MEDISANA®

ANNUAL REPORT 2012

MEDISANA®

ANNUAL REPORT 2012

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TO OUR SHAREHOLDERS

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Ralf Lindner

» Mobile health monitoring devices are now synonymous with the transformation of traditional monitoring devices to become modern, networked and communication-enabled health care products. Enormous growth potential is forecast for these devices worldwide, which we aim to participate in to a considerable extent. «

Dear shareholders,
Dear staff members and friends of MEDISANA AG,

For MEDISANA, 2012 was a further year given over entirely to the change and transformation of the company to become a modern health care company in an increasingly networked world.

REVENUE AND EARNINGS

In difficult overall conditions, MEDISANA generated EUR 41.8 million of consolidated revenue in the 2012 financial year, compared with EUR 47.3 million in the previous year. Revenue reported a slight increase from EUR 40.1 million to EUR 41.8 million when adjusted to reflect the revenue of Gimelli Laboratories Co. Ltd., which was deconsolidated as of September 30, 2011.
The operating loss (EBIT) amounted to EUR -2.4 million, compared with EUR -0.4 million in the previous year, although it should be noted in this context that the previous year's result included positive one-off extraordinary items of around EUR 2.9 million.

European markets remained impacted by the continuing debt crisis in the year under review, particularly in Southern Europe, with our Greek and Spanish subsidiaries being affected correspondingly.

INNOVATION AND TRADITION

Along with the expansion of MEDISANA's traditional business under its primary MEDISANA brand and the specialist Promed and VitaDock brands, our new Ecomed product range was increasingly placed among our customers. Ecomed is an independent brand for health care monitoring and wellness products that are specially oriented to price-conscious consumers.
This also allows us to make important contributions to maintaining the health of individuals and families on lower incomes.

MEDISANA has clearly established itself as an innovation market leader in Europe with its mobile health monitoring devices under its VitaDock brand. Distinguished with numerous awards for the intelligent combination of hardware, software and state-of-the-art Cloud solutions (online synchronization, data backup, API interfaces, PC dashboard functionalities and so on), the VitaDock system is the most up-to-date and successful personal and mobile health monitoring system today.

The monitoring devices, software and online solution are completely certified according to the most stringent data protection standards and medical product laws, thereby meeting MEDISANA's high quality standards which it also delivers and ensures with these highly innovative products. Of course, we can only provide this together with our expert business partners. We would like to take this opportunity to thank them for their excellent cooperation in many projects.

Mobile health monitoring devices are now synonymous with the transformation of traditional monitoring devices to become modern, networked and communication-enabled health care products. Enormous growth potential is forecast for these devices worldwide, which we aim to participate in to a considerable extent.

Networked and communication-enabled health care products will also make an important contribution to caring for an increasingly ageing population in all countries. Here, we are experiencing major demand from institutional facilities, hospitals and insurance companies, as well as providers of employer health care services. This is a young and high-growth market.

TODAY AND TOMORROW

We aim to expand our customer base with our strategic expansion towards sport and fitness. Highly innovative products will allow us to establish the MEDISANA brand in the largest sports market in Europe and establish a connection with the health care world.

For example, we agreed exclusive distribution for a wrist-worn heart rate monitor in the 2013 financial year, which in many ways represents a global innovation on the sports market: for the first time, it is possible to monitor heart rate on a wrist-worn device without the annoyance of a chest strap or finger sensor. At this product's core lies a patented sensor technology that has been developed by Philips and uses a highly complex mathematical algorithm to filter out motion effects during sport.

In a few steps, individual heart rate terms can be set on the watch allowing current heart rate function to be gauged and monitored. Heart rate is an important training management indicator, and can provide warning of potential over-exercise.

Automatic and continuous live transfer of heart rate figures via Bluetooth 4.0 to a smart phone app during sports activities such as running and cycling represents a further innovation. This technology can be combined with various sports apps providers such as runtastic, runkeeper, Adidas miCoach and mapmyrun, enabling heart rate figures to be combined with data such as GPS, pace, speed and other parameters. This wrist heart rate monitor can also display the time, includes a timer, and provides a summary of figures at the end of a training session.

Over the course of the year, we will present further highly innovative products that address the important volume market at the interface between wellness and fitness, and consequently between health and sport. We anticipate that this will deliver powerful and sustainable growth impulses for MEDISANA.

HEALTH CARE COMPANY

As a leading provider of innovative health care products on the home health care and sports market, MEDISANA's current and future success depends critically on the innovative abilities, inventiveness and performance of our staff members both in Germany and abroad.

I would like to extend my very special thanks for your indefatigable commitment to MEDISANA. I would like to thank you for your continued trust based cooperation and confidence during hectic and challenging times of change and transformation, and for your joint efforts on MEDISANA's behalf, and I would like to wish us all undiminished drive and every success in the future.

We continue to work together on optimizing our cost structures, boosting our cost efficiency, and on expanding MEDISANA's profitability. Our indispensable objective in this context is to return to profitability as a precondition for sustainable and healthy growth.

Kind regards

Neuss, April 2013

Ralf Lindner
Management Board Chairman (CEO) of MEDISANA AG

CARDIOCOMPACT

Upper arm blood pressure monitor
with travelling alarm clock

The patented folding function converts the device either into a high-performance blood pressure monitor or a practical travelling alarm clock, depending on the tilt angle of the display. BP figures can be transferred and evaluated via PC or Mac® with VitaDock® Online. VitaDock® Online enables data to be saved and synchronized using iPhone®, iPad® and iPod touch®.


OFF
11:28
18D10M
120
SYS mmHg
80
DIA mmHg
68
PUL n/min
MEM
START
MEDISANA

CardioDock® 2

The new benchmark in blood pressure and pulse measurement

Optimized for iPhone®, iPod touch® and iPad®, CardioDock® measures blood pressure precisely, managing and administering your data automatically on your mobile device. Classic blood pressure measurement in a fully new and modern design. Health care monitoring is fun this way!


CardioDock
67 bpm
good
pulse
120
SYS
mmHg
78
DIA
mmHg
good
blood pressure
new
stats
3 MAM
diary
CardioDock®

REPORT OF THE SUPERVISORY BOARD ON THE 2012 FINANCIAL YEAR

Dear shareholders,
Ladies and gentlemen,

In the year under review, the Supervisory Board of MEDISANA AG concerned itself in depth with the company's respective current situation, prospects and strategic development, as well as relevant individual measures. We fulfilled with great care the tasks incumbent upon us pursuant to the law, the company's articles of incorporation, the German Corporate Governance Code and our rules of business procedure, and we consulted with and supervised the Management Board, and continuously questioned it on important matters. The Management Board informed us promptly and comprehensively about the progress, profitability and planning of the company and its subsidiaries, as well as about all matters mentioned in Section 90 of the German Stock Corporation Act (AktG). We promptly received the documents that we required for this purpose, allowing us to conduct an intensive examination. Using internal presentations and documents presented by the Management Board, the Supervisory Board also carefully reviewed corporate decisions of financial, organizational and legal significance within the context of the catalogue of transactions that require our approval. The Supervisory Board Chairman remained in close and regular contact with the Management Board in the 2012 financial year. Using reports produced by the Management Board and the auditor, the Supervisory Board was convinced of the efficiency of the risk management system. At no time were any objections raised relating to the propriety or efficiency of the corporate management.

In the past financial year, the Supervisory Board was not aware of any conflicts of interest affecting Management and Supervisory board members which would require immediate notification to the Supervisory Board, and about which the Shareholders' General Meeting is to be informed.

SUPERVISORY BOARD MEETINGS IN 2012

Five actual meetings and one telephone meeting were held by the Supervisory Board in the year under review. MEDISANA AG's Supervisory Board does not form any committees due to the fact that the board consists of three members. The Supervisory Board reviewed and queried the information that the Management Board had provided within the context of meetings, and in one-on-one discussions, particularly between the Supervisory Board Chairman and the management. For the purposes of Supervisory Board consultations further information was drawn from external sources, senior MEDISANA AG staff members, and the auditors. The Supervisory Board formed its own impressions of corporate trends on this basis, which it utilized to establish its opinions and decisions. The Supervisory Board continued to self-assess the efficiency of its work in accordance with the efficiency principle.

At all of the meetings convened in 2012, the Management Board of MEDISANA AG informed the Supervisory Board in detail concerning current business trends and all significant corporate activities, and about the Management Board's liquidity and financial planning, and investment plans. Minutes were taken of further meeting topics, and are summarized below.

March 22, 2012

- Presentation of the separate financial statements of MEDISANA AG for 2011 in the presence of the auditors, and approval by the Supervisory Board subject to one matter requiring clarification.
- Outlook by the Management Board relating to the consolidated financial statements and the 2011 consolidated earnings.
- Management Board presentation on prospective business trends in the first quarter of 2012.
- Development by the Management Board of a concept for a new stock option program by the next meeting, as the current 2012 program is expiring.
- Examination of an increase in approved capital by the Management Board, also by the next meeting.

May 2, 2012

- 2011 separate financial statements adopted after clarification of the aforementioned matter.
- The auditors, who are present, report on the progress and focal points of the audit of the consolidated financial statements. The consolidated financial statements and Group management report that are presented are audited, and an unqualified audit certificate is issued. For internal auditing reasons, the consolidated financial statements and Group management report must still be subjected to quality assurance, although no significant changes are anticipated. The Supervisory Board unanimously approves the 2011 consolidated financial statements and Group management report subject to the results of the quality assurance review.
- Management Board report on the first quarter of 2012, and about banking and financing topics.
- The concept that has been developed for a new stock option program is forwarded to the Supervisory Board Chairman.
- By way of preparation for the AGM, a resolution is passed to implement a maximum level of approved capital, and to adjust conditional capital so as to serve the stock option programs.
- Report on product developments in the „Mobile Health" area and within the core product range.

June 26, 2012

- Election of Mr. Thies Goldberg to be the Supervisory Board Chairman and of Dr. Matthias Hartz to be his Deputy.
- Management Board report on earnings trends in May 2012 as well as on the banking and financing topics.
- The quality assurance review of the consolidated financial statements and Group management report resulted in no objections. The financial statements are adopted as a consequence.

September 7, 2012

- The Management Board reports on current business trends in the Group and at MEDISANA AG, and provides an outlook for the subsequent months.
- This is followed by the Management Board report on the banking and financing topics.
- Measures to optimize in the areas of product development and design, as well as in sales, structure and orientation, are discussed.

October 8, 2012 (by telephone)

- This meeting's topic is to select an external partner to provide support in matters relating to the reorientation and restructuring.

December 21, 2012

- The Management Board reports on business trends until November 2012, and provides an outlook on 2012 earnings at both the parent company and within the Group, as well as on the current and future liquidity positions.
- 2012 financial statements: report on planned progress.
- Management Board report on current trends in the „Mobile Health" area and within the core business.
- The Management Board presents the budgets for 2013 for the parent company and the Group, as well as planning until 2015.
- The Management Board also reports on current trends relating to matters concerned with the reorientation and the restructuring. The Management and Supervisory board currently identifies no requirement for external support.

Apart from the last meeting held in the year, all Supervisory and Management board members attended all of the actual or telephone meetings. Since the Supervisory Board continued to consist of three individuals in the 2012 financial year, it continued to form no committees in order to ensure that it worked efficiently. In the year under review, the Supervisory Board monitored compliance with existing and new German Corporate Governance Code regulations. The 2012 statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in combination with the German Corporate Governance Code is published on the Internet at www.medisana.de.

AUDIT OF THE 2012 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

At the Ordinary AGM on June 26, 2012, BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, was elected as the auditor of the separate and consolidated financial statements for the 2012 financial year. The Supervisory Board awarded the corresponding audit mandate (for both the consolidated and separate financial statements) while setting out clear rules for the specifics of the mandate, and how the auditor should work together with the Supervisory Board.

BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the 2012 separate annual financial statements, which the Management Board prepared according to German Commercial Code (HGB) accounting regulations, and the 2012 consolidated financial statements, which the Management Board prepared according to International Financial Reporting Standards (IFRS), as well as the corresponding management and Group management reports, and issued them with unqualified audit opinions.

The audited separate financial statements of MEDISANA AG as of December 31, 2012, were made available to the Supervisory Board in good time before its meeting on April 23, 2013, and were discussed in detail together with the Management Board and the auditor. The auditor reported on the current audit process, and responded to Supervisory Board queries. At the same time, the Management Board reported on the 2012 financial year. Significant matters relating to the consolidated financial statements were also discussed with the auditor. The Supervisory Board noted all of the auditors' audit results with approval, and for its part reviewed in detail the separate annual financial statements and the consolidated financial statements, as well as the management reports for both the company and the Group. In-depth discussions were held concerning all of the documents requiring auditing.

After all of the Supervisory Board's questions relating to the financial statements and the audit work had been answered, the Supervisory Board approved without objections the audited separate annual financial statements

and the consolidated financial statements, as well as the single-entity management and Group management reports, for MEDISANA AG as of December 31, 2012. The separate annual financial statements have been adopted as a consequence. The management reports, and especially the statements on further corporate trends that they contain, were approved. At this meeting, the Supervisory Board also discussed and approved its Supervisory Board report on the 2012 financial year. The audited consolidated financial statements were approved on April 30, 2013 in a telephone conference meeting.

CHANGES TO THE SUPERVISORY BOARD

The period of office of all Supervisory Board members ended with the conclusion of the AGM on June 26, 2012, thereby necessitating new Supervisory Board elections. At the 2012 AGM, Mr. Thies G.J. Goldberg, Dr. Matthias Hartz and Dr. Michael Regniet were then elected to the Supervisory Board until the conclusion of the AGM that passes the resolution concerning the discharge for the 2016 financial year. The Deputy Supervisory Board Chairman until that date, Heinz-Peter J. Specht, did not stand for re-election. We would like to thank Mr. Specht for his constructive and trusting collaboration within the board.

THANKS TO OUR EMPLOYEES

The Supervisory Board would like to thank all MEDISANA Group employees for their commitment in the past financial year. The workforce identified with the company's objectives, and pursued them with motivation, thereby making a critical contribution to MEDISANA's success.

Hamburg, April 2013

Thies G. J. Goldberg
Chairman of the Supervisory Board

SUPERVISORY BOARD MEMBERS AND THEIR MEMBERSHIP OF EXECUTIVE BODIES:

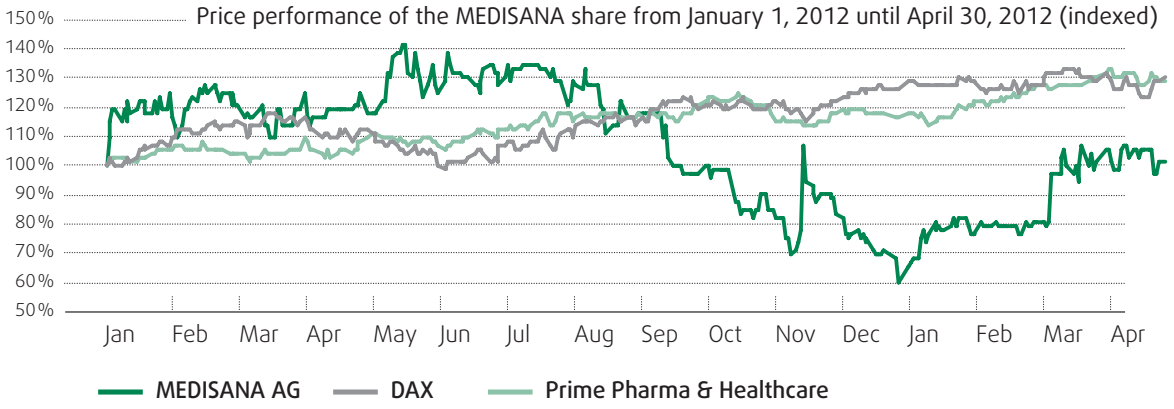
Chairman:
Thies G. J. Goldberg, economics graduate, management consultant

Deputy Supervisory Board Chairman:
Dr. Matthias Hartz, Executive Vice President General Counsel, OC Oerlikon Management AG
Membership in German or foreign executive bodies:
- Board Member Oerlikon USA Holding Inc.
- Board Member Oerlikon Textile China Investment Ltd.
- Board Member: Saurer China Equity Ltd.
- Verwaltungsrat Swiss Home Real Estate AG
- Verwaltungsrat der 8plus Holding AG
- Managing Director: Oerlikon Vermögens-Verwaltungs GmbH

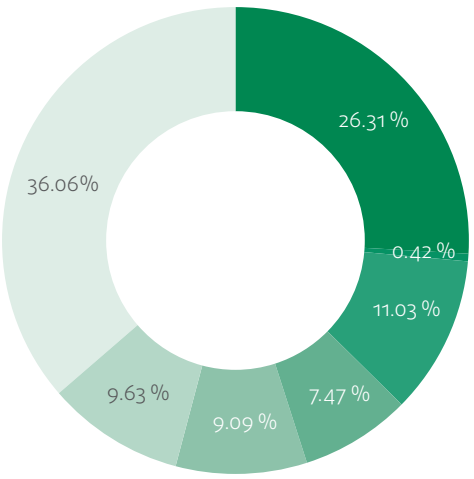
Member: Dr. Michael Regniet, Rechtsanwalt und Fachanwalt für Steuerrecht in der Sozietät Regniet, Arnsberg
Membership in German or foreign executive bodies:
- Member of the Charity Council of the Charity Association of Arnsberg-Sundern

MEDISANA STOCK

The MEDISANA share was off to a pleasing start to the 2012 financial year. Until the start of August, respectively mid-August, it outperformed its relevant comparable indices, the DAX (German equities index) and the Prime Pharma & Health care index (DAX index which mirrors health care sector companies from all market segments). It reached its high of EUR 2.50 on May 16 after the results for the first quarter of 2012 were published. After the half-yearly results were published in mid-August, the share then underperformed its benchmarks until the year-end, and in low daily turnover on XETRA and in Frankfurt, especially during the third quarter. As a consequence, the MEDISANA share depreciated by around 40 percent in total over the course of the year, while the DAX appreciated by around 25 percent, and the Prime Pharma & Health care index was up by 16 percent. The closing price on XETRA stood at EUR 1.05 on December 31, 2012 – although it recovered to EUR 1.88 as of April 11, 2013.



KEY DATA FOR THE MEDISANA SHARE AS OF DECEMBER 31, 2012	
ISIN / WKN	DE0005492540 / 549 254
Ticker symbol	MHH
Stock market segment	Regulated Market (General Standard)
Stock exchanges	XETRA, Frankfurt-am-Main, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Designated Sponsor	Lang & Schwarz Broker GmbH
Specialist (Frankfurt)	MWB Fairtrade AG
Shareholder structure	



Cedar Holdings GmbH	2,217,823 shares
Ralf Lindner	35,083 shares
Raptor Beteiligungsgesellschaft mbH, Thies J.G. Goldberg, attributable to the Supervisory Board Chairman	930,000 shares
MEDISANA AG (treasury shares)	630,000 shares
Superb Walth Investments Limited	766,000 shares
Pacific Century Investments Limited	811,439 shares
Free float, of which Dr. Hartz 4.33% Dr. Komesker 0.48%	3,039,982 shares
Total shares (100%)	**8,430,327 shares**

MEDISANA QUARTERLY SHARE PRICE PERFORMANCE (EUR)						
				2012		2011
	Q4	Q3	Q2	Q1	Q4	Q3
High	1.87	2.36	2.50	2.25	2.10	2.17
Low	1.05	1.71	2.00	1.77	1.36	1.74
Price at quarter-end	1.05	1.71	2.25	2.10	1.94	1.75
No. of shares (capital stock)	8,430,327	8,430,327	8,430,327	8,430,327	8,430,327	7,664,327
Market capitalization in EUR million	8.9	14.4	19.0	17.7	16.35	13.41
Average daily turnover in number of shares (XETRA & Frankfurt)	3,442	1,684	3,523	3,182	2,480	2,281
EPS (earnings per share)	0.05	-0.18	-0.17	-0.05	0.33	-0.23

INVESTOR RELATIONS ACTIVITIES

Media interest in MEDISANA AG and its products remains high, especially in the VitaDock and iHealth product series. The awards that MEDISANA received in 2012, including the Health Media Award and the German Medium-Sized Companies Initiative's „IT Innovation Award 2012", as well as the enormous growth potential the Mobile Health area holds, provided further support to positive reporting across various media.

The MEDISANA Management Board utilized platforms such as the Deutsche Börse AG Entry and General Standard Conference, which was held in Frankfurt in May 2012, to ensure a constant communication with financial journalists and investors, and to explain the corporate strategy, product innovations and their potentials.

By a large majority, the AGM on June 26, 2012 supported the course the company's management has adopted. All agenda items were confirmed in the meaning of the company's management with more than 99 percent of the votes present.

STATEMENT BY THE MANAGEMENT BOARD

„We attest to the best of our knowledge that, according to generally accepted accounting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations. Moreover, in the Group management report, the general business development, including the results, and the situation of the Group are depicted in such a way as to give a true and fair view of the actual situation, as well as clearly detailing the essential opportunities and risks stemming from the prospective development of the Group."

Neuss, 30. April 2013

Ralf Lindner
Management Board Chairman
(CEO) of MEDISANA AG

Marco Getz
Management Board member
of MEDISANA AG

Dr.-Ing. Heinrich Komesker
Management Board member
of MEDISANA AG

GROUP MANAGEMENT REPORT

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I. LEGAL STRUCTURE, BUSINESS ACTIVITIES, TAKEOVER INFORMATION, GENERAL CONDITIONS, RESEARCH AND DEVELOPMENT, COMPENSATION REPORT

1. BUSINESS ACTIVITIES, LEGAL STRUCTURE, ORGANIZATION, MANAGEMENT AND CONTROLLING

MEDISANA AG has operated for more than 30 years in the home health care segment, and has successfully positioned itself over this period as an innovative provider of its own brands and of a broad product range. The company develops, produces and sells premium products for end-consumers, as well as products for price-conscious consumers.

