MEDISANA

HEALTHY GROWTH

Annual Report 2008

MEDISANA®

Contents

November 2008
Ralf Lindner, CEO of MEDISANA AG, was selected as „Turnaround Specialist of the Year 2008“ in the „Companies up to 500 Employees“ category.
The distinction is awarded every year by the auditing company BDO Deutsche Warentreuhand AG and the business magazine „impulse“ to company managers who have successfully restructured companies that have been in financial difficulties. MEDISANA AG is the only stock market-listed company among this year‘s three prize-winners.

(In the photo from left to right: Dr. Ursula Weidenfeld, Chief Editor of „impulse“, Ralf Lindner and Dr. Lutz Mackebrandt, BDU e.V., who delivered the speech in honour of the prize-winners)

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

The international financial crisis finally arrived in the real economy in 2008, and has not left our sector unscathed in the process.

Despite the marked weakening of the environment in the second half of the year, MEDISANA retained its previous year's revenue record, and continued the positive developments with annual revenues of EUR 30.2 million.

Sharp fluctuations in raw materials prices, energy costs and exchange rates have resulted in higher procurement costs, that are incurring a major impact on earnings. This was only in part offset by astute and circumspect management, allowing us to generate earnings before income tax of over EUR 1.0 million for the 2008 year, which is nevertheless the second best result since our IPO.
As a consequence, MEDISANA has already been profitable for two years since the conclusion of the restructuring phase.

This outstanding performance, as well as the successes of the past period, have been achieved only thanks to the above-average commitment and sound work rendered by our staff members both in Germany and abroad.

At this juncture, I would like to express my warm thanks to you for your performance, and I would like to encourage you to persevere with your joint efforts to bring MEDISANA further forwards to the top of our sector.

In November 2008 we were also voted „Turnaround Specialist of the Year 2008" by BDO Deutsche Warentreuhand AG and the business magazine „impulse" for this successful performance.
This is a distinction that gave us all a great deal of pleasure, and which I received on behalf of the entire team.

This acknowledgement should spur us on to safely steer MEDISANA through increasingly challenging waters, and during a time characterised by uncertainty that affects all areas of life, and whose end is currently unforeseeable.

Our wish and intention is to meet this challenge.

Besides this, there are an increasing number of opportunities for us to make potential acquisitions and take equity stakes, also in view of the fact that a consolidation process has commenced in many sectors as a result of the recession. We wish to play an active role in a consolidation of our environment. In this respect, the Management and Supervisory boards of MEDISANA AG have already reviewed a number of candidates in 2008. Our stringent and demanding selection criteria - the target company should be operating profitably, and dovetail in terms of product range and structure - have nevertheless prevented us from announcing the conclusion of a deal to date.

MEDISANA stands for innovative and high-quality health products for domestic use. This market is growing, driven by demographic trends in the over 35 countries in which we are currently operating, and this growth is above the average as well as stable. Our main target group of the over-55-year-olds, who account for 75 % of health spending, will comprise a good 36 % of the population by 2010.

This is a megatrend that is continuing – also during the crisis - and represents a solid foundation for our business. At the same time, this trend is strengthened by end-customers‘ growing awareness with respect to their own health, and the manner in which health insurance funds are cutting costs by shifting expenses to end-consumers.

We are continuing to put committed effort into improving ourselves even further, acting as a reliable partner in the service of our customers‘ health, and enabling our shareholders to enjoy an investment that offers long-term profitability.
We will join forces to meet today‘s tasks with courage, strength and action, approaching them with new ideas, new products and new solutions - because we firmly believe:

The future is green – and promising!

Kind regards

Hilden, May 13, 2009

Ralf Lindner
CEO of MEDISANA AG

Report of the Supervisory Board

Dear shareholders,

The global recession and fierce turbulence on international financial markets have also not spared our company. The negative effects were particularly visible in the fourth quarter of 2008. MEDISANA AG nevertheless performed successfully despite these circumstances. The Management Board generated positive earnings, not least due to successful brand positioning and leading technological products in many areas.
During the reporting year, we fulfilled the tasks incumbent upon us according to the articles of association and the law, and comprehensively carried out the advisory and supervisory functions that the Supervisory Board is obliged to perform with respect to the Management Board. We reviewed all information provided by the Management Board, and discussed and queried them in detail at joint meetings as well as during many individual conversations. We additionally provided ongoing advice and support to the Management Board regarding strategic planning questions, as well as to particular thematic areas such as the financial market crisis.

As in the previous year, the Supervisory Board formed no committees in the 2008 financial year. This was done despite the recommendations of the German Corporate Governance Code, since the performance and success of a supervisory board intentionally composed of only three members cannot be improved through the formation of committees, in our opinion.

Supervisory Board meeting following the Annual General Meeting on June 26, 2008

At a Supervisory Board meeting following the Annual General Meeting of June 26, 2008, Dr. Matthias Hartz relinquished the chairmanship of the Supervisory Board to his previous deputy, Thies Goldberg. Dr. Heinrich Komesker was elected to be the new Deputy Chairman of the Supervisory Board. Dr. Hartz continues to support the company in his function as a member of the Supervisory Board. Business progress and various potential growth scenarios were also discussed at this meeting.

Further meetings and topics in 2008

Four further Supervisory Board meetings were held during the last financial year: on March 31, 2008, on April 25, 2008, on September 26, 2008, and on December 15, 2008. All members of the Supervisory and Management boards participated in all meetings. In addition to the meetings, the Supervisory Board was informed during personal conversations concerning current business progress, corporate planning, strategic further development, and other events of significance. These related, in particular, to topics such as growth prospects for 2008/2009, and the effects of the financial market crisis. A further focus of these conversations was the development of our companies abroad, including export activities. The Management Board constantly provided the Supervisory Board with up-to-date information. Besides detailed reports concerning business progress as part of joint meetings, the Management Board always kept the Supervisory Broad abreast of current developments by means of prompt written information and personal conversations.

Above and beyond this, the Supervisory Board informed itself concerning a number of individual topics during the year under review. For instance, the Management Board pointed out restructuring opportunities within the Group, and provided comprehensive reports on the development of subsidiaries including Promed GmbH.

As part of the meetings during the financial year, the Management Board communicated to the Supervisory Board extensive explanations and detailed financial data (interim reports and quarterly financial statements, consisting of balance sheet, income statement and managerial assessment, as well as the projection of corporate budgeting for the current year), which the Supervisory Board then subjected to a plausibility review on the basis of time and sector comparisons, as well as completeness.

Corporate governance

The statement of compliance according to Article 161 of the German Companies Act in combination with the German Corporate Governance Code is reproduced in the annual report in the Corporate Governance chapter, and is published on the Internet at www.medisana.de. The Supervisory Board supervised adherence to regulations adopted from the German Corporate Governance Code.

Award of the audit mandate to WARTH & KLEIN

At the Ordinary Annual General meeting held on June 26, 2008, shareholders selected WARTH & KLEIN G.M.B.H. Wirtschaftsprüfungsgesellschaft, Düsseldorf, to be the auditor for the financial statements for the 2008 financial year. The award of the audit mandate to WARTH & KLEIN by the Supervisory Board, which applies for both the consolidated financial statements and the single-entity annual financial statements for the 2008 financial year, contained clear rules with respect to the specifics of the mandate, and the collaboration between the Supervisory Board and the auditors.

Balance sheet Supervisory Board meeting on May 15, 2009

The auditing company WARTH & KLEIN G.M.B.H. audited the 2008 single-entity annual financial statements and the 2008 consolidated financial statements, which had been prepared by the Management Board, as well as the management reports for both the company and the Group relating to the 2008 financial year, compiled according to the regulations of the German Commercial Code (single-entity financial statements) and International Financial Reporting Standards (consolidated financial statements). The auditor awarded an unqualified audit certificate.

The single-entity annual financial statements and the consolidated financial statements as of December 31, 2008, including the management reports for both the company and the Group, were made available to the Supervisory Board in good time before the Supervisory Board meeting held on May 15, 2009 in order to approve the accounts. The single-entity annual financial statements and the consolidated financial statements were discussed in detail at the Supervisory Board balance sheet meeting together with the Management Board and the auditor. The Supervisory Board noted the audit results with approval, and for its part reviewed the single-entity annual financial statements and the consolidated financial statements, as well as the management reports for both the company and the Group. The single-entity annual financial statements for 2008 and the consolidated financial statements of MEDISANA AG were approved without reservations. The annual financial statements have been adopted as a consequence. Assent was granted to the management reports, particularly with respect to the statements concerning the future development of the company. As part of the preparation for the Ordinary Annual General Meeting on June 26, 2009, a further item on the agenda was a discussion of the business for the day.

A word of thanks from the Supervisory Board

We would like to thank the Management Board and staff members for their personal and professional input during the 2008 financial year.

Hamburg, May 15, 2009

Thies Goldberg
Chairman of the Supervisory Board

Corporate governance

Responsible corporate management has always formed the basis of correct entrepreneurial daily activity. Over the last few years, corporate governance has developed as a standard for this type of responsible management, and, as a matter of course, it is adhered to and enacted across the entire company.

Management and controlling oriented towards sustained value creation plays an important role at MEDISANA AG. Close and efficient cooperation between the Management and Supervisory boards, correct accounting and auditing, and the responsible handling of risks represent the key foundations of corporate success.

For this reason, MEDISANA AG's corporate governance concept comprises corporate processes, values and goals. In this way, the Management and Supervisory boards aim to ensure that the company's growth is realised on orderly basis. This also entails, in particular, the safeguarding of existing jobs, the creation of new jobs, as well as the appreciation of shareholder assets.

Declaration of compliance pursuant to Article 161 of the German Companies Act

The Management and Supervisory boards of MEDISANA AG are committed to the work and goals of the government-commissioned German Corporate Governance Code. It creates transparent guidelines which serve to assist in the proper and ethically correct management of corporations.

The Code allows selective deviations if, in certain cases, strict observance was found to make little or no sense for the company affected.

Given this, the Management and Supervisory boards of MEDISANA AG declare that the recommendations of the government-commissioned German Corporate Governance Code have been adhered to since the submission of the last statement of compliance, and will be adhered to in future, with the following provisions:

Deviations:

- According to Sections 5.1.2 and 5.4.1, company boards should define age limits for their members. The Management and Supervisory boards desist from determining age limits because, firstly, individuals are appointed on the basis of their knowledge, aptitude and expertise, and, secondly, because the current age structure does not necessitate a limitation.

- Based on Section 5.3, the Supervisory Board should form commissions and an audit commission. The Supervisory Board does not maintain commissions, nor an audit commission. With only three members, the committee is purposely kept small to sue the company‘s size and to achieve a high level of efficiency. All of the important issues and main areas of the Code are handled intensively by the entire Supervisory Board. For this reason, committees will not be established.

- The German Corporate Governance Code recommends the inclusion of a deductible in liability insurance policies that a company concludes for management and supervisory board members (so-called D&O insurance). MEDISANA AG is not of the opinion that the commitment and responsibility with which management and supervisory board members conduct their responsibilities is improved by such a measure. As a consequence, the D&O insurance policies for Management and Supervisory board members do not include such a regulation.

- The German Corporate Governance Code recommends communicating the convening of annual general meetings, including the documents relating to the convening, by electronic means (Code Article 2.3.2). Since MEDISANA AG shares relate to bearer shares rather than registered shares, this recommendation is not practicable from the point of view of the company.

- Article 5.4.6 of the German Corporate Governance Code recommends the incorporation of performance-oriented payment components in the remuneration system of supervisory board members, and the individualised presentation of payments. The company has foregone a performance-related component and the individualised presentation of payments to date, since this is included in the company‘s articles of association.

- The individualised disclosure of management board members' remuneration as well as the disclosure and presentation of the main features of the management board's remuneration system should be made in a remuneration report, as part of the corporate governance report, in accordance with Article 4.2.4 in combination with Article 4.2.5 of the German Corporate Governance Code. In line with the Code, fixed and variable monetary remuneration components are envisaged for the Management Board of MEDISANA AG. Stock option programmes or similar arrangements with long-term incentive appeal and risk characteristics, as well as pension commitments, do not exist. The total remuneration of each Management Board member is not disclosed individually. The main reason for this is that the Annual General Meeting of MEDISANA AG held on August 24, 2006 passed a resolution with a three quarters majority to refrain from implementing the itemised disclosure of management board remuneration required in Article 285 Clause 1 Number 9 Letter a Clauses 5 to 9 as well as Article 314 Paragraph 1 Number 6 Letter a Clauses 5 to 9 of the German Commercial Code. This resolution is valid for the financial year that commenced on January 1, 2006 and the for the four following financial years. Shareholders can derive the appropriateness of Management Board remuneration from the overall remuneration of the Management Board as disclosed in the annual report.

- Regarding the publication of the report, according to Article 7.1.2 it is recommended that the consolidated financial statements be made available within 90 days, and interim reports within 45 days. Up until now, the company has exceeded these publication time periods. Publication of the consolidated financial statements and mid-year financial statements occurs as soon as they have been prepared. We strive to adhere to the recommended disclosure periods in the Code of 90 or 45 days after the conclusion of each reporting period

- In Article 6.6, the German Corporate Governance Code recommends an overview of all reported directors' dealings in the so-called Corporate Governance Report. The company desists from doing so because all transactions are usually published in a timely manner on its website under „Corporate Governance". In this regard, please refer to the more informative data on the company's website.

Hilden, December 17, 2008

Signed
Ralf Lindner
Chairman of the Management Board

Marco Getz
Member of the Management Board

Thies G. J. Goldberg
Chairman of the Supervisory Board

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 fair representation of the Group's financial position and earnings situation. Moreover, in the Group annual report, the general business development, including the results, and the situation of the Group are depicted in such a way as to give a fair representation of the actual situation, as well as clearly detailing the essential opportunities and risks stemming from the forecasted development of the Group.

Hilden, May 13, 2009

Ralf Lindner
Chairman of the Management Board
of MEDISANA AG

Marco Getz
Member of the Management Board
of MEDISANA AG

MEDISANA stock

Share ownership[1] of board members

	Mandate	Shares as of 31/12/2008	Percentage of capital stock
Ralf Lindner	Chairman of the Management Board	1,965,996	27.95
Thies G. J. Goldberg	Chairman of the Supervisory Board	930,000	13.22
Dr.-Ing. Heinrich Komesker	Supervisory Board member	40,150	0.57
Dr. Matthias Hartz	Supervisory Board member	365,400	5.19
Total		**3,267,746**	**46.45**

1) in each case, amount from direct or attributable share ownership

Miscellaneous

The company has procured insurance, without deductible, against financial loss (so-called directors and officers insurance) for Management and Supervisory board members.

Accounting

Shareholders and third parties are primarily informed through the consolidated financial statements. During the financial year, they are informed concerning the development of the company through the mid-year report as well as the first- and third-quarter interim reports. The consolidated financial statements, the mid-year report and the interim reports are compiled in line with internationally accepted accounting principles. The consolidated financial statements are compiled by the Management Board and are verified by both the Supervisory Board and the auditor.

MEDISANA stock[1]

Key data for MEDISANA stock	
WKN (security identification number)	549254
ISIN	DE0005492540
Stock exchange initials	MHH
Stock exchanges	Xetra Frankfurt Stock Exchange (FWB) Düsseldorf Hamburg Munich Stuttgart
Trading segment	General Standard
Capital stock as of December 31, 2008 (in euros)	7,034,327
Shares outstanding as of December 31, 2008 (number of shares)	7,034,327
Market capitalisation as of December 30, 2008 (in EUR m)	24.62

Equity markets in 2008: global collapse

The trends of the previous year continued in 2008. So-called second-line stocks suffered a major decline in interest, particularly on the part of institutional investors. Stock markets also fell over the course of the year, accompanied by volatility, with the third quarter of 2008 being particularly characterised by massive price losses that extended across all sectors. Indices relevant to MEDISANA were also not spared. The second-line S-DAX index was down by 46.1 % over the course of the year, and the Prime Pharm + Health care Index relinquished 23.1 % of its value. Although MEDISANA AG stock proved unable to decouple itself from the general downtrend in the year under review, it exhibited a pleasing level of relative strength compared to other second-line stocks. In overall terms, the value of MEDISANA stock depreciated to only half the extent of the S-DAX in 2008, and fell by 16.7 %, closing the year at EUR3.50.

