two stock option plans (the 2003 Stock Option Plan and the 2006 Stock Option Plan), which serve as incentives to tie in employees and management to the Group on a long-term basis. Plan obligations are either equity-settled or cash-settled.

Details regarding the structure of the plans

The exercise price of a stock option is generally equal to 125% of the fair market value of the Company's common stock on the grant date. The terms of the stock options are for eight years (Stock Option Plan 2003 and Stock Option Plan 2006). Options can be exercised under the stock option plans within predefined exercise windows. In the case of both plans, one half of the options can be exercised at the earliest two years after the grant date, and the other half at the earliest three years after the grant date. Fair values are determined using the Monte Carlo method. The average Xetra closing market price for PULSION stock in 2013 was EUR 14.19. The most recent issue of an option was on September 30, 2010. Options can be serviced out of conditional capital or own (treasury) shares.

The following table summarizes option activity for the years ended December 31:

	December 31, 2013		December 31, 2012	
	Options	Weighted average exercise price (EUR)	Options	Weighted average exercise price (EUR)
Outstanding at the beginning of the year	94,350	5.35	146,851	4.81
Granted during the year	0		0	
Exercised during the year	60,000	4.85	37,700	3.17
Exercised during the year / forfeited*	2,800		14,801	
Outstanding at the end of the year	30,900	4.66	94,350	5.35
thereof management board	25,000	5.08	50,000	5.08
Exercisable at the end of the year	30,900	4.66	69,350	5.45
thereof management board	25,000	5.08	25,000	5.08

* of which 2.800 are available for re-issue (2012: 14.801).

The following table summarizes information about options outstanding at December 31, 2013:

		Options outstanding		Options exercisable	
Exercise price	Number outstanding	Weighted average remaining	Weighted average exercise price	Number exercisable	Weighted average exercise price
EUR	Units	Years	EUR	Units	EUR
7–8	0			0	
5–7	25,000	0.73	5.08	25,000	5,08
4–5	0			0	
2–3	5,900	0.73	2.86	5,900	2,86
	30,900	**0.73**	**4.66**	**30,900**	**4,66**

At December 31, 2013 and December 31, 2012, conditional capital was available to meet subscription rights exercised in conjunction with incentive compensation plans. At December 31, 2013, three employees held options in conjunction with the incentive compensation plans.

The following weighted-average assumptions were used to determine fair values in accordance with IFRS 2:

Risk-free interest rate	1.24 %
Dividend income	0 %
Volatility	60.61 %
Exercise price (EUR)	5.08
Terms of option rights	8 years

In accordance with IFRS 2 B25(b), volatility was determined for options granted in 2010 on the basis of an estimated average term of under four years on the basis of the past volatility of the market price of PULSION stock during the period from October 2, 2006 to November 30, 2010. It is assumed that option holders will exercise their rights at the earliest possible date after the vesting period. No further options were granted from 2011 to 2013.

24. Provisions

The composition of, and changes in, provisions were as follows:

	Jan. 1, 2013	Utilized	Reversed	Interest unwound	Dec. 31, 2013
	KEUR	KEUR	KEUR	KEUR	KEUR
Warranties	128	1	38	0	89
provisions	0	0	0	1,389	1,389
Other contractual obligations	127	0	0	0	127
Legal disputes	10	0	10	0	0
Other	140	33	0	78	185
	405	**34**	**48**	**1,467**	**1,790**

	Jan. 1, 2012	Utilized	Reversed	Interest unwound	Dec. 31, 2012
	KEUR	KEUR	KEUR	KEUR	KEUR
Warranties	139	12	0	1	128
Other contractual obligations	137	35	15	40	127
Legal disputes	213	143	60	0	10
Other	96	48	29	121	140
	585	**238**	**104**	**162**	**405**

In accordance with IAS 37, a provision is recognized when it is probable that an outflow of resources will be necessary to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Noncurrent provisions: Provisions totaling KEUR 1,790 include noncurrent provisions of KEUR 156 (2012: KEUR 167), relating among other things to the noncurrent portion of warranty provisions and to obligation to return leased property back to its original condition amounting to KEUR 127.

Current provisions: Provisions for other contractual obligations amounting to KEUR 185 (2012: KEUR 127) relate mainly to license and lecturer fees.

The Company also has an obligation to pay contractual fees if the takeover by the Getinge Group is successfully completed. A provision of KEUR 1,389 (2012: KEUR 0) was recognized for these obligations. Estimations have been necessary to determine the level of the provision, which could differ from the actual amount of the obligation.

The warranty provision of KEUR 89 (2012: KEUR 128) relates primarily to monitors and was measured on the basis of past experience.

With the exception of a partial amount of KEUR 156 (2012: KEUR 167), provisions all have an expected maturity of up to one year.

25. Trade accounts payable

Trade accounts payable at the balance sheet date amounted to KEUR 1,091 (2012: KEUR 1,842).
The Group has payment periods of between 0 and 60 days.

The Group has implemented financial risk management measures to ensure that all trade accounts payable are paid within the agreed payment periods.
All liabilities are due within one year.