The portfolio comprises the MEDISANA, Promed, Lightwave, Happy Life, Ecomed and VitaDock brands, and is offered to consumers through various sales channels while maintaining strict quality standards. These products serve customers' well-being and health in the four groups of Health Control (blood pressure monitors, fever thermometers, body scales), Home Therapy (pain therapy, aroma diffusers), Personal Care (hand and foot care products, epilation, body toning), and Wellness (comfort heating pads, shiatsu massage seats).

With these product groups, MEDISANA AG helps customers to lead health-conscious lives. The company aims to meet the highest quality requirements throughout the entirety of its product range. Its products carry no side-effects of any kind, boast pleasant designs, and are easy to use. Trade partners also benefit from the products' quality in combination with service, advice and extensive know-how. MEDISANA AG also continues to make great investments in expanding capacities to launch the VitaDock series (mobile health care measurement devices based on smart phones), which are regarded as a groundbreaking development in mobile health care.

MEDISANA is an internationally positioned group, which, besides its Group headquarters in Neuss, Germany, operates further corporate sites that serve lucrative foreign markets.

A constant increase in internationalization forms a key building block of the company's strategy which is aimed primarily at international growth, related economies of scale, and the extensive market launch of the new mobile health measurement instruments. A further important component of the strategy is highlighted particularly on the basis of the new health care measurement devices: the aim is to achieve innovation leadership within the sector by means of high quality standards and the development or integration of new technologies.

Structure of the Group/subsidiaries

The MEDISANA Group consists of the Group's ultimate parent company, MEDISANA AG, Neuss (Germany), and, as of the December 31, 2012 balance sheet date, of nine subsidiaries and three second-tier subsidiaries. All companies comprise sales companies, with the exception of MEDISANA Space Technologies GmbH, which currently focuses on developing software and hardware for mobile health care products. Please refer to the notes to the consolidated financial statements for more details.

Management and Supervisory boards

Changes occurred to the Supervisory Board in the year under review. The period of office of all Supervisory Board members ended with the conclusion of the AGM on June 26, 2012, thereby necessitating new Supervisory Board elections. Mr. Thies G.J. Goldberg, Dr. Matthias Hartz and Dr. Michael Regniet were elected to the Supervisory Board until the conclusion of the AGM the passes the resolution concerning the discharge for the 2016 financial year. The previous Deputy Supervisory Board Chairman, Mr. Heinz-Peter J. Specht, presented himself again for election. At the Supervisory Board Meeting which was held following the AGM, Mr. Thies G.J. Goldberg was elected to be the Supervisory Board Chairman, and Dr. Matthias Hartz was elected to be his Deputy.

At regular meetings, and also in the form of many personal or telephone conversations, the Management and Supervisory boards concerned themselves with important topics such as market trends, technological change, important business transactions, risk management, and key figures relating to Group steering. The constant monitoring of such key figures, including when such figures diverge from Group budgets, also enables existing approaches to be quickly corrected. The Supervisory Board supervised the corporate management performed by the Management Board, and was always available to provide it with advice.

MEDISANA AG Management and Supervisory boards – composition

Chairman of the Management Board (CEO)	
Ralf Lindner	
Strategy, investor relations/corporate marketing, global sales	
Management Board member	
Marco Getz	Dr.-Ing. Heinrich Komesker
Finance, controlling, administration	Research & development, product & quality management, production

Supervisory Board		
Deputy Supervisory Board Chairman	Chairman of the Supervisory Board	
Dr. Matthias Hartz	Thies G. J. Goldberg	Dr. Michael Regniet

2. COMPENSATION REPORT

Supervisory Board members receive fixed compensation of TEUR 5 per year, with the Supervisory Board Chairman being entitled to double this amount. The Supervisory Board was correspondingly paid a total of TEUR 40 of fixed compensation in the 2012 financial year, including fees paid for meetings.

Pursuant to statutory regulations, the Supervisory Board appoints Management Board members for a maximum period of five years. Multiple appointments may be made, or periods of office may be extended, in each case for a maximum period of five years. Management Board compensation consists of a fixed salary, and variable performance-related compensation at the Supervisory Board's discretion, and share subscription rights with long-term incentive effect. In the 2012 financial year, the Management Board received TEUR 648 of fixed compensation (previous year: TEUR 562).

On the basis of a so-called „opt-out regulation" with an approval rating of 85.02 percent of the represented voting capital, the Annual General Meeting of September 21, 2011, made use of the option not to publish detailed information pursuant to Article 285 Clause 1 No. 9 Letter a Clauses 5 to 8 as well as Article 314 (1) No. 6 Letter a Clauses 5 to 8 of the German Commercial Code. As a consequence of this resolution, no detailed disclosures are made relating to Management Board compensation for the 2011 until 2015 financial years inclusive.

3. DISCLOSURES PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT

Stock market listing

The shares of MEDISANA AG (ISIN/WKN: DE0005492540/549254) have been included in the Regulated Market of the Frankfurt Stock Exchange (General Standard) since June 13, 2000. The shares are also traded on the Xetra and electronic trading platform, and on the open market exchanges at Berlin, Düsseldorf, Hamburg, Munich and Stuttgart.

Capital stock

The capital stock amounted to EUR 8,430,327 as of the balance sheet date, and is composed of 8,430,327 no par value ordinary bearer shares.

All shares are connected with the same rights and obligations that arise specifically from the regulations of the German Stock Corporation Act (AktG), especially those arising from Sections 12, 53a et seq., 118 et seq., and 186 of the German Stock Corporation Act (AktG). Shareholders are entitled to rights relating to the company's net assets and its administration. Rights relating to the company's net assets include, in particular, the right to receive dividends (Section 58 (4) of the German Stock Corporation Act [AktG]), the right to participate in a winding-down of the company (Section 271 AktG), and the right to subscribe to shares in the case of capital increases (Section 186 (1) AktG). Rights relating to the administration of the company concern the right to participate in the Shareholders' General Meeting, the right to speak there, the right to submit questions and motions, and the right to exercise voting rights. Shareholders are entitled to enforce such rights through legal actions for information, or actions to rescind.

Direct and indirect interests in the capital stock pursuant to Section 21 of the German Securities Trading Act (WpHG)

The following direct or indirect investments in the company's capital stock, which exceed 10 percent of the voting rights, have been notified to the company pursuant to Article 21 of the German Securities Trading Act (WpHG) (percentages result from the number of reported shares as of the December 31, 2012 balance sheet date

in relation to the number of total outstanding shares on the balance sheet date):

Interest	Notifications
26.31 %	Cedar Holdings GmbH, Neuss, Interest attributable to Mr. Ralf Linder, Chairman of the Management Board
11.03 %	Ra ptor Beteiligungsgesellschaft mbH, Hamburg, Interest attributable to Mr. Thies Goldberg, Supervisory Board member

Authorization to issue new shares/Approved capital and Conditional capital

Both approved and conditional capital exists pursuant to Section 4 of the articles of incorporation of MEDISANA AG:

New conditional capital of up to EUR 4,215,163.00 was created through an AGM resolution of June 26, 2010. This resolution authorized the Management Board to increase the company's capital stock, with Supervisory Board approval, until June 25, 2017 through issuing up to 4,250,163 new ordinary bearer shares, once or on several occasions, against cash and/or non-cash capital contributions, by up to a total of EUR 4,215,163.00. With Supervisory Board approval, the Management Board is authorized to exclude subscription rights in certain instances.

New conditional capital of up to EUR 3,517,163.00 was created by an AGM resolution of June 26, 2008. This conditional capital increase will be performed only to the extent that bearers of convertible bonds and/or bonds with warrants and/or participation rights with conversion or subscription rights, which were issued until June 25, 2013 on the basis of the authorization resolution passed by the AGM of June 26, 2008, utilize their conversion or subscription rights, or satisfy their conversion obligations, and the company decides to service conversion or subscription rights from such conditional capital. With Supervisory Board approval, the Management Board is authorized to exclude subscription rights in certain instances.

At the June 29, 2010 AGM, the Management Board was authorized (including the regulations relating to conditional capital), with Supervisory Board approval, to issue until June 28, 2013, once or on several occasions, up to 260,000 options to Management Board members or employees of MEDISANA AG or to members of the boards and employees of associated companies (Stock Option Program 2010). The options grant entitlement to buy new MEDISANA AG shares. This option program had not yet been utilized as of the balance sheet date.

New conditional capital of up to EUR 500,000.00 was created by an AGM resolution of June 26, 2012. The conditional capital increase will be performed only to the extent that the holders of the issued options utilize their entitlement to subscribe for the company's shares, and the company makes recourse to this Conditional Capital 2012, in order to satisfy the options.

The AGM of June 26, 2012 also approved with a 99.97 percent approval ratio of the represented voting-entitled capital the introduction of Stock Option Program 2012. With Supervisory Board approval, 500,000 options can be issued until June 25, 2015 to current or future employees of the company, members of the Management Board, and to members of management boards and employees of current or future associated companies, which entitle the recipients to acquire new no par ordinary bearer shares in MEDISANA AG. This Stock Option Program was not utilized in the year under review. The options can be serviced from conditional capital to be created in future, from existing or future approved capital, or from existing shares. A cash settlement can also be granted to the individuals entitled to subscribe on the option exercise according to the company's choice.

Resolution concerning the authorization to purchase and sell treasury shares under exclusion of shareholders' subscription rights and put rights

The AGM of September 21, 2011 authorized the company to purchase up to 766,432 treasury shares. Together with other treasury shares that the company has already acquired, or still holds, or which are attributable to it pursuant to Sections 71a et seq. of the German Stock Corporation Act (AktG), the acquired shares may not exceed 10 percent of the company's capital stock. This authorization became effective on September 22, 2011, and is valid until September 20, 2016.

Resolution concerning the authorization to deploy derivatives as part of the purchase and sale of treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) under exclusion of shareholders' subscription rights and put rights

The AGM of September 21, 2011, also authorized the company, by way of a supplement to the authorization to be passed to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG), to also acquire and sell treasury shares by deploying derivatives. With Supervisory Board approval, options can be sold that obligate the company to acquire treasury shares when exercising the option (put options), options can be acquired and exercised that entitle the company to acquire treasury shares when exercising the option (call options), forward purchase agreements for treasury shares can be concluded where more than two stock market trading days lie between the conclusion of the purchase agreement and the delivery of the acquired shares (forward purchases), and treasury shares can be acquired by deploying a combination of such derivatives (all of the aforementioned structures are referred to below as „equity derivatives").

All share purchases deploying equity derivatives when exercising this authorization shall be limited in this context to shares in the scope to a maximum of 5 percent of the capital stock existing at the time when the resolution is passed by the AGM concerning this authorization. The term of any of the equity derivatives may not extend beyond 18 months, and must be selected so that the purchase of treasury shares on the exercise of the equity derivative does not occur after September 20, 2016.

Regulations concerning the appointment and recall from office of Management Board members

The appointment to and recall from office of Management Board members is performed according to Sections 84 et seq. of the German Stock Corporation Act (AktG), and according to Section 6 of the articles of incorporation. According to the articles of incorporation, the Management Board consists of one or several persons, whereby the Supervisory Board determines the number of members of the Management Board according to statutory regulations. The Supervisory Board may nominate one Management Board member to be the chairperson of the Management Board, as well as deputy Management Board members. Pursuant to statutory regulations, the Supervisory Board appoints Management Board members for a maximum period of five years. Multiple appointments may be made, or periods of office may be extended, in each case for a maximum period of five years.

Amendments to the company's articles of incorporation

The Supervisory Board is authorized to approve amendments to the articles of incorporation that relate solely to their wording. Otherwise, amendments to the articles of incorporation are performed pursuant to Section 119 (1) No. 5 of the German Stock Corporation Act (AktG) in combination with Section 133 and Sections 179 et seq. of the German Stock Corporation Act (AktG).

Significant agreements subject to a change of control

No significant agreements exist on the part of the company that are subject to a change of control resulting from a takeover bid, or for other reasons. In addition, no compensation agreements have been entered into with Management Board members or employees for the instance of a takeover bid.

4. MACROECONOMIC ENVIRONMENT

- Continuing Euro crisis hampers global economy

- Germany unable to fully decouple from effects of debt crisis

The global economy lost further momentum in 2012. Global production grew by only 3.2 percent on a year-average basis, following on from the previous year's very moderate growth of just 3.8 percent, according to calculations published by the Kiel Institute for the World Economy (ifw). Gross domestic product in advanced economies expanded at a very modest rate, and the Eurozone even slipped into a recession of -0.5 percent, according to the Institute's figures. Economic dynamics also abated sharply in developing and emerging economies, however. Following on from double-digit growth rates over the past years, China will report an increase of only 7.8 percent, and India just 3.8 percent.

Stock markets performed well, contrary to many predictions the start of the year. The DAX index of leading German shares started 2012 at 5,900 points, and rose to a five-year high in December to close the year at 7,612 points, representing 29 percent year-on-year growth. The FTSE100 and Dow Jones indices failed to perform as well as the DAX during 2012, but nevertheless reported gains. The UK FTSE100 appreciated by 3 percent between the start of January and the end of December, and the US Dow Jones was up by 7 percent.

Germany

Although the Euro debt crisis placed a brake on the German economy, real gross domestic product (GDP) grew by 0.7 percent – compared with 3.0 percent in the previous year – according to provisional calculations from the German Federal Statistical Office. Once again, exports proved the most important growth-motor. The export-oriented German economy nevertheless failed to fully decouple from the effects of the Euro debt crisis: after a strong start to the year, the economic growth of Europe's largest economy weakened from quarter to quarter during 2012.

The ifo Business Climate Index, which is based on around 7,000 monthly submissions from the manufacturing, construction, wholesaling and retailing sectors, reached its low of for the year of 100 in October following a constant decline from April 2012. The Business Climate Index then improved slightly to 102 points in December 2012. Compared with the previous year, the Business Climate Index was down by around five points from the previous year's approximately 107 points. With an increase to a level of 104, the current business situation in January 2013 is gauged more favorably again.

Real incomes in Germany grew by an average of 0.6 percent year-on-year in 2012, according to preliminary data from the German Federal Statistical Office. This represents the third consecutive increase following +1.0 percent in 2011 and +1.5 percent in 2010. Nominal incomes were up by 2.6 percent year-on-year in 2012, and consumer prices rose by 2.0 percent over the same period.

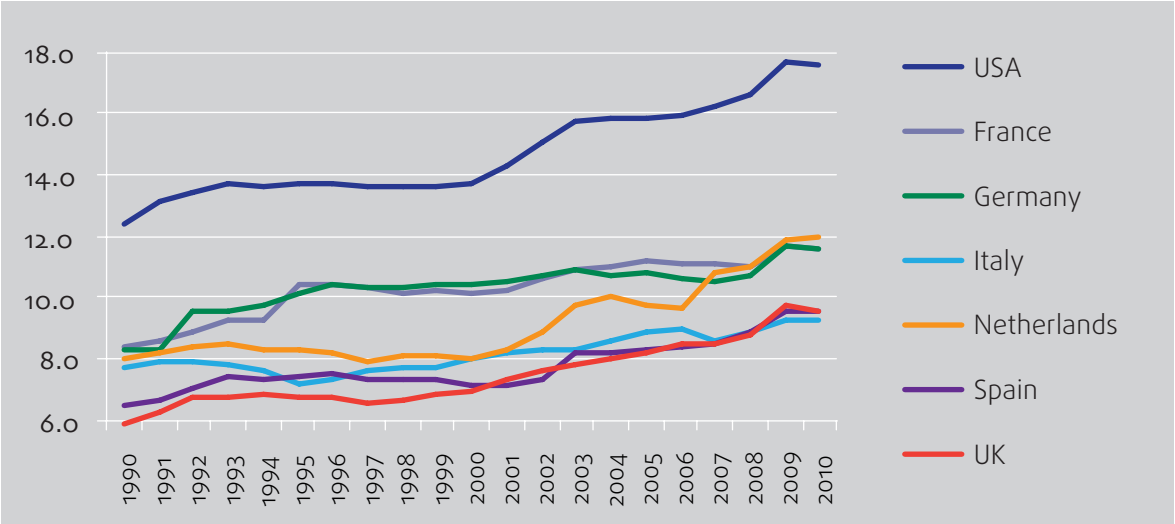
In uncertain times, the labor market in Germany reports a stable trend. A positive labor market situation pre-

sents itself for 2012. A total of 41.6 million individuals were in employment in Germany in 2012, marking a new record figure, according to provisional calculations. The number of unemployed individuals stood at 2.32 million in 2012 – the lowest unemployment level since 1991. This is equivalent to a year-average unemployment rate of 5.3 percent, a very good result for Germany on a European and international comparison.

Health care market

The German health care sector is an economic sector that exhibits dynamic growth and innovative strength, as well as considerable economic significance for Germany as an economic location. Health care spending amounted to around EUR 294 billion in 2011, according to German Federal Statistical Office data. As a consequence, EUR 5.5 billion, or 1.9 percent, more was spent than in 2010. On a per capita basis, around EUR 3,590.00 was spent in 2011, compared with EUR 3,530.00 in the previous year.
IIn total, the share of health care spending as a proportion of gross domestic product amounted to 11.3 percent in 2011, compared with 11.5 percent in 2010.

Health care spending as a percentage of gross domestic product



The health care market forms part of the health care sector, the largest economic sector of all industrial states worldwide. The health care market remains a growth market, offering outstanding prospects to export-oriented companies in Germany, particularly from the pharmaceuticals and medical technology sectors. The German health care market stands to grow by 3.5 percent per annum in the medium to long term, according to a study by Deutsche Bank. The rising number of older citizens, the major potentials offered by medical technology progress, the high level of health awareness, growth in chronic and mental illnesses, and further increases in incomes comprise this market's key drivers, according to Deutsche Bank's analysts.

For example, the number of individuals suffering from diabetes currently amounts to 371,000,000 worldwide, with this figure is set to increase by a further 280 million by 2030, according to figures provided by the IDF (international Diabetes Federation). India and China, in particular, are set to be affected in this context. In these countries, 63 million and 90 million individuals respectively suffer from diabetes, with a rising trend, according to the IDF. Sales on the diabetes market are set to grow by 66 percent to USD 58 billion by 2018 alone

It is noteworthy that the health care sector in most countries is growing faster than gross domestic product (GDP). Among other factors, this is due to demographic trend towards an ageing global population, an increase in chronic illnesses due to civilization influences, as well as technological progress and growing purchasing power among the population. Particularly in industrial countries, but also increasingly in emerging economies, this growth is also being supported by a constant rise in health awareness in society, and the related preparedness of individuals to invest in their own health care. This trend is not observable in Germany. Here, a decline is underway, which is attributable to continued strong economic output, and to the fact that growth in health care spending has weakened constantly over the last two years. In 2011, health care spending growth lay significantly below the annual average growth rate between 2000 and 2010 of 3.1 percent.

The number of individuals employed in the health care sector was up by 1.8 percent in 2011. As of December 31, 2011, around 4.9 million individuals in Germany, and consequently approximately every one in nine employees, worked in the health care sector. The positive employment trend of the last five years consequently continued in 2011. Between 2006 and 2011, the number of health care sector employees increased by a total of 457,000 individuals, or 10.2 percent. The number of employees already stood at 5.7 million in 2009 when including the fitness, wellness and health tourism areas in this calculation – this corresponds to one in seven employees.

The health care market is split into the so-called First Health Care Market, which essentially comprises classic health care provision by doctors, hospitals etc., which is financed by statutory and private health care insurance, and the so-called Second Health Care Market, which is defined by all privately-financed products, services and health care concepts, such as over-the-counter remedies, sport and wellness products, and spending on alternative medicine and oral hygiene. The areas for easy-to-use and quick health care provision that MEDISANA AG serves are positioned in this Second Health Care Market, a high-growth market.

The Mobile Health area continues to gain further importance on the health care market. A study produced by management consultants PricewaterhouseCoopers forecasts high growth rates. The experts anticipate a market volume of USD 4.5 billion globally in 2013, which is set to grow to as much as USD 23.0 billion in this area alone by 2017.

In the 2012 stock market year, health care securities again confirmed their reputation as defensive long-term assets. The MSCI World Health Index appreciated by 14.7 percent over the course of the year, again clearly showing the health care sector's strength on equity markets.

5. COMPETITION

The German health care sector is an economic sector that exhibits high growth and innovative strength, as well as considerable economic significance for Germany as an economic location. On the health care market, a large number of suppliers each with small market shares face many buyers, thereby forming a polypolistic market. This comprises a growth market with 3.5 percent medium- to long-term forecast growth rates. The opportunities this competitive market offers attract many companies. Along with traditional providers such as pharmaceutical companies and medical technology companies, pharmacy chains and discounters sell over-the-counter remedies, as well as medical technology products in some cases. Price pressure is a consequence in some areas. Stronger consolidation trends are emerging on the market.

Many market participants are boosting their activities on the so-called Second Health Care Market, which, along with purely privately-financed health care products and services, also comprises medically inessential medical services, referred to as „individual health care services". The Second Health Care Market is worth around EUR 60 billion per year, with a rising trend, according to a 2007 study produced by management consultants Roland Berger. Innovations drive the market, and are also required to tap this market's demand overhang.

MEDISANA AG focuses on further developing its products, and on innovation. It adjusts its product portfolio to current market circumstances, and regards itself as promisingly positioned. Constant innovation is indispensable since sales and margin reductions on products with short product cycles must be offset in order to implement the growth strategy.

MEDISANA AG's business activities are primarily located in the home health care area, a niche market within the health care sector. The company is significantly differentiated from its competitors. MEDISANA AG offers a broad portfolio of electronic health care devices, focuses clearly on home health care products, and boasts pronounced sales and marketing strengths. The Mobile Health area is becoming ever more important for MEDISANA. With the development of the VitaDock series, MEDISANA has established an important advance on its competitors in a high-growth segment of the health care market. Feedback from the health care sector is considerably positive. Awards received in 2012, such as the IT Innovation Award 2012, second prize in the EU SME eHealth Competition, and the Health Media Award, reflect this assessment.

