MEDISANA®

ANNUAL REPORT 2013

HEALTHY FORECAST

MEDISANA®

ANNUAL REPORT 2013

CONTENTS

TO OUR SHAREHOLDERS

Ralf Lindner

The integration of VitaDock data into doctors' diagnosis and treatment processes facilitates a new quality level in patient-doctor relationships, with initial studies already showing a positive impact on the progression of healing, and demonstrating remarkable successes in the attainment of therapeutic objectives such as weight reduction."

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

For MEDISANA, 2013 was characterised by its continued development into a competitive company within a constantly changing healthcare market that is focusing to an ever greater extent on integrated and networked solutions.

REVENUE AND EARNINGS

During the period under review, MEDISANA's consolidated revenue registered only slight growth from EUR 41.8 million to EUR 41.9 million. In this context, EUR 29.3 million of revenue was generated in Germany (previous year: EUR 28.1 million), and EUR 12.6 million was attributable to revenue generated abroad (previous year: EUR 13.7 million).

The loss before tax (EBT) stood at EUR -3.7 million (previous year: EUR -2.8 million). After taxes on income, the company incurred a loss of EUR -4.0 million (previous year: EUR -3.0 million).

The operating result before interest and tax (EBIT) thereby worsened significantly to EUR -3.1 million compared with EUR -2.4 million in the previous year.

This is mainly due to year-on-year higher costs of sales, weather-related weak seasonal business with soft heat products, delays to two major projects on the Austrian market, a fall in business in the pharmacy store area, a shift in revenue realisation arising from a partner agreement, and considerable investments in marketing and sales.

Overall, European markets continue to suffer from the persistent debt crisis in many places, with our subsidiaries' business being impacted accordingly.

WITH INNOVATIONS – MADE IN GERMANY – TOWARDS A 360° SOLUTION

Support for self-assistant has been a speciality area of MEDISANA for more than 30 years. We have managed to establish ourselves as one of the leading providers on the healthcare provision, healthcare monitoring and therapy markets, and we are proud that we play a significant role in helping to structure the development of these markets.

Reflecting the dynamic growth in the dissemination and utilisation of mobile communication devices such as tablets and smartphones, we are currently experiencing a period where our markets are transforming towards an increasingly networked world with communication-enabled and networked products, and new, innovative

services. It is precisely here where considerable market potentials lie, which we aim to tap for MEDISANA over the coming years. With the new Medisana Connect body analysis devices, the new ViFit activity trackers, and the newly-developed VitaDock+ App, we enable all health and motion data to be recorded and combined within an app. These automatically synchronised data can be downloaded, analysed and shared with other parties at any time. Including online, from anywhere in the world, securely encrypted, and with any operating system.

This approach allows 360° health care provision to become reality – it accompanies us unobtrusively and reliably during work-time and leisure, at home and on the move, and by day and night.

The monitoring devices, software and online solutions that we have developed are certified according to stringent data protection norms and medical product laws, thereby meeting the high quality standards that MEDISANA also delivers and ensures with these highly innovative products.

Networked and communication-enabled healthcare products are also making an increasingly important contribution to caring for an increasingly ageing population in many countries. The integration of VitaDock data into doctors' diagnosis and treatment processes facilitates a new quality level in patient-doctor relationships, with initial studies already reflecting a positive impact on the progression of healing, and demonstrating remarkable successes in the attainment of therapeutic objectives such as weight reduction.

Here, we are experiencing strong demand from institutions, healthcare funds and insurers, as well as providers of corporate healthcare services that wish to boost their patients' healthcare services with the integration of VitaDock data.

As a Mobile Health pioneer, MEDISANA has clearly established itself as an innovation market-leader in Europe with its VitaDock and MEDISANA Connect brands. Distinguished with numerous awards for the intelligent combination of hardware, software and state-of-the-art Cloud solutions, the VitaDock system is the most up-to-date and successful personal and mobile health monitoring system today.

AT THE CUTTING EDGE – THE ORIGINATION OF NEW MARKETS

Sport is the best medicine

The sensible combination of the world of health with the world of sport and fitness is not only of the greatest strategic significance to us, but also derives from the very fact that many of our modern world illnesses are caused to a significant extent by a lack of exercise. Many studies show that physical exercise combined with healthy nutrition prevents, mitigates or even heals many of our widespread illnesses.

A new market has arisen here – at the interface between wellness and fitness – in which many millions of people around the world are already participating with wrist-worn and arm-worn heart rate monitors – that can communicate in many ways with smart phone apps.

Last year, we made a successful start in this set exciting market with the world innovation MIO Alpha, the first heart rate sport watch, which dispenses with the need for uncomfortable chest bands or finger sensors. Its sensor technology, which was developed and patented by Philips, has now become the gold standard, and has

already been licensed to Adidas and TomTom. MIO Alpha deploys Bluetooth Smart to transfer live heart rate figures to numerous sports apps such as runtastic, runkeeper, Adidas micoach, mapmyrun and many more. This allows pulse figures to be combined with data such as GPS, pace, speed and other parameters, allowing them to be applied effectively for training monitoring and targets.