26. Other liabilities

Other liabilities comprise:

	Dec. 31, 2013	Dec. 31, 2012
Current other liabilities	**KEUR**	**KEUR**
Audit of company / group financial statements	171	156
License fees	274	161
Deferred income	131	211
Personnel-related obligations	1,112	1,054
Outstanding invoices	279	193
Liability for rent-free period	48	48
Payroll taxes	0	109
Value added tax	211	10
Other	480	409
	2,706	**2,351**
Noncurrent other liabilities		
Liability for rent-free period	113	162
Other	24	103
	167	**265**
Total other liabilities	**2,873**	**2,616**

Personnel-related obligations comprise mainly holiday and bonus entitlements as well as social insurance obligations.

Other liabilities include obligations amounting to KEUR 161 (2012: KEUR 210) in connection with the granting of a rent-free period for the use of business premises, measured on a discounted basis over the term of the rental agreement. The full amount of the liability is utilized to record an expense through to the end of the rental agreement on January 31, 2022. The noncurrent and current portions of the liability amounted to KEUR 113 and KEUR 48 respectively.

All current liabilities are due within one year.

27. Other financial obligations

Obligations from	2014	2015	2016	2017	from 2018	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Rental contracts	683	616	537	183	0	2,019
Vehicle leases	318	187	67	6	0	578
Other service contracts	38	26	17	10	9	100
Supplier framework agreements	3,120	216	0	0	0	3,336
Purchase agreements	3,483	1,202	96	48	36	4,865
Total	**7,642**	**2,247**	**717**	**247**	**45**	**10,898**

The line "Open purchase orders" includes framework agreements totaling KEUR 1,312 (2012: KEUR 744). Commitments under purchase agreements amounted to KEUR 4,865 (2012: KEUR 5,818). The combination of these two instruments provides security for production planning on the basis of sales forecasts. Fixed purchase prices also help to avoid unexpected price increases and reduce the risk of overstocking.

Future total minimum lease payments on noncancelable operating lease arrangements were as follows:

	2013	2012
	KEUR	KEUR
Up to 1 year	1,001	1,041
After more than 1 year and up to five years	1,596	2,066
After more than 5 years	0	0
	2,597	**3,107**

As the lessee under operating leases: Group companies lease buildings and equipment for their own use. These leases are classified as operating leases and have original terms of between two and six years. The obligations relate primarily the operating lease arrangements for the site in Feldkirchen based on rental agreements dated January 2, 2008. The rental agreement for the production site in Feldkirchen contains an option to extend the rental period. A lease expense of KEUR 1,164 (2012: KEUR 1,405) was recognized in the income statement for operating leases.

PULSION as lessor in operating leases: The Company rents out investment property. PULSION SE also makes monitors available to customers, some cases free of charge in return for commitments to purchase PULSION products and sometimes in return for a usage fee. Further information on the accounting treatment is provided in Note 4 in the section "Revenue recognition". At December 31, 2013, contingent liabilities for rental guarantees to landlords amounted to KEUR 170 (2012: KEUR 170).

28. Disclosures with respect to IFRS 7

The Standard requires that financial instruments are allocated to categories of similar instruments. Disclosures are required to be made for the categories so defined. This information relates primarily to the significance of financial instruments and the nature and scale of risks attached to financial instruments, in particular quantitative and qualitative disclosures relating to credit, liquidity and market risks. The fair value – the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction – is determined on the basis of stock exchange prices. Fair value gains and losses on available-for-sale financial assets are recognized directly in equity.

The Group has contingent liabilities in conjunction with contractually agreed warranty obligations.

Detailed disclosures relating to the quantitative and qualitative risks attached to each category are presented in the notes to the individual balance sheet items or categories.

The classes of assets and liabilities (all attributable to the category "loans and receivables") were as follows at December 31, 2013:

December 31, 2013	IAS 39 classification	Carrying amount	Amount relevant IFRS 7 purpose	Fair value
		KEUR	KEUR	KEUR
Other long-term assets	LaR	36	36	36
Trade accounts receivable	LaR	7,491	7,491	7,491
Other short-term assets	LaR	873	873	873
Cash and cash equivalents	LaR	1,040	1,040	1,040
Total assets		**9,440**	**9,440**	**9,440**
Other long-term liabilities	LaR	167	167	167
Trade accounts payable	LaR	1,091	1,091	1,091
Other short-term liabilities	LaR	4,052	4,052	4,052
Total liabilities		**5,310**	**5,310**	**5,310**

At December 31, 2012, the classes of assets and liabilities (all attributable to the category "loans and receivables") were as follows:

December 31, 2012	IAS 39 classification	Carrying amount	Amount relevant IFRS 7 purpose	Fair value
		KEUR	KEUR	KEUR
Other long-term assets	LaR	38	38	38
Trade accounts receivable	LaR	5,729	5,729	5,729
Other short-term assets	LaR	629	629	629
Cash and cash equivalents	LaR	11,387	11,387	11,387
Total assets		**17,783**	**17,783**	**17,783**
Other long-term liabilities	LaR	103	103	103
Trade accounts payable	LaR	1,842	1,842	1,842
Other short-term liabilities	LaR	2,513	2,513	2,513
Total liabilities		**4,458**	**4,458**	**4,458**

Only assets and liabilities which fall into the categories defined by IFRS 7 are shown, so that the total amounts disclosed do not correspond to the balance sheet totals reported for each year.