6. RESEARCH AND DEVELOPMENT

The development of innovative products and processes to support and maintain health is essential to secure success in the future health care market. For this reason, MEDISANA invests constantly in its research and development area, and optimizes products that have already been launched. This has allowed the company to establish itself as one of the most innovative health care product providers, and is one of the mobile health care pioneers with its VitaDock series.

All research and development activities aim to generate the greatest possible benefit for customers. MEDISANA has also involved its subsidiary MEDISANA Space Technologies GmbH to this end.

Innovations are key growth-drivers. Consequently, MEDISANA continued to bring product developments to the market in 2012.

Last year's important products

The most important product innovations in the Mobile Health area in 2012 included:

- Smart Baby Monitor
- CardioDock 2 blood pressure monitor module
- CardioCompact blood pressure monitor

In the Home Health Care market area:

- BU 510 blood pressure monitor
- WL 450 wake-up light
- MC 810 vibrating massage seat
- MC 820 shiatsu massage seat
- HM 850 hand massage device

An amount of EUR 0.4 million was expensed in the research and development area in the 2012 financial year (previous year: EUR 0.5 million).

7. PURCHASING

Purchasing costs comprise an important cost factor in production, logistics and sales. These depend primarily on increases in energy and raw materials prices. MEDISANA AG's product components are oil-based to a high degree, which is why oil price changes, in particular, have a decisive effect on margins. High oil prices always reduce the company's earnings.

Raw materials markets continued to report differing trends in 2012. While a fine ounce of gold appreciated by 7.0 percent, and copper, the classic economic barometer, was up by 2.3 percent over the course of the year, the price of a barrel of Brent crude oil fell by 0.9 percent between the start and the end of 2012. European markets benefited only partially from lower crude oil prices due to the fluctuating exchange rate between the US Dollar and the Euro.

Volatility on commodity markets continues to rise due to ever more extreme speculation on the exchanges. It is assumed that this trend will continue. Optimizing supplier management is of great significance for MEDISANA AG to avoid unnecessary risk and cost positions. The company works constantly on reducing supplier costs while avoiding detrimental effects on supply quality. The global search for and assessment of new purchasing sources represents a further focal point.

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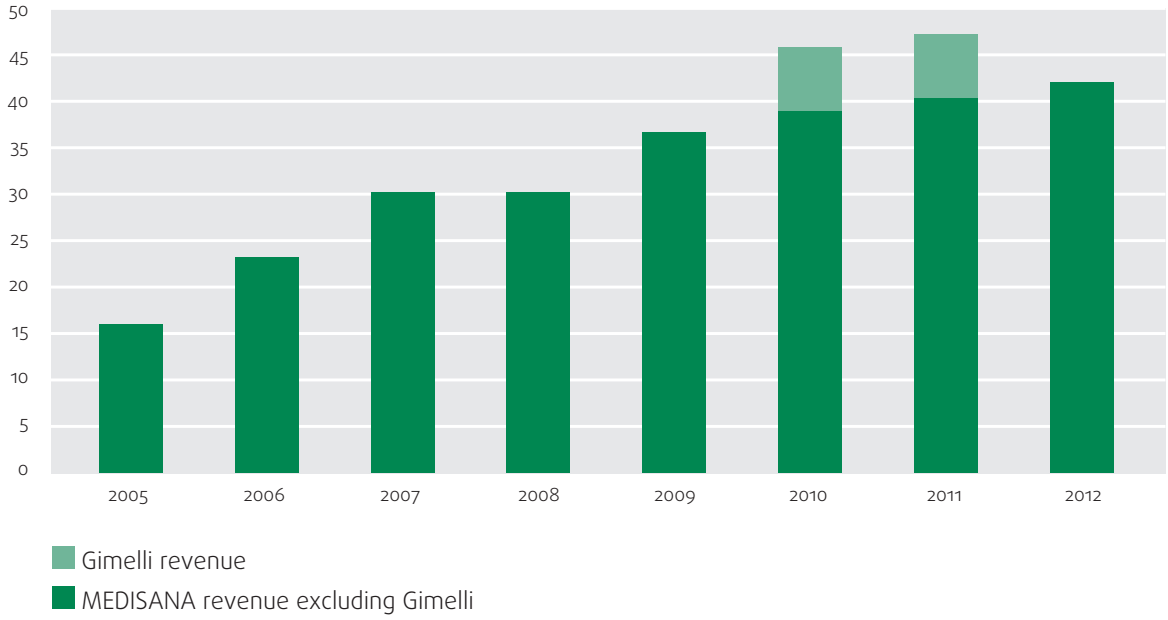
II. DEVELOPMENT OF BUSINESS OPERATIONS

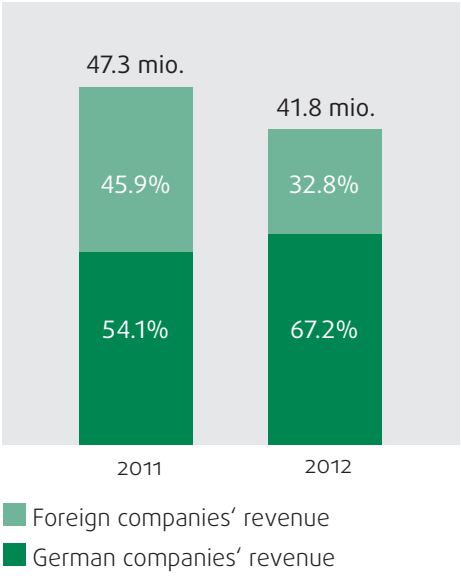
1. REVENUE AND EARNINGS POSITIONS

MEDISANA's consolidated revenue fell by 11.6 percent over the period under review, dropping from EUR 47.3 million to EUR 41.8 million. Revenue was up by 4.2 percent year-on-year, from EUR 40.1 million to EUR 41.8 million, however, when adjusted to reflect the revenue of Gimelli Laboratories Co. Ltd., which was deconsolidated as of September 30, 2011. Of this amount, EUR 28.1 million was attributable to Germany (previous year: EUR 25.6 million), and EUR 13.7 million was attributable to revenue generated abroad (previous year: EUR 21.7 million).

Revenue trends over the past eight years (in EUR millions)



Revenue in EUR millions: split between German and foreign companies



Despite lower revenue, gross profits of EUR 11.6 million were 2.2 percent higher than in the previous year (EUR 11.3 million) due to a lower cost of sales. This reflects a higher level of revenue generated with products that achieve higher margins, which more than offset the price increase in purchasing expenses.

Operating expenses for the functional areas fell by EUR 0.7 million, or 4.6 percent, from EUR 14.9 million to EUR 14.2 million. In parallel with the fall in revenue, purchasing and warehousing costs were down by EUR 0.4 million to EUR 2.9 million (previous year: EUR 3.3 million). Sales and marketing costs stood at EUR 6.8 million (previous year: EUR 6.9 million), while EUR 4.6 million was spent on administration (previous year: EUR 4.7 million).

Other operating expenses fell by 72.6 percent to EUR 0.3 million (previous year: EUR 1.1 million), primarily as a consequence of a drop in expenses for value allowances applied to receivables. At EUR 0.6 million, other operating income was significantly lower than the previous year's EUR 4.3 million. This mainly reflected the previous year's income of EUR 1.0 million from the deconsolidation of the interest in Gimelli, around EUR 0.9 million from third parties' receivables waivers, and EUR 1.1 million of restructuring subsidies, which were not repeated in the year under review. The operating loss before interest and tax (EBIT) worsened significantly overall, amounting to EUR -2.4 million in the year under review (previous year: EUR -0.4 million).

The net financial result improved by EUR 0.3 million to EUR -0.4 million due to improved financing terms.

The loss before tax (EBT) stood at EUR -2.8 million (previous year: EUR -1.1 million). After EUR 0.2 million of taxes on income, the company reported a total consolidated net loss of EUR -3.0 million (previous year: EUR -0.9 million).

After deducting EUR 0.2 million of non-controlling interests, the consolidated net loss amounted to EUR -2.8 million in 2012, a considerable deterioration compared with the previous year (EUR -0.4 million). Earnings per share stood at EUR -0.35, compared with EUR -0.05 in the previous year.

2. FINANCIAL POSITION

The total assets of MEDISANA AG were up by 6 percent to EUR 34.4 million. Of these total assets, 23.2 percent (previous year: 33.7 percent) were financed by equity, and 76.8 percent (previous year: 66.3 percent) by liabilities due to third parties. The growth in total assets is predominately attributable to an increase in trade accounts payable from EUR 10.0 million to EUR 14.0 million. Along with securing the company as a going concern, MEDISANA's capital management, which is based on IFRS balance sheet equity and liabilities, is aimed at profitability in order to thereby generate an adequate return on capital employed, to enhance the company's long-term value, and to be able to satisfy payment obligations at all times.

The company failed to implement its plan to reduce the level of capital tied up in its business. Inventories grew by EUR 1.5 million. Current financial assets were up by EUR 0.9 million, trade receivables grew by EUR 0.3 million, while other receivables fell by EUR 0.2 million. Trade payables increased by EUR 4.0 million to EUR 14.0 million. Capital employed grew by EUR 5.7 million overall.

After a EUR 0.2 million cash outflow from operating activities in the previous year, MEDISANA AG suffered a EUR 1.1 million cash outflow in the year under review, especially as a consequence of its significant earnings deterioration.

Investments in MEDISANA's non-current assets amounted to EUR 1.3 million, compared with EUR 1.4 million in the previous year. The cash outflow from investing activities amounted to EUR 1.2 million in the year under review (previous year: cash inflow of EUR 0.4 million). The cash inflow in 2011 was impacted by an extraordinary item arising from the disposal of the interest in Gimelli, and a related EUR 1.8 million of cash received.

The EUR 0.5 million cash outflow from financing activities, compared with a EUR 2.3 million inflow in the previous year, results mainly from the redemption of long-term borrowings.

The liquid assets of EUR -1.2 million reported in the cash flow statement, compared with EUR 1.6 million in the previous year, correspond to the liquid assets of EUR 2.2 million reported in the balance sheet (previous year: EUR 2.8 million), less restricted funds (EUR 0.7 million; previous year: EUR 0.0 million), and less EUR 2.7 million of current account credits reported among current financial debt (previous year: EUR 1.2 million).

The Group also had at its disposal an EUR 18.9 million supplier credit line, of which EUR 10.7 million was utilized as of the balance sheet date. This ensures sufficient financing to secure the company's solvency. No external covenants exist as of the balance sheet date.

The financing costs vary according to the utilization of variable payment targets on the basis of LIBOR. Currency exchange-rate risk is generally limited using cost-free exchange rate hedging transactions immediately after goods have been ordered. Forward-plus contracts, in particular, were used for this purpose in 2012. The financial position included no currency derivatives as of the balance sheet date, however.

Please refer to our remarks concerning financial risks for further information on measures designed to further secure our financial position. The notes to the consolidated financial statements also contain further information about terms/maturities, currencies and interest structures, about interest-rate levels, as well as concerning important borrowing terms.

3. NET ASSETS

The total assets of the MEDISANA AG fell by grew by 6 percent in the 2012 financial year, from EUR 32.5 million to EUR 34.4 million. On the assets side of the balance sheet, non-current assets of EUR 5.5 million were almost unchanged (previous year: EUR 5.5 million) Key items to mention is context include goodwill, which was identical with the previous year at EUR 1.1 million, intangible assets, which grew from EUR 2.0 million to EUR 2.5 million, property, plant and equipment, which fell from EUR 0.9 million to EUR 0.8 million, and deferred tax assets, which were down from EUR 1.2 million to EUR 0.9 million.

Current assets increased from EUR 27.0 million to EUR 28.9 million during the reporting period. This was mainly due to a rise in the inventories position from EUR 11.9 million to EUR 13.5 million. At the same time, current financial assets increased from EUR 2.7 million to EUR 3.6 million. Trade receivables grew by 3 percent to EUR 8.8 million. Other receivables were down by 19 percent to EUR 0.7 million, and liquid assets fell 21 percent to EUR 2.2 million.

On the equity and liabilities side of the balance sheet, equity was down from EUR 11.0 million to EUR 8.0 million as of December 31, 2012, being burdened by the consolidated net loss that was incurred. The equity ratio fell from 33.7 percent in 2011 to 23.2 percent as of December 31, 2012.
Non-current liabilities reduced markedly from EUR 6.1 million to EUR 4.0 million. This is mainly attributable to the EUR 0.5 million redemption in 2012, and a reclassification of EUR 1.5 million to current liabilities (due to a reduction in the related residual term). Current liabilities grew by EUR 7.1 million to EUR 22.5 million, by contrast. Under the financial liabilities item, the aforementioned reclassification of EUR 1.5 million from non-current current liabilities occurred, and a EUR 1.6 million increase in the utilization of bank overdrafts. Trade payables also increase by 40 percent to EUR 14.0 million.

MEDISANA AG regards itself as remaining solidly equipped in financial terms, and prepared for the future, with a 23.2 percent equity ratio that is solid on a sector comparison, and sufficient free credit lines and liquid assets of EUR 2.2 million.

4. EMPLOYEES

The company reported an average of 136 employees in the financial year under review (previous year: 195; excluding proportional inclusion of Gimelli: 115), and 16 industrial employees (previous year: 384; excluding proportional inclusion of Gimelli: 16).

MEDISANA employed 139 staff members as of the balance sheet date (previous year: 127). The regional allocation of the employees is as follows:

Employees	2011	2012
Germany	84	99
Rest of Europe	35	30
Rest of the World	8	10
	127	**139**

Social responsibility

As a company operating in the health care market, MEDISANA AG regards itself as bearing particular societal responsibility. This responsibility concerns not only support for the further training and qualification of its staff, and joint events, but also the provision of traineeships. Such targeted training helps young people to embark on their professional careers. As an internationally operating company, MEDISANA AG places a particular priority on languages in the further training of its staff.

Thanks to our employees

We would like to thank our staff who proved so committed to our company in 2012, and who further advanced the MEDISANA Group's innovations and developments to the benefit of our customers, shareholders and company. We will jointly lead this company forward to new successes in 2013.

5. CORPORATE GOVERNANCE STATEMENT

The Management Board issued the corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB). Both this and the company's corporate governance report are published on the company's website within the Investor Relations area under the menu item Corporate Governance/Erklärung zur Unternehmensführung (http://www.MEDISANA.de/MEDISANA/?article_id=74&clang=0).

III. RISK REPORT, RISK REPORT RELATING TO THE UTILIZATION OF FINANCIAL INSTRUMENTS, AND THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEMS

MEDISANA AG is exposed to different risks, not only on the basis of its ordinary business activities, but also due to changes to laws, political developments, or developments on capital markets, as well as through general economic trends.

An internal controlling system and risk management system are implemented at MEDISANA AG in which its subsidiaries are appropriately included. For this reason, the term „MEDISANA AG" in the remarks in the following section also refers to the subsidiaries included within the Group. MEDISANA AG's general risk management aims to identify relevant risks in good time, evaluate them and their significance for the company, and to take appropriate measures that as far as possible prevent or at least limit their negative impact. The MEDISANA AG Management Board structures its business policy on a risk-aware basis.

Risk management principles

MEDISANA AG's risk management focuses on the protection of its assets. As part of its corporate management approach, the Management Board also bases its activities primarily on three further important criteria. These are risk-aware behavior as part of Group steering, stringent adherence to regulatory norms and compliance regulations, and the transparent publication of risks.

These principles apply both for MEDISANA AG and for all of the subsidiaries in the individual regions that are involved in the reporting process. Only in this manner can it be ensured within an international group that risks are identified at an early juncture, presented transparently, and consequently also integrated in the same way as opportunities into the planning and decision-making process. The reporting, appraisal and monitoring of risks and opportunities form the indispensable foundation of successful corporate management in the Group.

Identified risks

MEDISANA AG is an internationally operating company, and is consequently unavoidably exposed to a large number of uncertainties and risks, which are presented below.

Macroeconomic risks

Observing economic trends in MEDISANA AG's sales markets plays a critical role since this significantly impacts local demand situations. This allows risks of relevance for the company to be estimated and appraised. A potential recession could feed through to lower demand that could have a negative impact on the company's earnings. A further important factor over recent years is the greater influence exerted by financial markets on economic trends. In times of globalization, the dissemination and speed of information and speculation, as well as their effects on the real economy, have risen enormously.

Sector risks

The health care market is polypolistic; in other words, a large number of providers addresses a large number of buyers. The individual suppliers hold low market shares. The markets are competitive markets. Since the health care market is also a growth market, an ever-increasing number of providers are forcing their way onto this market. Along with established pharmaceutical and medical technology sector companies, participants that are entirely new to the sector are also discovering the health care business. Prices come under pressure where major groups exploit established sales and production structures to offer comparatively low prices through progressive cost reductions. Some MEDISANA AG products are exposed to this type of major pricing pressure. For this reason, the company places a priority on a high level of investments in research and development, as well as a high innovation rate, since this allows margin losses to be avoided. The company constantly seeks product niches, develops its existing products further, or improves design.

Demographic trends, particularly in industrial nations, as well as the general economic situation, are feeding through to international competition for highly qualified technical and managerial staff. This lack of technical staff will intensify even further over the medium to long term. For MEDISANA AG, this generates the risk that it cannot fill job vacancies, particularly engineering positions, and especially in medical technology areas. Through targeted personnel development, the company endeavors to target the loyalty of technical and managerial staff to the company, and also expand its personnel base through acquisitions.

Operational risks

As a manufacturing company, MEDISANA AG depends on functioning supplier relationships. Only in this way can products be manufactured on time and to high quality levels. MEDISANA AG constantly reviews its information and purchasing process, and adjusts it where necessary, in order to avoid supply bottlenecks and delays that can lead to production stoppages. MEDISANA AG constantly monitors trends in relevant raw materials prices. Together with the careful selection of business partners regarding their ability to fulfill contracts, this operating risk is minimized as far as possible.

Calculation and cost risks increase for the company when order volumes rise. In this context, erroneous calculations can result in a lack of planned sales revenues, additional expenses, and contractual penalties arising from delayed deliveries.

In the area of research and development, and the approval of new products, the company is also exposed to risks in the compliance with far-reaching EC directives, the German Medical Product Act, and various countries' approvals requirements, which can slow the rate at which process steps are reached.

In order to provide cover against liability risks that can arise as part of normal business activities due to damage and loss cases, MEDISANA has entered into extensive insurance policies, the terms of which are continuously examined and adjusted where required.

The risk also exists that developed products are removed from the product range for technical or business reasons, budgets are exceeded, or products that have already been developed are not approved for launch, or fail to achieve their hoped-for commercial success. The company counters this risk in collaboration with partners, customers, and, not least, its own innovation processes, which precisely analyses and assess the efficiency, prospects of success, and general environment for research projects. MEDISANA AG enters into dialogue with respective interest groups at an early product development stage.

Financial risks

MEDISANA AG is an internationally operating company. A stable financial basis is of great significance since, as a consequence of the 2008/2009 recession, banks do not grant loans until they have first conducted extensive reviews. Requirements in terms of available equity have also risen. Along with performing capital increases, and permanent adjustments to financing agreements and payment targets with banks and supplies, MEDISANA focuses on reducing working capital (including through the utilization of factoring), and on measures to achieve greater profitability. MEDISANA AG is financed sufficiently to invest in further growth due to its equity ratio being above the sector average, and due to its adequate credit lines (especially for merchandise financing). Its existing bank credit lines are short-term in nature in order to create an optimal financing structure, and are currently fixed until August 19, 2013. Work is also currently underway on a placing of treasury shares, an issue of new shares as part of approved capital, and on further measures to improve the financial position.

The controlling function continues to provide a far-reaching preview of the most important monthly planning and earnings quantities, which are analyzed and updated accordingly. We also subject changes the debtors' position to constant controlling. Liquidity risks are monitored and managed as part of short- and long-term budgeting.

Currency and interest-rate risks

MEDISANA AG purchases some of its resources and products from the Asian region, where they are ordered on a US Dollar basis.

Currency risks exist in the case of exchange-rate fluctuations between the Euro and the US Dollar. A 1 cent improvement in the exchange-rate feeds through to a 0.74 percent purchasing price reduction, while a 1 cent deterioration in the rate increases purchasing prices by 0.75 percent.

Forward-plus contracts are primarily utilized to limit such risks at the liability portfolio level. Such derivative financial instrument contracts are concluded with German banks of impeccable credit standing, and serve exclusively to hedge currency risks. The valuation of derivatives measured at fair value can be found in the notes to the annual financial statements. The financial position included no currency derivatives as of December 31, 2012, however

.

An interest-rate risk also exists due to potential changes to market interest rates. In the case of fixed-interest financial assets, such changes can feed through to a change in fair value, and, in the case of variable-rate financial instruments, to fluctuations in interest payments. Among other instruments, interest-rate swaps are entered into to hedge such risks. It is nevertheless impossible to fully hedge interest-rate risk due to the fluctuating utilization of credit lines, and also with regard to supplier loans.

Default risks

All production and supply operations entail default risks, as is also the case with MEDISANA AG. Such default risks generally affect trade receivables. MEDISANA AG counters these risks through detailed credit checks on its customers, and merchandise credit insurance.

Default risk is also transferred to a factoring company that collaborates with a renowned business bank. Also when selecting business banks, the company aims to exclude default risk by working together with banks that are „too big to fail". As far as the hedging of residual risks is concerned, valuation adjustments are applied to trade receivables, which are monitored constantly, and adjusted where required. MEDISANA AG has adapted its internal monitoring to requirements, and fulfills its obligation to conduct optimal supervision.

Regulatory and political risks

Laws and directives at EU or country level exert an impact on MEDISANA AG and its business. The health care sector is particularly affected by legislative changes. Individual amendments result in changes to product requirements, which are overlooked until a late stage because of their high degree of complexity. To these are added barriers to market entry in many countries, for instance in the area of taxes and import regulations. In the Management Board's assessment, there are nevertheless currently no foreseeable or expected notable effects arising from legal risks on the company's net assets, financial position and results of operations. MEDISANA AG endeavors to minimize legal risks through constantly consulting lawyers, and by concluding corresponding insurance policies.