The ViFit Activity Tracker, an activity and sleep tracker, is a highly sensitive motion sensor that allows personal activity to be registered exactly. Data is transferred via Bluetooth Smart or USB to the VitaDock+ App for both iOS and Android smartphones. These data can also be viewed and shared online. Personal parameters such as height, weight and stride length can be defined and set online in a user-friendly manner. The data are then also synchronised automatically.

The ViFit USB and ViFit Bluetooth allow daily motion activity, distance covered, calories burned and much more to be calculated and evaluated reliably. In sleep mode, motion activity during sleep and the duration of sleep are measured. Both products have already been successfully placed on the market at attractive prices.

We have already significantly expanded our customer base with our strategic product range expansion towards sport and fitness. During the course of the year, we will present further innovative products that address the important volume market located at the interface between wellness and fitness, and consequently between health and sport, thereby anticipating strong and sustainable growth impulses for Medisana.

HEALTHCARE COMPANY

As a leading provider of innovative healthcare products on the home healthcare and sports market, MEDISANA's targeted success depends critically on the innovative abilities, inventiveness and performance of our staff members across the entire Group.

Together, we continue to work unabated on strengthening Medisana's profitability through efficient cost structures, and on generating continuous, sustainable and profitable growth. This is because only a return to profitability allows us to make a healthy forecast for the company's future.

I would like to thank everyone warmly for having continued to work together with trust and confidence during hectic and challenging times of change, and for your joint efforts on MEDISANA's behalf, and I would like to wish us undiminished drive and every success in the future.

Kind regards

Neuss, April 2014

Ralf Lindner
Management Board Chairman (CEO) of MEDISANA AG

REPORT OF THE SUPERVISORY BOARD ON THE 2013 FINANCIAL YEAR

Dear shareholders,
Ladies and gentlemen,

In 2013, the Supervisory Board of MEDISANA AG performed the tasks incumbent upon it pursuant to the law, its articles of incorporation, the German Corporate Governance Code and its rules of business procedure. It concerned itself in detail with the company's business trends, prospects and strategic development, as well as relevant individual measures. The Supervisory Board consulted with the Management Board, supervised it, and queried it continuously on important matters. The Management Board informed us promptly and comprehensively about business progress, profitability and planning within the Group, as well as about all matters mentioned in Section 90 of the German Stock Corporation Act (AktG). The Supervisory Board intensively examined the relevant documents in this context. Using internal presentations and documents presented by the Management Board, the Supervisory Board also carefully reviewed corporate decisions of financial, organisational and legal significance within the context of the catalogue of transactions that require our approval. The Supervisory Board Chairman remained in very close and regular contact with the Management Board in the 2013 financial year. Using reports produced by the Management Board and the auditor, the Supervisory Board was convinced of the efficiency of the risk management system.

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

SUPERVISORY BOARD MEETINGS IN 2013

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

The contents of the Supervisory Board meetings were taken down the minutes, and are presented below by way of key topics.

Meeting on March 22, 2013

- Presentation of the 2012 results as well as outlook planning for 2013 four MEDISANA AG, its foreign subsidiaries, and for the Group
- Presentation by the Management Board of various organisational measures to improve earnings
- Report on product innovations at MEDISANA AG and rollout planning
- Presentation by the Management Board of a sales revenue and profit analysis for VitaDock
- Report by the Management Board on the trend in equity, the planned capital increase, and the sale of treasury shares
- Report on the status of negotiations concerning a new factoring provider

Meeting on April 23, 2013

- Report by the Management Board on developments in international activities
- Report by the auditor concerning methodology and focal audit points, and subsequent discussion and unanimous approval of the 2012 separate financial statements
- Discussion about the consolidated financial statements and Group management report for 2012. Marginal open points on the auditor's side were still to be formulated and documented. Approval by the Supervisory Board for the financial statements was granted subject to the audit certificate.
- Discussion of the agenda for the Annual General Meeting

Meeting / passing of resolution on June 4, 2013 (by telephone)

- Resolution concerning the sale of treasury shares under exclusion of subscription rights as part of, and in connection with, the implementation of a capital increase

Meeting on June 21, 2013

- Preparatory discussion for the subsequent Annual General Meeting of MEDISANA AG
- Report by the Management Board concerning the development of equity, the status of the current capital increase, and the sale of treasury shares
- Management Board report on the development status of products and sales structures
- Information provided by the Supervisory Board Chairman concerning the end of the contract with Dr. Heinrich Komesker as a Management Board member of MEDISANA AG
- Report by the Management Board concerning Group business trends in May as well as the current liquidity situation based on the new factoring agreement, and the current capital increase

Meeting on September 26, 2013

- The Management Board reported on current business trends at MEDISANA AG and the Group, as well as concerning the financial position, measures to secure the company, and its strategic orientation
- The Management Board also reported on the relevant status of products and the growth strategy
- Report by the Supervisory Board concerning the analysis of the reporting system
- Discussion of appropriate measures to secure liquidity

Meeting on November 28, 2013 (by telephone)

- This meeting's topic was the potential selection of external consultants to support the Management and Supervisory boards relating to questions of corporate strategy and organisation.