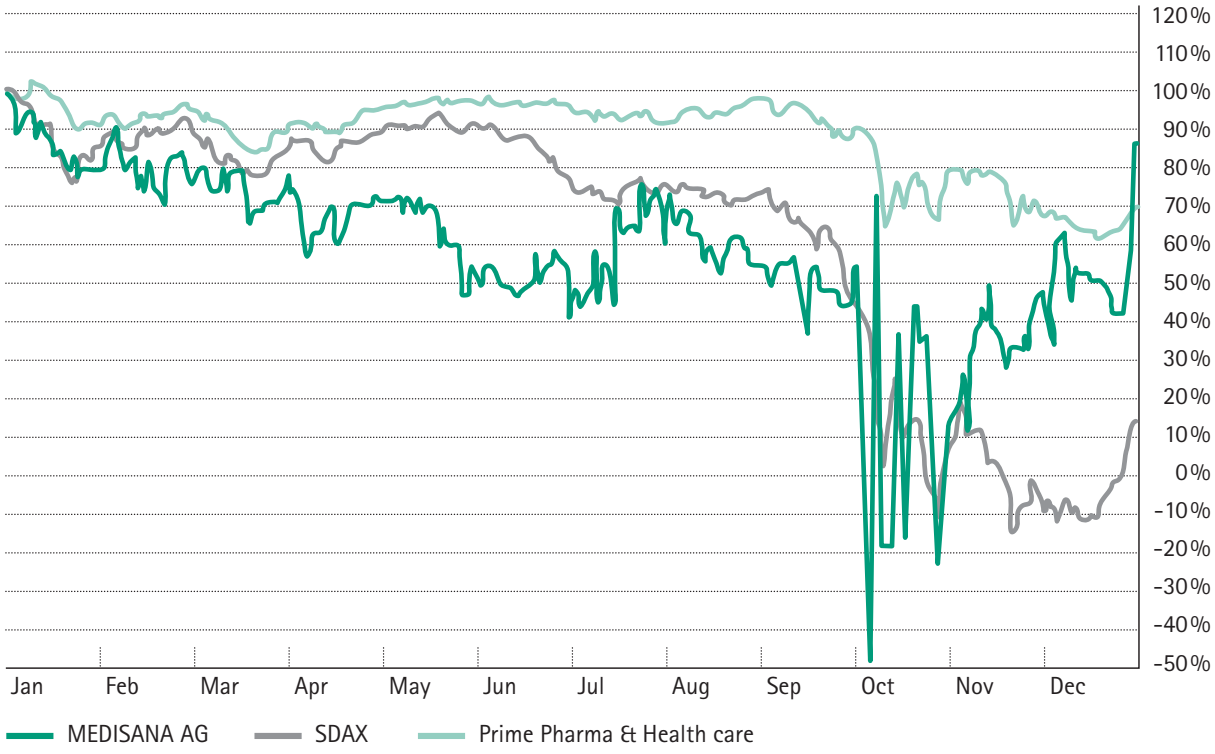
	02/01/2008	30/12/2008	Change in %
MEDISANA stock (in EUR)	4.20	3.50	-16.7
S-DAX	5,192	2,801	-46.1
Prime Pharma & Health care	1,859	1,429	-23.1

Highlights 2008

- **Revenue at record levels**
- **Second-best result since IPO**
- **Distinction as Turnaround Specialist of the Year 2008**
- **Numerous product innovations**
- **Founding of MEDISANA Turkey**

	2007	2008
Consolidated net income (undiluted) per share in EUR	**+0.11**	**+0.05**
Share price in EUR (XETRA)		
Closing price on last trading day	4.40	3.50
Highest closing price	4.84	4.20
Lowest closing price	2.95	1.70

Performance of MEDISANA stock in 2008 relative to the market (index)



[1] Data partially rounded

Overview

2008 business year: weathering the crisis with record performance

Any crisis, such as the current recession, can and should be perceived as an opportunity at the same time. Although the 2008 crisis year proved initially unwelcome for MEDISANA, it was nevertheless a good opportunity to show that the marked improvements in the operating business that had been reported on since 2006 were in fact sustainable, and were capable of proving resistant to a recession. Despite the clearly visible recession in the fourth quarter, the MEDISANA Group maintained its revenue at the previous year's record level at EUR 30.2 million in the year under review. Thanks to the consequences of the restructuring process that had been concluded, a profit was once again reported last year, amounting to EUR 0.4 million (following EUR 0.8 million in 2007). Besides the streamlined cost structure, the fact that MEDISANA is operating increasingly on an international basis also plays a role in this respect. Although the much earlier start to the recession in countries abroad had a negative impact in this regard, at EUR 15.0 million (following EUR 16.5 million in the previous year), a major portion of total revenue was nevertheless generated outside Germany.

The repositioning of your MEDISANA has thereby passed an important test: both revenue and earnings proved gratifyingly resistant. A further opportunity presented by the crisis is that we are meeting its not insignificant challenges – after having experienced the impact of the recession in the fourth quarter of 2008 in the form of declining revenues - with courage and with many new ideas. For example, with new marketing ideas, and the preservation of profitability. In this way, we intend to emerge from the crisis with greater strength.

As a consequence, we regard MEDISANA AG as continuing to be in a phase of sustainable growth, and we expect, depending on the further course of the recession, and following a slight dip in growth in the current first half-year, to again report growth across a broad front from as early as 2010.

I. Legal structure/business activity, legal foundation and framework

1. Business activity, legal structure, organisation, management and control

MEDISANA AG was one of the first companies in Germany to recognise the significant potential of home health care. For over 25 years, it has successfully created its own brands, and a broad product range containing a high degree of expertise in applications of products for home health care. Today, MEDISANA AG is established as a company focused on the development, production and sale of premium products for end-consumers, and it is positioned such that it enjoys promising prospects within its market.

In this respect, the consumer is addressed on a targeted basis via various sales routes using the product brands of the MEDISANA Group, namely MEDISANA, Promed and Happy Life, while maintaining uniform quality standards for the extensive product portfolio of the MEDISANA Group.

An even clearer positioning of the MEDISANA product portfolio for the end-consumer was effected during the year under review. Our extensive national and international expertise in health care is reflected in the product programme, which is split into 12 product groups covering the health and wellness area. This allows customers to find the products that correspond to their needs significantly more simply and rapidly.

- Acupuncture
- Allergies
- Blood pressure
- Inhalation
- Body weight
- Light Alarm Clock
- Air humidifiers & air cleaners
- Massage
- Nails, skin & hair
- Pain
- Temperature
- Warmth

All products from these 12 product groups provide support to health-aware individuals, and correspond to MEDISANA AG's quality, precision and safety standards. They are entirely tolerable, and without side effects. They incorporate high-quality design, and are easy to use.

To aid orientation, MEDISANA offers customers three different equipment classes: compact, comfort and comfortplus. Products in the compact class satis-

fy all requirements relating to the relevant function, while the comfort class is distinguished by particular equipment characteristics such as arrhythmia-recognition to provide greater safety when measuring blood pressure, more extensive accessories or a voice output in six languages. Besides this, the comfort-plus class stands for the highest standards, and sets benchmarks with respect to quality, precision and safety.

The quality of the products, as well as the service, advice and know-how provided by MEDISANA enable trade partners to constantly expand their expertise, thereby having a positive impact on sales.

The geographic focus of sales activities is mainly on the target markets in Europe. The focus on markets and areas is reflected in the consolidated financial statements, particularly under segmental reporting.

At both the company and the Group levels, the 12 product groups are aggregated into the segments of Health Control, Home Therapy and Beauty.

The corporate strategy is targeted at sustainable and profit-oriented growth, as well as the gaining of market shares. We also strive for clear innovative leadership - among other things through sustained high quality standards, and the further development and integration of new technologies, as well as the securing and strengthening of competitiveness.

Structure of the Group/subsidiaries

MEDISANA Group consists of the holding company, MEDISANA AG, Hilden (Germany) and 10 subsidiaries as of the December 31, 2008 balance sheet date.

The percentage interest held in the subsidiaries amounts to:

Company	Interest (%)
Registered office	
Promed GmbH	**51.2**
Farchant/Germany	
Rebac GmbH i.L.	**51.0**
Hilden/Germany	
Medisana Antiinfective Technologies GmbH	**100.0**
Hilden/Germany	
Medisana Far East	**51.0**
Hongkong/China	
Medisana Health Care, S.L.	**100.0**
Barcelona/Spain	
Medisana USA, Inc.	**100.0**
Charlotte/North Carolina, USA	
Medisana Hellas Ltd.	**51.0**
Heraklion/Greece	
Medisana Saglik Ürünleri Ltd	**26.0***
Istanbul/Turkey	
Medisana Benelux NV	**100.0**
Kerkrade/Netherlands	
Medisana Healthcare UK Ltd.	**100.0**
London/United Kingdom	

* indirect Group interest through MEDISANA Hellas Ltd..

Management Board and Supervisory Board

Management Board members Ralf Linder as CEO and Marco Getz as CFO manage the business of MEDISANA AG. The Supervisory Board, which consists of three members, is responsible for supervising and advising the management. Thies Goldberg has been Chairman of the Supervisory Board since the Annual General Meeting for the 2007 financial year held on June 26, 2008. There have been no changes to the composition of the Supervisory Board during the reporting period, however. Important transactions and other business matters relevant to the management of the Group are discussed at regularly occurring executive committee meetings. In particular, deviations from the budgets are identified and, if necessary, corrections and managerial adjustments are made. The most important figures for managing the Group are customer revenues, sales volumes, prices, manufacturing and purchasing costs, gross profit margins, earnings before interest and tax (EBIT), earnings before interest, tax, depreciation and depreciation (EBITDA), the equity ratio, cash flow and the debt/equity ratio.

Management Board and Supervisory Board of MEDISANA AG – Formation

Chairman of the Management Board

Ralf Lindner

Strategy, investor relations/corporate marketing, global sales

Management Board

Marco Getz

Finance, controlling, administration

Supervisory Board

(Chairman of the Supervisory Board)

Dr. Matthias Hartz | **Thies G. J. Goldberg** | **Dr.-Ing. Heinrich Komesker**

The compensation of the Management Board is based on a fixed salary, and variable remuneration at the discretion of the Supervisory Board. However, no year-end management bonus was paid to the Management Board members during the 2008 financial year. On the basis of a so-called „opt-out regulation“ with an approval rating of 99.26 % of the represented voting capital, the Annual General Meeting of August 24, 2006 made use of the option not to publish detailed information relating to the Management Board‘s compensation pursuant to Article 285 Clause 1 Number 9 Letter a Clauses 5 to 9 as well as Article 314 Paragraph 1 Number 6 Letter a Clauses 5 to 9 of the German Commercial Code. The current declaration of compliance relating to MEDISANA AG‘s corporate governance consequently includes no separate remuneration report.

2. Legal foundation as well as information according to Article 315 Paragraph 4 of the German Commercial Code (HGB)

Market listing

Since June 13, 2000, MEDISANA AG has been a publicly quoted company, included in the Regulated Market of the Frankfurt Securities Exchange (General Standard) as well as the Xetra electronic trading platform and various over-the-counter markets of further German stock exchanges.

Capital stock

The company's capital stock amounted to EUR 7,034,327 on December 31, 2008, which was split into 7,034,327 bearer shares with voting rights, each with an arithmetic nominal value of EUR 1.00. There are no restrictions relating to voting rights or the transfer of shares, including arising from agreements between shareholders, that are known to the company. There are no special rights granting controlling powers.

The following direct or indirect investments in the company's capital stock, which exceed 10 % of the voting rights, have been notified to the company pursuant to Article 21 of the Securities Trading Act (WpHG) (percentages result from the number of reported shares as of the balance sheet date in relation to the number of total outstanding shares on the balance sheet date):

Anteil	Notifications
27.49 %	**Cedar Holdings GmbH, Hilden**
	Interest attributable to Mr Ralf Linder, Chairman of the Management Board
18.52 %	**Sofaer Capital Inc., Hong Kong**
13.22 %	**Raptor Beteiligungsgesellschaft mbH, Hamburg**
	Interest attributable to Mr Thies G.J. Goldberg, Chairman of the Supervisory Board
5.19 %	**Dr. Matthias Hartz, member of the Supervisory Board**

Authorisation to issue new shares/Authorised Capital and Conditional Capitall

Pursuant to Article 4 of the articles of association, both approved and conditional capital exist:

a) As the result of a resolution of the Annual General Meeting of August 24, 2006, a new Approved Capital of up to EUR 3,570,164 was created. This resolution authorised the Management Board, with the approval of the Supervisory Board, to increase the company's capital stock by up to a total of EUR 3,517,163.00 by August 23, 2011 by the one-off or repeated issuing of up to 3,570,163 new no-par value bearer shares in exchange for one-off or repeated cash contributions and/or assets in kind. The Management Board is authorised, with the approval of the Supervisory Board, to bar subscription rights in particular cases.

b) As the result of a resolution by the Annual General Meeting of June 26, 2008, a new Conditional Capital of up to EUR 3,517,163 was created. The Conditional Capital increase will be performed only to the extent that bearers of convertible and/or option debentures and/or participation rights with exchange or subscription rights issued until June 25, 2013 on the basis of the authorisation resolution passed by the Annual General Meeting of June 26, 2008 utilise their exchange or subscription rights, or satisfy their obligation to exchange, and the company decides to service the exchange or subscription rights from this conditional capital. The Management Board is authorised, with the approval of the Supervisory Board, to bar subscription rights in particular cases.

Regulations relating to the appointment of the Management Board

Nominations and withdraws from office of Management Board members are performed according to Articles 84 and 85 of the German Companies Act (AktG), as well as according to Article 6 of the articles of association. According to the articles of association, 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.

Changes to the company's articles of association

The Supervisory Border is authorised to pass resolutions concerning amendments to the articles of association, which relate solely to their wording. In other cases, amendments to the articles of association are performed pursuant to the regulations of Articles 133 and 179 ff. of the German Companies Act (AktG).

Key agreements under the condition of change of control

There are no key agreements on the part of the company that arise under the conditions of a change of control resulting from a takeover bid. There are also no compensation agreements with Management Board members or employees in the instance of a takeover offer.

3. Macroeconomic environment

- **Global economy stuck in recession**
- **Equity markets slump**
- **Germany: domestic market less affected than USA and Japan**

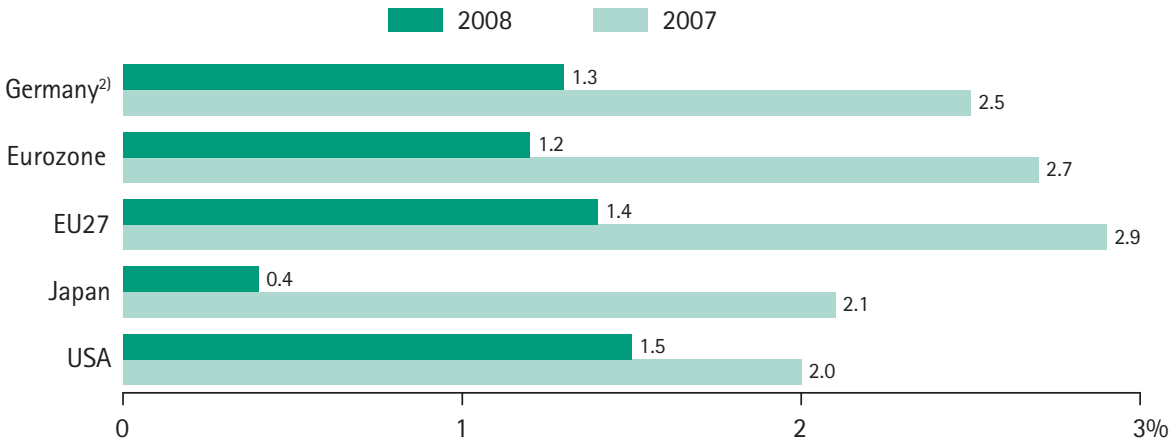
The global economy continued its expansion for only a brief period at the start of 2008, and at a slower pace. Commodity and energy prices, in particular, continued to register significant gains for an initial period. The portents changed entirely by the middle of the year. The bursting of the housing bubble in the summer of 2007 in the USA, and the collapse in commodities prices in mid-2008, resulted in a constantly accelerating downtrend on the financial, capital and commodities markets, which had a massive impact on the real economy from September 2008.

Europe and Germany

The German economy has been in recession since mid-2008, since economic output has since fallen in two consecutive quarters. On an annualised basis too, the economy reported significantly weaker growth in 2008 than in the two previous years. According to the Federal Office of Statistics (Destatis), price-adjusted gross domestic product (GDP) was only 1.2 % higher than in the previous year. In 2007, by contrast, GDP growth was still 2.5 %.

Real growth in gross domestic product in 2008

Year-on-year growth in %



1) European Commission, Economy and Finance Executive Board, Autumn 2008 Forecast, except for Germany
2) First provisional result for Germany.

Source: Federal Office of Statistics

As a consequence, the German economy nevertheless performed well on an international comparison in 2008. In the Eurozone, GDP growth was 1.2 %, and even as low as only 0.4 % in Japan. The factors driving growth in Germany were domestic investments, particularly from the German capital equipment (+5.3 %) and the construction sector (+2.7 %), albeit with a declining trend towards the end of the year. By contrast, exports proved not to be a driving factor for the first time in many years. Instead, a negative external contribution even had a detrimental impact on economic growth. Imports were up by 5.2 % on the price-adjusted basis (previous year: 5.0 %), while exports rose by only 3.9 %, compared with 7.5 % in the previous year.