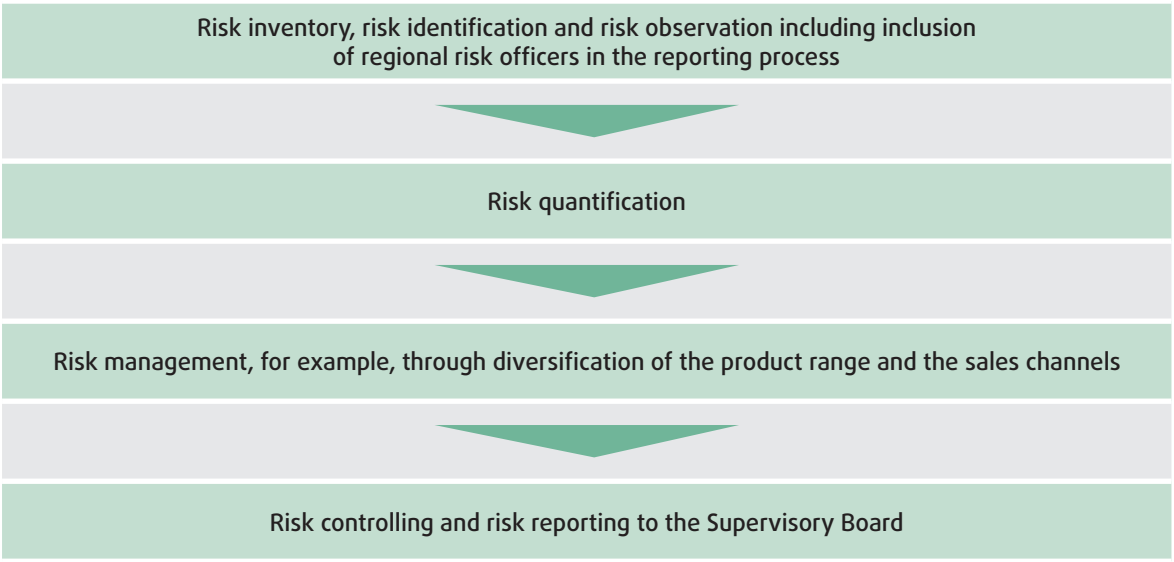
Evaluation of overall risk

MEDISANA AG's risks position in the 2012 reporting year is unchanged compared with the previous financial year. It is currently very difficult to gauge the effects of the EU debt crisis and economic trends, consumers' spending propensity, banks' preparedness to provide funding, the solvency of suppliers and customers, as well as volatility on currency and raw materials markets. MEDISANA AG hedges against these risks through its established risk management system to the extent that is currently foreseeable and possible. As a consequence, the Management Board notes that there is no identifiable going-concern risk to the company.

Risk management process

Risk management is aimed at ensuring an efficient basis to limit risks. As a consequence, MEDISANA AG's risk policy supports sustainable growth through the management and avoidance of inappropriate risks, utilizing a number of mutually coordinated risk management and controlling systems. These mutually coordinated systems help the management to identify risky developments at an early juncture, and to launch appropriate countermeasures. Special weighting is given to controlling and internal reporting, which enable the conducting and processing of corporate processes to be supervised regularly and precisely. The risk management system in combination with the reporting system also ensures prompt information for the Supervisory Board, which allows the Supervisory Board to fulfill its supervisory and consultative function in a targeted manner.

The entire process can be summarized in the following steps:



The Management Board is convinced that MEDISANA AG operates a risk management system that comprises all corporate activities, and which enables and ensures permanent and systematic procedures based on a defined risk strategy.

Basic aspects of the internal controlling system

The company understands its internal controlling system as the entirety of all controlling systems that are deployed to ensure the attainment of corporate objectives. The mutually coordinated principles, procedures, regulations, methods and measures that the company's management has introduced within the company are stringently oriented to the organizational implementation of the management decisions. The internal controlling system also aims to secure the economic efficiency of business operations, and to properly report, process and document business transactions. These controlling mechanisms' declared objectives also include reliable financial accounting, the correct accounting reporting, preparation and assessment of corporate matters, and compliance with legal regulations applicable to the company.

In doing so, the controlling system ensures that all relevant information is fully and correctly available for the correct recipients in good time, stocktaking is performed properly, corresponding measures are instigated where differences arise, assets and liabilities are appropriately recognized, reported and measured in the financial statements, and that statutory regulations, the articles of incorporation, internal guidelines, as well as contracts and agreements are adhered to.

MEDISANA AG's internal controlling system is anchored within the organizational structure on the basis of clearly defined responsibilities. MEDISANA AG's Management Board ensures that its divisions are managed on the basis of Group interests.

Preconditions, requirements, targets as well as reporting, management and controlling procedures, and controlling measures are defined for all important business processes within the Group companies. This particularly applies to IT-supported safeguards, and general implementation of the „two sets of eyes" principle supplemented by high level controls.

IV. KEY EVENTS AFTER THE BALANCE SHEET DATE

The Management Board assumes that 630,000 treasury shares and a further 830,000 new shares from approved capital can soon be placed. The Management Board anticipates around EUR 3 million of cash inflows from these measures.

V. FORECAST AND OPPORTUNITIES; OUTLOOK

General conditions: General economic outlook

Economic prospects in Germany worsened at the end of 2012. Difficult adjustment recessions in the Eurozone and the slowdown of the global economy play a decisive role in this context. It is assumed that the rate of economic growth will fall given the difficult economic situation in parts of the Eurozone and the broadly felt uncertainty.

For Germany, however, it is anticipated that the phase of economic weakness will not last too long, and that it can soon return to its growth path given the economy's good structural condition and competitiveness. This nevertheless critically presupposes that the global economy recovers momentum, the Eurozone reform process advances further, and no major negative surprises occur. Consumption and investment in Germany will also exert a significant impact.

Most economic researchers recently downgraded their economic growth forecasts, although they are not assuming a recession will occur. The Euro crisis represents one of the major risks to the global economy as far as these researchers are concerned. For example, the Kiel Institute for the World Economy (IfW) and the RWI in Essen forecast that Germany will report 0.3 percent growth this year, the Organization for Economic Cooperation and Development (OECD) cut its forecast from 2 percent growth to 0.5 percent, and the Bundesbank and the Ifo Institute in Munich anticipate 0.7 percent growth. We believe that the German federal government will follow

suit. Its official forecast nevertheless dates back to the autumn when it predicted 1 percent growth. The Bundesbank anticipates a resumption of significantly stronger growth in 2014.
German company bosses also share this cautiously optimistic assessment according to the Ifo Institute's Business Climate Index. Expectations for the next months have improved considerably. New order intake shows signs of stabilization.

Sector trends

The health care market remains a growth market, offering outstanding prospects to export-oriented companies in Germany, particularly from the pharmaceuticals and medical technology sectors. The German health care market should grow by 3.5 percent per annum in the medium to long term, according to a study by Deutsche Bank. The rising number of older citizens, the major potentials offered by medical technology progress, the high level of health awareness, growth in chronic and mental illnesses, and further increases in incomes comprise this market's key drivers, according to Deutsche Bank's analysts.

For example, the number of individuals suffering from diabetes currently amounts to 371 million worldwide, with this figure is set to increase by a further 280 million by 2030, according to figures provided by the IDF (international Diabetes Federation). India and China, in particular, are to be affected in this context. In these countries, 63 million and 90 million individuals respectively suffer from diabetes, with a rising trend, according to the IDF. Sales on the diabetes market are set to grow by 66 percent to USD 58 billion by 2018 alone.

The global health care market is set to grow by around 6 percent per year on average until 2030, according to a study published by Deutsche Bank. In particular, per capita spending on health care services will grow by 13 percent per annum in Russia, 13 percent in Vietnam and 12 percent in China. The global market volume will grow to EUR 380 billion by the start of the next decade according to these forecasts.

The Mobile Health area continues to gain further important on the health care market. A study produced by management consultants PricewaterhouseCoopers forecasts high growth rates. The experts anticipate a market volume of USD 4.5 billion globally in 2013, which is set to grow to as much as USD 23.0 billion in this area alone by 2017.

Revenue and earnings forecast

Significant feedback at the CES in Las Vegas and at the ISPO in Munich signals that mobile health carries the potential to become a megatrend.

The Management Board is convinced that MEDISANA AG will participate accordingly. Locating further cooperation partners, the tapping of new sales channels, and the continuous improvement and expansion of products in all segments are decisive for continued success.

The years 2013 and 2014 will also deliver some further innovations, whereby the company aims to expand the sport and wellness area, along with optimizing the existing product portfolio.

MEDISANA AG already took the first step in early 2013 with the MIO Alpha, the first wrist-worn heart rate monitor without chest strap and finger sensor, which will be especially reflected in the Germany and Rest of Europe

segments. A boost to activities abroad, along with the ongoing development improvement of its own products, are critical to MEDISANA's further success.

Based on previous experience with mobile health care products, and the expansion of the product range in the sports area, the Management Board anticipates revenue growth of at least 10 percent in all segments in each of the next three financial years. The company regards itself as sufficiently financed for this anticipated growth with its existing equity and debt funding, as well as its free credit lines.

When taking into account the past years' investments in technology and products, the Management Board expects to achieve better results in the 2013 financial year, and to return to profitability by the subsequent year at the latest.

MEDISANA AG's current positioning on relevant markets forms the foundation for the aforementioned revenue and earnings forecasts. If the economic situation were to deteriorate, and were risks to materialize, these revenue and earnings forecasts would need to be adjusted correspondingly, as also in the case of any acquisitions, investments or disposals. Accordingly, this management report contains forward-looking statements that are based on current expectations, assumptions and information, and these statements consequently do not represent fixed guarantees of future results.

Neuss, im April 2013

Ralf Lindner	Marco Getz	Dr.-Ing. Heinrich Komesker
CEO	CFO	CTO
of MEDISANA AG	of MEDISANA AG	of MEDISANA AG

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MEDISANA AG (GROUP) BALANCE SHEET AS OF DECEMBER 31, 2012

€	Note	31/12/2011	31/12/2012
ASSETS			
Non-current assets	**(1)**	**5,480,731**	**5,471,043**
Goodwill	(2)	1,138,524	1,138,524
Intangible assets	(2)	2,025,861	2,491,611
Property, plant and equipment	(3)	901,818	785,356
Financial assets	(6)	76,958	11,171
Other receivables	(7)	60,951	52,587
Tax reimbursement claims	(8)	52,321	42,574
Deferred tax assets	(9)	1,224,298	949,220
Current assets		**27,021,078**	**28,947,378**
Inventories	(5)	11,922,516	13,461,260
Financial assets	(6)	2,719,214	3,615,913
Trade receivables	(7)	8,499,782	8,778,751
Other receivables	(7)	927,403	748,727
Tax reimbursement claims	(8)	144,216	113,017
Liquid assets	(10)	2,807,947	2,229,710
		32,501,809	**34,418,421**

MEDISANA AG (GROUP) BALANCE SHEET AS OF DECEMBER 31, 2012

€	Note	31/12/2011	31/12/2012
EQUITY AND LIABILITIES			
Equity		**10,946,933**	**7,988,400**
Of which attributable to non-controlling shareholders		10,405,828	7,148,886
Capital stock	(11)	7,800,327	7,800,327
Capital reserves	(11)	27,903,412	28,010,028
Balancing item for currency conversion	(11)	-425,213	-447,278
Retained earnings		-24,502,267	-25,456,667
Profit/loss for the year		-370,431	-2,757,524
Non-controlling shareholders	(12)	541,105	839,514
Non-current liabilities		**6,147,733**	**3,951,548**
Pension provisions	(13)	108,477	120,362
Other provisions	(14)	41,600	46,704
Deferred tax liabilities	(9/15)	997,656	784,482
Financial debt	(16)	5,000,000	3,000,000
Current liabilities		**15,407,143**	**22,478,473**
Pension provisions	(13)	18,407	10,473
Other provisions	(14)	1,545,577	1,336,029
Tax liabilities	(15)	26,841	26,282
Financial debt	(16)	2,193,893	5,345,185
Trade payables	(16)	9,941,273	13,991,027
Other liabilities	(16)	1,681,152	1,769,477
		32,501,809	**34,418,421**

MEDISANA AG (GROUP) STATEMENT OF INCOME FOR FINANCIAL YEAR 2012

€	Anhang	2011	2012
Sales revenue	(17)	**47,270,390**	**41,807,607**
Cost of sales	(18)	-35,966,763	-30,254,081
Gross profit/loss		**11,303,627**	**11,553,526**
Purchasing and stockkeeping	(19)	-3,283,426	-2,875,704
Sales and marketing	(19)	-6,870,896	-6,775,309
Administration	(19)	-4,739,011	-4,555,229
Other operating expenses	(20)	-1,121,316	-306,820
Other operating income	(21)	4,331,887	584,971
EBIT		**-379,135**	**-2,374,565**
Interest income	(22)	80,166	35,744
Interest expenses	(22)	-768,241	-432,079
Profit/loss before income taxes (EBT)		**-1,067,210**	**-2,770,900**
Income taxes	(23)	171,039	-215,200
Net profit/loss including non-controlling shareholders		**-896,171**	**-2,986,100**
of which attributable to non-controlling shareholders	(24)	-525,740	-228,576
of which attributable to Medisana AG shareholders (consolidated net result)		**-370,431**	**-2,757,524**
Basic / diluted earnings per share (in EUR)	(25)	**-0.05**	**-0.35**

MEDISANA AG (GROUP) STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEAR

(Please refer to notes 11, 12)

€	2011	2012
Net profit/loss including non-controlling shareholders	**-896,171**	**-2,986,100**
of which attributable to non-controlling shareholders	-525,740	-228,576
of which attributable to Medisana AG shareholders	-370,431	-2,757,524
Change in balancing item from currency translation of foreign subsidiaries	-110,699	-20,601
Amount from currency translation reclassified to income statement	-173,212	-
Change in amount reported in equity (currency translation)	**-283,911**	**-20,601**
Total comprehensive income (= total of earnings after tax and value changes reported in equity)	**-1,180,082**	**3,006,701**
of which attributable to non-controlling shareholders	-529,113	-238,429
of which attributable to Medisana AG shareholders	-650,969	-2,768,272

MEDISANA AG (GROUP) CASH FLOW STATEMENT FOR FINANCIAL YEAR 2012

(Please refer to note 26)

€	2011	2012
Net profit/loss	-896,171	-2,986,100
Depreciation and amortization (note 1)	1,064,465	874,366
Other non-cash expenses and income	-1,008,122	145,313
Net interest result	688,075	396,335
Tax result (excluding deferred tax)	47,007	152,668
Change in inventories	858,050	-1,538,744
Change in receivables, payables (excluding financing charges)	-116,626	2,590,855
Change in provisions	270,052	-200,493
Paid income taxes	-171,167	-191,508
Interest payments received	53,045	83,989
Paid interest	-644,183	-394,218
Interest payments received	76,537	7,580
Cash flow from operating activities	**220,962**	**-1,059,957**
Investments in non-current assets	-1,426,060	-1,267,666
Proceeds from the disposal of intangible assets and property, plant and equipment	12,259	39,744
Proceeds from the sale of consolidated companies	1,826,300	0
Cash flow from investing activities	**412,499**	**-1,227,922**
Capital increase at parent company	2,681,000	0
Distribution to third parties	0	-58,448
Current financial debt	-2,253,314	73,881
Non-current financial debt	1,900,000	-500,000
Cash flow from investing activities	**2,327,686**	**-484,567**
Net change in liquid assets	**2,961,147**	**-2,772,446**
Liquid assets January 1	-4,169,989	1,638,947
Differences from change to consolidation scope	2,819,139	0
Changes in liquid assets due to exchange rates	28,650	-32,243
Liquid assets December 31 (notes 10, 16, 26)	**1,638,947**	**-1,165,742**

MEDISANA AG (GROUP) **STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEARS 2012 AND 2011**

(Please refer to notes 11, 12)

€	Capital stock	Capital reserves	Balancing item for currency conversion	Retained earnings	Attributable to Medisana AG shareholders	Attributable to non-controlling shareholders, including OCI*	Total
Balance on January 1, 2011	**7,664,327**	**25,846,256**	**-146,732**	**-24,027,710**	**9,336,141**	**1,262,059**	**10,598,200**
Changes reported directly in equity (OCI)*			-105,269	-2,057	-107,326	-3,373	-110,699
Change in consolidation scope			-173,212		-173,212		-173,212
Net profit/loss				-370,431	-370,431	-525,740	-896,171
Changes from comprehensive income	**0**	**0**	**-278,481**	**-372,488**	**-650,969**	**-529,113**	**-1,180,082**
Equity transactions with shareholders							
- Stock option program		142,155			142,155		142,155
- Capital increase at Medisana AG	766,000	1,915,000			2,681,000		2,681,000
- Purchase of treasury shares	-630,000			-472,500	-1,102,500		-1,102,500
Purchase of minorities					0	-136,561	-136,561
Change in consolidation scope					0	-55,280	-55,280
Other changes	**136,000**	**2,057,155**	**0**	**-472,500**	**1,720,656**	**-191,841**	**1,528,814**
Balance on December 31, 2011	**7,800,327**	**27,903,411**	**-425,212**	**-24,872,698**	**10,405,828**	**541,104**	**10,946,932**
Changes reported directly in equity (OCI)*			-22,066	11,317	-10,749	-9,852	-20,601
Net profit/loss				-2,757,524	-2,757,524	-228,576	-2,986,100
Changes from comprehensive income	**0**	**0**	**-22,066**	**-2,746,207**	**-2,768,273**	**-238,428**	**-3,006,701**
Equity transactions with shareholders							
- Stock option program		106,617			106,617		106,617
Change in consolidation scope				-595,286	-595,286	595,286	0
Dividend payout					0	-58,448	-58,448
Other changes	**0**	**106,617**	**0**	**-595,286**	**-488,669**	**536,838**	**48,169**
Balance on December 31, 2012	**7,800,327**	**28,010,028**	**-447,278**	**-28,214,191**	**7,148,886**	**839,514**	**7,988,400**

* OCI = Other comprehensive income

BASIS OF ACCOUNTING

GENERAL INFORMATION

Medisana AG, with its registered office in Neuss, Germany, is the parent company of the MEDISANA Group, and a public limited company under German law. The company is listed in the commercial register of the local district court in Düsseldorf (commercial register sheet number 16348)/Germany.

The MEDISANA Group develops, markets, and sells high-quality devices in the home health care and mobile health care area. The devices are manufactured in Asia and Europe, and the administrative headquarters are located in Neuss, Jagenbergstr.19 (Germany). In Germany, products are distributed through large retailers and specialist shops. Elsewhere, products are distributed through the foreign subsidiaries, as well as through sales partners.

The consolidated financial statements were prepared in Euros. Unless otherwise stated, all amounts in the notes to the consolidated financial statements are stated in thousands of Euros (TEUR). Within the individual components of the consolidated financial statements, rounding differences have occurred as a result of decimal places. This also applies to all the data in the notes presented in TEUR. All of the reported figures have been commercially rounded.

BASIS OF ACCOUNTING

The consolidated financial statements are prepared according to IFRS, as applied in the EU, and also applying the regulations of Section 315a (1) of the German Commercial Code (HGB). They also comply with IFRSs and IFRICs coming into mandatory force, and recognized by the EU, as of the balance sheet date.

The financial statements of Medisana AG and of its subsidiaries are included in the consolidated financial statements in compliance with recognition and measurement methods that are applicable uniformly across the Group. They are prepared as of the reporting date of the consolidated financial statements. The assets and liabilities are divided into non-current items – where they are due in more than one year – and current, depending on their due dates.

The IFRS consolidated financial statements are based on amortized cost unless IFRS stipulates otherwise (e.g. derivatives at fair value). The consolidated income statement is prepared using the cost of sales format. In preparing the consolidated financial statements, we assume that the company is a going concern. We are not aware of any indications to the contrary.

SCOPE OF CONSOLIDATION

Besides Medisana AG, all domestic and foreign subsidiaries in which Medisana AG directly or indirectly controls the majority of the voting rights are included in the consolidated financial statements. Initial consolidation and deconsolidation occurs on the date when control is transferred.

Along with Medisana AG, Neuss, Germany, as the parent company, the consolidation scope comprises 12 subsidiaries, including second-tier subsidiaries, of which three are located in Germany, six in European countries outside Germany, and three in countries outside Europe.

The winding-down of the company Medisana Saglik Ürünleri Ltd. i.L., Istanbul, was completed in the financial year under review. This second-tier subsidiary was deconsolidated with effect as of January 1, 2012 accordingly.

With effect as of October 16, 2012, the non-controlling shareholders of Royal Appliance España S.L., Madrid (Spain) were excluded from the company without settlement. Correspondingly, the Group share – which Medisana Healthcare S.L., Terrassa (Spain) holds directly – increased from 66.6% to 100.0%.

The scope of consolidation change correspondingly from 14 to 13 Group companies in the financial year under review

	31/12/2011	Additions	Disposals	31/12/2012
Fully consolidated companies				
- of which in Germany	4	0	0	4
- of which abroad	10	0	1	9

Consolidated companies of the MEDISANA Group as of December 31, 2012

Gesellschaft	Consolidated since	Group interest in percent
Medisana AG; Neuss (Germany)		Parent company
Medisana Far East Ltd.; Hong Kong (China)	05/07/2000	51.0
– Medisana Trading (Shenzhen) Ltd.; Shenzhen (China)	27/01/2010	*51.0
Medisana USA Inc.; Charlotte, NC (USA)	01/01/2000	100.0
Medisana Health Care, S.L.; Terrassa (Spain)	01/01/2000	100.0
– Royal Appliance España S.L.; Madrid (Spain)	01/10/2010	*100.0
Medisana Hellas Ltd., Heraklion (Greece)	01/01/2001	51.0
Medisana Benelux NV, Kerkrade (Netherlands)	01/01/2001	100.0
Medisana Healthcare UK Ltd., London (United Kingdom)	01/04/2003	100.0
Promed GmbH kosmetische Erzeugnisse; Farchant (Germany)	01/10/2005	66.8
– Nova Vertriebs- und Marketing GmbH, Oberau (Germany)	01/10/2005	*66.8
Medisana Space Technologies GmbH; Düsseldorf (Germany)	14/05/2007	75.0
Medisana RUS OOO.; Moscow (Russia)	01/10/2009	100.0

* Indirect Group interest

CORPORATE ACQUISITIONS

No corporate acquisitions occurred in the 2012 financial year.