Due to the short-term nature the Group's trade accounts receivable/payable, other receivables/payables and cash and cash equivalents, the reported carrying amounts of these items do not diverge significantly from their fair values at the end of the reporting period.

The following table shows the Group's financial liabilities and derivative financial liabilities by maturity category, based on the remaining term on the items at the end of the reporting period and in relation to the contractually agreed maturity date. Derivative financial liabilities are only included where this is necessary to understand the cash flows involved. The amounts shown in the table are undiscounted cash flows.

December 31, 2013	Up to 1 year	1-5 years	More than 5 years
	KEUR	KEUR	KEUR
Trade accounts payable and other liabilities	3,797	167	0

December 31, 2012	Up to 1 year	1–5 years	More than 5 years
	KEUR	KEUR	KEUR
Trade accounts payable and other liabilities	4,355	103	0

Expenses, income, losses and gains on financial instruments can be allocated to the following categories:

2013 KEUR	LaR	HTM	FVTPL	AfS	Total
Interes income	24	0	0	0	24
Interes expenses	-57	0	0	0	-57
Expenses from impairments	0	0	0	0	0
Exchange gains	245	0	0	0	245
Exchange losses	-556	0	0	0	-556
Net result	**-344**	**0**	**0**	**0**	**-344**

2012 KEUR	LaR	HTM	FVTPL	AfS	Total
Interes income	87	0	0	0	87
Interes expenses	-19	0	0	0	-19
Expenses from impairments	33	0	0	0	33
Exchange gains	139	0	0	0	139
Exchange losses	-205	0	0	0	-205
Net result	**35**	**0**	**0**	**0**	**35**

29. Measurement at fair value

The techniques used to measure the fair value of various financial assets and liabilities are described below.

- Fair value of financial assets and liabilities measured at fair value on a recurring basis

As of December 31, 2013, the Group has no assets and liabilities that are measured at fair value on a recurring basis.

- Fair value of financial assets and liabilities not measured at fair value on a recurring basis, but for which fair values are required to be disclosed

Management considers that the carrying amounts of financial assets and liabilities in the consolidated balance sheet are a good approximation of their fair values.

30. Legal disputes and claims for damages

Other legal disputes which arise in the normal course of business are not material, taken individually or as a whole.

31. Earnings per share

PULSION's basic earnings per share are calculated based on the group net profit and the weighted-average number of shares in circulation during the reporting period. Diluted earnings per share include additional dilution from potential issuance of common stock, such as stock issuable pursuant to the exercise of outstanding stock options. This is not the case, however, when earnings per share increase due to the fact that the shares are withdrawn from circulation and therefore do not result in dilution.

The computation of diluted earnings per share does not take account of 30,900 options (2012: 69,350 options) which have an antidiluting effect. A diluting effect arises in 2013 due to the fact that the average market price was higher than the exercise price of exercisable options. The lower average number of shares (down from 8,579,720 to 8,198,881) is the consequence of share buybacks in 2013. Exercised shares options in connection with the incentive compensation plan, serviced out of treasury shares, offset the effect of the reduction due to share buybacks.

		2013	2012
Weighted average number of shares (undiluted)	**Number**	**8,198,881**	**8,579,720**
Dilutive effect of options	Number	20,763	22,568
Weighted average number of shares (diluted)	**Number**	**8,219,645**	**8,602,288**
Group net profit (after minority interests)	KEUR	7,502	7,027
Earnings per share (undiluted)	**EUR**	**0.92**	**0.82**
Earnings per share (diluted)	**EUR**	**0.91**	**0.82**

32. Risk management system

In the course of its operating activities, PULSION is exposed to a number of risks which inevitably arise in connection with entrepreneurial activities. All companies are faced with a two-fold challenge – on the one hand, they must promptly recognize economic opportunities and make the best possible use of them; on the other hand, they must be able to identify the risks accompanying every business activity, analyze the effects they may have on the enterprise and, as far as possible, use preventive measures to avoid or stave off dangers which could arise.

Under the leadership of PULSION's risk manager, the relevant members of staff within each function perform regular checks on processes, transactions and developments with regard to potential and existing risks. The Group Risk Management Manual, which is revised when necessary to take account of internal and external developments, helps employees to identify potential risks and assess the probability of potential losses for the Group. Current and potential future risks, and the factors influencing them, are reported regularly to management, and these issues are discussed thoroughly at board meetings so that appropriate measures can be initiated in good time.

Capital risk management: The Group's objectives when managing capital are to maximize the return of the various parties involved in the company by optimizing the relationship between equity and debt capital. This also helps to safeguard the Group's ability to continue as a going concern. The Group's capital structure comprises debt, cash and cash equivalents and the equity of the parent company attributable to shareholders. The latter comprises issued share capital, additional paid-in capital, other reserves and retained earnings.