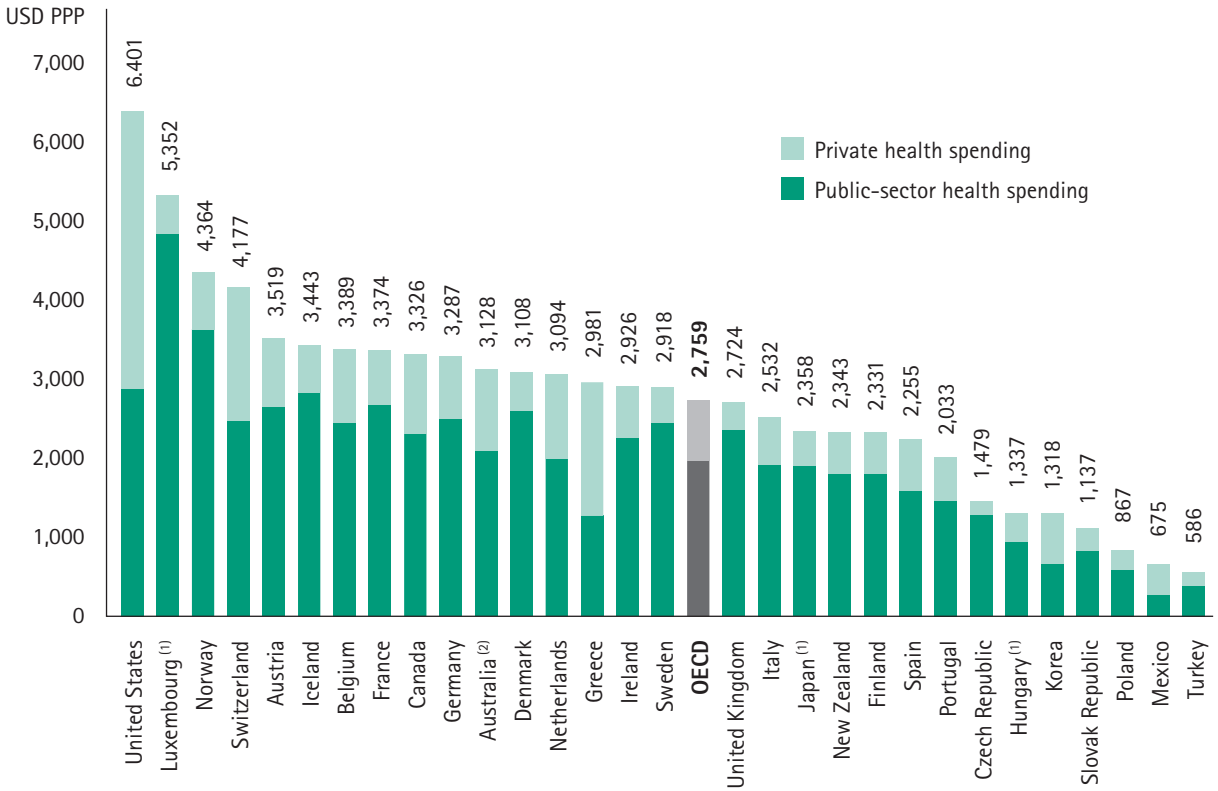
The economic downturn had not yet impacted the labour market, by contrast. The unemployment rate in Germany averaged 7.8 % over the year (3.27 million unemployed persons), 1.2 percentage points below the previous year. The number of individuals in gainful employment might decline significantly in the current 2009 year, however.

Health care market

The worst recession for decades will not fail to have an impact on the health care market, and particularly also the so-called secondary health care market. This is already become clear from the company's sales trends in the fourth quarter of 2008. On the other hand, the health care sector has become a significant economic factor in the last ten years. For example, private health care provision, in other words, the home health care market occupied by MEDISANA, is described as one of the new mega-cycles by way of allusion to the Kondratieff cycle. This is because a rising number of individuals are increasingly prepared to invest more money in their health. According to figures included in a study prepared by Roland Berger Strategy Consultants, each adult today spends around EUR 900 per year in addition to health insurance for medical checkups, alternative medicine, sport and healthy nutrition. This represents an increase of 6 % since the turn of the millennium. According to Roland Berger, particularly important growth drivers include the market occupied by MEDISANA for simple and rapid medical checkups, as well as the growing market for telemedical products.

Although the Roland Berger study was produced before the crisis, health care should nevertheless continue to prosper even in a recession, at least in industrial countries. This is clearly reflected by an international comparison. Here, Germany ranks in fourth place with its health-care spending share of GDP, thereby below the OECD country average of 9 % (Source: OECD). The United States of America (15.5 %,) Switzerland (11.6 %) and France (11.1 %) are also above the average, and ahead of Germany. Germany occupied 10th place in 2005 in terms of per capita health spending. This figure has risen by an average of 1.3 % per year in real terms between 2000 and 2005.

Per capita health spending in 2005

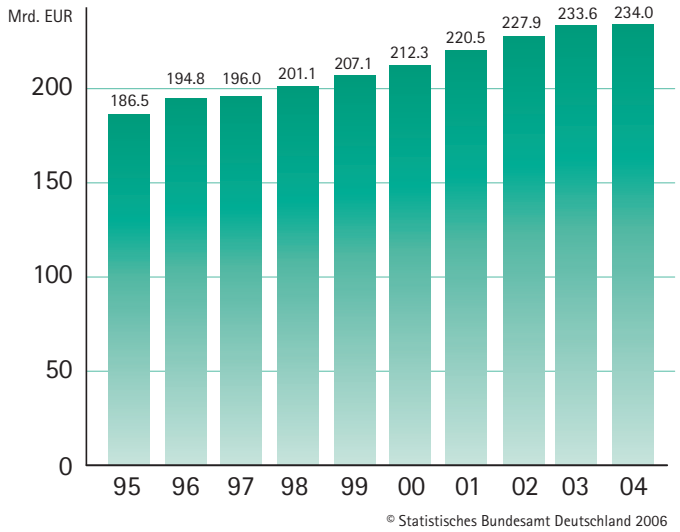


1) 2004 2) 2004 – 2005

Source: OECD

According to OECD information, the health care sector share of gross domestic product amounted to 10.7 % in 2005. More up-to-date information is not available, unfortunately. There is nevertheless expected to have been little fundamental change since 2005 due to the fact that this sector of the economy enjoys a higher weighting within the overall economy than, for example, the automotive or electrical industries. According to information provided by the Hamburg Institute of International Economics (HWWI), around 4.2 million individuals are employed in the health care sector, which turns over around EUR 260 billion per year. A sector analysis prepared by Deutsche Industriebank and Prognos AG shows that this trend is rising, and forecasts an increase of gross value-creation of 1.7 % per annum until 2030.

Trends in health care spending in Germany
(nominal) 1995 – 2004



The sales and growth drivers, which should support the health care market even in a recession, can be divided into three groups:

- Significant demographic shifts: the group of individuals aged 65 or over will increase by 38 % from 15.8 million to 21.8 million people, while the number of people under 20 will shrink significantly, from 16.6 million to 13.8 million (-17 %) (Source: DIB and Prognos AG). The resulting ageing of society creates a constantly growing target group for health care products.
- Innovation development and medical-technical progress: in an ideal situation, new products create new demand. In the home health care area too, there are many endemic complaints and diseases that are not satisfactorily addressed in therapeutic terms, such as pain, allergies, weight problems and blood sugar, where patients show high levels of demand for new and innovative solutions.
- Society's understanding of health: the greater the extent to which people become aware that health care deserves the highest level of investment, the greater will be the market for home health care. This trend is gaining even greater momentum due to the fact that state health care benefits on the primary health care market are falling at the same time.

4. Competition

The competitive situation has intensified further during the period under review, and particularly towards the end of the year. This is due to the fact that the high-growth health care market and the global trend towards medical fitness and wellness has increasingly attracted the attention of major corporations that have long failed to pay attention to this trend, and now wish to expand their product portfolios accordingly. A further factor that became noticeable for the first time in 2008 was that smaller competitors, whose portfolios are less oriented to quality and innovation, increasingly wish to engage with the so-called global players at the price level. A further factor for innovative companies is that the barriers to market entry, such as the Medical Devices Act with its stringent approval requirements, affect financially strong major groups to a lesser extent than niche providers. These circumstances might mean that competition will intensify detectably in the future. It also remains to be seen how far the current recession results in consolidation within the sector.

Even in a recession, this competitive situation should nevertheless be mitigated by the particular circumstance that there is more demand than supply on the secondary health care market. According to Roland Berger Strategy Consultants, expenditure of EUR 60 billion is offset by additional annual demand of EUR 16 billion, which has so far been unmet by corresponding supply. As a consequence, a company's innovative strength determines whether it manages to exploit this demand overhang in the market of the future. With its current product pipeline, MEDISANA regards itself as at an advantage in this respect, including on the basis of the ability the company has shown in the past to utilise economies of scale to offset margin decline.

5. Research and development

MEDISANA is firmly convinced that a developer and manufacturer of technology-based consumer products cannot operate sustainably and with competitive success without an effective research and development function (R&D). For this reason, there is a dominant culture of innovation and inventive spirit within the company. Compared with the R&D departments of financially strong multinational groups, the financially comparatively small, but nevertheless extremely nimble MEDISANA research and development team possesses a decisive competitive advantage. It is in a position to adopt the latest trends at an early juncture, and to implement them in evolutionary developments and innovative product concepts.

The most important guideline of R&D activities is customer satisfaction. All of the Group brands (MEDISANA, Promed and Happy Life) profit from the Group's synchronised innovation portfolio. Additional sources of innovation are accessed through the early integration of selected suppliers. Research and development are divided into product optimisation and development of new product concepts. In terms of the existing product portfolio, MEDISANA concentrated during the reporting year on technological improvements and optimisation with respect to user-friendliness. For instance, mechanical health care products were launched successfully in 2008.

Last year's important products

The most important product launches in 2008 included:

- APS air filter
- Upper arm blood pressure monitor MTS
- Upper arm blood pressure monitor MTD
- Light Alarm Clock SAC
- Bodytoner BTS
- Neck and throat heating pillow HKH
- Feet warmers HDF
- Cuddly electric blanket HDM
- Safety grips SMS / SML
- Walking Sticks
- OrthoWedge ST Light
- Sensitive manicure/pedicure

An amount of T EUR 204 (previous year: T EUR 67) was expensed in the research and development area in 2008.

6. Procurement

Many MEDISANA product components are oil-based, and their prices are generally based on oil price trends. Consequently, following a marked rise in the first half of the year, there was a sharp fall in prices in the second half of the year. Otherwise, the same applies for all more materials prices, apart from the gold price, which plays no role for MEDISANA products, however. For instance, the copper price has been in sharp decline since July 2008, reaching a low of $2,790 per tonne towards the end of the year. The highest price levels at the start of the year were still slightly above $9,000.

It is impossible to budget for low raw materials prices in the long term, however, since the emerging markets' hunger for raw materials, and particularly that of China, will not abate fully, and should grow at disproportionately high rates once the economy recovers. For example, the copper price was already trading at around $4,800 in April 2009. For this reason, we continue to ascribe a high significance to supply management, particularly to our cooperation with suppliers. Supply management was constantly optimised during the reporting year, resulting in a further streamlining of processes and costs accompanied by an improvement in supplier quality. A further focus was the standard, global sounding-out of procurement sources. It was impossible to achieve a linear reduction in purchasing prices during the reporting period due to the volatility of the US dollar.

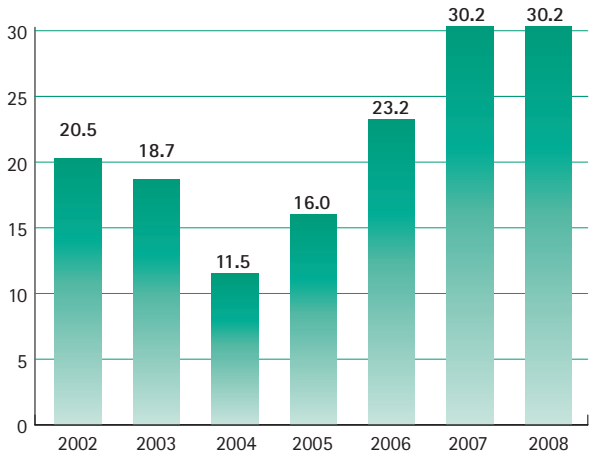
II. Development of business operations

1. Sales and earnings positions

Revenue at record levels despite global recession; earnings remain positive

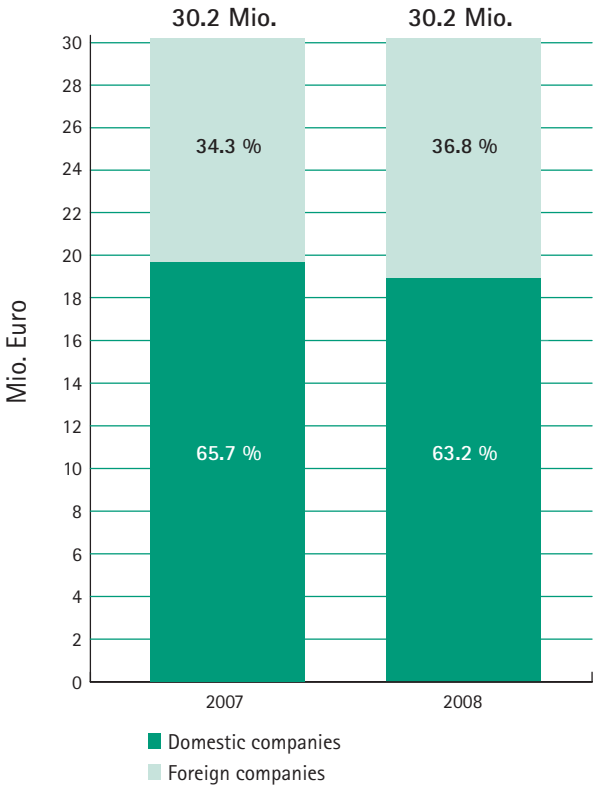
The MEDISANA Group has achieved notable growth in both revenue and market share since 2004, when it concluded its extensive reorientation. In the reporting year too, the company initially reported positive business trends, giving rise to the expectation of revenue growth in the significantly double-digit range. This expectation was disappointed by an economically-led and marked downturn in revenue in the fourth quarter. On a full-year basis, the company generated revenue at the record level of the previous year, amounting to EUR 30.2 million.

Sales trends on a 7-year comparison
(in EUR million)



Sales revenues in 2008 comprised EUR 19.1 million of domestic sales (2007: EUR 19.8 million) and EUR 11.1 million of sales abroad (previous year: EUR 10.3 million). This reflects the diversification of revenue sources as an intentional consequence of the repositioning launched in 2004 to offset dependency on domestic revenue. Sales revenue reductions of EUR 1.7 million (previous year: EUR 2.2 million) were incurred during the reporting year.

Sales: split between domestic and foreign subsidiaries
(Segment report I, by region)



In our segment report II - by business line - the business activities are structured into the areas of Home Therapy, Health Control and Beauty.

Sales: split according to business line
(Segment report II)

- **Home Therapy** 37.6 % (Prev. yr. 32.9 %)
- **Beauty** 24.6 % (Prev. yr. 26.6 %)
- **Health Control** 34.8 % (Prev. yr. 33.1 %)
- **Other** 3.0 % (Prev. yr. 7.4 %)

In the case of the three main business lines, the sales quantities have shifted in favour of the Home Therapy and Health Control areas. Revenue in the Home Therapy area rose to EUR 11.4 million, following EUR 9.9 million in 2007, and revenue in the Health Control area grew from EUR 10.0 million in 2007 to EUR 10.5 million in 2008. The relevant percentage share of total sales of both areas thereby amounted to 37.6 % and 34.8 % respectively (following 32.9 % and 33.1 % in the previous year). The Beauty area fell from EUR 8.0 million in the previous year to EUR 7.4 million, which corresponds to a 24.6 % share of sales (previous year: 26.6 %). A further 3.0 % of revenue is attributable to other business.

Segmental revenue

With revenue of EUR 15.2 million (previous year: EUR 13.7 million), Germany represents the strongest sales market, despite the diversification of sales revenue sources during the reporting year, and was closely followed by the markets of the European Union with revenue of EUR 13.4 million (previous year: EUR 14.5 million). Compared to total revenue of EUR 30.2 million, this means that slightly more than half of sales revenues were generated in Germany in 2008. As a consequence, revenue declined on foreign sales markets during the year under review, which is attributable to the fact that the recession started significantly earlier and in a more pronounced form on foreign markets.

All key earnings figures remain positive

Gross profit grew slightly by 0.8 %, although it amounted to EUR 9.6 million, as in the previous year. Accordingly, the gross profit margin was unchanged at around 32 %.