Due to its liquidation having been completed, the company Medisana Saglik Ürünleri, Istanbul (Turkey) was deconsolidated with effect as of January 1, 2012.

BASIS FOR CONSOLIDATION

All subsidiaries where Medisana AG directly or indirectly controls the majority of voting rights are included in the consolidated financial statements of Medisana AG. Investments in joint ventures and associated companies do not exist.

Subsidiaries are initially consolidated from the date on which the purchaser acquires actual control over the acquired enterprise.

The capital consolidation of the subsidiaries is performed using the purchase method. In this context, the acquisition costs of the purchased shares are compared with the proportional remeasured equity of the respective subsidiary on the date when control is transferred. Purchase costs comprise the fair values of assets rendered for the purchase, the acquired liabilities, and any equity instruments that are issued by the purchaser as consideration, as well as, in the case of acquisitions until December 31, 2009, costs directly attributable to the purchase. If purchase costs exceed the acquired proportional net assets, the positive difference is capitalized as goodwill. Hidden reserves and charges, which are disclosed on the remeasurement of acquisitions, and which not attributable to non-controlling shareholders, are reported in the balancing item for non-controlling shareholders in equity. Increases in interests in companies that are already fully consolidated are carried directly to equity as transactions between owners.

The effects of Group-internal business transactions are eliminated. Receivables, loans, provisions and payables between consolidated entities are offset against each other as part of the consolidation of liabilities. Intragroup gains in inventories of consolidated companies are also consolidated, as are dividend receipts and intragroup expenses and income. Deferred taxes are formed for temporary differences arising on consolidation, to the extent that they are not attributable to goodwill.

CURRENCY TRANSLATION

The annual financial statements of the foreign Group companies in the USA, United Kingdom, and Russia, as well as in China and Hong Kong, are translated into Euros using the functional currency concept. The balance sheet was translated using the average exchange rate on the balance sheet date. An exception to this is equity, which is recognized at historic rates. The income statement was translated using year-average exchange rates. Resultant translation differences and those arising from the currency translation on capital consolidation and on balances carried forward from the preceding year are reported directly in equity.

The consolidated financial statements were prepared in Euros. In relation to the Euro, the exchange rates have changed as follows:

Exchange rates in €					
		Mid-rate on the balance sheet date		Year-average rate	
		31/12/2011	31/12/2012	2011	2012
USA	1 USD	0.7710	0.7567	0.7188	0.7781
UK	1 GBP	1.1933	1.2220	1.1522	1.2330
China	1 CNY	0.1213	0.1198	0.1111	0.1231
Hong Kong	1 HKD	0.0994	0.0975	0.0923	0.1003
Russia	1 RUB	0.0240	0.0248	0.0244	0.0250

ACCOUNTING METHODS

Acquired **intangible assets** are measured at cost less straight-line or performance-based amortization over the course of their useful life, and, if necessary, less impairment charges. If evidence of impairment exists, and the recoverable amount is less than the amortized cost, impairment charges are applied to intangible assets. Assets with indefinite useful lives are subjected to annual impairment tests, and a review of the indefinite useful life hypothesis. Amortization applied to concessions and industrial property rights is based on useful lives of between 3 and 20 years. Intangible assets acquired as part of mergers are measured on acquisition at their fair value as of the acquisition date.

Internally generated intangible assets are capitalized according to the preconditions of IAS 38 to the level of development expenses incurred, and amortized on a straight-line basis in line with the useful lives for acquired intangible assets.

Subsequent measurement of intangible assets is performed according to the cost model pursuant to IAS 38.74. If the reasons for impairment charges no longer apply, corresponding reversals to impairment charges are performed.

Purchase software is recognized at cost, and amortized over a useful life of between 3 and 5 years.

Annual impairment tests based on cash generating units are applied to **goodwill** arising on consolidation. In line with the management approach, Medisana's subsidiaries comprise its cash generating units. This is calculated based on fair value less costs to sell, which is calculated based on management-approved planning. An impairment is expensed immediately, and is not reversed in subsequent periods.

Property, plant and equipment are measured at cost less scheduled depreciation and, if required, less impairment charges. Subsequent measurement applies the purchase cost model pursuant to IAS 16.30. Property, plant and equipment are generally depreciated on a straight-line basis over their prospective useful lives unless, in exceptional cases, another depreciation method better corresponds to the course of use.

Property, plant and equipment are regularly depreciated over the following economic useful lives (years):

Technical equipment and machines	3-5
Other equipment, fixtures, fittings and equipment	4-10

If evidence of impairment exists, and the recoverable amount is less than the depreciated cost, impairment charges are applied to property, plant and equipment. If the reasons for impairment charges no longer apply, corresponding reversals to impairment charges are performed.

Deferred tax is formed for temporary recognition and measurement differences between the IFRS accounts and the individual companies' tax accounts. Deferred tax assets also comprise tax reduction claims arising from the anticipated future utilization of existing tax loss carryforwards, and whose realization is probable. Deferred tax is calculated on the basis of the tax rates expected on the realization date. The prerequisite for this is a measurement of the trend of taxable earnings contained in the medium-term income planning of the relevant company. If there is evidence that the future earnings can no longer be achieved, write-downs are performed to the achievable value. If the company has reported a number of losses in the recent past, deferred tax assets are recognized only to the extent that sufficient taxable temporary differences are available, or to the extent that there are convincing and substantial indications that sufficient taxable earnings will be available. These items are reported among non-current assets and liabilities.

As in the previous year, tax rates of between 30% and 32% (previous year: between 28% and 34%) are applied to German taxes. Tax rates of between 16% and 34% are applied to foreign tax rates, as in previous years. Deferred taxes arising on consolidation continue to be measured applying a 30% tax rate.

Income tax reimbursement claims and income tax liabilities are recognized at nominal value. Amounts with a residual duration of more than one year are discounted using the effective interest method.

Inventories are recognized at cost, including incidental acquisition costs, on the basis of average prices. Production costs include costs directly attributable to the production process, as well as appropriate portions of production-related overhead costs. The latter include materials and manufacturing costs, including production-related depreciation charges, among other items. Inventories are measured at the lower of cost and net realizable value less costs to sell. Inventory risks in connection with reduced usability are reflected through appropriate valuation allowances. If the net realizable value of previously devalued inventories has risen, the resultant reversal is reported as a reduction in the cost of sale. Inventories disposals are also reported as sales costs. Financing costs are not included.

Receivables and financial assets in the loans and receivables category are recognized at their nominal value on the trade date, and subsequently measured at amortized cost. Specific risks identifiable as a result of their being overdue, or through other indications, are reflected through appropriate valuation adjustments. Where a receivable has been defaulted upon, related adjustments are booked against the receivables. Amounts denominated in foreign currencies are measured at the mid-rate as of the balance sheet date. Resultant valuation fluctuations are expensed. Receivables with maturities of more than one year, which carry no interest, or low rates of interest, are discounted using the effective interest method. Net gains or losses are calculated using receivables defaults and valuation adjustments, as well as amounts arising from currency translation.

The item reported under **liquid assets** acontains quickly available monetary funds in the form of bank accounts in credit and cash holdings. They are measured at fair value, which corresponds to their nominal amount.

Capital stock and capital reserves are recognized to the level of payments received for the acquisition of Medisana shares, and the premium in Group companies attributable to Medisana AG. Changes arise from the sale and purchase of treasury shares by the company. Direct costs for raising equity are deducted from capital reserves. Employee options settled by shares are measured at market value on the issue date, and the proportional periodic expense is reported on a cumulative basis as an increase to capital reserves.

Stock options (share-based compensation transactions settled by equity instruments) are measured at fair value on the vesting date. Such fair value is determined by common valuation procedures such as the binomial model. The fair value of the obligation is reported as personnel expenditure over the vesting period. Exercise terms that are unconnected with market conditions are taken into account in assumptions concerning the number of options expected for exercise. Obligations arising from share-based cash-settled compensation transactions are recognized as liabilities, and measured at fair value on the date when the obligation is entered into. The personnel expenses are also reported over the vesting period.

The **balancing item from currency translation** reflects changes that have occurred due to exchange rate fluctuations in the acquired equity of subsidiaries denominated in foreign currencies between the date of initial consolidation and the balance sheet date. This item also contains exchange-rate differences arising from the translation of local financial statements denominated in foreign currencies between the balance sheet and the income statement, as well as exchange-rate effects relating to foreign Group subsidiaries' profits carried forward.

Retained earnings show prior periods' results carried forward to a new account. In the year under review, the purchase of treasury shares was offset if the amount exceeded the shares' nominal value.

The **non-controlling interests** strepresent the interests of non-controlling shareholders in the capital and earnings of subsidiaries, including currency translation effects attributable to the non-controlling shareholders.

Pension provisions ware calculated applying the project unit credit method in the case of defined benefit pension plans. In this case, the scope of the obligation is calculated based on expected future salary and pension increases, as well as further actuarial assumptions. Actuarial gains or losses occur where there are deviations between actuarial assumptions and the actual trend of the underlying calculation parameters. These result in a divergence between the defined benefit obligation and the provision recognized in the balance sheet. Actuarial gains and losses lying outside a 10% margin of the defined benefit obligation are distributed over the average remaining service period. The service expense is reported among personnel expenditure, and the interest proportion of the addition to the provision is reported in the interest result.

Reinsurance qualifying as **plan assets** is measured at market value, and offset with pension provisions.

Other provisions are formed if a past event generates an obligation to third parties that is likely to result in an outflow of assets, and if the burden on assets can be estimated reliably. Provisions are recognized at their probable satisfaction amount (in other words, the most probable value in the case of individual provisions, and the most probable value in the meaning of expected value in the case of collective provisions). Netting with positive profit contributions is not permitted. The fulfillment amount also includes cost increases that require recognition. Non-current provisions are discounted to the present value of expected outgoing payments.

As with financial debt, **trade payables and other liabilities** zare recognized at the time when they arise at fair value less transaction costs, if they are measured at fair value. Over the course of time, the liabilities are measured at amortized cost using the effective interest method. Liabilities denominated in foreign currencies are reported at the mid-rate on the balance sheet date. Net gains or losses include interest income and interest expenses, as well as amounts arising from currency translation.

Sales revenues and other operating income are realized when the services have been rendered, or when the significant opportunities and risks have been transferred to the customer. Sales revenues arise from the sale of products. Sales revenues are measured at the fair value of the consideration received, or to be received, less discounts, rebates etc.

Operating expenses are booked through the income statement when the service is utilized, or when the expense is incurred. Warranty provisions are formed at the time when the corresponding sales revenues are realized. Development expenses are expensed in the year when they arise, to the extent that they are not capitalized pursuant to IAS 38. Interest income and expenses are reported in line with the period in which they are incurred, and are not capitalized.

Derivative financial instruments are measured at fair value through profit or loss. Derivative financial instruments with positive fair values are reported as financial assets, and derivatives with negative fair values are reported as financial liabilities. External bank valuations are used to measure the fair value of derivative financial instruments, whereby we review all valuations assumptions with respect to plausibility. Such valuations make recourse to relevant discounted cash flow and Black & Scholes valuation models. The parameters required by such valuations exclusively comprise values measurable on the market. Net gains and net losses arise from the related expenses and income due to market value changes, and from realized results.

Receivables, liabilities, debts and derivative financial instruments are booked on their trade dates. Such items are derecognized when they expire, or when the contractual rights to cash streams from a financial instrument expire, or when all opportunities and risks transfer to a third party. Interim valuation changes are calculated as net gains or net losses to the relevant category.

Borrowing costs are expensed immediately, unless they are attributable to the purchase, construction or production of a qualified asset in the meaning of IAS 23.5.

When testing goodwill and intangible assets for impairment, **assumptions and estimates** are made to forecast and discount future cash flows when calculating the recoverable amount of the respective cash generating unit.

The calculation of future tax benefits, which are reflected in the recognition of deferred tax assets, is based on **assumptions and estimates** of future taxable income trends, and of tax legislation in the countries where Group companies are based.

The respective **assumptions and estimates** are based on premises that correspond to the most up-to-date information. Such estimates and the underlying assumptions are reviewed continuously. In the consolidated financial statements, significant estimation assumptions particularly relate to the planning forecast of the future trends of the consolidated companies. The following items are capitalized on this basis: goodwill of TEUR 1,139 (previous year: TEUR 1,139), brand rights of TEUR 656 (previous year: TEUR 656), customer relationships and patents of TEUR 185 (previous year: TEUR 305), and deferred tax assets on loss carryforwards of TEUR 665 (previous year: TEUR 544). Due to changes in interest rates, actual developments may result in amounts that diverge from the estimated figures.

APPLICATION OF REVISED AND NEW STANDARDS AND INTERPRETATIONS

Accounting regulations applied for the first time

The following IASB promulgations were applied for the first time in the year under review:

- Revised version of IAS 1 „Presentation of Financial Statements";
- Revised version of IAS 12 „Income Taxes"

The revision of IAS 1 concerns changes relating to the presentation of other comprehensive income. IAS 12 was amended to include an exemption relating to the measurement of deferred tax liabilities and deferred tax assets arising from investment properties measured at fair value.
All of the aforementioned accounting changes have no effects on the net assets, financial position, results of operations and cash flows of the MEDISANA Group.

ACCOUNTING REGULATIONS NOT APPLIED

For the IFRS consolidated financial statements as of December 31, 2012, no interpretations, new standards or revisions of standards were voluntarily applied that requiring mandatory application for reporting years commencing on or after January 1, 2013. This concerns the following standards and interpretations:

- Revised version of IAS 1 „Presentation of Financial Statements";
- Revised version of IAS 16 „Property, Plant and Equipment";
- Revised version of IAS 19 „Employee Benefits";
- Revised version of IAS 27 „Consolidated and Separate Financial Statements";
- Revised version of IAS 28 „Investments in Associates";
- Amended version of IAS 32 „Financial Instruments: Presentation"
- Amended version of IAS 34 „Interim Reporting";
- Revised version of IFRS 1 „First-Time Adoption of International Financial Reporting Standards";
- Revised version of IAS 7 „Financial Instruments: Disclosures"
- IFRS 9 „Financial Instruments";
- IFRS 10 „Consolidated Financial Statements";
- IFRS 11 „Joint Arrangements";
- IFRS 12 „Disclosure of Interests in Other Entities";
- IFRS 13 „Fair Value Measurement";
- IFRIC 20 „Stripping Costs in the Production Phase of a Surface Mine".

The aforementioned promulgations will be taken into account within the MEDISANA Group for the first time on the date when they require mandatory application. Application of these IFRSs presupposes that the European Union issues its recognition where its recognition is still outstanding. With the exception of the revised version of IFRS 9 „Financial Instruments", all of the aforementioned revisions have already been adopted into European law by the European Union.

These amendments will prospectively have no significant effects on the presentation of the net assets, financial position, results of operations and cash flows of the MEDISANA Group.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) SCHEDULE OF NON-CURRENT ASSETS

Change in non-current assets as of December 31, 2012						
€	Gross amounts					
	01/01/12	Additions	Disposals	Change in consolidation scope	Currency	31/12/12
Goodwill	1,162,870	0	0	0	0	1,162,870
Intangible assets	4,706,846	1,030,684	0	0	24	5,737,554
Property, plant and equipment	3,677,048	237,342	77,354	0	-384	3,836,652
Total	**9,546,764**	**1,268,026**	**77,354**	**0**	**-360**	**10,737,076**

Change in non-current assets as of December 31, 2011						
€	Gross amounts					
	01/01/11	Additions	Disposals	Change in consolidation scope	Currency	31/12/11
Goodwill	5,097,648	0	0	-3,829,200	-105,577	1,162,870
Intangible assets	5,817,736	820,084	0	-1,879,163	-51,812	4,706,846
Property, plant and equipment	4,437,494	605,977	22,779	-1,313,572	-30,072	3,677,048
Total	**15,352,878**	**1,426,060**	**22,779**	**-7,021,935**	**-187,461**	**9,546,763**

	Depreciation/amortization						Net amounts	
	01/01/12	Additions	Disposals	Change in consolidation scope	Currency	31/12/12	31/12/11	31/12/12
	24,345	0	0	0	0	24,345	1,138,525	1,138,525
	2,680,985	564,959	0	0	-1	3,245,944	2,025,860	2,491,610
	2,775,229	309,407	33,056	0	-283	3,051,297	901,818	785,356
	5,480,560	**874,366**	**33,056**	**0**	**-284**	**6,321,585**	**4,066,204**	**4,415,491**

	Depreciation/amortization						Net amounts	
	01/01/11	Additions	Disposals	Change in consolidation scope	Currency	31/12/11	31.12.10	31/12/11
	151,782	0	0	-124,017	-3,419	24,345	4,945,866	1,138,525
	3,758,393	516,366	0	-1,554,246	-39,528	2,680,985	2,059,343	2,025,860
	2,754,516	548,101	2,704	-525,830	1,146	2,775,229	1,682,978	901,818
	6,664,691	**1,064,467**	**2,704**	**-2,204,093**	**-41,801**	**5,480,560**	**8,688,187**	**4,066,204**

(2) GOODWILL AND INTANGIBLE ASSETS

The reported goodwill is split as follows:

T€	31/12/2011	31/12/2012
Santec	729	729
Medisana Benelux	342	342
Medisana Hellas	45	45
Promed	23	23
	1,139	**1,139**

The demarcation of Medisana's cash-generating units (CGU's) is based on individual legal units (subsidiaries). The CGUs' budgets are based on revenue expectations entailing revenue growth over the coming years, and from which the cost estimates are derived. No adjustments to the underlying assumptions are currently deemed possible that might result in an impairment.

Goodwill of TEUR 729 is allocated to the „Santec" CGU for 2012 (previous year: TEUR 729). The „Santec" CGU goodwill is reported directly at Medisana AG, since it arose through the merger of Santec with Medisana AG in 2001.

Its fair value less costs to sell was calculated on the basis of discounted cash flow forecasts derived from three-year planning approved by the management. Cash flows after this three-year period are extrapolated applying a 1% per annum perpetual growth rate. The weighted average cost of capital (WACC) derived from capital market data reflects the specific risks entailed in the business operations of the cash generating unit, and amounts to 8.34% after tax for the planning period, and 7.34% for the perpetual return.

Performance of the annual goodwill impairment test for the „Santec" CGU resulted in no impairment loss as of December 31, 2012. If a 1.0% higher WACC (after tax) were used to calculate fair value less costs to sell, no impairment loss would arise ceteris paribus.

Goodwill of TEUR 342 is allocated to the „Benelux" CGU for 2012 (previous year: TEUR 342). Its fair value less costs to sell was calculated on the basis of discounted cash flow forecasts derived from three-year planning approved by the management. Cash flows after this three-year period are extrapolated applying a 1% per annum perpetual growth rate. The weighted average cost of capital (WACC) derived from capital market data reflects the specific risks entailed in the business operations of the cash generating unit, and amounts to 8.36% after tax for the planning period, and 7.36% for the perpetual return.

Performance of the annual goodwill impairment test for the „Benelux" CGU resulted in no impairment loss as of December 31, 2012. If a 1.0% higher WACC (after tax) were used to calculate fair value less costs to sell, no impairment loss would arise ceteris paribus.

Goodwill of TEUR 23 is allocated to the „Promed" CGU, which comprises Promed GmbH, for 2012 (previous year: TEUR 23). The „Promed" trademark right, which is reported as an intangible asset of indefinite useful life, also forms part of the „Promed" CGU (carrying amount and changed as in the previous year: TEUR 656). Since the „Promed"

trademark right itself does not generate cash flows that are independent of the deployment of other assets, it was allocated to the „Promed" CGU for the purposes of IAS 36 impairment testing (IAS 36.74).

Its fair value less costs to sell was calculated on the basis of discounted cash flow forecasts derived from three-year planning approved by the management. Cash flows after this three-year period are extrapolated applying a 1% per annum perpetual growth rate. The weighted average cost of capital (WACC) derived from capital market data reflects the specific risks entailed in the business operations of the cash generating unit, and amounts to 8.34% after tax for the planning period, and 7.34% for the perpetual return.

The annual goodwill impairment tests on December 31, 2012 showed that no impairment charge was necessitated for the „Promed" CGU (and consequently for the goodwill and for the allocated trademark right). If a 1.0% higher WACC (after tax) were used to calculate fair value less costs to sell, no impairment loss would arise ceteris paribus.

Scheduled, performance-based amortization of TEUR 120 (previous year: TEUR 174) was applied to the customer relationships that were capitalized in the 2012 financial year, and which arose from the acquisition of Royal Appliance España, after which its carrying amount amounts to TEUR 185 (previous year: TEUR 305).The remaining amortization period amounts to a maximum of 7 years. As in the previous year, no impairment charges were applied.

The remaining intangible assets are amortized over their useful lives. Amortization of intangible assets amounted to TEUR 565 in the 2012 financial year (previous year: TEUR 516). No impairment charges were applied in the 2012 financial year (previous year: TEUR 0). Amortization is reported according to its category in the functional areas of the income statement.

A further TEUR 1,004 of development work procured from third parties was capitalized in 2012 (previous year: TEUR 799). As a consequence, the gross value as of December 31, 2012 was TEUR 2,794 (previous year: TEUR 1,790). Following straight-line amortization for the year of TEUR 352 (previous year: TEUR 195), the carrying amount as of the balance sheet date was TEUR 1,566 (previous year: TEUR 914). Besides this and amortization, a total of TEUR 86 was expensed through the income statement for research and development in the year under review (previous year: TEUR 232), since such items are allocable to the research area.

Total intangible assets with a carrying amount of TEUR 1,031 were added (previous year: TEUR 820). No disposals were reported in the previous year.

(3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise almost exclusively operating and office equipment. As in the previous year, no impairment charges were applied to property, plant and equipment. Disposed assets with a carrying amount of TEUR 44 (previous year: TEUR 20) include sales and scrappage.