Market risk: The Group is exposed to currency risks.

Foreign currency risks arise from expected future transactions, recognized assets and liabilities and the net investment in foreign operations.

A foreign currency risk arises when expected future transactions as well as recognized assets and liabilities are denominated in a currency other than the functional currency. The Group operates internationally and is therefore exposed to a foreign currency risk. This risk is mitigated by the fact that most transactions are denominated in the functional currency and that only a small volume of foreign currency transactions (USD, GBP, AUD, CHF, PLN, MXN, TRY) were transacted. The carrying amounts of the Group's foreign currency monetary assets and liabilities at the balance sheet date were as follows:

	Assets		Liabilities	
	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR
USD	505	1,719	68	89
AUD	416	725	32	17
GBP	508	893	278	268
CHF	242	397	127	123
PLN	163	275	20	-1
MXN	168	44	21	39
TRY	189	112	9	26

The following tables show, from a Group perspective, the sensitivity to a 10% change in the euro against other currencies to which the Group has an exposure. The potential impact of a 10% increase in the exchange rate against the euro is shown; if the change were in the other direction, the impact would be the same (but with negative amounts).

	Assets			Assets		
	Carrying amount	Change +10%	Difference	Carrying amount	Change +10%	Difference
	Dec. 31, 2013 KEUR	Dec. 31, 2013 KEUR	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR	Dec. 31, 2012 KEUR	Dec. 31, 2012 KEUR
USD	505	555	50	1,719	1,891	172
AUD	416	458	42	725	797	72
GBP	508	559	51	893	982	89
CHF	242	266	24	397	436	40
PLN	163	180	16	275	302	27
MXN	168	185	17	44	48	4
TRY	189	208	19	112	123	11
	2,191	**2,410**	**219**	**4,164**	**4,581**	**416**

	Liabilities			Liabilities		
	Carrying amount	Change +10%	Difference	Carrying amount	Change +10%	Difference
	Dec. 31, 2013 KEUR	Dec. 31, 2013 KEUR	Dec. 31, 2013 KEUR	Dec. 31, 2012 KEUR	Dec. 31, 2012 KEUR	Dec. 31, 2012 KEUR
USD	68	75	7	89	98	9
AUD	32	35	3	17	19	2
GBP	278	306	28	268	294	27
CHF	127	140	13	123	135	12
PLN	20	22	2	-1	-2	0
MXN	21	23	2	39	43	4
TRY	9	10	1	26	29	3
	555	**610**	**55**	**561**	**617**	**56**

Operating cash flow is almost entirely unaffected by changes in the market interest rate

Credit risk: Credit risk is defined as the risk that the Group could incur a loss as a result one of its counterparties not fulfilling its contractual obligations. Internal rules are in place to ensure that business transactions are only entered into with creditworthy counterparties and, that where appropriate adequate collateral is obtained to reduce risk of nonfulfillment of contractual obligations by counterparties. Trade accounts receivable mostly relate to public sector organizations and distributors and are spread over various geographical regions. The financial standing of debtors is evaluated regularly in the form of credit assessments. The default risk relating to cash is very small since the counterparties are banks. There have been no incidences of default in the past.

Credit and liquidity risk: The Group manages liquidity risk by ensuring it has adequate reserves and credit lines with banks, by continually monitoring forecast and actual cash flows and by matching wherever possible the maturity profiles of financial assets and liabilities.

33. Segment reporting

PULSION reports pursuant to IFRS 8 on two operating segments: the Critical Care business unit and the Perfusion Imaging business unit. Segments are identified on the basis of PULSION's internal reporting following the so-called "management approach". The key performance measures for the Group's operating segments are sales and profit before interest and tax (EBIT).

Critical Care

In its Critical Care business unit, the Group develops, manufactures and supplies minimally- and noninvasive hemodynamic monitoring systems and related disposables. It also provides maintenance services for the monitoring systems.

Perfusion Imaging

In its Perfusion Imaging business unit, the Group develops, manufactures and supplies monitoring systems used to visualize blood perfusion in tissues and organs as well as the necessary diagnostic agent ICG PULSION®.

Segment EBIT is calculated on the basis of a system of cost center accounting which allocates transactions on initial recognition to the appropriate business unit. Income and expense items which cannot be specifically allocated to one of the business units are allocated on the basis of a suitable allocation system.

Segment results are measured on the basis of the same accounting policies used to measure Group earnings. As a departure from this approach – due to expenses relating to the planned takeover of the Company that cannot be allocated to the segments – in 2013 the Group provides a reconciliation between segment EBIT and EBIT as reported in the Consolidated Income Statement.

Intragroup transactions are carried out on an arm's length basis.