Meeting on December 18, 2013

- The Management Board reported on business trends at the parent company and within the Group until October 2013, and presented the planning for 2014. The Management Board also presented a package of planned measures.
- Management Board reports on the current status of contractual negotiations relating to the future securing of liquidity
- Discussion of organisational and structural matters within MEDISANA AG

With the exception of an illness-related absence at the September meeting, SUPERVISORY BOARD members participated at all meetings. In the year under review, the Supervisory Board monitored compliance with existing and new German Corporate Governance Code regulations. The 2013 statement of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in combination with the German Corporate Governance Code is published on the Internet at www.medisana.de within the Investor Relations and Corporate Governance areas.

AUDIT OF THE 2013 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

At the Ordinary AGM on June 21, 2013, BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, was elected as the auditor of the separate and consolidated financial statements for the 2013 financial year. The Supervisory Board issued the audits mandate for the consolidated and separate financial statements for the year while providing clear rules relating to the specifics of the mandate, and the collaboration between the Supervisory Board and the auditor.

BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the 2013 separate annual financial statements, which the Management Board prepared according to German Commercial Code (HGB) accounting regulations (separate financial statements of MEDISANA AG for 2013), and the 2013 consolidated financial statements, which the Management Board prepared according to International Financial Reporting Standards (IFRS), as well as the corresponding management and Group management reports, and issued them with unqualified audit opinions.

The audited separate financial statements of MEDISANA AG and the draft consolidated financial statements as of December 31, 2013, were made available to the Supervisory Board in good time before its meeting on April 22, 2014, and were discussed in detail together with the Management Board and the auditor. As far as the consolidated financial statements are concerned, the audit issued a preliminary verbal confirmation of the unqualified audit opinion that was not yet available in written form. The auditor reported on the current audit process, and responded to Supervisory Board queries. At the same time, the Management Board reported on the 2013 financial year. Significant matters relating to the consolidated financial statements were also discussed with the auditor. The Supervisory Board noted all of the auditors' audit results with approval, and for its part reviewed in detail the separate annual financial statements and the consolidated financial statements, as well as the management reports for both the company and the Group. In-depth discussions were held concerning all of the documents requiring auditing.

After answering all of the Supervisory Board's questions relating to the financial statements, the management reports and the audit work, the Supervisory Board approve the audited separate financial statements for MEDISANA AG as of December 31, 2013, and – subject to the presentation of the unqualified audit opinion in written form – the consolidated financial statements as of December 31, 2013, as well as the management report and Group management report as of December 31, 2013, in each case without qualifications. The separate annual

financial statements have been adopted as a consequence. The management reports, and especially the statements on further corporate trends that they contain, were approved. At this meeting, the Supervisory Board also discussed and approved its Supervisory Board report on the 2013 financial year.

At the telephone Supervisory Board meeting on April 28, 2014, the 2013 consolidated financial statements were approved without qualifications and consequently finally adopted by way of unanimous resolution based on the unqualified audit opinion that was now available in written form.

PERSONNEL CHANGES WITHIN THE MANAGEMENT BOARD

As of June 14, 2013, Dr. Heinrich Komesker, Chief Technology Officer (CTO) of MEDISANA AG, stepped down from the company's Management Board at his own wish. The Supervisory Board would like to Thank Dr. Komesker for the work that he performed and for his special services on behalf of MEDISANA AG. It regrets that Dr. Komesker is leaving the company, and would like to thank him for his positive and successful collaboration, along with its best wishes for his personal and professional future.

THANKS TO OUR EMPLOYEES

The Supervisory Board would like to thank all employees of the MEDISANA Group who have again contributed their efforts to the company, its customers and shareholders with great commitment and major expertise during the financial year elapsed.

Hamburg, April 2014

Thies G. J. Goldberg
Chairman of the Supervisory Board

SUPERVISORY BOARD MEMBERS AND THEIR MEMBERSHIP OF EXECUTIVE BODIES:

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

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

Member: Dr. Michael Regniet, lawyer and specialist lawyer for tax law at law firm Regniet, Arnsberg
Membership in German or foreign executive bodies:
- Member of the Charity Council of the Charity Association of Arnsberg-Sundern

VIFIT CONNECT

Activity Tracker with Bluetooth

ViFit® connect counts and shows precisely every individual steps and every calorie burned. It records all physical activity during the day by means of a highly sensitive movement sensor. ViFit® connect also measures the duration and motion activity while you are asleep during the night. It can be worn easily and discretely on the body, and comprises not only a perfect activity monitor, but also motivates the wearer to sometimes opt to take the stairs rather than the elevator.