(4) LEASING

The Group has no finance leases.

The following minimum lease payments are due from existing operating leases:

T€ as of 31/12/ 2012	2013	2014- 2017	from 2018
Buildings	638	1,435	146
Technical equipment and machines	22	27	0
Other leasing contracts	192	378	65
	852	**1,840**	**211**

T€ as of 31/12/2011	2012	2013-2016	from 2017
Buildings	627	1,443	498
Technical equipment and machines	52	71	1
Other leasing contracts	112	145	0
	791	**1,659**	**499**

As a consequence, the minimum lease payments from uncancellable leases amount to TEUR 2,903 (previous year: TEUR 2,949).

No contingent lease payments and income from sub-leases exist.

The income statement in the 2012 reporting year included TEUR 885 of expenses from operating leases (previous year: TEUR 773). This amount includes expenses from the sub-leasing of buildings in an amount of TEUR 238 (previous year: TEUR 120).

(5) INVENTORIES

Inventories of TEUR 13,461 (previous year: TEUR 11,923) consist exclusively of goods. Impairment charges totaling TEUR 215 were applied in the year under review due to reduced marketability and lower net realizable values (previous year: TEUR 389). The release of TEUR 174 and impairment charges was included in the cost of sales (previous year: TEUR 44). The gross values of inventories amounted to TEUR 13,676 (previous year: TEUR 12,312).

Stocks of TEUR 2,695 were pledged as collateral for short-term finance debt (previous year: TEUR 999).

Obligations arising from an order commitments relating to current assets also existed as of December 31, 2012 in an amount of TEUR 1,865 (previous year: TEUR 4,248). As a consequence, other financial obligations including operating leases existed in a total amount of TEUR 4,768 as of the balance sheet date (previous year: TEUR 7,197).

(6) FINANCIAL ASSETS

Non-current financial assets include a TEUR 10 loan to an employee (previous year: TEUR 58). The term is fixed until December 2019, and the interest rate is 3.5% per annum. The net gain for the period amounts TEUR 1 (previous year: TEUR 3), and is reported in interest income. Discounting is according to the effective interest method, and is reported in the net interest result. The contractual partner is a senior Group employee. The quality of the claim is deemed to be satisfactory.

Financial assets include claims arising from two (previous year: two) interest-guarantee-plus („ZinsGarant-Plus") transactions, which are split according to term. The fair value of the interest-guarantee-plus transactions amounts to TEUR 16 (previous year: TEUR 34), and corresponds to the market valuation applying the present value method, which was provided by the issuing bank as of December 31, 2012. This amount relates to five future invoicing dates, and reduces by payment over time accordingly. The asset is divided into a non-current portion of TEUR 1 (previous year: TEUR 19), and a current portion of TEUR 15 (previous year: TEUR 15). The net loss amounts to TEUR 5 (previous year: TEUR 12), and is reported in the net interest result.

The contractual partner valued the reported forward currency transactions (15 transactions) at TEUR 528 as of December 31, 2011 applying normal Black & Scholes and DCF models, and are all were satisfied within the 2012 financial year. No forward currency transactions existing as of December 31, 2012. The net losses on financial assets measured at fair value amounted to TEUR 55 for the forward currency transactions in the 2012 financial year (previous year: net gains of TEUR 51). These gains were reported in the income statement under other operating income. The contractual partners for derivatives are always major German business banks whose counterparty quality is classified as good.

Along with the current portions of the derivatives (TEUR 15; previous year: TEUR 543), current financial assets of TEUR 3,616 (previous year: TEUR 2,719) include, in particular, receivables of TEUR 3,601 due from a factoring company (previous year: TEUR 2,173). The amounts are not overdue. Of this amount TEUR 1,921 serve the factoring company as short-term collateral as of the balance sheet date (previous year: TEUR 1,546). The default risk is categorized as low due to the cooperation with major international banks. No valuation adjustments were formed accordingly. The net loss in the meaning of IFRS 7 for 2012 (as in the previous year arising exclusively from factoring fees and interest payments) amounts to TEUR 81 (previous year: TEUR 60), and is reported in an amount of TEUR 57 among other operating expenses (previous year: TEUR 36), and in an amount of TEUR 24 in interest expenses (previous year: TEUR 24). The reported carrying amount almost corresponds to the fair value as of the balance sheet date due to the high level of turnover.

(7) RECEIVABLES

Other non-current receivables relate to a discounted long-term rental prepayment to a local authority in an amount of TEUR 53 (previous year: TEUR 61). The net gain resulting from the 9.25% compound interest amounted to TEUR 6 in the year under review (previous year: TEUR 9), and is reported in the net interest result.

Trade receivables result from normal commercial deliveries and services with third-party companies. As in the previous year, no receivables exist with a residual term of more than one year. As in the previous year, trade receivables of TEUR 8,779 (previous year: TEUR 8,500) carry as far as possible 90-day payment targets. Trade receivables carry no interest. They are not subject to interest-rate risks accordingly.

Default risk relating to trade receivables was reflected through corresponding valuation adjustments of TEUR 733 (previous year: TEUR 749), on the basis of their overdue nature. The level of valuation adjustments is determined according to fixed criteria based on the management's conscientious estimates. The addition to valuation adjustments was included in other operating expenses in an amount of TEUR 110 (previous year: TEUR 719). Net losses arising from trade receivables stood at TEUR 103 (previous year: TEUR 991). Criteria for impairment losses include age and overdue nature of the receivable, and payments difficulties and other financial problems on the part of the debtor. Valuation adjustments are always reported through a valuation adjustment account; no direct impairment charges are applied (exception: final derecognition or losses on receivables).

T€	31/12/2011	31/12/2012
Trade receivables		
- Receivables	9,249	9,512
- Valuation adjustments	749	733
	8,500	**8,779**

Of the valuation adjustments, TEUR 696 (previous year: TEUR 716) relate to specific valuation adjustments, and TEUR 37 to lump-sum valuation adjustments (previous year: TEUR 33).

Valuation adjustments changed as follows:

T€	2011	2012
- Balance January 1	646	749
- Utilization	-203	-69
- Releases	-413	-72
- Additions	719	125
- Balance December 31	**749**	**733**

The valuation adjustments largely concern debit notes issued by major customers, and unsecured default risks assessed on an individual basis, and depending on overdue status.

Overdue receivables to which no valuation adjustments have been applied are as follows:

T€	31/12/2011	31/12/2012
- Less than 30 days	355	928
- Between 30 and 90 days	752	1,632
- Between 91 and 180 days	327	172
- More than 181 days	209	609
	1,643	**3,341**

The reported carrying amounts of current receivables correspond to their fair values, according to our assessment as part of receivables valuation. We are assuming that the overdue receivables to which no valuation allowances have been applied have retained their full value. No contingent claims existed as of the balance sheet date. No indications exist that valuation allowances are required for receivables that are not overdue, and to which no valuation allowances have been applied. Default risk is largely limited by the receivables being largely effectively transferred as part of factoring, or included in other default insurance.

Receivables in an amount of TEUR 959 were also pledged to banks as collateral (previous year: TEUR 976).

Other current receivables mainly comprise creditor accounts in debit, prepayments and VAT claims. Default risk is not identifiable. However, the maximum credit default risk corresponds to the carrying amount.

(8) TAX REIMBURSEMENT CLAIMS

Non-current tax reimbursement claims of TEUR 43 (previous year: TEUR 52) relate to a corporation tax credit due in installments until 2017.

Current tax reimbursement claims of TEUR 113 comprise income tax claims, in particular (previous year: TEUR 144).

(9) DEFERRED TAX REIMBURSEMENT CLAIMS

Composition:

T€	31/12/2011	31/12/2012
Deferred tax		
- arising from valuation differences and consolidation	681	284
- arising from loss carryforwards	543	665
	1,224	**949**

Deferred tax assets are calculated on the basis of normal national tax rates. Consolidation effects of valued using the standard Group tax rate of 30% (previous year: 30%). The capitalized amounts are subject to the risk of future changes in tax rates.

Medisana AG reports a number of tax losses in the recent past. As of December 31, 2012, Medisana AG reported TEUR 29,024 of corporation tax loss carryforwards (previous year: TEUR 28,123). The tax loss carryforwards are subject to no time limits.

In terms of temporary differences, Medisana AG reported an excess of deferred tax liabilities (TEUR 432; previous year: TEUR 639) over deferred tax assets (TEUR 70; previous year: TEUR 373) as of the reporting date. For this reason, deferred tax assets (TEUR 362; previous year: TEUR 266) were formed on the loss carryforwards of Medisana AG only to the extent required to the balance deferred tax liabilities arising from temporary differences. Of this amount, TEUR 362 (previous year: TEUR 121) relates to the capitalization of deferred taxes relating to losses incurred in the year under review, and TEUR 0 (previous year TEUR 145) to the reversal of impairment charges applied deferred tax assets on loss carryforwards from previous years.

Otherwise, pursuant to IAS 12.35 (as in the previous year), no deferred tax assets were formed for the existing tax loss carryforwards of Medisana AG.

Promed reports deferred tax assets of TEUR 41 on temporary differences as of the reporting date (previous year: TEUR 45).

Deferred tax assets of TEUR 45 (previous year: TEUR 130) relate to temporary differences at Medicare Healthcare Spain.

As in the previous year, deferred tax assets of TEUR 237 were reported on tax losses of Royal Appliance España S.L. taking into account its operating results and planning accounts. These tax loss carryforwards are subject to a time limit until 2025. The utilization of the loss carryforwards is planned for the years from 2013. No deferred tax assets were formed for losses for the 2011 and 2012 financial year that result mainly from restructuring measures.

Deferred tax assets of TEUR 66 were recognized as of December 31, 2012 for the tax loss of Medisana Hellas Ltd., while taking into account its operating results and planning accounts (previous year: TEUR 40). All of these tax loss carryforwards are subject to a time limit until five years from the year of their origination.

DThe business operations of Medisana USA Inc. are dormant as of the reporting date. As in the previous year, there are no further tax loss carryforwards for which deferred tax assets were formed. As in the previous year, the unutilized tax loss carryforwards at the level of the state of North Carolina amount to TEUR 14 (previous year: TEUR 7) as of December 31, 2012. They are limited in an amount of TEUR 7 to a period of 13 and 14 years respectively. The tax loss carryforwards at German federal level amount to a total of TEUR 629 (previous year: TEUR 634). The tax loss carryforward at German federal level is limited to ten years for an amount of TEUR 113, 12 years for TEUR 493, 16 years for TEUR 7, 18 years for TEUR 10, and 19 years for TEUR 6.

The business operations of Medisana Healthcare (UK) Ltd. are currently being repositioned (unutilized tax loss as of December 31, 2012: TEUR 734; (previous year: TEUR 618) without time limit on utilization). Medisana Space GmbH (unutilized tax loss as of December 31, 2012: TEUR 849 (previous year: TEUR 390) without time limit on utilization) is still establishing its business operations, and still no sufficient and substantial indications exist of future taxable income. As a consequence, no deferred tax assets on loss carryforwards were reported for either company, as in the previous year.

Consolidation measures resulted in TEUR 121 of deferred tax assets (previous year: TEUR 132).

Deferred taxes arising from valuation differences, loss carryforwards and consolidation are allocated to the following balance sheet items and areas in 2011 and 2012:

	31/12/2011		31/12/2012	
T€	Assets	Liabilities	Assets	Liabilities
Non-current assets	0	543	0	518
Inventories	0	0	0	0
Receivables	131	254	87	74
Other assets	36	0	8	0
Loss carryforwards	544	0	665	0
Pension provisions with reinsurance	35	0	32	0
Other provisions	0	201	0	192
Liabilities	346	0	36	0
Consolidation measures	132	0	121	0
Consolidated total assets	**1,224**	**998**	**949**	**784**

The total of deferred tax assets arising from valuation differences, loss carryforwards and consolidation are attributable to current deferred tax assets in an amount of TEUR 587 (previous year: TEUR 891), and in an amount of TEUR 362 (previous year: TEUR 333) to non-current deferred tax assets. Of the deferred tax liabilities, TEUR 266 are current (previous year: TEUR 455), and TEUR 518 are non-current (previous year: TEUR 543).

(10) LIQUID ASSETS

Liquid assets in the form of cash holdings and rapidly available bank positions represent the Group's short-term liquidity reserve. Foreign-currency balances are measured at the mid-rate prevailing on the balance sheet date. These foreign-currency credit amounts existed in the following scope as of the reporting date: TUSD 81 (previous year: TUSD 569), THKD 420 (previous year: THKD 3,057) TGBP 149 (previous year: TGBP 93), TRUB 602 (previous year: TRUB 4,542), and TCNY 502 (previous year: TCNY 440). Currency risks arise in this instance only if the currency of the credit amount does not correspond to the respective functional currency. No interest-rate risk exists. Net gains or losses did not arise in the year under review. The credit quality is appraised as value-retaining due to collaboration with renowned banks. As a consequence, the carrying amount corresponds to fair value.

Drawing restrictions applied to TEUR 649 of liquid assets as of the balance sheet date (previous year: TEUR 0).

(11) EQUITY

The issued capital stock (no par value ordinary bearer shares) continued to amount to an unchanged TEUR 7,800 as of December 31, 2012, which is split into 7,800,327 shares. As of December 31, 2012, the company continues to hold an unchanged number of 630,000 treasury shares. Please refer to note 25. The capital stock of TEUR 8,430 is fully paid in. The treasury shares were purchased in the 2011 financial year pursuant to the AGM authorization of September 21, 2011. The purchase of the treasury shares occurred in September 2011 as part of the disposal of the interest in Gimelli Laboratories Co. Ltd. (when the aforementioned interest was acquired in 2010, these shares were newly issued as part of the purchase price). The purchase price amounted to EUR 1.75 per share.

The capital reserves stood at TEUR 28,010 as of December 31, 2012 (previous year: TEUR 27,903). They primarily comprise amounts achieved in excess of the arithmetic value of shares on issue. The change in the capital reserves in the year under review is due to the fact that, in connection with the issuing of the employee stock option program, a proportional amount of TEUR 107 (previous year: TEUR 142) was transferred to the capital reserves.

At the June 26, 2012 AGM, the Management Board was authorized to increase the company's capital stock, with Supervisory Board approval, until June 25, 2017 through issuing up to 4,215,163 new ordinary bearer shares, once or on several occasions, against cash and/or non-cash capital contributions, by up to a total of TEUR 4,215. Existing shareholders' subscription rights can be excluded.

At the Annual General Meeting of June 26, 2008, the Management Board was authorized, with the approval of the Supervisory Board, to issue until June 25, 2013, once or on several occasions, convertible bonds and/or bonds with warrant or participation rights with or without conversion and subscription rights in a total amount of up to TEUR 50,000. As a result of this, the capital stock may be increased conditionally by up to TEUR 3,517 through the issue of up to 3,517,163 new bearer shares with dividend-entitlement from the start of the financial year in which they are issued (Conditional Capital 2008). Existing shareholders can be excluded from subscription rights under certain conditions.

The Medisana AG 2009 AGM approved the creation of a stock option plan. The stock option plan aims to generate incentives for managers and employees to raise the company's profitability. Stock options are issued to current or future Management Board members, employees, and board members and employees of current and future associated companies of Medisana AG. The stock option plan has a total of volume of 500,000 options. The exercise price of the vested options corresponds to 100% to the market value of one of the company's shares on the issue date. The market value is derived from the average price fixed in the closing auction in XETRA trading for the company's share during the last ten stock market trading days. The options require that the employee has worked for the company for at least three years (period to acquire a claim to non-forfeitability). After the fourth year of the respective issue date, the options can be exercised only if the company has achieved or exceeded earnings of EUR 0.20 per share in at least one financial year that has elapsed since the options were issued. The options carry a contractual option period of five years. The company is entitled to settle the respective options in cash at its discretion. This is currently not planned, however.

Changes to the number of outstanding options and the respective weighted average exercise prices are presented in the following overview:

	2011		2012	
	Average exercise price per share	Options (in thousands)	Average exercise price per share	Options (in thousands)
Balance at January 1	1.96	450	1.96	450
Vested	-	-	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance at December 31	1.96	450	1.96	450

Of the 450,000 options outstanding (previous year: 450,000), none can be exercised as of the balance sheet date.

The stock options outstanding at the end of the year with an average exercise price of EUR 1.96 can be exercised at the latest by October 2018; they will otherwise lapse without compensation.

At the time when the options were issued in 2009, the options' fair value was calculated at EUR 1.17 using a binomial model. Significant valuation parameters for the model included the share price on the vesting date of EUR 2.02, the exercise price of EUR 1.96, volatility of 60%, a 0% dividend yield, a six-year expected option duration, and an interest rate congruent to the option terms of 2.79%. Different observation periods were analyzed when deriving the share price volatility. The average 100-day volatility in a period of one, three, four and six year(s) before the valuation date generated a range between 58.81% and 64.79%. A 60% volatility was finally used for the valuation.

The total value of the stock option program amounts to TEUR 426 including the expected staff turnover and the probability relating to the attainment of the agreed performance target.

Note 19 shows the total expenses for the issuing of stock options to managers and employees, which are carried through the income statement.

At the June 29, 2010 AGM, the Management Board was authorized, with Supervisory Board approval, to issue until June 28, 2013, once or on several occasions, up to 260,000 options to Management Board members or employees of Medisana AG or to employees of associated companies (Stock Option Program 2010 including corresponding conditional capital). The options grant entitlement to buy new Medisana AG shares. This option program had not yet been utilized as of the balance sheet date.

At the June 26, 2012 AGM, the Management Board was authorized, with Supervisory Board assent, to issue up to 500,000 options once or on several occasions until June 25, 2015, which entitle the purchasers to acquire new no par ordinary bearer shares of Medisana AG according to the option terms (Stock Option Program 2012). As a consequence, the company's capital stock is conditionally increased by TEUR 500 through issuing 500,000 no par ordinary bearer shares (Conditional Capital 2012). Stock options can be issued to current or future Management Board members, employees, and board members and employees of current and future associated companies. If options are to be issued to the company's Management Board members, only the Supervisory Board is entitled to implement such an issue. This option program had not yet been utilized as of the balance sheet date.

No dividend was distributed to Medisana AG shareholders.

The balancing item from currency conversion reported in equity amounted to TEUR -447 as of the reporting date (previous year: TEUR -425), representing a TEUR -22 year-on-year change. This change was carried directly to equity (previous year: TEUR 105 directly to equity, and TEUR 173 through profit or loss).

(12) NON-CONTROLLING INTEREST

The interest of non-controlling shareholders in the equity amounted to TEUR 840 as of December 31, 2012 (previous year: TEUR 541), having correspondingly increased by TEUR 299 in the year under review.

The non-controlling shareholders' increased interest in the equity is especially attributable to the derecognition in the 2012 financial year of the negative non-controlling interest of Royal Appliance España S.L. TEUR -470) and of Medisana Saglik Ürünleri Ltd. i.L. (TEUR -125). This is offset, in particular, by the non-controlling shareholders' interest in the net loss for the year of TEUR -229 (previous year: TEUR -526).

Changes to the other non-controlling interests carried directly to equity in an amount of TEUR -10 (previous year: TEUR -140) relate to currency translation differences (previous year: currency translation differences of TEUR -3 and changes to the ownership interests in subsidiaries in an amount of TEUR -137).

Dividend distributions comprise subsidiaries' share distributions attributable to non-controlling shareholders. Dividends of TEUR 58 were distributed in the year under review (previous year: TEUR 0).

(13) PENSION PROVISIONS AND SIMILAR OBLIGATIONS

At the MEDISANA Group, the employee pension scheme is based on defined benefit plans. Payment commitments arising from vested rights to future pension payments exist with respect to one active employee (previous year: one), one employee who has left the company (previous year: one), and one pension recipient (previous year: one). The obligations relate to individual pension commitments.

In the case of defined benefit pension plans, the company is obligated to make payments committed to active and former staff members. The measurement of the provision for defined benefit pension plans is based on the projected unit credit method pursuant to IAS 19. Accordingly, the defined benefit obligation is calculated actuarially on the basis of assumptions concerning life expectancy, increases in salary and pensions, employee turnover, interest-rate level fluctuations, as well as further calculation parameters. The provision is reduced to reflect the market asset value of reinsurance policies (plan assets) that have been pledged effectively. The service cost is reported as personnel expenditure, and the interest cost is reported in the financial result.

The actuarial calculation of the present value of the pension obligations was based on the following parameters:

T€	31/12/2011	31/12/2012
Assumed rate of interest	5.30%	3.50%
Salary trend	0.00%	0.00%
Pension trend	2.00%	2.00%

The Heubeck RT 2005 G mortality tables were applied for mortality and invalidity.

The present value of the defined benefit obligations is composed as follows:

T€	31/12/2011	31/12/2012
Defined benefit obligation at the start of the period	**296**	**435**
Current service cost	4	12
Interest expense (according to IAS 19)	16	23
Payments actually rendered	0	18
Actuarial gains (-) / losses (+)	11	109
Conversion	108	0
Defined benefit obligation at the end of the period	**435**	**561**

The defined benefit obligation is financed with qualified reinsurance policies as of December 31, 2012, and effectively pledged to the pension beneficiaries. The reinsurance represents the plan assets pursuant to IAS 19.7.

The plan assets changed as follows:

T€	31/12/2011	31/12/2012
Plan assets at the start of the period	**206**	**336**
Employer contributions	13	16
Expected income from plan assets	21	7
Actuarial gains and losses	0	1
Payments actually rendered	0	-10
Conversion	96	0
Plan assets at the end of the period	**336**	**350**

A constant trend in employer contributions is anticipated for the following financial year.

The actual income from plan assets amounted to TEUR 8 (previous year: TEUR 21). Income of TEUR 12 is expected for the following financial year (previous year: TEUR 6). The expected income from plan assets in the „financial assets available for sale" category was calculated at 1.96% (previous year: 1.96%).