Segment information at December 31, 2013 is analyzed as follows:

in KEUR	Critical Care	Perfusion Imaging	Group
Total sales	29,684	6,791	36,475
Cost of sales	-8,436	-2,556	-10,992
Gross profit	**21,248**	**4,235**	**25,483**
% of sales	**72%**	**62%**	**70%**
Operating expenses			
- Selling and marketing expenses	-8,954	-1,016	-9,970
- Research and development expenses	-1,747	-524	-2,271
- General and administrative expenses	-3,209	-519	-3,728
Other operating expenses	-196	0	-196
Other operating income	1,288	0	1,288
Exchange gains/losses	-296	0	-296
Business unit EBIT (Earnings before interest and taxes)	**8,134**	**2,176**	**10,310**
% of sales	**27.4%**	**32.0%**	**28.3%**
Expenses resulting from planned takeover of company			**-1,752**
EBIT			**8,558**
% of sales			**23.5%**

Segment information at December 31, 2012 is analyzed as follows:

in KEUR	Critical Care	Perfusion Imaging	Group
Total sales	28,805	5,816	34,621
Cost of sales	-7,948	-1,926	-9,874
Gross profit	**20,857**	**3,890**	**24,747**
% of sales	**72%**	**67%**	**71%**
Operating expenses			
- Selling and marketing expenses	-9,222	-864	-10,086
- Research and development expenses	-1,909	-516	-2,425
- General and administrative expenses	2,967	-471	-3,438
Other operating expenses	-191	0	-191
Other operating income	993	0	993
Exchange gains/losses	-66	0	-66
Business unit EBIT (Earnings before interest and taxes)	**7,494**	**2,040**	**9,535**
% of sales	**26.0%**	**35.1%**	**27.5%**

The sales of the Critical Care business unit are generated in the first instance by the sale and rental of monitors for diagnostics and the monitoring of critically ill patients. The lion's share of revenues for the Critical Care business unit result from the sales of disposable products used with those monitoring systems.

The segment result in the year under report was negatively impacted by one-time expenses relating to the derecognition of intangible assets (capitalized development costs and patents) totaling KEUR 245 (2012: KEUR 111).

A significant portion of the revenues of the Perfusion Imaging business unit are generated by the sale of the diagnostic agent, PULSION ICG®, developed by PULSION to show blood perfusion in human tissues. Devices used to visualize blood perfusion also contribute to the segment result, albeit only accounting for a small portion of the business unit's sales.
Due to the different areas of application of the products sold by each of the business units, intrasegment sales do not arise.

External sales are allocated to the regions shown on the basis of the address to which products are delivered.

The disclosures for investments in intangible assets and property, plant and equipment are based on the location of the assets concerned. Noncurrent assets comprise mainly intangible assets and property, plant and equipment.

The Company's customer structure is highly diversified and there is no dependence on individual customers in terms of sales volume.

Sales by product group

		2013 KEUR	2012 KEUR	Change in %
Monitore	Critical Care	6,937	6,658	4.2%
	Perfusion Imaging	287	482	-40.5%
Disposables	Critical Care	22,747	22,147	2.7%
	Perfusion Imaging	6,504	5,334	21.9%
Total	Critical Care	29,684	28,805	3.1%
Total	Perfusion Imaging	6,791	5,816	16.8%
Total		**36,475**	**34,621**	**5.4%**

Sales by region

	2013 KEUR	2012 KEUR	Change in %
DACH*	15,518	15,877	-2.3%
Western Europe (ex DACH)	11,779	10,889	8.2%
Eastern Europe	1,623	1,456	11.5%
USA	2,940	2,370	24.1%
Japan	576	561	2.7%
Latin America	357	238	49.8%
Asia Pacific (ex Japan)	3,405	2,735	24.5%
RoW**	278	495	-43.9%
Total	**36,475**	**34,621**	**5.4%**

* Germany, Austria, Switzerland

** Rest of the world

Noncurrent assets by region

	2013 KEUR	2012 KEUR	Change in %
Home country	7,645	7,402	3.3%
RoW	1,328	1,318	0.8%
Total	**8,973**	**8,720**	**2.9%**

34. Representative bodies of PULSION

During the financial year 2013, the Executive Director(s) comprised the following:

Patricio Lacalle
Executive Director;

Other mandates:

- Member of the Board of Directors of PULSION Medical UK Ltd., United Kingdom
- Gérant of PULSION France S.A.R.L., France
- Member of the Board of Directors of PULSION Austria GmbH, Austria
- Director of PULSION Medical Inc., USA
- Member of the Board of Directors of PULSION Benelux N.V., Belgium
- Member of the Board of Directors of PULSION Pacific PTY., Australia
- Member of the Board of Directors of PULSION Switzerland GmbH, Switzerland
- Member of the Board of Directors of PULSION Poland Sp.z.o.o., Poland
- Member of the Board of Directors of PULSION Iberica S.L, Spain
- Member of the Board of Directors of PULSION Medical Systems S. de RL de CV, Mexico
- Member of the Board of Directors of PULSION Medical Systems Medikal Ürünler Ticaret Limited Sirketi, Turkey

During the financial year 2014, the Administrative Board comprised the following:

Herr Dr. Burkhard Wittek
MBA, Entrepreneur, Chairman;