Among the various cost items, there were principally increases compared with the previous year, whereby we managed to implement detectable cuts in other operating expenses. On a net basis, there was an almost unchanged level of earnings before interest and tax (EBIT).

Costs in the purchasing and stockkeeping area rose by EUR 0.3 million to EUR 1.9 million, which is attributable to the higher level of stock on hand. Sales and marketing costs were up by almost 7% to EUR 4.8 million. Administration costs rose by almost 0.5 % to EUR 2.4 million. Losses from valuation adjustments included in other operating expenses in the previous year were reduced by EUR 0.6 million in the year under review.

Other operating income fell from EUR 0.8 million to just over EUR 0.7 million. This amount included EUR 0.3 million of exchange rate gains as well as EUR 0.2 million of income arising from the release of provisions.

EBIT fell only slightly in the reporting year, by 2.5 %, also amounting to around EUR 1.0 million in 2008. As a consequence, and despite the very difficult general economic situation, MEDISANA continued to report a high level of profitability, which is also reflected in the EBIT margin on sales of 3.4 % (previous year: 3.5 %).

Despite slightly higher interest payments, earnings before tax (EBT) remained at EUR0.6 million; the group net profit for the year amounted to EUR 0.4 million, following EUR 0.8 million in the previous year.

The income tax charge rose to EUR 0.2 million, compared with tax income in the previous year of EUR 0.2 million that reflected the greater capitalisation of deferred tax relating to loss carryforwards. Earnings per share (undiluted) fell correspondingly from EUR 0.11 to EUR 0.05.

2. Financial position

Improvement in liquidity

The continued positive earnings situation, and a reduction in receivables, both in the trade receivables area (EUR 7.7 million following EUR 8.1 million) and the other receivables area (EUR 0.5 million following EUR 1.6 million), had an impact on MEDISANA's liquidity. As a consequence, liquid assets amounted to EUR 3.4 million as of December 31, 2008, following EUR 2.2 million in the previous year. When adjusted to reflect current account overdrafts reported under current financial liabilities, financial resources amounted to EUR 1.5 million, following EUR 1.1 million in the previous year. Besides this, the company has sufficient access to US dollar denominated supplier loans with binding commitments until at least December 31, 2009. After taking into account available liquid funds, this allows the objective of the cost-aware securing of finance to be achieved.

The financing costs vary according to the utilisation of variable payment targets on the basis of LIBOR. As a rule, currency exchange rate risk is limited using cost-free exchange rate hedging transactions immediately after goods have been ordered. Forward-plus contracts were used in particular for this purpose in 2008. The duration of amounts to a maximum of six months.

The 2008 cash flow statement shows that the cash flow from operating activities (EUR 0.6 million; previous year: EUR 1.6 million) was used to make investments to an unchanged amount of EUR 0.3 million. The financial position has also been improved by a capital injection by other shareholders in a subsidiary, which resulted in a cash inflow from financing activities of EUR 0.1 million (previous year: cash outflow of EUR 1.1 million) despite the further reduction of current liabilities (EUR0.1 million; previous year: EUR 1.0 million).
As a consequence, the overall financial position as of the balance sheet date improved by EUR 0.3 million in a year-on-year comparison.

Please refer to our remarks concerning financial risks for further information on measures designed to further secure our financial position.

3. Net assets

The total assets of the MEDISANA Group grew during the reporting year from EUR 26.8 million to EUR 29.0 million. This growth mainly reflects a rise in current assets from EUR 21.2 million to EUR 23.6 million. This in turn is primarily due to an increase in liquid assets from EUR 2.2 million to EUR 3.5 million, and in inventories from EUR 9.3 million to EUR 11.8 million. This was offset by a further decline in trade receivables from EUR 8.1 million to EUR 7.7 million.

Claims arising from reinsurance coverage that were previously mainly reported under other receivables (2007: EUR 1.2 million) were released in connection with the expiry of pension obligations that were almost equivalent in value.
The capital stock remained unchanged at EUR 7.0 million, while consolidated shareholders' equity rose slightly from EUR 13.7 million to EUR 14.4 million.

Given the rise in total assets, the equity ratio consequently fell to 49.5 %, compared with 51.1 % in the 2007 financial year.
In overall terms, liabilities have risen by EUR 1.5 million as of the balance sheet date compared with the previous year. Non-current liabilities were reduced from EUR 0.6 million to EUR 0.5 million, while the increase in current liabilities from EUR 12.6 million to EUR 14.2 million is explained particularly by the rise in trade payables from EUR 7.8 million in the previous year to EUR 9.9 million.
Given the still very high equity ratio, a positive earnings position, and free credit lines to a sufficient level, the net assets and financial position of the MEDISANA AG Group may continue to be described as satisfactory in view of the global recession.

4. Employees

The number of employees increased in 2008 given the expansion of business activities.

	2008	2007
Total	**79**	67
of which part-time	**9**	15

On average, MEDISANA employed 79 staff members in the reporting year, 12 more than the average of the previous year. Personnel costs in the reporting year increased to a lesser extent than the growth in the number of employees, from EUR 3.4 million to EUR 3.7 million.

Social responsibility

MEDISANA AG has long been characterised by the values that many companies are unfortunately only coming to rediscover as a consequence of the financial market crisis, in other words, social responsibility. For example, the company has adopted the function of a training company in recent years, and enabled young people to make a start in their professional lives. As a globally operating company, MEDISANA also offers its staff members further training opportunities with a focus on the languages area.
Promoting qualifications, innovation and competitiveness serves both the MEDISANA workforce and MEDISANA AG in equal measure - and allows them to best respond to the demands of a globalised market. For this reason, MEDISANA AG will not be downgrading its social commitment even during the current difficult economic situation.

Thanks to our employees

Following the highly demanding restructuring measures, numerous product innovations, and a targeted restructuring and expansion of sales, these are once again no easy times for MEDISANA AG staff members given that we are now in the middle of a recession. For this reason, it is even more important than ever that we can rely, and continue to rely, on their energy.
We would therefore like to thank you at this juncture for your input and commitment, together with the hope that we will jointly meet the challenges of the 2009 business year with success.

III. Risk report

Profitable growth cannot be achieved without entering into risks. On the other hand, the returns that are generated must be commensurate with the risks entailed. For this reason, potential risks must be avoided, or at least minimised. As a consequence, MEDISANA enters only into those risks where the management is firmly convinced that they are unavoidable as part of the creation of value.

Developments related to the financial market crisis, ranging from a liquidity crisis all the way through to a recession, nevertheless showed that risks may arise not only as part of our own operating activity, but also as a consequence of changes in the economic, political or statutory environment. MEDISANA has installed an extensive risk management system that undergoes constant adjustment in order to allow all potential dangers to be managed in the best possible manner, and to simultaneously exploit opportunities as they arise.

Principles of risk management

Besides the primary criterion of asset protection, the management is guided when managing risks by a strict catalogue of risk management principles:

- Adherence to regulatory norms and compliance regulations
- Transparency in the disclosure of risks
- Risk-aware behaviour when managing the Group

These principles are also binding for the relevant regional managers who are included in the reporting process, so that opportunities and risks can be identified as early as possible. This ensures that risks in the international organisation are extensively monitored and reported. Within the Group, the company's management systematically integrates opportunities and risks into the planning and decision-making processes. In this way, the reporting, assessment and monitoring of risks and opportunities forms the indispensable basis of successful corporate management.

Identified risks

The company is exposed to a number of risks as the result of the development, production and sale of products from the home health care area. Uncertainties and risks that have been identified to date include:

Macroeconomic risks

Macroeconomic risks always form the focus of potential risks to which MEDISANA is exposed as a company in the health care and wellness area. A weak economic environment and a dampened propensity to invest among consumers necessarily also have an impact on demand for products. To this extent, it was necessary in the past to differentiate according to regional sales areas, since the relevant economic situation, and consequently also demand trends for MEDISANA products, could be extremely different from region to region.

External risks may also arise from the political, legal and regulatory environment surrounding the MEDISANA Group. The cutting of insurance payments for health care treatments does not represent a risk for MEDISANA, but rather an opportunity, particularly since the therapeutic successes achieved with consumers using home health care products are understandably and fairly related to price.

Sector risks

Besides economic trends, risks arising from the threat of market positions and competitive advantages are among the most important risks facing the company. Risks may arise, for example, through greater competitive pressure when new competitors enter the market, or through product innovations on the part of existing competitors. MEDISANA strives to retain or extend its competitive advantage through having a deep pool of product ideas, further developments and design improvements.

Operational risks

Operational risks include manufacturing stoppages at suppliers, delivery problems and other operational risk factors. MEDISANA counters these risks through optimised material and product flows as well as efficient Group- and industry-wide communication.

There is a system-intrinsic risk in the development and approval of new MEDISANA products. This may manifest itself, for example, as a delay in a project's predetermined timeframe. For this reason, project management is structured in such a way that time delays can be rectified quickly. The most important goal in the development of new products is timely implementation, while taking into account each country's approval requirements. This includes adherence to, for example, corresponding EU guidelines as well as the requirements of the Medical Devices Act.

MEDISANA AG has taken out insurance to protect itself against possible claims and liability risks. The extent of insurance cover is constantly evaluated, and adjusted if required, in order to ensure that it fully covers or at least limits the financial risks.

Financial risks

Financial risks may entail currency, interest-rate and bad debt risks, as well as risks stemming from the financing of business operations. The environment is characterised by turbulence in currency, interest-rate and commodity markets, and the risk of default on receivables may be categorised as higher than in the previous year. It can also not be excluded that suppliers or individual dealers that are important to MEDISANA encounter difficulties during the course of the crisis.

Following the implementation of the recapitalisation measures in 2004/2005, sufficient financing by means of external or own funds has been secured, as a consequence of which MEDISANA is appropriately prepared. In this respect, the company reaps the benefit from the fact that, in the past, financial risks were pursued using an ongoing preview of the most important monthly planning and earnings quantities, before being analysed and updated. In the debtors area, inventory trends are monitored constantly. The Group is financed primarily by supplier loans. The Group financing was established on a broader basis following the balance sheet date as the result of credit commitments from commercial banks, in order to reduce risk. Liquidity risks are monitored and managed as part of short- and long-term financial planning.

Currency risks

Currency risks exist within the MEDISANA Group, particularly with respect to the procurement of products that are ordered on a US dollar basis within the Asian region. For this reason, currency risk arising from procurement within the MEDISANA Group is of subordinate significance with respect to currency rate fluctuations. In order to counteract this, currency risk is limited predominantly using ‚forward plus' contracts. MEDISANA's business partners for derivative financial instrument contracts comprise exclusively domestic banks with excellent credit standing. Speculative transactions are not permitted as a matter of principle.

Default risks

Default risks exist mainly with trade receivables; MEDISANA counteracts this by means of customer credit checks. Value adjustments are formed to hedge against the residual risks. These are monitored constantly, and adjusted as required. The recession is necessitating a general and cross-sector re-evaluation of default risks. MEDISANA AG has met such requirements.

Legal risks

As a globally operating company, MEDISANA cannot completely rule out legal risks. In the assessment of the Management Board, there is currently no notable impact expected on the company's net asset, financing and earnings positions.

Evaluation of overall risk

During the reporting period, the risk position of the MEDISANA Group worsened compared with the previous year situation due to the financial market crisis and the recession. As previously, however, there are no circumstances suggesting that the company faces a threat to its existence as a going concern.

Risk management process

In order to adequately counteract the risks and the challenge posed by the recession, particular significance was ascribed to the risk management process during the reporting period. This has given rise to an important basis for an efficient management system to limit risks. The controlling area regularly provides the Management Board with all requisite information for the management of the company. The IT-supported risk management system used for this purpose includes budgeting, controlling and reporting systems.

The entire process can be summarised in the following steps:

Risk identification and risk monitoring through inclusion of the regional managers in the reporting process

↓

Quantification of risk

↓

Risk management, for example, through diversification of the product range and the sales channels

↓

Risk controlling and risk reporting to the Supervisory Board and comprehensive shareholder information

The Management Board is firmly convinced that MEDISANA AG is equipped with a comprehensive and understandable system which, based on a defined risk strategy, enables and secures a continuous and systematic approach.

IV. Key events after the balance sheet date

All remaining contractual relations with the former Chairman of the Management Board, Mr Rainer H. Behnke, were dissolved in a separate agreement as of April 25, 2009.

V. Forecast and opportunity report – outlook

The forecast and opportunity report provides an outlook on the opportunities arising for the MEDISANA Group from expected future trends. In an intensively competitive environment, opportunities arise for MEDISANA particularly from technical innovations, the development of new products, and by continuing to open up new markets. As a matter of caution, these opportunities must be reassessed in the light of the recession. All forecasts made in this report are also subject to the important reservation that overall circumstances do not deteriorate further.

Strategy: resistant through the recession with the aim of further sustainable growth

Following the successfully concluded restructuring and the return to the growth path following the strategic efforts of recent years, the Management Board is convinced that it has created a long-term basis for significant revenue growth and sustainable profitability. The constant review and improvement of Group structures, as well as the ongoing renewal and extension of the product range, will allow even difficult overall circumstances to be exploited in a targeted manner. Equally, occupying the premium segment may have been a correct strategic decision on the part of the management of MEDISANA AG that allows corporate growth to outperform the sector average even during a recession. This is based on the assumption that expenditure on home health care products occurs to a certain extent independently of the prevailing economic climate, since health care meanwhile enjoys a high priority for the individual. As a consequence, the Management Board's strategic efforts are aimed at continuing the sustained growth phase introduced in 2005, despite the current recession, and the resultant potential short-term negative impact on growth.

General conditions

Global economic growth significantly weaker

Forecasts of future developments primarily depend on the progress of the financial market crisis, and its impact on the real economy. Particular uncertainty prevails in this respect concerning the effects of the immense state support programs, and consequently concerning the further trend of the global economy. The Management Board of MEDISANA AG expects that markets will recover in the 2010 business year.

Germany: economists make major downgrades to 2009 forecasts

Leading economic institutes and the Federal Government are forecasting the worst crisis since 1945 for the German economy. They are anticipating a 6 % decline in gross domestic product in 2009 for Germany, a country that is heavily dependent on exports. The outlook for the labour market is similarly unfavourable. Here too, stabilisation is not anticipated until spring 2010. Expectations vary greatly for economic trends in 2010. The Federal Government expects conditions to ease, with a slight rise in gross national product.

Sector trends

Sector trends are also overshadowed by the recession. The change in the health care industry from a solely „health insurance company market“ to a private „secondary health care market“ should have a stabilising effect, which should continue in the medium term irrespective of general economic trends in view of the overburdened state health system, and already represents an important growth-driver of the economy.

As individuals increasingly view health as of cardinal importance, they will demand further goods and services of their own accord, in addition to the health care services reimbursed by insurers. Product innovations in „luxury and lifestyle medicine“ serve this trend, as can be seen in the expenditure statistics of the Federal Office of Statistics over the last few years. Companies that come up with innovative products will continue to encounter attractive market opportunities. Significant potential is ascribed particularly to areas where patients themselves meet all the related charges. It is nevertheless currently impossible to gauge to what extent this foreseeable sector trend will enable growth on a one- and two-year view, in spite of the recession.

Corporate strategy and planned business activities

The MEDISANA Group operates its sales through three brands that cover all areas of the home health care market. MEDISANA serves the premium segment, Happy Life the price-conscious consumer market, and Promed specialist dealers. MEDISANA has realised significant development and sales synergies within this product portfolio. This, along with the continued extensive product pipeline, form the healthy basis on which MEDISANA will attempt to increase the company‘s profitability even during the crisis. Marketing concepts are adjusted to the economic situation, and to sentiment within the consumer target group. For this reason, one focus of the MEDISANA product program is home-based self-help such as „Measuring blood pressure at home: safe and simple“ or a bodyclock for „Wonderful Waking“. This is because the crisis appears to have started a „trend towards domesticity“. This so-called „cocooning effect“ might even generate „crisis winners“.

MEDISANA standards are delivered by excellently structured packages, the evolution of existing product carriers and product assortment systems, as well as the category management system. At sales centres such as Saturn, Media Markt, Metro, Carrefour etc, in-store video systems use an entertaining film to provide information about listed products, thereby introducing interested consumers to the topic and the product world.

MEDISANA is also constantly monitoring options to enlarge its business through acquisitions. The crisis, in particular, should generate a number of such opportunities. In this context, the key factor is that the target companies should be operating profitably, and dovetail with MEDISANA's product range and structure. A basic precondition in both these matters is that only those acquisitions will be implemented that harmonise with the concept of sustainable growth. This is because, due to its own strength, MEDISANA is under no pressure to make a move.

Sales and earnings forecast: long-term growth trend still intact

The fact that MEDISANA has addressed a dynamically growing and high margin segment of the health market megatrend through its strategy of specialisation is one that remains the case even in a recession. Independently of economic trends, the growing share of the population consisting of older consumers in MEDISANA target countries will enlarge the sales market, thereby enabling further growth in expenditure for health care benefits and self-treatment. For this reason, the Management Board of MEDISANA will continue its offensive strategy of recent years despite the recession, in order to gain further market shares.