The following table presents a reconciliation of the defined benefit obligation with the IAS 19 pension provision reported in the consolidated financial statements:

T€	31/12/2011	31/12/2012
Defined benefit obligation of obligations financed through qualified reinsurance	**435**	**561**
Defined benefit obligation	435	561
Fund assets included at market values	-336	-350
Adjustment amount due to unreported actuarial gains and losses	28	-80
Pension provisions and similar obligations	**127**	**131**

The reported obligation is composed of a current component of TEUR 11 (previous year: TEUR 18), and a non-current portion of TEUR 120 (previous year: TEUR 109).

Pursuant to IAS 19, actuarial gains and losses are expensed over the remaining service period of the beneficiaries, as long as these exceed 10% of the total obligation.

The defined benefit obligation and the fair value of the plan assets changed as follows in the current reporting period and the four previous reporting periods:

T€	2008	2009	2010	2011	2012
Defined benefit obligation	232	255	296	435	561
Fair value of plan assets	162	183	206	336	350
Financing status	70	72	90	99	211
Experience-related adjustments to the DBO	10	0	0	11	-1
Experience-related adjustments to the plan assets	0	0	0	0	0

The following amounts were reported through the income statement:

T€	2011	2012
Current service cost	-4	-12
Interest expense arising from the obligation	-16	-23
Employer contributions	13	16
Expected income from plan assets	21	6
Realized actuarial gains or losses	-3	0
	11	**-13**

The current service costs arising from the obligation are reported in the interest expenses of administration costs. The income from employer contributions and the related expected income are reported as other operating income. The interest expense and realized actuarial gains and losses are netted in the interest expense.

(14) OTHER PROVISIONS

Other non-current provisions of TEUR 47 relate to guarantee provisions (previous year: TEUR 42). These were valued over a two-year period at present value using the effective interest method. The amounts arising from reversals to discounts are immaterial overall.

The other current provisions will be settled prospectively within the following year. They changed as follows:

T€	Balance 01/01/2012	Utilization	Release	Addition	Balance 31/12/2012
Risks in commodity transactions					
- Guarantees	273	250	23	151	151
- Bonuses and rebates	950	935	15	796	796
	1,223	**1,185**	**38**	**947**	**947**
Personnel and social area					
- Staff bonuses	100	80	20	80	80
	100	**80**	**20**	**80**	**80**
Other					
- Annual financial statement and auditing costs	125	111	0	134	148
- Supervisory Board compensation	30	30	0	30	30
- Miscellaneous	68	62	0	125	131
	223	**203**	**0**	**289**	**309**
	1,546	**1,468**	**58**	**1,316**	**1,336**

Estimation uncertainties particularly apply to the measurement of guarantee provisions. The calculation is performed on the basis of empirical values. Actual utilization can diverge from the estimated amount.

(15) TAX LIABILITIES

T€	31/12/2011	31/12/2012
Deferred tax	998	784
Actual income tax liabilities	27	26
	1.025	**810**

The deferred tax liabilities of TEUR 784 (previous year: TEUR 998) are attributable in an amount of TEUR 532 (previous year: TEUR 801) to temporary differences arising from the reconciliation of the Group companies' single-entity financial statements to IFRS, and in an amount of TEUR 252 (previous year: TEUR 197) to intangible assets and hidden reserves identified as part of the capital consolidation of subsidiaries.

Deferred tax liabilities for the 2012 financial year are composed of current deferred tax liabilities of TEUR 266 (previous year: TEUR 455), and of non-current deferred tax liabilities of TEUR 518 (previous year: TEUR 543).

The actual income tax obligations are attributable to current tax liabilities.

For more information, please refer to the remarks contained under Note 9.

(16) LIABILITIES

Financial debt:

T€	31/12/2011	31/12/2012
Non-current financial debt	5,000	3,000
Current financial debt	2,194	5,345
	7,194	**8,345**

Non-current financial debt is composed as follows:

T€				
Contract type	**Interest rate p.a.**	**Term**	**31/12/2011**	**31/12/2012**
Loan	1-month LIBOR + 2% 1-month LIBOR + 2%	until December 2013 until December 2014	2,000 3,000	0 3,000
			5,000	**3,000**

The loan totaling TEUR 3,000 was granted by Techtronic Industries Company Ltd., Hong Kong. The link to 1-month LIBOR entails an interest-rate risk. Of the TEUR 5,000 of long-term loan components reported in the previous year, TEUR 2,000 was reclassified to current liabilities in 2012. The net losses on financial liabilities (including current financial liabilities) amounted to TEUR 240 in the financial year under review (previous year: TEUR 383); these result exclusively from interest.

Current financial debt is composed as follows:

Contractual partner	Terms	31/12/2011	31/12/2012
		T€	T€
Banks (current accounts)	variable	1,169	2,746
Third parties	1-month LIBOR + 2,0%	1,000	2,500
Third parties	non-interest-bearing	25	99
		2,194	**5,345**

The interest-rate risk relates to the liabilities with variable terms. In each case, these relate to current account overdrafts based on credit lines that have been provided, and loans. Please refer to the remarks about non-current financial debt regarding the current portion (TEUR 2,500) of the loan from Techtronic Industries Company Ltd., Hong Kong.

Stocks of TEUR 2,695 were pledged as collateral for financial liabilities (previous year: TEUR 999).

The **trade payables** are due within one year (TEUR 13,991; previous year: TEUR 9,941). Of this amount, EUR 10.7 million is attributable to liabilities arising from the assumption of drawn bills (previous year: EUR 7.0 million). The payment targets are predominantly more than 120 days. Interest is based on LIBOR. Medisana can avoid this interest-rate risk through payment within 60 days. The fair values essentially correspond to the carrying amounts due to the brief term. The net gains for the year amounted to TEUR 288 (previous year: net losses of TEUR 156); these result from.

Other liabilities of TEUR 1,769 (previous year: TEUR 1,681) primarily include VAT liabilities of TEUR 819 (previous year: TEUR 587), debtor accounts in credit of TEUR 106 (previous year: TEUR 157), liabilities to staff of TEUR 58 (previous year: TEUR 27), social security liabilities of TEUR 64 (previous year: TEUR 52), and deferred payment obligations of TEUR 228 (previous year: TEUR 327). They do not incur interest. The liabilities essentially correspond to their fair values due to their brief term. As in the previous year, there were no net gains/losses.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(17) SALES REVENUE

Sales revenue arises exclusively from the sale of goods, and was reported in a gross amount of TEUR 44,913 (previous year: TEUR 50,527. This sales revenue was offset by sales reductions of TEUR 3,105 (previous year: TEUR 3,257). Sales revenue after sales reductions consequently amounted to TEUR 41,808 (previous year: TEUR 47,270), and is split as follows:

T€	2011	2012
Sales revenue		
Medisana AG	16,881	19,176
Promed GmbH incl. Nova GmbH	8,693	8,818
Medisana Benelux NV	5,834	5,829
Medisana Health Care S.L. incl. Royal Appliance España S.L.	4,857	2,949
Medisana RUS OOO	1,767	2,006
Medisana Far East Ltd. incl. Medisana Trading (Shenzhen) Ltd.	765	1,879
Medisana Hellas Ltd. (previous year incl. Medisana Saglik Ürünleri Ltd. i.L.)	1,216	795
Medisana (UK) Healthcare Ltd.	81	251
Medisana Space Technologies GmbH	10	105
Gimelli Laboratories Co. Ltd. incl. Gimelli Health Care Products (Shenzhen) Co. Ltd.	7,166	0
Medisana USA Inc.	0	0
	47,270	**41,808**

Revenue was up by 4.2% year-on-year, from TEUR 40,104 to TEUR 41,808 when adjusted to reflect the revenue of Gimelli Laboratories Co. Ltd., which was deconsolidated as of September 30, 2011.

As part of its task as the Group parent company, Medisana AG generated additional sales revenue (intercompany) of TEUR 9,520 (previous year: TEUR 10,249), which was eliminated at Group level. Medisana AG also bears the greater part of the charge arising from sales deductions, at TEUR 2,514 (previous year: TEUR 2,476).

(18) COST OF SALES

The cost of sales of TEUR 30,254 (previous year: TEUR 35,967) includes the costs of procuring the goods that were sold, as well as production and sales costs directly attributable to the sales revenues. The costs of purchasing goods and materials amounted to TEUR 27,767 (previous year: TEUR 31,041). Directly attributable production and sales costs totaled TEUR 2,487 (previous year: TEUR 4,926). This amount includes depreciation and amortization of TEUR 0 (previous year: TEUR 238).

The gross profit of TEUR 11,554 (previous year: TEUR 11,304) represents the difference between sales revenues and the costs directly attributable to them.

(19) PURCHASING & STOCKKEEPING, SALES & MARKETING, ADMINISTRATION

The costs for purchasing & stockkeeping, sales & marketing, and administration totaling TEUR 14,206 (previous year: TEUR 14,894) include the personnel expenses, depreciation/amortization and other expenses attributable to this area. The items are composed as follows:

a) EPurchasing and stockkeeping

T€	2011	2012
Personnel costs	1,476	1,160
Premises costs	591	503
Quality testing expenses	213	285
Depreciation/amortization	190	227
Vehicle costs	70	66
Leasing expenses	192	195
Travel expenses	72	86
Office expenses	60	63
Insurance	29	28
Consultancy expenses	31	36
Research and development costs	198	80
IT	52	58
Other expenses	109	89
	3,284	**2,876**

b) Sales and marketing

T€	2011	2012
Personnel costs	3,360	3,224
Marketing expenses	1,877	1,785
Consultancy expenses	232	237
Vehicle costs	268	298
Premises costs	199	276
Travel expenses	178	200
Office expenses	116	107
Depreciation/amortization	408	403
Research and development costs	29	6
Leasing expenses	35	37
Insurance	29	27
Other expenses	140	175
	6,871	**6,775**

c) Administration

T€	2011	2012
Personnel costs	1,924	2,216
Consultancy expenses	550	437
Insurance	207	172
Office expenses	706	199
Annual financial statement expenses	275	288
Depreciation/amortization	232	244
Premises costs	139	159
Travel expenses	269	308
Leasing expenses	96	98
Vehicle costs	67	110
IT	106	122
Other expenses	168	202
	4,739	**4,555**

Across all three areas, total premises costs of TEUR 939 (previous year: TEUR 929) relate to sub-tenancy contracts.

Administration costs include TEUR 141 for the year under review for expenses for services related to the financial statements paid to BDO AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor of the consolidated financial statements (previous year: TEUR 107). This item also includes TEUR 7 of expenses for other consultancy services paid to BDO AG (previous year: TEUR 0).

The company reported an average of 136 employees in the financial year under review (previous year: 195; excluding proportional inclusion of Gimelli: 115), and 16 industrial employees (previous year: 384; excluding proportional inclusion of Gimelli: 16).

Medisana employed 139 staff members as of the balance sheet date (previous year: 127). The regional allocation of the employees is as follows:

Employees	2011	2012
Germany	84	99
Rest of Europe	35	30
Rest of the World	8	10
	127	**139**

The total personnel costs are split as follows:

T€	2011	2012
Wages and salaries	5,799	5,629
Social security costs	887	892
Pension scheme expenses	74	80
	6,760	**6,601**

In the year under review, an amount of TEUR 1,111 was reported as compensation for payments due on a short-term basis to key Group management staff (previous year: TEUR 1,154), of which TEUR 80 was for pensions (previous year: TEUR 74). Stock options from the employee Stock Option Program 2009 were also granted in previous years, resulting in a proportional amount of TEUR 66 in 2012 for personnel expenditure for staff in key positions (previous year: TEUR 88). Total compensation paid to employees in key positions consequently amounted to TEUR 1,177 (previous year: TEUR 1,242).

In the 2012 financial year, the personnel expenses included total expenses of TEUR 107 from the Stock Option Program 2009 (previous year: TEUR 142), which is reported with wages and salaries.

Social expenses include TEUR 402 of statutory payments to defined contribution pension plans (previous year: TEUR 370).

(20) OTHER OPERATING EXPENSES

Other operating expenses of TEUR 307 (previous year: TEUR 1,121) relate to the following items:

T€	2011	2012
Valuation allowances applied to receivables	719	125
Factoring costs	37	57
Processing costs	138	0
Miscellaneous expenses	227	125
	1,121	**307**

The valuation allowances of TEUR 110 applied to receivables relate exclusively to additions to valuation allowances applied to trade receivables (previous year: TEUR 719).

(21) OTHER OPERATING INCOME

T€	2011	2012
Exchange rate gains	343	360
Reversal of valuation allowances applied to receivables	413	0
Non-cash compensation	67	72
Income from the release of provisions	142	58
Loss compensation	60	23
Income from the deconsolidation of Gimelli	1,019	0
Income from the TTI restructuring	1,000	0
Income from the waiving of receivables by third parties	900	0
Other income	388	72
	4,332	**585**

Currency exchange rate gains and losses are reported net. A gain of TEUR 360 was reported for the 2012 financial year (previous year: TEUR 343).

(22) NET FINANCIAL RESULT

T€	2011	2012
Interest income	80	36
Interest expenses	-768	-432
Net financial result	**-688**	**-396**

The total interest expenses on financial assets and liabilities measured at fair value, but which are not carried through profit and loss, and which must be detailed pursuant to IFRS 7, amounted to TEUR 392 in the year under review (previous year: TEUR 752); the corresponding total interest income stood at TEUR 22 (previous year: TEUR 67). All of these amounts are included in the amounts detailed in the table.

(23) INCOME TAX

T€	2011	2012
Current income tax	-47	-153
Deferred income tax	218	-62
	171	**-215**

A deferred income tax expense of TEUR 62 was reported in the 2012 financial year (previous year: income tax expense of TEUR 218). This expense is mainly attributable to the release of deferred tax assets through profit or loss.

The other comprehensive income relates exclusively to currency translation effects. Such other comprehensive income did not incur income taxes.

The following presents a reconciliation between the expected tax expense and the tax expense actually reported. The result before income tax is multiplied by a tax rate of 30.00% (previous year: 30.00%) in order to calculate the expected tax expense. This consists in each case of a tax rate of 15% for corporation tax, plus the Solidarity Surcharge and trade income tax. The expected tax expense is compared with the actual tax expense.

Reconciliation between expected and actual tax expense/income		
T€	**2011**	**2012**
Earnings before tax	-1,067	-2,771
Expected tax income	**320**	**831**
Changes to income tax arising from:		
- Change in impairment losses applied to deferred tax assets	-94	-1,082
- Utilization of non-capitalized deferred tax	39	0
- Differences between divergent tax rates	-15	102
- Tax-free income and non-tax-deductible expenses	-79	-66
Actual tax expense / tax income	**171**	**-215**
Effective tax rate in %	16.03	-7.77

(24) ANNUAL NET INCOME ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS

Of the non-controlling interest, TEUR 164 (previous year: TEUR 89) relates to the share of profits, and TEUR 393 (previous year: TEUR 615) relates to the share of losses.

The shares of profits (+) and shares of losses (-) of minority interests relate to the net annual profits of the following affiliated companies:

T€	**2011**	**2012**
Medisana Far East Ltd. incl. Medisana Trading (Shenzhen) Ltd.	62	138
Promed GmbH kosmetische Erzeugnisse	27	26
Medisana Space Technologies GmbH	-55	-93
Medisana Hellas Ltd. (previous year incl. Medisana Saglik Ürünleri Ltd. i.L.)	-71	-138
Medisana Health Care S.L. incl. Royal Appliance España S.L.	-253	-162
Gimelli Laboratories Co. Ltd. incl. Gimelli Health Care Products (Shenzhen) Co. Ltd.	-236	0
	-526	**-229**

(25) EARNINGS PER SHARE

Earnings per share (EPS) are calculated by dividing consolidated net income by the weighted average of the shares in issue during the financial year.

€	2011	2012
Consolidated net income attributable to Medisana AG shareholders	-370,431	-2,757,524
Weighted average number of shares	**7,953,660**	**7,800,327**
Earnings per share (EPS)	-0.05	-0.35

Both basic and undiluted earnings per share stood at EUR 0.35 in the year under review (previous year: EUR -0.05).

No dilution effect was taken into account as of the reporting date arising from the stock option plan issued in 2009. This is particularly due to the fact that the EUR 0.20 earnings per share performance target required for the issue has not been reached since the employee options were issued, and the options cannot be exercised as a consequence.

Conditional capital consisting of 3,517,163 shares also existed as of December 31, 2012 (previous year: 3,517,163 shares) as well is conditional capital from the stock option programs (760,000 shares), which in each case also currently gives rise to no dilution effect.

Given the fact that potential shares are only to be included in the calculation if the conversion into shares would reduce earnings per share, undiluted earnings per share corresponds to basic (undiluted) earnings per share irrespective of the aforementioned potential dilution effects.

(26) NOTES TO THE CASH FLOW STATEMENT

The cash flow statement was compiled according to the regulations of IAS 7, and is split according to cash flows arising from operating, investing and financing activities. The effects of changes in exchange rates on cash and cash equivalents are presented separately.

Starting with net loss for the year of TEUR -2,986 (previous year: TEUR -896), cash flow from operating activities stood at TEUR -1,060 (previous year: cash inflow of TEUR 221). This amount includes TEUR 8 of interest income (previous year: TEUR 77), and TEUR 394 of interest expenses (previous year: TEUR 644). Income taxes paid amounted to TEUR 192 (previous year: TEUR 171), which were offset by income tax received of TEUR 84 (previous year: TEUR 53).

The cash outflow from investing activities of TEUR -1,228 (previous year: cash inflow of TEUR 412) primarily arises from investments in property, plant and equipment and intangible assets in an amount of TEUR 237 (previous year: TEUR 606) and TEUR 1,031 respectively (previous year: TEUR 820). In the previous year, this item still included TEUR 1,826 of payments received from the disposal of Gimelli.

The TEUR -485 cash outflow from financing activities, compared with a TEUR 2,328 inflow in the previous year, results mainly from the redemption of long-term borrowings.

The cash and cash equivalents reported in the cash flow statement in an amount of TEUR -1,166 (previous year: TEUR 1,639) correspond to the liquid assets as per the balance sheet in an amount of TEUR 2,229 (previous year: TEUR 2,808), less current account overdrafts reported under current financial debt of TEUR 2,746 (previous year: TEUR 1,169), and less liquid assets subject to drawing restrictions of TEUR 649 as of December 31, 2012 (previous year: TEUR 0).

(27) SEGMENT REPORTING

Medisana AG's reporting through its mandatory reporting segments is based on the internal organizational and reporting structure, and follows the basis of geographic regions.

The operating segments categorized according to the management approach are composed as follows as of the December 31, 2012 balance sheet date:

„GERMANY" SEGMENT

- Medisana AG, Neuss
- Promed GmbH kosmetische Erzeugnisse, Farchant
  incl. Nova Vertriebs- und Marketing GmbH, Oberau
- Medisana Space Technologies GmbH, Düsseldorf

„REST OF EUROPE" SEGMENT

- Medisana Benelux NV, Kerkrade (Netherlands)
- Medisana Health Care S.L., Terrassa (Spain)
  incl. Royal Appliance España S.L., Madrid (Spain)
- Medisana Hellas Ltd., Heraklion (Greece)
  (previous year: incl. Medisana Saglik Ürünleri Ltd i.L., Istanbul (Turkey))
- Medisana Healthcare UK Ltd., London (United Kingdom)

„REST OF WORLD" SEGMENT

- Medisana Far East Ltd., Hong Kong (China)
  incl. Medisana Trading (Shenzhen) Ltd., Shenzhen (China), Shenzhen (China)
- Medisana USA Inc., Charlotte (USA)
- Medisana RUS OOO, Moscow (Russia)

No operating segments exist that are categorized as insignificant on the basis of the IFRS 8.13 threshold test, and do not need to be reported as a consequence.

The „Germany" segment is predominantly responsible for product development and the logistical handling of products from the Home Health Care area. Besides this, the „Germany" segment is responsible for the financing of the MEDISANA Group, as well as sales of Medisana products, and of products from the high-value manicure/pedicure equipment area. The „Rest of World" segment serves as a sales channel for the respective local markets. The „Rest of Europe" segment serves the European markets (except Germany), and also sells MEDISANA Group products in this region.

The key internal management and reporting figures are based on IFRS accounting regulations. Only the management of the „Germany" segment is based on German commercial law regulations. Sales between segments are performed at normal intragroup pricing.

The „IFRS adjustments", include IFRS adjustment bookings to the „Germany" segment, which arise from differences between IFRS and German commercial code (HGB) accounting regulations.

Segment assets and liabilities include all assets and liabilities with the exception of income taxes and deferred tax. These amounts are presented before consolidation. The „consolidation" column includes the total of all consolidation bookings to recognize the key segmental figures based on IFRS 8.28 to the respective Group value. All of the reported earnings figures are pre-tax figures.

MEDISANA Group segments are managed using the performance figures of EBIT (earnings before interest and tax) and EBT (earnings before tax). The segmentation is performed in accordance with IAS 8.5. Sales with important customers include customer groups with sales of more than 10% of the respective segments sales, or in the „Group" column for Group sales. Important customers allocated to segment on the basis of the headquarters of the subsidiary providing the service. In the 2011 financial year, the revenue generated with important customers from the „Rest of World" segment was allocated to Gimelli (China), which has meanwhile been deconsolidated. Categorization based on IFRS 8.32 of this previous year's information was refrained from in order to avoid excessively high costs.