Other mandates:

- Immunodiagnostic System Holdings plc, Boldon Tyne & Wear, UK (Non-Executive Board Member)

Jürgen Lauer
Dipl.-Betriebswirt, MBA, Deputy Chairman;
Director of JüLa Beteiligungs GmbH, Weißenhorn;

Other mandates:

- Medica Medizintechnik GmbH, Hochdorf, Germany (member of the Advisory Board)
- William Prym GmbH, Stolberg, since April 2013 (member of the Advisory Board)

Frank Fischer
Dipl.-Kaufmann, Member of the Administrative Board;

Other mandates:

- Chairman of the Shareholder Value Management AG, Frankfurt am Main, Germany
- Chairman of the Shareholder Value Beteiligungen AG, Frankfurt am Main, Germany
- Director of Value Focus Beteiligungs GmbH, Hofheim, Germany
- Board of Directors of the Stiftung Starke Lunge, Hofheim am Taunus, Germany

35. Related parties

The parent company is PULSION Medical Systems SE, based in Munich, Germany. Transactions between PULSION SE and its subsidiaries that are also related parties were eliminated on consolidation. These transactions are not commented on in this note on related parties. Transactions with related parties were charged on the basis of arm's length principles.

In accordance with IAS 24, the Group also reports all transactions between it and its related parties (including family members). Members of the Administrative Board and the Executive Director(s) (up to June 9, 2011 members of the Management Board and Supervisory Board) – in all cases also including family members – have been defined as related parties.

The Chairman of the Administrative Board, Dr. Burkhard Wittek is also the Managing Director of FORUM European Smallcaps GmbH, Munich, Germany ("FES"). FES, together with Forum Private Equity GmbH and a number of private individuals known to PULSION through notifications given to it pursuant to §35 (1) of German Securities Acquisition and Takeover Act (WpÜG) (in conjunction with § 10 (3) WpÜG) have joined to form an shareholders' pool. The pool gave notice on February 16, 2009 that its shareholding in PULSION Medical Systems SE had exceeded the 30% threshold and that it represented the majority of shares at the Annual General Meeting 2009. Since then, PULSION has prepared an annual Dependent Company Report.

Compensation report for the Executive Directors

	2013				2012			
	Fixed	Variable	Other	Total	Fixed	Variable	Other	Total
	*	**	***		*	**	***	
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Patricio Lacalle	261	215	0	476	245	69	0	314

* incl. private use of car, reimbursement of social security contributions ans insurance benefits

** estimated entitlement for 2013 and 2012

*** remuneration earned on the exercise of stock options and redundancy payments

No share options were granted to Executive Directors in 2013 (2012: none). The remuneration of the members of the Executive Directors totaled KEUR 476 (2012: KEUR 314). Out of the total amount accrued at the end of the previous year for variable remuneration, KEUR 76 (2012: KEUR 69) was not disbursed in 2013.

The Executive Directors' service contracts do not contain any specific commitment to pay compensation in the event of either the early or regular termination of their contracts. Compensation may arise, however, in conjunction with a future specific contract termination agreement. In the event of a change in the majority shareholder, the Executive Director receives a one-off bonus, the level of which is dependent on the share price in the takeover offer. At a share price of at least EUR 16.50 the bonus amounts to KEUR 100. If the change in majority shareholder takes place in 2014, the long-term bonus increases by KEUR 80.

Further disclosures with regard to the share-based remuneration of the Executive Directors for 2013 are presented in Note 22.

Compensation report for the Administrative Board

The expense recognized for compensation of the Administrative Board during the financial year 2013 by way of fixed remuneration totaled KEUR 56 (2012: KEUR 56). Variable remuneration for the financial year 2013 (based on EBIT) amounted to KEUR 56 (2012: KEUR 56). The Executive Director, who is also a member of the Administrative Board, does not receive any remuneration in this capacity. Amounts paid to the members of the Administrative Board were as follows:

	2013				2012			
KEUR	Fixed	Variable*	Other	Total	Fixed	Variable*	Other	Total
Dr. Burkhard Wittek	25.00	25.00	0	50.00	25.00	25.00	0	50.00
Jürgen Lauer	18.75	18.75	0	37.50	18.75	18.75	0	37.50
Frank Fischer	12.50	12.50	0	25.00	12.50	12.50	0	25.00
Total	**56.25**	**56.25**	**0**	**112.50**	**56.25**	**56.25**	**0**	**112.50**

* estimated entitlement for 2013.

Shareholdings of Executive Directors and members of the Administrative Board

At December 31, 2013 and December 31, 2012, the Executive Directors of PULSION SE held the following number of shares and stock options:

	December 31, 2013		December 31, 2012	
Executive Director	Shares (Units)	Options (Number)	Shares (Units)	Options (Number)
Patricio Lacalle	81,000	25,000	56,000	50,000
Total	**81,000**	**25,000**	**56,000**	**50,000**

The Administrative Board gave notice to the Company of reportable shareholdings in the Company as at December 31, 2013 as follows:

Based on the conclusion of a shareholders' agreement, Dr. Burkhard Wittek reported at December 31, 2013 that he held 4,541,676 shares which were attributable jointly to pool participants pursuant to § 30 (2) p.1. of the German Securities Acquisition and Takeover Act (WpÜG). Close family members of Dr. Wittek hold a further 4,000 shares at December 31, 2013.