Corporate growth has nevertheless been negatively impacted by the crisis since the fourth quarter of 2008. This trend is also evident at the start of the new 2009 financial year. The Management Board of the MEDISANA Group anticipates a difficult first half-year in 2009. Due to the planned product innovations and the company's promising position, however, the Management Board anticipates a marked improvement in corporate growth to commence from as early as the second half of 2009. In this respect, the target of maintaining profitability is being maintained, and profitable corporate growth is anticipated again from the 2010 financial year.

Summary statement of the forecast report

The revenue and earnings forecast was made despite many uncertainties, since the Management Board is convinced of MEDISANA's strength. The sales and earnings forecasts would need to be adjusted, however, in the instance of a further intensification of the recession, or potential acquisitions, because the outlook relates to the existing business, and is based on the assumption of a drawn-out economic recovery. Only on the basis of these assumptions does the management of the MEDISANA Group assume that it will achieve its targets for the 2009 and 2010 financial years.

All forecasts include an evaluation of risks and opportunities, and are based on both operational planning and the Management Board's medium-term outlook. Actual outcomes may nevertheless diverge from expected prospective developments if one of the uncertainties that have been mentioned, or other uncertainties, occur, or the assumptions underlying the statements prove inappropriate.

Hilden, May 13, 2009

Ralf Lindner
Chairman of the Management Board of MEDISANA AG

Marco Getz
Management Board member of MEDISANA AG

Consolidated financial statements

Consolidated statement of income for financial year 2008

EURO	Notes	2007	2008
Sales revenue	**(16)**	**30,157,578**	**30,205,768**
Cost of sales	(17)	-20,601,852	-20,574,824
Gross profit/loss		**9,555,726**	**9,630,944**
Purchasing and stockkeeping	(18)	-1,588,644	-1,945,107
Sales and marketing	(18)	-4,453,739	-4,775,217
Administration	(18)	-2,348,397	-2,359,160
Other operating expenses	(19)	-892,804	-258,804
Other operating income	(20)	773,853	726,849
EBIT		**1,045,995**	**1,019,505**
Interest income	(21)	15,338	18,644
Interest expense	(21)	-411,606	-431,770
Earnings before income taxes (EBT)		**649,727**	**606,379**
Income taxes	(22)	195,870	-162,969
Profit/loss for the year including minority interests		**845,597**	**443,410**
Minority interests	(23)	-90,253	-63,748
Profit/loss for the year		**755,344**	**379,662**
And diluted earnings per share (EURO)	**(24)**	**0.11**	**0.05**

Consolidated balance sheet as of December 31, 2008

EURO	Notes	31/12/2007	31/12/2008
ASSETS			
Non-current assets	**(1)**	**5,598,663**	**5,467,996**
Goodwill	(2)	1,171,613	1,171,613
Intangible assets	(2)	915,892	857,074
Tangible assets	(3)	433,056	427,512
Non-current receivables	(6)	89,446	24,639
Tax reimbursement claims	(7)	79,752	74,570
Deferred tax assets	(8)	2,908,904	2,912,588
Current assets		**21,204,383**	**23,556,385**
Inventories	(5)	9,334,838	11,762,637
Trade receivables	(6)	8,063,650	7,739,317
Other receivables	(6)	1,575,040	538,052
Tax reimbursement claims	(7)	31,215	73,202
Liquid assets	(9)	2,199,640	3,443,177
		26,803,046	**29,024,381**

Consolidated balance sheet as of December 31, 2008

EURO	Notes	31/12/2007	31/12/2008
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity	**(10)**	**13,685,282**	**14,365,244**
Capital stock		7,034,327	7,034,327
Capital reserves		24,626,905	24,723,562
Balancing item for currency conversion		-338,512	-467,651
Retained earnings		-18,948,158	-18,100,421
Profit/loss for the year		755,344	379,662
Minority interests	**(11)**	555,376	795,765
Non-current liabilities		**566,880**	**481,723**
Pension provisions	(12)	208,584	134,593
Deferred tax liabilities	(9/14)	329,419	326,594
Financial debt	(15)	28,877	20,536
Current liabilities		**12,550,884**	**14,177,414**
Pension provisions	(12)	1,175,914	0
Other provisions	(13)	821,614	787,830
Tax liabilities	(14)	27,013	25,597
Financial debt	(15)	1,676,737	2,474,900
Trade payables	(15)	7,752,428	9,916,070
Other liabilities	(15)	1,097,178	973,017
		26,803,046	**29,024,381**

Consolidated cash flow statement for financial year 2008

EURO	Notes (25)	31/12/2007	31/12/2008
Consolidated annual result		755,344	379,662
Depreciation/amortisation		794,131	357,332
Other non-cash expenses and income		-221,043	-126,120
Net interest result		396,268	413,126
Net tax result (excluding deferred tax)		161,637	152,107
Change in inventories		-1,330,140	-2,427,799
Change in receivables, payables (excluding financing charges)		1,288,380	3,465,609
Change in provisions		233,633	-1,283,689
Paid income taxes		-114,155	-96,321
Interest payments received		0	69,641
Paid interest		-348,749	-351,491
Interest payments received		3,723	39,246
Cash inflow from operating activities		**1,619,029**	**591,303**
Investments in fixed assets excluding acquisition of shares		-294,987	-310,472
Investments in consolidated companies		-23,752	0
Income from the disposal of tangible and intangible assets		24,510	16,905
Cash outflow from investment activities		**-294,229**	**-293,567**
Capital increase by other shareholders		0	199,553
Distribution to third parties		-27,213	-25,180
Current financial debt		-1,007,611	-115,763
Non-current financial debt		-100,505	-8,341
Cash outflow/inflow from financing activities		**-1,135,329**	**50,269**
Cash-effective change in liquid assets		**189,471**	**348,005**
Liquid assets January 1		948,541	1,132,354
Changes in liquid assets due to exchange rates		-5,658	-17,945
Liquid assets December 31		**1,132,354**	**1,462,415**

Statement of changes in equity

Notes (10/11)	Capital stock	Capital preserve	Balancing item for currency conversion	Retained earnings	Profit/loss for the year	Minority interests	Total
EURO							
Status on January 1, 2007	**7,034,327**	**24,626,905**	**-265,778**	**-16,503,698**	**-2,356,180**	**231,744**	**12,767,320**
Appropriation of profit				-2,356,180	2,356,180		0
Dividend payments to third parties						-27,213	-27,213
Purchase of shares MEDISANA Spain				-3,913		-743	-4,656
Purchase of shares MEDISANA UK				-18,352		0	-18,352
Loss absorption Rebac GmbH				-261,335		261,335	0
Currency differences			-72,734	195,320			122,586
Consolidated annual result					755,344	90,253	845,597
Status on December 31, 2007	**7,034,327**	**24,626,905**	**-338,512**	**-18,948,158**	**755,344**	**555,376**	**13,685,282**
Appropriation of profit				755,344	-755,344		0
Capital increase Group companies		96,657		18,492		84,404	199,553
Change in the scope of consolidation						29,155	29,155
Dividend payments to third parties						-25,181	-25,181
Loss absorption Rebac GmbH				-95,000		95,000	0
Währungsunterschiede			-129,139	168,901		-6,737	33,025
Currency differences					379,662	63,748	443,410
Status on December 31, 2008	**7,034,327**	**24,723,562**	**-467,651**	**-18,100,421**	**379,662**	**795,765**	**14,365,244**

BASIS OF ACCOUNTING

GENERAL INFORMATION

MEDISANA AG, with its registered office at Itterpark 7 – 9, Hilden, 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 (HRB 51250)/Germany.

The MEDISANA Group develops, markets, and sells high-quality devices in the home health care area. The devices are manufactured in Asia and Europe, and the administrative headquarters are located in Hilden. In Germany, products are distributed via large retailers and specialist shops. Elsewhere, products are distributed via 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 (T€). 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 in T€. In each case, the value shown is the rounded amount.

BASIS OF ACCOUNTING

The consolidated financial statements are prepared according to IFRS, as applied in the EU, and additionally using the applicable regulations of Article 315a Paragraph 1 of the German Commercial Code (HGB). They also comply with IFRS coming into mandatory force as of the balance sheet date.
Information required to be shown in the balance sheet is stated in accordance with IAS 1.68. In doing so, a differentiation must be made between current and non-current assets pursuant to IAS 1.51. The previous year's figures are also presented in this way.
Information required to be shown in the income statement is stated according to IAS 1.78 ff. The manner of presentation is to be selected in such a way as to allow a reliable and relevant presentation of information pursuant to IAS 1.88. The consolidated income statement was compiled using the cost of sales method.

CONSOLIDATED COMPANIES

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 generally occurs as soon as the first opportunity arises to determine financial and business policies.

Besides MEDISANA AG, Hilden, as the parent company, the consolidated group of companies includes ten subsidiaries, of which three are in Germany, five are located in other European countries, and two are outside of Europe. The scope of consolidation enlarged from ten to eleven Group companies with the founding in 2008 of MEDISANA Saglik Ürünleri Ltd., Turkey, by the subsidiary MEDISANA Hellas Ltd.

	31/12/2007	Additions	Disposals	31/12/2008
Fully consolidated companies				
-of which in Germany	4	0	0	4
-of which abroad	6	1	0	7

The capital increase was performed at MEDISANA Far East in the year under review, whereby the new shares were subscribed for almost entirely by the local management. This diluted MEDISANA AG's share to 51 %.

Consolidated companies of the MEDISANA Group as of December 31, 2008

Company	Consolidated since	Group share in percent
Medisana AG; Hilden (Germany)		Parent
Medisana Far East Ltd.; Hong Kong	05/07/2000	51.0
Medisana USA Inc.; Charlotte, NC (USA)	01/01/2000	100.0
Medisana Healthcare, S.L.; Barcelona (Spain)	01/10/2000	100.0
Medisana Hellas Ltd.; Heraklion (Greece)	01/01/2001	51.0
- Medisana Saglik Ürünleri Ltd.; Istanbul (Turkey)	01/01/2008	26.0*
Medisana Benelux NV; Kerkrade (Netherlands)	01/01/2001	100.0
Medisana Healthcare UK Ltd.; London (GB)	01/04/2003	100.0
Rebac GmbH, Hilden (Germany)	01/10/2005	51.0
Promed GmbH, Farchant (Germany)	01/10/2005	51.2
Medisana Antiinfective Technologies GmbH (Germany)	14/05/2007	100.0

* Indirect Group share

BASIS FOR CONSOLIDATION

All subsidiaries were 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 do not exist.

In accordance with IFRS 3.25, the moment of initial consolidation of subsidiaries is the date of purchase, in other words, 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 pursuant to IFRS 3.14. In doing so, the purchase costs of the shares in affiliated companies are compared to the Group share in the re-measured equity of each relevant company. In order to complete the capital consolidation, the write-downs on shares in companies included in the scope of consolidation are generally reversed. The resulting asset-side differential amount arising from the capital consolidation is capitalised as goodwill.

If additional shares in already fully consolidated subsidiaries are purchased, then the transaction is not treated as an initial consolidation company acquisition in terms of IFRS 3, but as a transaction with minority shareholders, and is accounted for as an equity shift between the various shareholder groups.

The effects of Group-internal business transactions are eliminated. Receivables, loans and payables between consolidated entities are offset against each other within the framework of the consolidation of liabilities. Intergroup gains on inventories of consolidated entities are consolidated in the same way as dividend collections and intergroup income and expenses. Deferred tax according to IAS 12 is assessed on temporary differences resulting from the consolidation.

The consolidation methods were retained on an unchanged basis compared to the previous year.

CURRENCY CONVERSION

The financial statements of foreign Group subsidiaries in the USA, Great Britain and Hong Kong are converted to euros using the functional currency concept. The balance sheet was converted using the average exchange rate on the balance sheet date. The income statement was converted using the year-average exchange rates. Resultant conversion differences, and those arising from the currency conversion from capital consolidation and from balances carried forward from the preceding year, are reported through equity with no impact on income.

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

Exchange rates

		Average rate in EUR on balance sheet date		Year-average rate in EUR	
		31/12/2007	31/12/2008	2007	2008
USA	1 USD	0.6794	0.7095	0.73082	0.68341
UK	1 GBP	1.3571	1.0272	1.46206	1.25968
Hongkong	1 HKD	0.0871	0.0914	0.09368	0.08783

ACCOUNTING AND VALUATION METHODS

Acquired **intangiblsets** are measured at cost minus scheduled straight-line amortisation over the course of their useful life, and, if necessary, extraordinary write-downs. Assets with indefinite useful lives are tested annually for impairment, and undergo a review of the indefinite useful life hypothesis. Amortisation applied to concessions and industrial property rights is based on useful lives of between 3 and 20 years. Intangible assets acquired as part of a corporate merger are measured at fair value as of the time of acquisition.
Internally generated intangible assets are capitalised according to the preconditions of IAS 38 to the level of expenses incurred, and amortised 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.

Goodwill arising on consolidation is reviewed annually for impairment, following the conclusion of the annual planning process, and on the basis of useful value. An impairment is expensed immediately through the income statement, and is not reversed in subsequent periods.

Tangible assets are measured at cost minus scheduled depreciation and, if required, extraordinary write-downs. Subsequent measurement is performed using the cost model pursuant to IAS 16.30. Tangible assets 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.

Tangible assets are regularly depreciated over the following economic useful lives (years):

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

If evidence of impairment exists, and the recoverable amount is less than the depreciated cost, tangible assets are subjected to extraordinary write-downs. Corresponding write-ups are performed if the reasons for the extraordinary write-downs no longer exist.

Deferred tax is recognised with respect to the conversion from regional accounting principles to IFRS, consolidation entries, acquired tax credits, and anticipated tax savings arising from tax loss carryforwards. The prerequisite for this is a measurement of the trend of earnings contained in the medium-term financial planning of the relevant company. If there is convincing and substantial evidence that the future earnings can no longer be achieved, write-downs are performed to the achievable value. Deferred tax arising from consolidation entries are uniformly based on the applicable rate for Germany of 30.00 % (previous year: 30.00 %). Otherwise, measurement is performed using the normal tax rate for the country at the time of realisation.

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

Inventories are recognised at cost, including incidental acquisition costs, on the basis of average prices. Inventories are measured at the lower of cost and net realisable value minus any incurred costs. Inventory risks in connection with reduced usability are reflected through appropriate value deductions. If the net realisable value of previously devalued inventories has risen, the resultant write-up is reported as a reduction in the cost of sale. Inventories disposals are also reported as sales costs. Financing costs are not included.

Receivables are recognised at nominal value, and subsequently at amortised 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 impairments are booked against the receivables. Receivables denominated in foreign currencies are measured at the mid-rate as of the balance sheet date. Resultant value fluctuations are booked through the income statement. Receivables with maturities of more than one year, which carry no interest, or low rates of interest, are discounted using the effective interest rate method.

The non-current receivables that arose in the previous year were partially related to pension provisions, and to that extent were calculated on a finance-mathematical basis in the same way as the pension provisions.

Trade receivables and **other receivables** are due within one year, and are due to the company in the form of liquid assets to the level of the recognised valuation.

The item reported under **liquid assets** contains immediately available monetary funds in the form of bank accounts in credit and cash holdings.

Capital stock and **capital reserves** are recognised to the level of payments received for the acquisition of MEDISANA shares, and the premium in Group companies attributable to MEDISANA. Reductions arise as a result of the company's repurchase of its own shares. Costs for raising equity are deducted from capital reserves.

The **balancing item from currency conversion** 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 conversion 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' loss carryforwards.

Retained earnings show prior periods' results carried forward to a new account.

Minority interests represent minority interests' share of the equity and results of subsidiaries.

Pension provisions are measured using the internationally customary projected unit credit method. Accordingly, the calculation of the scope of obligation is based on expected future increases in salary and pensions, 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 recognised 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. As with the interest portion of the addition to the provision, the cost is reported as personnel expense.
Reinsurance policies qualified as planned assets are measured at market value, and reported on a net basis with the pension provisions.

Other provisions include all obligations identifiable on the balance sheet date based on past business transactions or past events, and whose level or cause is uncertain. Provisions are recognised at the likely amount to be paid. Netting with positive profit contributions is not permitted. Provisions are only formed if they are based on a legal or factual commitment to third parties. The settlement amount also comprises cost increases that must be taken into account pursuant to IAS 37 as of the balance sheet date.

As with financial debt, **trade payables** and **other liabilities** are recognised at fair value minus transaction costs, and at the time when they arise. Over the

course of time, liabilities are measured at amortised cost using the effective interest rate method. Liabilities denominated in foreign currencies are reported at the mid-rate on the balance sheet date.