The following overview presents the MEDISANA Group segment reporting:

MEDISANA-GROUP

2012 segment reporting

Segments	Germany		Rest of Europe		Rest of World	
T€	2011	2012	2011	2012	2011	2012
Balance sheet						
Equity	12,361	10,610	-776	-2,336	607	837
Segment assets	32,653	38,282	8,442	7,456	4,858	5,322
Segment liabilities	20,440	27,817	9,275	9,820	4,230	4,484
Statement of income						
Segment sales revenue	35,912	37,807	11,988	9,825	13,976	9,622
Cost of sales	28,398	30,017	9,500	7,332	12,511	8,389
Purchasing and stockkeeping	2,775	2,158	564	490	182	302
Sales and marketing	4,434	4,707	2,117	1,890	97	90
Administration	2,205	3,156	1,015	822	1,507	491
Other operating expenses	486	372	588	503	14	17
Other operating income	2,116	873	1,019	-45	372	196
Earnings before interest and tax (EBIT)	-269	-1,728	-778	-1,257	37	528
Earnings before tax (EBT)	-568	-1,713	-1,099	-1,570	-67	465
Other data						
Sales revenue with important customers	0	0	0	0	4,432	0
Number of employees as of 31/12	84	99	35	30	8	10

	IFRS adjustments		Consolidation		Group	
	2011	2012	2011	2012	2011	2012
	731	711	-1,976	-1,835	10,947	7,988
	1,272	825	-16,145	-18,570	31,081	33,314
	437	-25	-13,847	-16,474	20,535	25,623
	-1	0	-14,604	-15,446	47,270	41,808
	128	0	-14,570	-15,483	35,967	30,254
	-238	-74	0	0	3,283	2,876
	6	-31	216	119	6,871	6,775
	112	86	-100	0	4,739	4,555
	1,499	77	-1,465	-662	1,121	307
	1,356	0	-531	-439	4,332	585
	-154	-58	784	141	-379	-2,375
	-116	-93	782	141	-1,067	-2,771
	--	--	--	--	4,432	0
	--	--	--	--	127	139

The MEDISANA Group operates in the aforementioned regions of „Germany", „Rest of Europe" and „Rest of World". The following overview shows sales revenue generated with external customers, and segmental non-current assets:

Segmente (in T€)	Germany		Rest of Europe		Rest of World		Group	
€	2011	2012	2011	2012	2011	2012	2011	2012
Balance sheet								
Non-current assets	3,038	3,548	1,008	850	21	18	4,066	4,415
Statement of income								
External sales	25,585	28,098	11,988	9,825	9,698	3,885	47,270	41,808

The total across all the third countries amounts to TEUR 868 in terms of non-current assets (previous year: TEUR 1,029), and TEUR 13,710 in terms of external sales revenue (previous year: TEUR 21,686). The fall in external sales revenue is mainly attributable to the fact that the previous year still included TEUR 7,166 of sales revenue from Gimelli, which was deconsolidated as of September 30, 2011. Non-current assets include no financial instruments, deferred tax assets, payments after the ending of employment contracts, and rights arising from insurance agreements.

(28) EVENTS AFTER THE BALANCE SHEET DATE

We assume that 630,000 treasury shares and a further 830,000 new shares from approved capital can soon be placed. We anticipate that this will generate around EUR 3 million of cash proceeds.

(29) MANAGEMENT OF FINANCIAL RISKS

Medisana AG manages its capital according to IAS 1 in the form of equity and debt, with a total equity and liabilities amount of EUR 34.4 million (previous year: EUR 32.5 million), and with the aim of profitability and constant liquidity. Semi-monthly Group-wide assessments of performance quantities and working capital, as well as a rolling financial planning that is derived from this, serve this purpose, in particular. No external covenants existed as of the balance sheet date.

Net gains and losses according to the IFRS 7 categories include: interest expenses and income, currency gains and losses, impairment charges and reversals of impairment charges, disposal losses, and fair value changes (excluding on derivatives).

The operating business as well as the financing transactions of the MEDISANA Group as an internationally operating group are subject to liquidity, credit, interest-rate and currency risks that might have an impact on the net assets, financing and earnings positions. The following section covers risk management and individual risks:

Risk management

The risk management system, including with respect to financial risks, forms part of the overall planning, controlling and reporting process. A set of guidelines defines the analysis of, and reaction to, risks. The risk management offices of the individual companies and corporate divisions report regularly to the Medisana AG Management Board. This entails regularly discussing, analyzing and measuring developments and risks, and launching countermeasures where required. The aim is to identify risks at an early juncture, and thereby create scope for actions that safeguard the company's long-term existence.

Liquidity risk

Liquidity risks can jeopardize companies' existence. For this reason, the MEDISANA Group counters this risk through maintaining its solvency with appropriate liquidity planning by the parent company, which is covered through pledged credit lines, as well as through controlling the subsidiaries using a monthly reporting system. Deviations in the assessment of business trends that cannot be offset by countermeasures may potentially result in a financing requirement that can be covered only by new financing arrangements.

As of the balance sheet date, the supplier credit facility for the next financial year amounted to USD 25 million or EUR 18.9 million (previous year: USD 25 million or EUR 19.3 million). Of this amount, USD 14.1 million, or EUR 10.7 million, was utilized as of December 31, 2012 (previous year: USD 9.1 million or EUR 7.0 million). .

Liquid assets of EUR 2.2 million (previous year: EUR 2.8 million) and trade receivables of EUR 8.8 million (EUR 8.5 million) were available as of the balance sheet date to settle current financial debt due for cash settlement in the subsequent year in an amount of EUR 5.3 million (previous year: EUR 2.2 million), trade payables of EUR 14.0 million (previous year: EUR 9.9 million) and current provisions of EUR 1.3 million (previous year: EUR 1.5 million). Besides the recognized amounts, a supplier credit facility of EUR 2.8 million was also available as of the balance sheet date (previous year: EUR 7.6 million). As in the previous year, free credit lines were also available at business banks. The following table presents an analysis of the agreed due dates for the liabilities, as well as the related future interest payments (previous year's figures in brackets):

T€	Financial debt	Trade payables	Other	Total
- Due within one year	5,636 (2,528)	13,991 (9,941)	1,764 (1,681)	**21,391** **(14.150)**
- Due in the second year	3,072 (2,200)	0 (0)	0 (0)	**3,072** **(2,200)**
- Due in the third year	0 (3,120)	0 (0)	0 (0)	**0** **(3,120)**
- Due in the fourth year	0 (0)	0 (0)	0 (0)	**0** **(0)**
- Due in the fifth year	0 (0)	0 (0)	0 (0)	**0** **(0)**
- Due after the fifth year	0 (0)	0 (0)	0 (0)	**0** **(0)**

The non-current liabilities are due from 2014. Please refer to note 16 concerning changes in non-current financial debt.

Please refer to notes 6 and 7 regarding the term of receivables and financial assets.

The Group's liquidity is secured as of the reporting date due to the aforementioned circumstances. Please refer to note 28 concerning the liquidity effect of additional capital measures.

Credit risk

Credit information and genuine factoring is used to counter customer default risk. Corresponding valuation adjustments are formed in the event of default risk. Please refer to notes 6 and 7 for information relating to overdue and impaired financial assets.

The following overview presents the categorization of financial assets. In this context, the maximum default risk per category corresponds to the respective carrying amount:

T€	Fair value		Carrying amounts							
			Cash and cash -equivalents		Loans and receivables		Measured at fair value through P&L*		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Financial assets										
Non-current financial assets	77	11	0	0	58	10	19	1	77	11
Current financial assets	2,719	3,616	0	0	2,176	3,601	543	15	2,719	3,616
Trade receivables	8,500	8,779	0	0	8,500	8,779	0	0	8,500	8,779
Other receivables	927	749	0	0	927	749	0	0	927	749
Liquid assets	2,808	2,230	2,808	2,230	0	0	0	0	2,808	2,230

* exclusively „held-for-trading“

As in the previous year, there were no financial instruments in the „held to maturity“ and „available for sale“ categories as of the balance sheet date.

The risks pertaining to loans and receivables relate to a default rate of 0.2% (previous year 0.3%) on a balance sheet date basis. According to IFRS 7 (sensitivity of receivables losses with respect to the receivables portfolio), each change in the default rate by 0.1% would have an earnings and equity effect as of the balance sheet date of TEUR 10 (TEUR 8) given an unchanged portfolio of receivables.

Net gains in the loans receivables category total TEUR 47 in 2012 (previous year: net losses of TEUR 719).

Net losses on financial instruments measured in the at fair value through profit and loss category total TEUR 60 in 2012 (previous year: net gains of TEUR 40).

Financial instruments measured at fair value through profit and loss are valued by the contractual partner exclusively using observable market parameters. The financial position includes exclusively interest-rate derivatives as of December 31, 2012. The preparation of a sensitivity analysis has been refrained from due to the negligible amount involved. In the case of forward currency transactions in the previous year (exclusively USD/EUR), a shift

in the exchange rate by 0.01 USD/EUR upward/downwards as of the balance sheet date would have resulted in a TEUR 123 lower respectively TEUR 125 higher fair value. The default rate for all derivatives stands at 0.0%, as previously.

The following overview presents the categorization of financial liabilities:

T€	Fair value		Carrying amounts					
			Amortized cost		Financial instruments measured at fair value through P&L*		Total	
	2011	2012	2011	2012	2011	2012	2011	2012
Financial liabilities	**18,816**	**24,105**	**18,816**	**24,105**	**0**	**0**	**18,816**	**24,105**
Non-current financial debt	5,000	3,000	5,000	3,000	0	0	5,000	3,000
Current financial debt	2,194	5,345	2,194	5,345	0	0	2,194	5,345
Trade payables	9,941	13,991	9,941	13,991	0	0	9,941	13,991
Other liabilities	1,681	1,769	1,681	1,769	0	0	1,681	1,769

* exclusively "held-for-trading"

The fair value of non-current financial debt approximately corresponds to the carrying amount since the loans carry variable interest, and consequently carry interest in line with the market.

The net gain on financial liabilities measured at amortized cost amounted to TEUR 48 for the year under review (previous year: net loss of TEUR 460).

The net gain/loss on financial liabilities measured at fair value amounted to TEUR 0, as in the previous year.

Financial assets and liabilities are measured according to the availability of relevant information based on the three levels of the fair value measurement hierarchy listed in IFRS 7. For the first level, quoted market prices for identical assets and liabilities are directly observable on active markets. At the second level, measurement is based on valuation models that include quantities observable on the market. The third level comprises the application of valuation models that do not make recourse to input factors observable on the market. Liquid assets comprise part of Level 1. All derivative financial assets and liabilities are included under Level 2, and are reported in the „at fair value through P&L" category. For all other financial assets and liabilities in Level 3, the stated carrying amount represents an appropriate approximation of fair value.

Interest-rate risk

The effects of changes in interest-rate risks to the company's cash flows are each stated under the disclosures to the respective balance sheet items. Interest-rate risk is regarded as negligible overall.

According to the sensitivity analysis for the liabilities arising from the assumption of bills drawn, a 1.0% change in LIBOR feeds through to a TEUR 3 earnings and equity effect for each EUR 1 million of overdue liabilities, as in the previous year. In the case of bank borrowings (TEUR 2,746; previous year: TEUR 1,169), a +/- 1% change in the variable interest rate would feed through to an earnings and equity effect of -/+ TEUR 27 (previous year: -/+ TEUR 12) for the utilized credit lines. For the newly drawn-down loan liabilities to third parties (TEUR 5,500; previous year: TEUR 6,000), a +/- 1% change in the variable interest rate would feed through to an earnings and equity effect of -/+ TEUR 55 (previous year: -/+ TEUR 60).

In order to hedge against interest-rate risks, Medisana concluded interest-rate hedging for a nominal amount of EUR 1.2 million for the period until December 2014, which reduces EURIBOR-linked financing by 1%. The hedging transactions are recognized at fair value among financial assets.

Exchange-rate risk

Significant currency risks exist within the MEDISANA Group with respect to the procurement of products that are ordered on a US Dollar basis within the Asian region. Currency risk arising from procurement within the MEDISANA Group is of subordinate significance with respect to currency rate fluctuations. In order to counter this, the currency risk between EUR and USD is limited primarily through forward currency transactions (forward-plus contracts). The financial position included no forward currency transactions as of the December 31, 2012 balance sheet date, however.

Pursuant to IFRS 7 (risk measurement sensitivity analysis), each change in the USD/EUR exchange rate by 1 cent from the reporting date rate relating to the USD liabilities as of the balance sheet date could change earnings and equity by + TEUR 80 / – TEUR 81 (stronger/weaker euro) (previous year: +/- TEUR 54).

(30) RELATED PARTIES DISCLOSURES

As of the balance sheet date, Medisana AG has assigned some of its trade receivables as part of a factoring agreement. This measure served to improve liquidity; it is offset by the financing costs. As of the balance sheet date, EUR 3.5 million of liquidity accrued to Medisana AG (previous year: EUR 3.1 million).

(31) RELATED PARTIES DISCLOSURES

The CEO of Medisana AG was also active as the Managing Director of Royal Appliance International GmbH, Neuss, until June 30, 2011. Royal Appliance International GmbH is no longer a related party from this date. For this reason, values are no longer listed in the 2012 reporting year. The previous year's period corresponds to the period until June 30, 2011.

Royal Appliance International GmbH invoiced Medisana AG for the following amounts in the previous year: TEUR 192 for rent, TEUR 12 for the utilization of IT systems including servicing, TEUR 21 for trade fair and project activities, TEUR 55 for personnel services, and TEUR 124 interest on loans.

In the previous year, Medisana AG invoiced Royal Appliance International GmbH four TEUR 72 of personnel services.

In the previous year, services and deliveries between Medisana AG and Royal Appliance International GmbH resulted in balances requiring short-term settlement in an amount of TEUR 143, which are reported among trade payables.

In the previous year, Royal Appliance International GmbH had generated TEUR 78 of sales with Medisana Benelux NV. Offsetting this, Medisana Benelux NV invoiced a TEUR 15 sales fee to Royal Appliance International GmbH.

In the previous year, Royal Appliance International GmbH had generated TEUR 285 of sales with Royal Appliance España S.L. In the previous year, deliveries by Royal Appliance International GmbH resulted in no balances reported among trade payables requiring short-term settlement as of the balance sheet date.

Medisana AG reported the following balances requiring short-term settlement with Royal Appliance International GmbH as of December 31, 2011:

€	2011	2012
Trade payables	143	n.a.
Loan liabilities	0	n.a.

Business relations between Royal Appliance International GmbH and Medisana AG occurred on market terms.

The Management Board Chairman of Medisana AG is also the Managing Director of Cedar Holdings GmbH, Neuss, Germany. Medisana AG reports TEUR 0 of current trade payables due to Cedar Holdings GmbH as of the reporting date (previous year: TEUR 28). Business relations between Cedar Holdings GmbH and Medisana AG occurred on market terms.

The Management Board Chairman of Medisana AG is also active as the Managing Director of Stellar Products GmbH, Neuss, Germany. Medisana AG invoiced Stellar Products GmbH for staff outsourcing and other services in an amount of TEUR 44 in 2012 (previous year: TEUR 0). Open items of TEUR 22 were reported as of the balance sheet date (previous year: TEUR 0).

No income or expenses arose in the financial year under review from business transactions between Stellar Products GmbH and Medisana Group Spain (previous year: income of TEUR 600). A total receivable of TEUR 100 and due from Stellar Products GmbH was reported as of the balance sheet date (previous year: TEUR 300).

Business relations between Stellar GmbH and Medisana AG occurred on market terms.

The Management Board Chairman of Medisana AG is also the Managing Director of Domostar GmbH, Neuss, Germany. No goods and services transactions occurred between Medisana AG and Domostar GmbH in 2012 (previous year: TEUR 925). As of the balance sheet date, Medisana AG reported a trade payable of TEUR 4 due to Domostar GmbH (previous year: TEUR 14). Business relations between Domostar GmbH and Medisana AG occurred on market terms.

Please refer to note 19 concerning compensation paid to management members.

No further relations with related parties existed that require reporting.

(32) COLLATERAL

Financial assets in an amount of TEUR 1,921 are pledged as collateral for sold receivables (previous year: TEUR 1,547). Receivables in an amount of TEUR 959 were also pledged as collateral (previous year: TEUR 976).

Stocks of TEUR 2,695 were pledged to banks as collateral for short-term finance debt (previous year: TEUR 999).

(33) CORPORATE GOVERNANCE STATEMENT

The statement of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Management and Supervisory boards of Medisana AG, and made available to the shareholders on the Internet at http://www.medisana.de/medisana/?article_id=77&clang=0 within the area Investor Relations/Corporate Governance/Erklärung zur Unternehmensführung.

(34) PUBLICATION

Medisana presents the consolidated financial statements and Group management report to the Supervisory Board for approval. Approval by the Supervisory Board is scheduled for April 30, 2013. Publication will occur subsequently.

(35) SUPERVISORY AND MANAGEMENT BOARDS

Appointments to the boards of Medisana were as follows during the reporting period:

MANAGEMENT BOARD

Mr. Ralf Lindner,
Hamburg
(Chairman of the Management Board / CEO)
Management Board member responsible for strategy, investor relations/corporate marketing, global sales

Mr. Marco Getz,
Aachen
Management board member responsible for finance, controlling and administration

Dr. Heinrich Komesker,
Neuss
Management Board member responsible for research & development,
product & quality management, production

Remuneration of the Management Board amounted to TEUR 648 in the 2012 financial year (previous year: TEUR 586).

No options were issued to the Management Board in the year under review, either from the remaining position of the Stock Option Program 2009, or from the Stock Option Programs 2010 and 2012.

Besides this, there is no detailed information about Management Board compensation, since, on the basis of a so-called „opt-out regulation" with an approval rating of 85.02% of the represented voting capital, the Annual General Meeting of September 21, 2011 made use of the option not to publish such detailed information pursuant to Section 285 Clause 1 No. 9 Letter a Clauses 5 to 8 and Section 314 (1) No. 6 Letter a Clauses 5 to 8 of the German Commercial Code (HGB).

SUPERVISORY BOARD

Mr. Thies G.J. Goldberg (Dipl. Volkswirt),
Hamburg,
independent management consultant,
Goldberg Consulting GmbH
(Chairman of the Supervisory Board)

Dr. Matthias Hartz,
Hergiswil, Switzerland
Executive Vice President
General Counsel
OC Oerlikon Management AG
(Supervisory Board member until June 26, 2012;
Deputy Supervisory Board Chairman from June 27, 2012)

Dr. Michael Regniet,
Arnsberg,
Lawyer and specialist tax lawyer
(Supervisory Board member from June 27, 2012)

Mr. Heinz-Peter J. Specht,
Munich,
independent management consultant,
SPECHT CONSULTING INTERNATIONAL
(Deputy Supervisory Board Chairman until June 26, 2012)

Remuneration of the Supervisory Board, including fees paid for meetings, amounted to TEUR 40 in the 2012 financial year (previous year: TEUR 39).

Neuss, April 30, 2013

The Management Board

AUDITOR'S OPINION

We have audited the consolidated financial statements – consisting of balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and notes to the financial statements – prepared by Medisana AG, Neuss, as well as the Group management report for the financial year from January 1, 2012 until December 31, 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as applicable in the EU, and additionally in accordance with the commercial law regulations pursuant to Article 315a (1) of the German Commercial Code (HGB), is the responsibility of the company's legal representatives. Our task is to issue an assessment concerning the consolidated financial statements and the Group management report on the basis of the audit we have conducted.

We conducted our audit of the consolidated financial statements pursuant to Article 317 of the German Commercial Code (HGB) taking into account German standards of proper accounting as promulgated by the Institute of Public Auditors in Germany (IDW). According to these standards, the audit should be planned and conducted in such a way that inaccuracies or infringements that have a significant impact on the true and fair view of the company's net assets, financial position and results of operations by means of the consolidated financial statements, taking into account the applicable statutory accounting regulations, and the Group management report, are detected with sufficient certainty. In determining the actions to be taken during the course of the audit, knowledge about the business activities and the economic and legal environment in which the Group operates are taken into consideration, as are the expectations relating to possible errors. In the context of the audit, the effectiveness of the internal financial accounting monitoring system, and evidence of the accuracy of the details in the consolidated financial statements and Group management report are predominantly assessed on the basis of spot checks. The audit includes the assessment of the accounting information of the partial areas included in the consolidated financial statements, the demarcation of the consolidation scope, the accounting principles applied, and the significance estimates made by the legal representatives, as well as an assessment of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit constitutes a sufficiently secure basis for our assessment.

Our audit identified no cause for objection.

In our opinion, and based on the knowledge gained during the audit, the consolidated financial statements conform to IFRS, as applicable in the EU, and German commercial law regulations additionally applicable pursuant to Article 315a (1) of the German Commercial Code (HGB), and they convey a true and fair view of the net assets, financial position and results of operations of the Group. The Group management report harmonizes with the consolidated financial statements, and, as a whole, provides an appropriate picture of the Group's position, and accurately depicts the opportunities and risks pertaining to future development.

Düsseldorf, April 30, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

Berndt	**ppa. Höschler**
Public Certified Auditor	Public Certified Auditor

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Chile, Finland, France, Georgia, Iran, island, Iceland, Italy, Croatia, Lebanon, Lithuania, Malaysia, Morocco, Mauritius, Austria, Poland, Romania, Saudi Arabia, Serbia, Slovenia, Slovakia, Czech Republic, Tunisia, Ukraine, Hungary, United Arab Emirates, Vietnam

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INFORMATION ON RISKS

FORWARD-LOOKING STATEMENTS CONTAIN RISKS

This document includes forward-looking statements about future developments that are based on the management's current assumptions. Words such as „anticipate", „assume", „believe", „assess", „expect", „intend", „can/could", „planning", „projecting", „should" and similar expressions define these kinds of forward-looking statements. Such statements are subject to certain risks and uncertainties. Should one of the uncertain factors or other uncertainties occur, or the assumptions used to make the statements prove to be wrong, the actual results could vary significantly from the implicitly expressed results specified in the statements. We neither intend nor do we assume an obligation to continuously update our forward-looking statements, since these solely pertain to circumstances present on the day of their publication.

FINANCIAL CALENDAR

The financial calendar reflects all the important dates of Medisana AG and provides an overview of the previous and upcoming announcements. We will be happy to send you further information or events documents on request.

30/04/2013	Publication of 2012 consolidated financial statements
15/05/2013	Publication of Group interim report within first half of 2013
21/06/2013	Ordinary Annual General Meeting, Düsseldorf
15/08/2013	Publication of H1 2013 financial report
06/09/-11/09/2013	IFA international consumer electronics and home appliances trade fair 2013, Berlin
15/11/2013	Publication of Group interim report within second half of 2013
20/-23/11/2013	Medica, Düsseldorf

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