Jürgen Lauer directly held 10,525 shares of the Company at December 31, 2013.

At December 31, 2013 Frank Fischer, together with close family members, holds 56,611 of the Company's shares. In total, 663,842 shares are attributable directly and via Mr. Fischer's activities as management board member of Shareholder Value Management AG and Shareholder Value Beteiligungen AG.

Reportable transactions

A summary of transactions of members of the Administrative Board and of Executive Directors with PULSION securities, as notified to PULSION SE in accordance with § 15a of the German Securities Trade Act, can be accessed on the Company's website at www.pulsion.com. During the financial year 2013, the following notifications of transactions were given to PULSION SE:

- January 14, 2013, purchase of 2,000 shares at EUR 10.00 for a total amount of EUR 20,010.95 by Leonard Wittek, natural person closely related to a person belonging to key management personnel (Dr. Wittek)
- January 24, 2013, sale of 345 shares at EUR 11.75 for a total amount of EUR 4,047.30 by Leonard Wittek, natural person closely related to a person belonging to key management personnel (Dr. Wittek)
- June 28, 2013, purchase of 700 shares at EUR 11.61 for a total amount of EUR 8,153.77 by Leonard Wittek, natural person closely related to a person belonging to key management personnel (Dr. Wittek)
- August 22, 2013, acquisition via option exercise of 25,000 shares at EUR 5.08 for a total amount of EUR 127,000.00 by Patricio Lacalle, Executive Director
- December 10, 2013, sale of 10,525 shares at EUR 16.90 for a total amount of EUR 177,872.50 by Jürgen Lauer, Member of the Administrative Board
- December 10, 2013, purchase of 10,525 shares at EUR 16.90 for a total amount of EUR 177,872.50 by JüLa Beteiligungs GmbH, legal person closely related to a person belonging to key management personnel (Jürgen Lauer, Deputy Chairman of the Administrative Board)

36. Auditors' fees

Fees to the external auditor paid or accrued in 2013 can be analyzed as follows: The expense for year-end audit services relates to the total fee for the Group and includes KEUR 60 for the audit of the separate and consolidated financial statements of PULSION Medical Systems SE.

	2013	2012
	KEUR	KEUR
Services related to the audit of the financial statements	110	105
Other certification services	0	0
Tax advisory services	0	0
Other services	18	16
Total	**128**	**121**

37. Corporate Governance Code

A Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) has been issued and is available to shareholders on PULSION SE's website http://www.pulsion.com/fileadmin/pulsion_share/Investor/Entsprechenserklaerung/Entsprechenserklaerung122013

38. Appropriation of profit

The Executive Director proposes that the accumulated loss be carried forward.

39. Events after the end of the reporting period

Alsterhöhe 1. V V AG, in future: MAQUET Medical Systems AG ("MAQUET") published its decision on December 4, 2013 to make an offer to the shareholders of PULSION Medical Systems SE ("PULSION shareholders"), under a voluntary public takeover bid pursuant to § 10 (1) in conjunction with §§ 29, 34 of the German Securities Acquisition and Takeover Act ("WpÜG"), to acquire all shares of PULSION Medical Systems SE ("PULSION shares") ("Takeover offer"). MAQUET is part of the Swedish Getinge Group, managed by Getinge AB, which is listed on the Stockholm Stock Exchange. The takeover offer, published by MAQUET on January 14, 2014, includes an offer to purchase all no-par bearer shares of PULSION Medical Systems SE at a price of EUR 16.90 per share. At the time of approval of the Annual Report, all conditions attached to the purchase offer by the Getinge Group had been fulfilled and 78.55% of shares transferred by the end of the acceptance period.

Feldkirchen, March 14, 2014
PULSION Medical Systems SE

Patricio Lacalle
Executive Director

Responsibility Statement

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

Feldkirchen, March 14, 2014
PULSION Medical Systems SE

Patricio Lacalle
Executive Director

Auditors' Report

We have audited the consolidated financial statements prepared by the PULSION Medical Systems SE, Feldkirchen, comprising the consolidated balance sheet, the Group income statement and reconciliation of result to total comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich, March 14, 2014
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Anita Botzenhardt
Auditor

ppa. Florian Horn
Auditor

Financial calendar 2014

The Annual Report can be downloaded under www.PULSION.com, Investor Relations section, and is also available in English. This section also includes comprehensive information on PULSION figures and stock.

We are available to answer your questions under investor@pulsion.com.