Sales revenues and **other operating income** is realised when the services have been rendered, or the risk has been transferred to the customer.

Operating expenses are booked through the income statement when the service is utilised, or when the expense is incurred. Warranty provisions are formed at the time when the corresponding sales revenues are realised. Development expenses are expensed in the year when they arise, to the extent that they are not capitalised pursuant to IAS 38. Interest income and interest expenses are reported in the period in which they are incurred, and they are neither capitalised nor accrued as liabilities.

Derivative financial instruments are measured at fair value through the income statement. Derivative financial instruments with positive fair values are reported as financial assets, and derivatives with negative fair values are reported as financial liabilities.
Receivables, liabilities, debts and derivative financial instruments are booked on their trade dates. Financial instruments are de-recognised when they lapse or expire. Interim valuation changes are calculated as net gains or net losses to the relevant category.

Borrowing costs are expensed immediately.

Application of amended and new standards and interpretations

There were no changes to accounting and valuation methods in the 2008 financial year that had a major impact on the consolidated financial statements of MEDISANA AG.

The following new and amended standards and interpretations were approved by the date of the preparation of the consolidated financial statements as of December 31, 2008. However, these come into force at a later date, and did not find early application in this set of consolidated financial statements. Their effects on the consolidated financial statements have not yet been fully analyse, so that the expected effects, as presented at the foot of the following table, represent solely an initial assessment:

Standard	Interpretation	FN	Applicable for financial years from	Planned first-time application from
IFRS 1	First Time Adoption of IFRS (supplement)	1,3	July 1, 2009	January 1, 2010
IFRS 2	Share-based Payment (supplement)	1	January 1, 2009	January 1, 2009
IFRS 3	Business Combinations	1,3	July 1, 2009	January 1, 2010
IFRS 8	Operating Segments	2	January 1, 2009	January 1, 2009
IAS 1	Presentation of Financial Statements	4	January 1, 2009	January 1, 2009
IAS 23	Borrowing Costs (revised)	1	January 1, 2009	January 1, 2009
IAS 27	Consolidated Financial Statements	2,3	July 1, 2009	January 1, 2010
IAS 32	Financial Instruments: Disclosure and Presentation (revised)	1,3	January 1, 2009	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement - risk items qualifying for hedge accounting (supplement)	1,3	July 1, 2009	January 1, 2010
IAS 39	Financial Instruments: Recognition and Measurement - reclassification of financial assets (supplement)	1,3	July 1, 2008	January 1, 2009
IFRIC 12	Service Concession Arrangements	1,3	January 1, 2008	January 1, 2009
IFRIC 13	Customer Loyalty Programmes	1	July 1, 2008	January 1, 2009
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1	January 1, 2009	January 1, 2009
IFRIC 15	Agreements for the Construction of Real Estate	1,3	January 1, 2009	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1,3	October 1, 2008	January 1, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1,3	July 1, 2009	January 1, 2010
IFRIC 18	Übertragungen von Vermögenswerten von Kunden	1,3	July 1, 2009	January 1, 2010

FOOTNOTE (FN)

1 No significant effects on the consolidated financial statements are expected.

2 Primarily additional/modified disclosures in the notes to the consolidated financial statements are anticipated.

3 The EU had not yet adopted the IASB/IFRIC pronouncement as of the balance sheet date of the financial statements.

4 Reclassification of components of the financial statements.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) NON-CURRENT ASSETS

Change in fixed assets as of December 31, 2008

Euros	Gross amounts			
	01/01/2008	Additions	Disposals	31/12/2008
Goodwill	1,171,613	0	0	1,171,613
Intangible assets	2,971,032	164,510	15,731	3,119,811
Tangible assets	2,601,532	145,962	39,075	2,708,419
Total	6,744,177	310,471	54,806	6,999,843

Change in fixed assets as of December 31, 2007

Euros	Gross amounts			
	01/01/2007	Additions	Disposals	31/12/2007
Goodwill	1,171,613	0	0	1,171,613
Intangible assets	2,902,350	76,807	8,125	2,971,032
Tangible assets	2,422,774	218,180	39,422	2,601,532
Financial assets (at equity)	957,897	0	957,897	0
Total	7,454,634	294,987	1,005,444	6,744,177

	Depreciation			Net amounts	
01/01/2008	Additions	Disposals	31/12/2008	31/12/2007	31/12/2008
0	0	0	0	1,171,613	1,171,613
2,055,139	216,298	8,700	2,262,737	915,892	857,074
2,168,476	141,034	28,603	2,280,907	433,056	427,512
4,223,616	357,332	37,303	4,543,644	2,520,561	2,456,199

	Depreciation			Net amounts	
01/01/2007	Additions	Disposals	31/12/2007	31/12/2006	31/12/2007
0	0	0	0	1,171,613	1,171,613
1,397,964	657,175	0	2,055,139	1,504,386	915,892
2,065,395	136,956	33,875	2,168,476	357,379	433,056
957,897	0	957,897	0	0	0
4,421,256	794,131	991,772	4,223,616	3,033,378	2,520,561

(2) GOODWILL AND INTANGIBLE ASSETS

The reported goodwill is split as follows:

T€	2007	2008
Santec	728	728
Medisana Benelux	342	342
Medisana Spain	33	33
Medisana Hellas	45	45
Promed GmbH	23	23
	1,171	**1,171**

The Santec goodwill is reported directly at Medisana AG, since it arose through the merger of Santec with Medisana AG in 2001. The impairment test is calculated on the basis of the value-in-use of this cash generating unit is based on an unlimited useful life, since the value-in-use arising from the merger is effective on a time-unlimited basis. The revenue planning underpinning the goodwill is based on planned innovations and the company's promising positioning. The value-in-use was discounted using a factor of 10.75 % (previously: 7.28 %). A zero rate of growth is assumed for the forecasting horizon extending beyond four years. The goodwill impairment test resulted in no requirement for a write-down.

Intangible assets related entirely to a brand right, software, concessions, industrial property rights and similar rights. The carrying value of the brand right of Promed GmbH with unlimited useful life amounted to T€ 656, as in the previous year. The annual impairment test is conducted using brand-related revenue planning for Promed GmbH on the basis of an unlimited duration. The unlimited duration arises from the effectively unlimited useful life of the extendable brand right. The calculated value-in-use is measured according to the normal market commission of 1 % of brand revenue that was saved as a result of the acquisition. The imputed growth rate relating to the revenues that are based on empirical values continued to amount to less than 15 % per annum given a discounting factor of 10.75 % (previous year 7.28 %). A zero rate of growth is assumed for the forecasting horizon extending beyond four years.

The intangible assets are amortised on a scheduled basis over their useful lives. Amortisation of intangible assets amounted to T€ 216 in the 2008 financial year (previous year: T€ 657). This amortisation is reported as scheduled amortisation within the income statement item.

A further T€ 45 of internally generated development work was capitalised in 2008 (previous year: T€ 53). As a consequence, the gross value as of December 31, 2008 was T€ 146 (previous year: T€ 101). Following scheduled straight-line annual amortisation of T€ 38 (previous year: T€ 26), the net amount as of the balance sheet date was T€ 68 (previous year: T€ 61).

(3) TANGIBLE ASSETS

Tangible assets include exclusively tools, and operating and business equipment. There were no extraordinary write-downs relating to the tangible assets (previous year: T€ 0). Disposed assets with a carrying value of T€ 10,472 (previous year: T€ 5,547) include sales and scrappage.

A car with a carrying value of T€ 22 (previous year: T€ 35) was pledged as collateral for an existing financial liability until the residual liability has lapsed.

(4) LEASING

Lease payments in subsequent years – Operating leases			
T€ as of 31/12/2008	**2009**	**2010–2013**	**from 2014**
Buildings	238	394	76
Technical equipment and machines	49	68	0
Other leasing contracts	90	110	0
	377	**572**	**76**

T€ per 31/12/2007	**2008**	**2009–2012**	**from 2013**
Buildings	196	60	0
Technical equipment and machines	0	0	0
Other leasing contracts	34	38	0
	230	**98**	**0**

(5) INVENTORIES

Inventories of T€ 11,763 (previous year: T€ 9,335) consist exclusively of goods. Within the framework of the consolidated financial statements, valuation adjustments totalling T€ 425 (previous year: T€ 348) were applied as of the balance sheet date due to reduced usability and lower net realisable values. The increase in the valuation adjustment of T€ 77 (previous year: T€ -60) was included in the cost of sales.

(6) RECEIVABLES

Non-current receivables consist of a discounted, long-term rental prepayment of T€ 24 to a municipality (previous year: T€ 34). There is no interest-rate risk or credit default risk as a result. The carrying amount essentially corresponds to fair value on the basis of the imputed discount rate of 5.5 %.

The reinsurance policy capitalised in 2007 (T€ 48) was transferred in order to discharge pension commitments, and has lapsed as a consequence. Net gains resulted from the compounding of the prepayment to an amount of T€ 3 (previous year: T€ 3).

Trade receivables result from normal commercial deliveries and services with third-party companies. As in the previous year, there are no receivables with a residual maturity of more than one year. Trade receivables of T€ 7,739 (previous year: T€ 8,064) have a maximum payment target of 60 days. Trade receivables are not subject to interest, and are accordingly subject to no interest-rate risk.

Default risk relating to trade receivables was reflected through corresponding valuation adjustments of T€ 447 (previous year: T€ 543) on the basis of their overdue nature. The addition to valuation adjustments was taken into account in other operating expenses to an amount of T€ 126 (previous year: T€ 311) and in sales deductions of T€ 58 (previous year: T€ 0). Net losses arising from receivables amounted to T€ 211 (previous year: T€ 80).

T€	31/12/2007	31/12/2008
Trade receivables		
- Receivables	8,607	8,186
- Valuation adjustments	543	447
	8,064	**7,739**

Of the valuation adjustments, T€ 334 (previous year: T€ 493) relate to specific valuation adjustments, and T€ 113 (previous year: T€ 50) to lump-sum valuation adjustments.

Valuation adjustments changed as follows:

T€	31/12/2007	31/12/2008
- Status January 1	394	543
- Utilisation	-129	-257
- Releases	-33	- 23
- Editions	311	184
- Status December 31	**543**	**447**

Of the valuation-adjusted receivables of T€ 7,703 (previous year: T€ 7,360), T€ 3,877 (previous year: T€ 4,199) were not due as of the balance sheet date. The overdue but non-valuation-adjusted receivables are overdue within the following time bands as of December 31:

T€	31/12/2007	31/12/2008
- Less than 30 days	1,355	1,771
- Between 30 and 90 days	968	1,122
- Between 91 and 180 days	483	671
- More than 181 days	354	262
	3,161	**3,826**

The reported carrying amounts of current receivables correspond to their fair values, according to our assessment as part of receivables valuation. Medisana is convinced that the overdue but non-valuation-adjusted receivables have also retained their full value. However, the maximum credit default risk corresponds to the capitalised carrying amounts. There were no contingent claims as of the balance sheet date.

Other current receivables mainly contain prepayments, deposits and creditor accounts in debit. Reinsurance policies were also reported last year, which are intended to settle pension claims relating to a former Management Board Chairman. As planned, a transfer was made to the beneficiary in 2008. As in the previous year, there were no net gains/losses. However, the maximum credit default risk corresponds to the capitalised carrying amounts.

(7) TAX REIMBURSEMENT CLAIMS

Non-current tax reimbursement claims of T€ 75 (previous year: T€ 80) relate to a corporation tax credit due in instalments until 2017.

Current tax reimbursement claims of T€ 73 (previous year: T€ 31) include the corporation tax credit due in 2008 as well as current income tax claims and tax prepayments.

(8) DEFERRED TAX ASSETS

Formation:

T€	31/12/2007	31/12/2008
Deferred tax		
- arising from valuation differences and consolidation	168	204
- arising from loss carry-forwards	2,741	2,708
	2,909	**2,912**

The capitalised amounts are subject to the risk of future changes in tax rates. Deferred tax is calculated using a tax rate of 30 % in 2008 (previous year: 30 %).

On the basis of the budgets of Medisana AG, it is assumed with a sufficient degree of certainty that in the subsequent years there will be a deferred income tax decrease at Medisana AG amounting to T€ 2,259 (previous year: T€ 2,286). As a consequence, the capitalised amount reduced by T€ 27 on the basis of income planning (previous year: increase of T€

152). Further tax loss carryforwards of Medisana AG of T€ 16,264 (previous year: T€ 16,399) were not capitalised. The tax loss carryforwards are subject to no time limits.

Further deferred tax reductions arising from loss carryforwards relate to Medisana USA to an amount of T€ 434 (previous year: T€ 440). Additional tax loss carryforwards of Medisana USA of T€ 284 (previous year: T€ 314) were not capitalised. These tax loss carryforwards are subject to a time limit of 20 years. In addition, deferred tax reductions arising from loss carryforwards of T€ 15 (previous year: T€ 15) were capitalised at Medisana Spain.

Since the business operations of Medisana Antiinfective GmbH and Medisana UK are dormant, and Medisana Far East and Medisana Turkey are currently in the phase of building up their operations - as a consequence of which there is insufficient evidence of future taxable income - no deferred tax was capitalised with respect to the loss carryforwards of these companies.

No deferred tax relating to loss carryforwards of Rebac GmbH (in liquidation) was capitalised due to the liquidation of the company.

The deferred tax in 2007 and 2008 is assigned to the following items:

T€	2007 Asset	2007 Liability	2008 Asset	2008 Liability
Fixed assets	0	259	0	277
Inventories	0	0	34	0
Receivables	31	0	30	0
Loss carryforwards	2,741	0	2,708	0
Pension provisions with reinsurance	26	55	27	0
Other provisions	3	0	3	0
Liabilities	0	9	0	50
Consolidation measures	108	6	110	0
Consolidated balance sheet	**2,909**	**329**	**2,912**	**327**

(9) LIQUID ASSETS

Liquid assets in the form of cash holdings and freely available bank positions represent the Group's short-term liquidity reserve. Foreign currency balances are measured at the rate prevailing on the balance sheet date. There is no interest-rate risk. The maximum default risk is equivalent to the reported amount. Credit quality is regarded as good due to the fact that the company works together with well-known banks and lending institutions. As a consequence, the carrying amount corresponds to fair value.

(10) EQUITY

The capital stock remained unchanged at T€ 7,034 as of December 31, 2008. The issued share capital consists of the same number of no-par value shares (without nominal value). The capital stock is fully paid in.

There were no holdings of treasury shares as of December 31, 2008.

The Management Board was authorised at the Annual General Meeting of August 24, 2006, to increase the company's capital stock, with the approval of the Supervisory Board, by up to a total of € 3,517,163.00 by August 23, 2011 by the one-off or repeated issuing of up to 3,570,163 no-par value bearer shares in exchange for one-off or repeated cash contributions and/or assets in kind. Existing shareholders may be excluded from subscription rights according to terms determined in the company's articles of association. The approved capital of 3,517,163 shares was still fully available as of the balance sheet date.

At the Annual General Meeting of June 26, 2008, the Management Board was authorised, with the approval of the Supervisory Board, to issue once or on several occasions convertible and/or option bonds or participation rights with or without conversion and option rights in a total amount of up to T€ 50,000. As a result of this, the capital stock may be increased conditionally by up to € 3,517,163.00 through the issue of up to 3,517,163 new bearer shares with profit entitlement from the start of the financial year in which they are issued (conditional capital). Existing shareholders may be excluded from subscription rights according to terms determined in the company's articles of association. The conditional capital of 3,517,163 shares was still fully available as of the balance sheet date.

The capital increase at Group companies was performed by the management at the subsidiary Medisana Far East Ltd at the end of 2008. The Group stake in the company subsequently reduced to 51 % as a result of the dilution effect. As joint property, the premium paid resulted in an increase in the Group capital reserve.

The change in the scope of consolidation shows the minority interest in Medisana Turkey, which was founded in 2008.

Dividend payments to third parties comprise the share of distributions of subsidiaries attributable to minority interests. No dividend was distributed to Medisana AG shareholders.

With respect to the financial liabilities of Rebac GmbH (in liquidation) deposited with letters of sub-

ordination of T€ 95, two creditors have issued final and unconditional waiver statements as of December 31, 2008. These were booked through the income statement. Since, to this extent, it is no longer possible for these shareholders to report negative minority interests, the minority interest resulting from earlier periods has now been allocated to Medisana, and presented correspondingly as a reduction of retained earnings.

The exchange rate differences reported in equity amounted to T€ -468 as of the reporting date (previous year: T€ -339). There were no expenses or income reported in equity.

(11) MINORITY INTERESTS

The balancing item for minority interests is composed of minority interests of T€ 732 (previous year: T€ 465) and minority interests' share in the net profit for the year of T€ 64 (previous year: T€ 90).

(12) PENSION PROVISIONS AND SIMILAR' OBLIGATIONS

Provisions were formed for obligations arising from potential pensions relating to one (previous year: two) active staff member, and one (previous year: two) staff member who had left the company. The obligations relate to individual pension commitments.

The obligations arising from potential pensions to two staff members, which were reported in the previous year, were transferred to a pension fund in 2008, and the claims were declared to have expired with respect to Medisana AG (settlement statement).

The company pension scheme consists of defined benefit pension systems. In the case of defined benefit pension plans, the company is obligated to make the payments to which it has 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 that have been pledged effectively. As with the interest cost, the service cost is reported as personnel expense.

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

	31/12/2007	31/12/2008
Assumed rate of interest	5.50 %	6.00 %
Salary trend	0.00 %	0.00 %
Pension trend	2.00 %	2.00 %

The present value of the obligations is composed as follows:

T €	31/12/2007	31/12/2008
Defined benefit obligation at the start of the period	**1,459**	**1,380**
Current service cost	12	12
Interest expense (according to IAS 19)	65	71
Experience-based adjustment	8	10
Payments actually rendered	0	-547
Effect from settlement statements	0	-675
Actuarial gains (-) / losses (+)	-164	-19
Defined benefit obligation at the end of the period	**1,380**	**232**

The defined benefit obligation is financed via qualified reinsurance policies as of December 31, 2008, and effectively pledged to the pension beneficiaries (previous year: T€ 227). This relates to plan assets.

As of December 31, 2007, the remaining T€ 1,153 of the defined benefit obligation was covered as far as possible with a congruent amount and maturity through the conclusion of capital sum life insurance policies, and the Medisana AG's capitalised reimbursement claim was reported under non-current and current receivables.

These reimbursement claims changed as follows:

	31/12/2007	31/12/2008
Reimbursement claims at the start of the period	**1,157**	**1,224**
Employer contributions	86	30
Benefits actually received	0	-722
Actuarial gains / losses	-19	0
Effect from settlement statements	0	-532
Reimbursement claims at the end of the period	**1,224**	**0**

As a consequence, there was a total earnings effect of T€ 143 arising from the settlement declarations in the 2008 consolidated financial statements. No more income from reimbursement claims is anticipated in the future.

The plan assets changed as follows:

T€	31/12/2007	31/12/2008
Plan assets at the start of the period	**124**	**143**
Employer contributions	13	13
Expected income from plan assets	6	6
Actuarial gains and losses	0	0
Plan assets at the end of the period	**143**	**162**

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

The expected income from plan assets in the „Financial assets available for sale“ category was calculated at 4.5 %. The actual income from plan assets amounted to T€ 6 (previous year: T€ 5). Income of T€ 7 is expected for the following financial year.

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

T€	31/12/2007	31/12/2008
Defined benefit obligation of obligations not financed via funds	1,153	0
Defined benefit obligation of obligations financed via qualified reinsurance policies	227	232
Defined benefit obligation	**1,380**	**232**
Fund assets included at market values	**-143**	**-162**
Adjustment amount based on unreported actuarial gains and losses	**146**	**65**
Rückstellungen für Pensionen und ähnliche Verpflichtungen	**1,384**	**135**

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€	2004	2005	2006	2007	2008
Defined benefit obligation	806	1,502	1,459	1,380	232
Fair value of plan assets	0	106	124	143	162
Experience-based adjustments of the DBO	4	4	6	8	10

The following amounts were reported through the income statement:

T€	2007	2008
Current service cost	-12	-12
Interest expense arising from the obligation	-66	-71
Employer contributions	-99	-43
Expected income from plan assets	5	6
Income from reimbursement claims reported as assets	67	30
Income from settlement statements	0	143
Realised actuarial gains or losses	0	101
	-105	**154**

The current service costs and interest expense arising from the obligation are reported in the interest expenses of administration costs. Employer contributions are reported as insurance expense in the administration area. Expected income from plan assets and reimbursement claims, experience-based adjustments to the defined benefit obligation, income from settlement statements, and realised actuarial gains, to the extent that they relate to settlement statements, are reported in other operating income.

(13) OTHER PROVISIONS

There were no other non-current provisions as of the balance sheet date.

Other current provisions:

T€	Status 01/01/2008	Utilisation	Reversals	Additions	Status 31/12/2008
Risks in commodity transactions					
- Guarantees	181	181	0	192	192
- Bonuses and rebates	387	387	0	462	462
	568	568	0	654	654
Miscellaneous					
- Sales commissions	12	12	0	0	0
- Legal expenses	97	92	5	0	0
- Annual financial statement and auditing costs	108	108	0	111	111
- Supervisory Board remuneration	30	5	15	13	23
- Other	6	6	0	0	0
	253	**223**	**20**	**124**	**134**
	821	**791**	**20**	**778**	**788**

Provisions relating to risks in the goods business relate to warranty risks to the tune of T€ 192 (previous year: T€ 181), as well as bonuses and rebates of T€ 462 (previous year: T€ 387).

The provisions for customer returns (previous year: T€ 58) and holiday provisions (previous year: T€ 80) reported in the previous year were reclassified as other liabilities pursuant to IAS 37.11. The provisions for outstanding invoices (previous year: T€ 57) were also reported elsewhere; they are now included as trade payables.

The obligations will be settled prospectively within the following financial year.

(14) DEFERRED TAX LIABILITIES

T€	31/12/2007	31/12/2008
Deferred tax	**329**	**327**
Actual income tax liabilities	**27**	**25**
	356	**352**

The deferred tax liabilities of T€ 327 (previous year: T€ 329) are attributable to temporary differences arising from the reconciliation of the single-entity financial statements of Group companies to IFRS. For more information, please refer to the remarks contained under Note 9.

(15) LIABILITIES

Financial debt:

T€	31/12/2007	31/12/2008
Non-current financial debt	**29**	**21**
Current financial debt	**1,677**	**2,475**
	1,706	**2,496**

Non-current financial debt is composed as follows:

T€	Type of contract	Interest rate p.a.	Term	31/12/2007	31/12/2008
	Loan	2,9 %	in instalments until 31/12/2010	23	17
	Other	3,4 %	in instalments until 2011	6	4
				29	**21**

The reported loan amount of T€ 17 contains the non-current portion of an annuity loan from Volkswagenbank.

Over the course of time, the liabilities are measured at amortised cost using the effective interest rate method. The interest-rate risk relates exclusively to other non-current financial debt. These obligations are based on variable rates of interest. Since the long-term financial debt is based on risk-adjusted rates of interest, the fair values essentially correspond to the carrying amounts. The net losses during the reporting year relate to interest expenses of T€ 1 (previous year: T€).

Current financial debt is composed as follows:

Contractual partner	Terms	31/12/2007 (T€)	31/12/2008 (T€)
Banks	variable	1,067	1,981
Insurance companies	variable	206	0
Third parties	10,75 %	132	132
Third parties	3,5 – 6,0 %	221	242
Third parties	non-interest-bearing	6	120
Sleeping partnership interest	22 %	45	0
		1,677	**2,475**

Current financial debt is measured at amortised cost with a carrying amount of T€ 2,418 (previous year: T€ 0), and is due within one year. The fair values of financial debt essentially correspond to their carrying amounts since they are based on risk-adjusted rates of interest, and have short residual maturities. Of the current bank borrowings, a partial amount of T€ 544 (previous year: T€ 727) carries a 5.25 % rate of interest.

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.

The loan carrying a 10.75 % rate of interest is attributable to the creditor Rebac GmbH (in liquidation) and continues to be furnished with a letter of subordination to an amount of T€ 109.

The interest expense and net loss relating to financial debt measured at amortised cost amounted to T€ 102. The non-interest-bearing financial debt includes T€ 57 of payment obligations arising from derivatives to hedge currency risk, as well as an interest-rate swap, so-called trade liabilities. The derivatives were measured at market values by the issuing bank, and reported through the income statement. Since no purchase costs arose, the T€ 57 corresponds to the net losses of the finance debt measured at fair value through the income statement. Of the expense, T€ 50 was reported as interest expense, and T€ 7 as an exchange rate loss.

The trade payables are due within one year. Most payment targets are 150 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 duration. Interest costs incurred during the year amounted to T€ 267 (previous year: T€ 281). Other liabilities primarily include VAT liabilities of T€ 349 (previous year: T€ 510), debtor accounts in credit of T€ 200 (previous year: T€ 104), and liabilities to staff members of T€ 158 (previous year: T € 107). The reported amounts are due. They do not incur interest. The liabilities essentially correspond to their fair values due to their brief duration. As in the previous year, there were no net gains/losses.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(16) SALES REVENUE

Gross sales revenues of T€ 31,931 (previous year: T€ 32,347) were generated. This amount was offset with sales deductions of T€ 1,725 (previous year: T€ 2,190).

T€	2007	2008
Sales revenue		
Medisana AG	12,639	11,140
Medisana USA	594	33
Medisana Far East	0	59
Medisana Spain	2,614	3,291
Medisana Benelux	5,313	6,286
Medisana Hellas	775	1,458
Medisana UK	1,023	0
Promed GmbH	7,196	7,939
Rebac GmbH	4	0
	30,158	**30,206**

As part of its task as the Group parent company, Medisana AG generated additional revenue (intercompany) of T€ 7,523 (previous year: T€ 6,982), which was eliminated at Group level. Medisana AG also bears the greater part of the charge arising from sales deductions, at T€ 1,291 (previous year: T€ 1,755). The sales split by regions is derived from the segment reporting.

(17) COST OF SALES

The cost of sales of T€ 20,575 (previous year: T€ 20,602) includes the costs of procuring the goods that were sold, as well as sales costs directly attributable to the sales revenues. Materials procurement costs amounted to T€ 19,084 (previous year: T€ 18,750). Directly attributable sales costs totalled T€ 1,491 (previous year: T€ 1,852).

The gross profit of T€ 9,631 (previous year: T€ 9,556) represents the difference between sales revenues and the costs directly attributable to them.

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

The costs for purchasing & stockkeeping, sales & marketing, and administration totalling T€ 9,079 (previous year: T€ 8,391) include the personnel expenses, depreciation/amortisation and other expenses attributable to this area. The items are composed as follows:

a) Purchasing and stockkeeping

T€	2007	2008
Personnel costs	716	867
Premises costs	305	444
Scheduled depreciation/amortisation	110	132
Research and development costs	53	125
Quality testing expenses	99	123
Leasing expenses	98	70
Vehicle costs	39	69
Consultancy expenses	80	17
Other expenses	89	98
	1,589	**1,945**

b) Sales and marketing

T€	2007	2008
Personnel costs	1,774	1,917
Marketing expenses	1,689	1,694
Vehicle costs	169	245
Consultancy expenses	257	224
Travel expenses	99	174
Premises costs	111	143
Scheduled depreciation/amortisation	150	103
Research and development costs	14	79
Office expenses	68	73
Leasing expenses	47	44
Other expenses	76	79
	4,454	**4,775**

c) Administration

T€	2007	2008
Personnel costs	899	918
Consultancy expenses	356	478
Insurance	240	175
Office expenses	159	154
Annual financial statement expenses	155	124
Scheduled depreciation/amortisation	135	122
Premises costs	48	101
Travel expenses	76	91
Leasing expenses	36	53
Vehicle costs	99	49
Information technology	51	46
Other expenses	94	48
	2,348	**2,359**

Across all three areas, total premises costs of T€ 324 (previous year: T€ 206) relate to sub-tenancy contracts. The following expenses for the financial year are contained in the administration costs for Warth & Klein GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor for the single-entity and consolidated financial statements of Medisana AG: year-end audit T€ 95 (previous year: T€ 88), certification or valuation services T€ 14 (previous year: T€ 12), tax consultancy services T€ 8 (previous year: T€ 14), and other services T€ 0 (previous year: T€ 7).

During the financial year, the company employed an average of: 65 (previous year: 55) salaried staff, and 14 (previous year: 12) wage employees.
Medisana employed 82 staff members as of the balance sheet date (previous year: 67). The regional allocation of employees is as follows:

Employees	2007	2008
Germany	41	50
Rest of Europe	26	29
Other	0	3
	67	**82**

The total personnel costs are split as follows:

T €	2007	2008
Wages and salaries	2,826	3,236
Social security costs	472	430
Pension scheme expenses	92	37
	3,390	**3,703**

Remuneration expensed for management members in key positions amounted to T € 496 in the financial year (previous year: T € 502). This relates entirely to short-term payables to the Group's internal legal representatives. The pension scheme expenses include contributions to defined contribution pension plans of T € 11 (previously: T € 7), as well as additions to pension provisions.

(19) OTHER OPERATING EXPENSES

Other operating expenses of T € 259 (previous year: T € 890) relate to the following items:

T€	2007	2008
Gains and losses arising from valuation adjustments according to IAS 36	779	126
Miscellaneous expenses	126	133
	893	**259**

The gains and losses arising from valuation adjustments pursuant to IAS 36 relate exclusively to additions to valuation adjustments with respect to receivables amounting to T € 126 (previous year: T € 380).

(20) OTHER OPERATING INCOME

T€	2007	2008
Income from the disposal of fixed assets	25	3
Exchange rate gains	212	273
Income from the increase in pension plan reinsurance	115	36
Income from licensing transactions	0	7
Income from the waiving of receivables	289	125
Income from the release of provisions	4	221
Other income	129	62
	774	**727**

Exchange rate gains contain the net result from exchange-rate income and exchange-rate expenses in the financial year.

Income from the waiving of receivables relates to liabilities furnished with letters of subordination amounting to T€ 95 (previous year: T€ 261), plus accrued interest.

Of the income arising from the release of provisions, an amount of T€ 201 relates to pension provisions. Of this amount, T€ 59 arises from realised actuarial gains.

(21) NET FINANCIAL RESULT

T€	2007	2008
Current income tax	15	19
Deferred income tax	-411	-432
	-396	**-413**

(22) INCOME TAX

T€	2007	2008
Current income tax	-162	-152
Deferred income tax	358	-11
	196	**-163**

The increase in deferred tax assets and the reduction in deferred tax liabilities compared with the previous year gives rise to a net positive earnings effect of T€ 6. The difference of T€ 17 compared to the expense of T€ 11 reported in the income statement arises from the purely balance-sheet-date-related increase in the tax receivable of a consolidated foreign-currency company.

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: 38.65 %) in order to calculate the expected tax expense. This consists of a tax rate of 15 % for corporation tax, plus the Solidarity Surcharge and trade income tax. The expected tax expense/income is compared with the actual tax expense/income.

Reconciliation between expected and actual tax expense/income

T€	2007	2008
Earnings before tax	650	606
Expected tax expense / tax income	**-251**	**-182**
Changes to income tax arising from:		
- Change in valuation adjustment to deferred tax on loss carryforwards	-145	-98
- Utilisation of non-capitalised deferred tax	1,205	170
- Changes to tax rates	-683	0
- Differences arising from foreign tax rates and currency differences	30	36
- Tax-free income and non-tax-deductible expenses	40	-89
Actual tax expense / tax income	**196**	**-163**
Effective tax rate in %	-30,15	26,88

(23) PROFIT/LOSS FOR THE YEAR AND MINORITY INTERESTS

Of the minority interest, T€ 128 (previous year: T€ 90) relates to the share of profits, and T€ 64 (previous year: T€ 0) 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€	2007	2008
Medisana Hellas	13	-64
Promed GmbH	77	128
	90	**64**

(24) 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.

€	2007	2008
Consolidated net income for the year attributable to Medisana AG shareholders	755,344	379,662
Weighted average number of shares	**7,034,237**	**7,034,237**
Earnings per share (EPS)	0.11	0.05

The **undiluted earnings per share** amounted to € 0.05 (previous year: € 0.11).

The number of shares may be diluted in the future as a result of approved capital of 3,517,163 shares (previous year: 3,570,162 shares) and conditional capital of also 3,517,163 shares (previous year: 0 shares).

Reconciliation with the parent company net income for the year:

T€	2007	2008
Consolidated annual result	755	380
./. Result from subsidiaries and associated companies	123	734
./. Consolidation measures	**13**	**-27**
./. Profit/loss for the year attributable to minority interests	-90	-64
Medisana AG net income for the year according to IRS	**709**	**-263**

NOTES TO THE CASH FLOW STATEMENT

(25) 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.

The cash inflow from operating activities (T€ 591; previous year: T€ 1,619) includes interest income of T€ 39 (previous year: T€ 3) and interest expenses of T€ 351 (previous year: T€ 349). Income tax paid amounted to T€ 96 (previous year: T€ 114).

The cash outflow from investment activity (T€ -294; previous year: T€ -294) primarily results from investments in fixed assets of T€ -310.

The cash inflow from financing activities (T€ 50; previous year: T€ -1,135) arises from payments received as part of the capital increase by minority shareholders at subsidiaries. This amount was primarily offset by the repayment of current financial debt to insurance companies of T€ 206.