Important dates for our investors in 2014:

Publication of financial report for first quarter 2014	May 13, 2014
Annual General Meeting 2014	May 15, 2014
Publication of financial report for first half-year 2014	August 12, 2014
Publication of financial report for first three quarters 2014	November 11, 2014

Glossary

Acute Respiratory Distress Syndrome (ARDS)
Sudden respiratory failure which may be precipitated by one of several causes such as shock, respiratory disease or the aspiration or inhalation of water or toxic gases. In ARDS the lungs become almost incapable of gaseous exchange and the body is acutely at risk of being deprived of its oxygen supply. Between 30% and 50% of cases of ARDS are fatal.

Hemodynamics
Hemodynamics is a term used to describe the flow of blood through the heart, blood vessels and organs. An adequate blood flow is essential for supplying cells and organs with oxygen and nutrients. Disruption of hemodynamics leads swiftly to organ damage and life-threatening situations.

Hemodynamic monitoring
In recent years "hemodynamic monitoring" has become the accepted term for the use of equipment-based monitoring of the cardiovascular system. In simple hemodynamic monitoring, the pulse rate and heart rhythm are continuously monitored using sensors attached to the body.
In addition, intermittent readings are made of the blood pressure, using an inflatable cuff, and of the arterial oxygen level, using a sensor attached to the finger. "Enhanced hemodynamic monitoring" – a field in which PULSION aims to lead the worldwide market – is concerned with the needs of critically ill patients. It requires both an arterial line and a central venous line to be in situ. The worldwide standard includes the continuous measurement of arterial and venous blood pressure and intermittent measurement of central venous oxygen saturation. A range of important cardiovascular parameters can be measured continuously using PiCCO$_2$®, which does not require any additional access line, thus avoiding further risk to the patient. These parameters make it possible to recognize life-threatening cardiovascular situations and to make accurate therapeutic decisions earlier.

Cardiac output
The amount of blood pumped around the body by the heart per minute. Low cardiac output endangers a patient's circulatory system and chances of survival. Cardiac output depends on several factors, such as the pumping strength and capacity of the heart, the quantity of blood available and the diameter of the blood vessels.

Cardiogenic shock
A reduction in the heart's pumping capacity which leads to diminished oxygen supply to the rest of the body. This may result in organ hypofunction or organ failure. The insufficient pumping action of the heart causes blood congestion in the lungs, leading to pulmonary edema and breathlessness. Cardiogenic shock is associated with high mortality.

Intensive (or critical) care medicine
The area of medicine dealing with the diagnosis and treatment of life threatening conditions and diseases. It is usually carried out on the intensive care unit, which is a specially equipped hospital ward. Intensive care units have specially trained staff and extensive technical equipment. Since patients are highly dependent, one nurse will have to look after one to three patients (the ratio on ordinary wards is approximately 1:20).

Monitoring
In intensive care medicine, this term refers to the use of equipment to carry out continuous observations of parameters and organ functions of intensive care patients. These parameters include, among others, heart rate, respiration, ECG, oxygen saturation and blood pressure.

Monitoring systems (multiparameter systems)

Equipment used to carry out comprehensive monitoring of patients in hospital, above all on intensive care units. Throughout the world, a number of European and American companies have established themselves as manufacturers of patient monitoring systems, among them companies such as Philips-Healthcare, GE Medical, Dräger Medical, Datascope, Nihon Kohden, Mindray, Schiller and Spacelabs. They integrate an ever-increasing number of observations into so-called multiparameter systems. PULSION technologies are also designed for use in patient monitoring systems via special modules or interfaces. PULSION has already developed integrated modules for use with systems made by Philips and Dräger Medical. It is possible to attach individual pieces of PULSION equipment to monitoring systems made by a number of other manufacturers.

Shock

Shock is the body's reaction to a critical situation in order to restore stable blood pressure. The blood vessels become constricted and the ensuing reduction in the oxygen supply to the body may become life threatening if it continues. Shock can be caused by infection, hypersensitivity, heart failure or fluid loss; it is therefore referred to as septic shock, anaphylactic shock, cardiogenic shock, hypovolemic shock, etc. Shock is the most frequent and most serious problem arising in intensive care medicine.

Sepsis

Sepsis is commonly known as "blood poisoning". It occurs when an infection becomes widespread throughout the entire body within a few hours. It is always caused by a local infection which the body is unable to contain. Shock occurring as a reaction to sepsis is known as septic shock and is fatal in more than 50% of cases.

Disposables

PULSION's Critical Care segment sells medical equipment (monitors and modules) and disposables (catheters and probes). Whereas the equipment can be used continually, the disposables are designed as sterile products for single use and must be bought new for each application.

Parameters measured using PiCCO$_2$® include: Cardiac output index (HI, PCHI), stroke volume index (SVI), stroke volume variation (SVV), pulse pressure variation (PPV), preload volume index (GEDI), systemic vascular resistance index (SVR), global ejection fraction (GEF), cardiac function index (CFI), maximum velocity of left ventricular pressure increase (dpmx), extravascular lung water index (ELWI), pulmonary vascular permeability index (PVPI), cardiac power index (CPI), central venous oxygen saturation (ScvO2), oxygen consumption index (VO2I), oxygen delivery index (DO2I), global liver function (PDR-ICG).

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