The cash and cash equivalents included in the cash flow statement correspond to the liquid assets as per the balance sheet of T€ 3,443 (previous year: T€ 2,120) minus current account overdrafts reported under current financial debt of T€ 1,981 (previous year: T€ 1,067). The current account liabilities were reported as financial debt in the previous year. The composition of cash and cash equivalents was modified for reasons of clarity, and the previous year was adjusted correspondingly.

NOTES TO THE SEGMENT REPORTING

(26) SEGMENT REPORTING

The global business operations of the Medisana Group concentrate exclusively on its core business of home health care. Primary segment reporting is oriented towards geographic segmentation. In this case, information is allocated according to the headquarters of the relevant Group company. For this purpose, the following geographic breakdown is applied:

- Germany
- Rest of Europe
- North America
- Other regions

Medisana AG, Medisana Antiinfective Technologies GmbH, Promed GmbH and Rebac GmbH belong to the Germany segment. Medisana Far East is allocated to the Other regions segment, and Medisana USA is allocated to the North America segment. Medisana Spain, Benelux, Greece, Turkey and Great Britain are allocated to the Europe segment. Inter-segment sales are performed on the basis of purchase prices plus a commensurate cost and profit allowance.

Secondary segment reporting is oriented towards the following business lines:

- Health Control
- Home Therapy
- Beauty
- Other

The Health Control segment includes products that record measurable biometric data, and that monitor key bodily functions such as blood pressure and temperature. The Home Therapy segment (therapy at home) includes products for effective self-treatment such as ultrasound inhalation devices. The Beauty segment comprises all products for personal hygiene and beauty care. These include, for example, hand and foot care devices.

The secondary reporting format also provides a geographic breakdown of external sales.

Segmental information is compiled in accordance with the same accounting and valuation methods that were used to compile and present the financial statements.

Segment assets and liabilities include those assets essential to operations. As a consequence, income tax, and financial assets and liabilities are not reported.

The segmental profit represents earnings before interest and tax.

Investments and depreciation/amortisation relate in all cases to tangible and intangible assets.
This segmentation is performed in accordance with IAS 14.35.

MEDISANA GROUP

2008 segment reporting by region

Segments	Germany		Rest of Europe		North America		Other regions		Consolidation		Group	
T€	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Balance sheet												
Equity/ minority interests	14,594	15,659	23	519	-362	-372	-24	94	-546	-1,535	**13,685**	**14,365**
Segment assets	22,491	24,278	6,110	7,454	1,028	1,108	27	751	-5,873	-7,627	**23,783**	**25,964**
Segment liabilities	11,108	10,812	5,309	6,319	995	1,067	51	585	-6,407	-6,972	**11,056**	**11,811**
Income statement												
External sales	19,839	19,099	9,725	11,034	594	33	0	59	0	-19	**30,158**	**30,206**
Intersegment sales	6,982	5,998	0	0	0	0	0	644	-6,982	-6,642	**0**	**0**
Segment sales	26,821	25,097	9,725	11,034	594	33	0	703	-6,982	-6,661	**30,158**	**30,206**
Depreciation/ amortisation	-343	-294	-52	-62	0	0	0	-1	0	0	**-395**	**-357**
Segment result	1,014	410	36	659	-35	23	-4	-56	35	-16	**1,046**	**1,020**
Other data												
Non-cash-effective expensive/income (excl. depreciation)	-221	67	0	-82	0	-63	0	-31	0	-17	**-221**	**-126**
Investments	214	253	81	54	0	0	0	3	0	0	**295**	**310**
Employees as of December 31	42	50	25	29	0	0	0	3	0	0	**67**	**82**

Within the Germany segment, there was an increase in bad debt charges relating to receivables of T€ 144 (previous year: T€ 97). Valuation reversals amounted to T€ 22 (previous year: T€ 33).
An earnings-effective increase in bad debt charges relating to receivables of T€ 40 is attributable to the „Rest of Europe" segment (previous year: T €214). Valuation reversals amounted to T€ 1 (previous year: T€ 0).

2008 segment reporting by business lines

Segments	Health Control		Home Therapy		Beauty		Other		Group	
Notes (28) T€	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Balance sheet										
Segment assets	7,865	9,038	7,833	9,760	6,322	6,390	1,763	776	23,783	25,964
Income statement										
External sales	9,974	10,514	9,933	11,355	8,016	7,433	2,235	904	30,158	30,206
Germany	5,980	5,932	4,124	4,068	3,390	5,091	212	111	13,706	15,202
Italy	0	1	0	6	0	1	0	0	0	8
other EU Countries	3,844	4,299	5,371	6,575	3,927	1,798	1,407	704	14,549	13,376
rest of Europe	84	111	255	274	55	78	20	42	414	505
North America	0	41	0	292	630	452	594	42	1,224	827
South- and Latin- America	9	9	35	51	4	6	0	1	48	67
Africa	7	52	14	40	7	7	1	3	29	102
Asia	50	69	122	49	3	0	1	1	176	119
Australia/Pacific	0	0	12	0	0	0	0	0	12	0
Other data										
Segment investments	98	108	97	117	78	76	22	9	295	310

OTHER NOTES

(27) EVENTS AFTER THE BALANCE SHEET DATE

All remaining contractual relations with the former Chairman of the Management Board, Mr Rainer H. Behnke, were dissolved in a separate agreement as of April 25, 2009.
Medisana AG accordingly transferred T€ 140 plus VAT as a final payment to Mr Rainer H. Behnke.

(28) MANAGEMENT OF MACROECONOMIC RISKS

Medisana manages its capital according to IAS 1 in the form of equity and debt, with a total equity and liabilities amount of € 29.0 million (previous year: € 26.8 million), with the aim of profitability and constant liquidity. These objectives were again achieved in the reporting year. There were no agreed external covenants as of the balance sheet date.
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 refers to 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 identification and analysis of risks. Managers responsible for individual companies and corporate areas report regularly to the management. 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

The Medisana Group counters liquidity risks with appropriate liquidity planning, which is covered through pledged credit lines. Planning is monitored via 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 only be covered by new financing arrangements.
Current liabilities are due within one year. As of the balance sheet date, the supplier credit facility for the next financial year amounted to $12 million or € 8.5 million (previous year: $12 million or € 8.1 million). This amount, $10.5 million or € 7.4 million was utilised as of December 31, 2008. Liquid assets of € 3.4 million (previous year: € 2.2 million) were available as of the balance sheet date to settle current financial debt of € 2.5 million due in 2008 (previous year: € 1.7 million).
The non-current liabilities are due in 2010. Please refer to Note 15 regarding changes in non-current liabilities.
On the basis of this sensitivity analysis, the liquidity position is covered and satisfactory as of the reporting date.

Credit risk

Credit information is used to counter customer default risk. Corresponding valuation adjustments are formed in the event of default risk. Please refer to No 6 for information relating to overdue and impaired financial assets.

Financial assets and liabilities are categorised as follows:

	Fair value		Carrying amounts									
			Cash and cash equivalents		Loans and receivables		Measured at fair value through P&L*		Financial assets available for sale		Total	
T€	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Financial assets	**11,928**	**11,745**	**2,200**	**3,443**	**8,504**	**8,302**	**0**	**0**	**1,224**	**0**	**11,928**	**11,745**
Non-current receivables	89	25	0	0	41	25	0	0	48	0	**89**	**25**
Trade receivables	8,064	7,739	0	0	8,064	7,739	0	0	0	0	**8,064**	**7,739**
Other receivables	1,575	538	0	0	399	538	0	0	1,176	0	**1,575**	**538**
Liquid assets	2,200	3,443	2,200	3,443	0	0	0	0	0	0	**2,200**	**3,443**

)* exclusively „held-for-trading“

The risks pertaining to loans and receivables relate to a default rate of 2.2 % in 2008 and 3.7 % in 2007 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 T€ 9 given an unchanged portfolio of receivables.

	Fair value		Carrying amounts					
			Amortised cost		Financial instru-ments measured at fair value through P&L)*		Total	
T€	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Financial liabilities	**10,555**	**13,385**	**10,289**	**13,328**	**266**	**57**	**10,555**	**13,385**
Non-current financial debt	29	21	29	21	0	0	**29**	**21**
Current financial debt	1,677	2,475	1,677	2,418	0	57	**1,677**	**2,475**
Trade payables	7,752	9,916	7,486	9,916	266	0	**7,752**	**9,916**
Other liabilities	1,097	973	1,097	973	0	0	**1,097**	**973**

)* exclusively „held-for-trading"

Interest-rate risk

The scope of cash flow risk affected by interest rates has been covered above in the notes to the consolidated balance sheet. Interest-rate risk is regarded as minor overall, since Medisana is in a position to withdraw from the major interest burden relating to the supplier credit facility through early repayment. Otherwise, the financing that is exposed to interest-rate risk can be adjusted in the medium term to market circumstances.

According to the sensitivity analysis, a 1.0 % change in LIBOR results in an earnings and equity effect of T€ 3 per € 1 million of overdue liabilities. In order to hedge against interest-rate risks, Medisana has concluded an interest-rate swap on the basis of € 2.5 million for the period from December 2008 to December 2010, which results in the payment of a fixed interest rate of 3.47 % per annum and the receipt of 1-month EURIBOR.

Exchange-rate risk

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 counteract this, currency risk is limited predominantly using ‚forward plus' contracts. Financial instruments are not held for speculative purposes.

According to IFRS 7 (sensitivity analysis relating to risk measurement), each 1 cent change in the USD/EUR exchange-rate could effect a T€ 5 change in earnings and capital per $1 million of goods procurement.

(29) DEBT WAIVER WITH INCOME ADJUSTMENT BOND

As of December 22,007, Medisana AG declared an income adjustment bond with respect to Gimelli Internati¬onal Ltd, Hong Kong. This relates to the debt waiver of TTI Techtronic Industries Co. Ltd, Hong Kong, declared on September 23, 2004, as well as the debt waiver of Gimelli International Ltd, Hong Kong, declared on October 20, 2004.

The income adjustment bond allows for a repayment of the amount of Medisana AG's year-end net result on the basis of German commercial law exceeding the EBT amount of T € 2,000. The payment is to be made in Hong Kong dollars at the current exchange rate. This obligation is valid until the total amount of THKD 40,557 (equivalent to T€ 3,707 on the balance sheet date) has been paid to Gimelli International Ltd, Hong Kong.

(30) RELATED PARTIES DISCLOSURES

The Management Board Chairman of Medisana AG is simultaneously the Managing Director of Royal Appliance Inter¬national GmbH, Hilden, Germany.

Royal Appliance International GmbH has sublet the building it has leased in Hilden to Medisana AG. This resulted in a cost transfer of T€ 36 in 2008 (previous year: T€ 36). An additional T€ 24 (previous year: T€ 24) was charged to Medisana AG for the use of IT equipment and services. Since May 1, 2006, Royal Appli¬ance International GmbH has also sublet the warehouse it has leased in Neuss to Medisana AG. From this, costs were passed on from Royal Appliance International GmbH amounting to T€ 288 (previous year: T€ 170).

In addition, employees of Royal Appliance International GmbH performed personnel-related services for Medisana AG in 2008 amounting to T€ 82 (previous year: T€ 281); the company also passed on vehicle leasing costs of T€ 10 (T€ 12). On the other hand, Medisana AG provided Royal Appliance International GmbH with personnel-related services to the tune of T€ 26 in 2008 (previous year: T€ 36).

Allowing for the short-term prepayments of Royal Alliance International GmbH, as of December 31, 2008 the following short-term due and payable balances arose at Medisana AG:

T€	2007	2008
Trade receivables	39	0
Trade payables	143	169

Business relations between Royal Appliance International GmbH and Medisana AG occurred at market conditions.

The Management Board Chairman of Medisana AG is simultaneously the Managing Director of Cedar Holdings GmbH, Hilden, Germany.

Cedar Holdings GmbH grants Medisana AG a loan to the tune of T€ 150 (previous year: T€ 150), which carries an interest rate of 4 %. This loan is reported under current financial debt. Medisana AG incurred an interest expense of T€ 6 arising from the loan (previous year: T€ 6). Medisana AG has trade payables of T€ 19 as of the balance sheet date (previous year: T€ 19).
As of December 31, 2008, Cedar Holdings GmbH has fully waived the loan of T€ 50 (previous year: T€ 50) granted to Rebac GmbH (in liquidation), as well as interest receivables of T€ 6. As a consequence, there were no more outstanding balances as of the balance sheet date. Due to the liquidation, Cedar Holdings GmbH discontinued its interest charges to Rebac GmbH (in liquidation) in the year under review (previous year: T€ 1).
Business relations between Cedar Holdings GmbH and Medisana AG as well as Rebac GmbH (in liquidation) occurred on market terms.

The Management Board Chairman of Medisana AG is simultaneously the Managing Director of Stellar GmbH, Hilden, Germany. Medisana AG transacted revenue of T€ 55 with Stellar GmbH in 2008 (previous year: T€ 162). As of the balance sheet date, Medisana AG reported trade receivables of T€ 69 due from Stellar GmbH (previous year: T€ 19). No liabilities were reported as of the balance sheet date (previous year: T€ 24). The amounts are due on a short-term basis.
Business relations between Stellar GmbH and Medisana AG occurred on market terms.
The Management Board Chairman of Medisana AG is simultaneously the Managing Director of Domostar GmbH, Hilden, Germany. Goods and services transactions occurred between Medisana and Domostar GmbH in 2008, which resulted in revenue of T€ 652 at Medisana AG (previous year: T€ 0). As of the balance sheet date, Medisana AG reported trade receivables of T€ 137 due from Domostar GmbH (previous year: T€ -3). Trade payables were not incurred in 2008.

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

There were no further relations with related parties that require reporting.

(31) COLLATERAL

A passenger vehicle with a carrying amount of T€ 22 has been provided as collateral for the long-term financial debt.
Trade receivables with a carrying amount of T€ 544 have been provided as collateral for short-term bank borrowings.

(32) CORPORATE GOVERNANCE STATEMENT

The declaration of compliance to the German Corporate Governance Code required pursuant to Article 161 of the German Companies Act (AktG) was issued by both the Management Board and the Supervisory Board, and made available to shareholders.

(33) PUBLICATION

Medisana will present these consolidated financial statements and the Group management report to the Supervisory Board for approval. Approval by the Supervisory Board is scheduled for May 15, 2009.

(34) SUPERVISORY AND MANAGEMENT BOARDS

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

MANAGEMENT BOARD

Mr Ralf Lindner
Hamburg,
(Chairman of the Management Board)
Management Board member responsible for strategy, investor relations/corporate marketing, global sales
– Member of the Supervisory Board of CCP Systems AG, Stuttgart

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

The total remuneration for the Management Board for the 2008 financial year amounted to T€ 275 (previous year: T€ 264).
Former Management Board members received total remuneration of T€ 18.

Pension provisions for Management Board members or former Management Board members are no longer recognised on the liabilities side of the balance sheet as of December 31, 2008 (previous year: T€ 1176).

SUPERVISORY BOARD

Mr Thies G.J. Goldberg
Hamburg,
Independent Management Consultant, Goldberg Consulting GmbH
(Supervisory Board Chairman since July 2008)

Dr. Heinrich Komesker
Unkel, Technical Managing Director of JK-Holding GmbH

Dr. Matthias Hartz
Lucerne,
Businessman
(Supervisory Board Chairman until June 2008)

Remuneration of the Supervisory Board amounted to T€ 15 in the 2008 financial year (previous year: T€ 15).

Hilden, May 13, 2009 ,
The Management Board

Audit certificate

We have audited the consolidated financial statements of Medisana AG, Hilden - consisting of balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements - as well as the Group management report for the financial year from January 1 until December 31, 2008. 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 Paragraph 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 Institut der Wirt¬schaftsprüfer (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 presentation of the company's net assets, financial and earnings positions 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 an evaluation of the annual financial statements of the companies included in the consolidated financial statements, the demarcation of the scope of consolidation, the accounting and consolidation principles applied, and the key projections of the legal representatives, as well as an appraisal of the overall presentation of the consolidated financial statements and the 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 Paragraph 1 of the German Commercial Code (HGB), and they convey a true and fair view of the net assets, financial and earnings positions of the Group. The Group management report harmonises with the consolidated financial statements, and, as a whole, provides an appropriate picture of the Groups position, and accurately depicts the opportunities and risks pertaining to future development."

Düsseldorf, May 14, 2009

Warth & Klein GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Thomas Senger
Certified auditor

Ronald Rulfs
Certified auditor

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Information on risk

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, then 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. Additional information or events documents are available on request.

May 2009 **Publication of 2008 annual financial report**

May 2009 **Publication of the interim announcement for the first quarter of 2009**

June 26, 2009 **Annual General Meeting Location:**
Wöllhaf Konferenz- und Bankettcenter, Düsseldorf International Airport, Terminal B,
40474 Düsseldorf Time: 11.00 a.m., welcome coffee from 10:30 a.m.

August 2009 **Publication of 2009 half-year financial report**

November 2009 **Publication of the interim announcement for the third quarter of 2009**

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