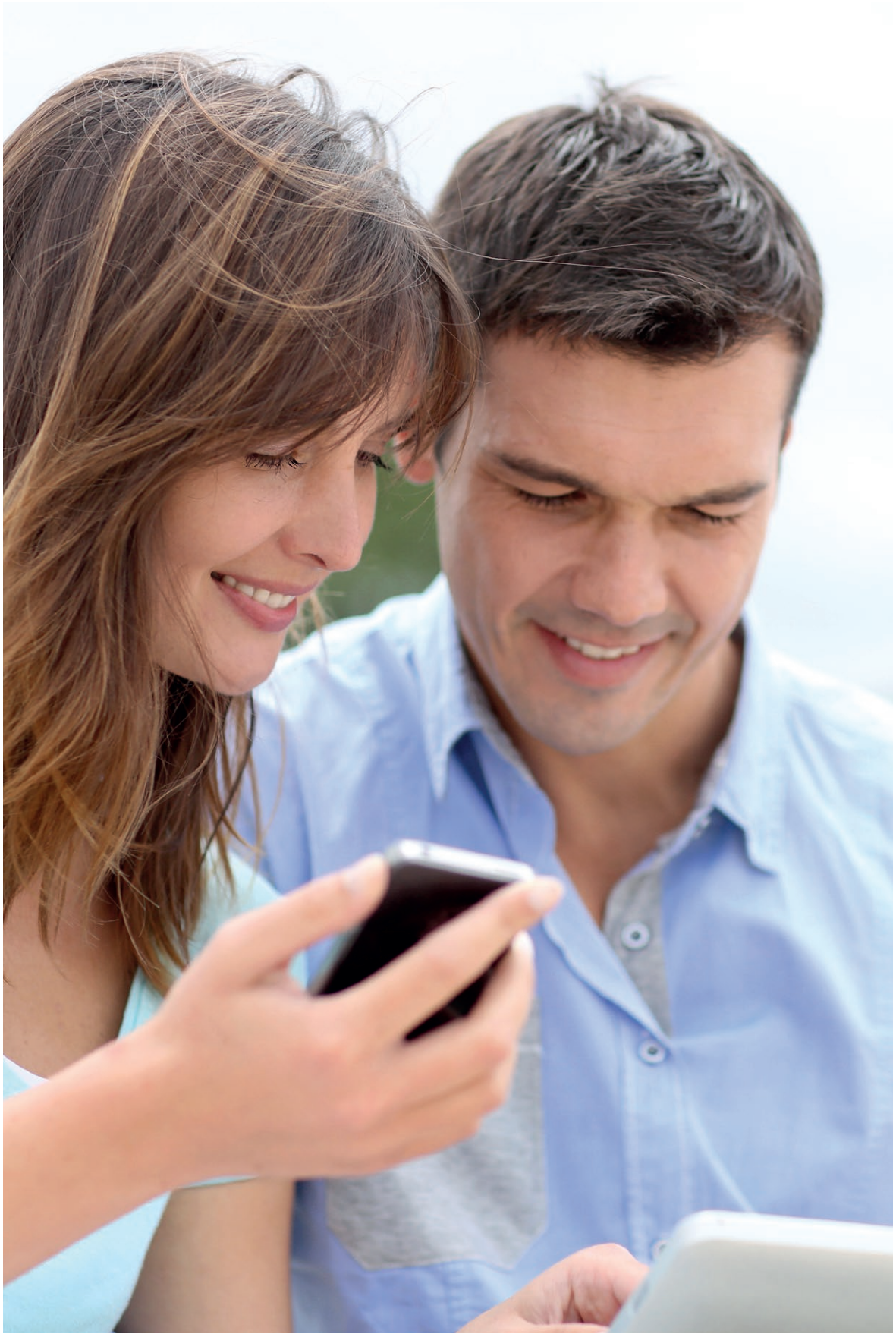
ViFit® connect transfers data directly with Bluetooth® Smart (4.0) to the VitaDock+ App for iOS and Android to evaluate and present data in easy-to-understand diagrams. Data can also be synchronised with VitaDock® Online.

MIO ALPHA

HEART RATE SPORT WATCH

The prize-winning Mio ALPHA is the world's first heart rate sport watch that reliably, precisely and continuously monitors pulse frequency even during maximum impact sports activity – and also without the need for a chest strap. Thanks to its individually configurable pulse zones, training sessions can be further optimised, and the Mio ALPHA deploys Bluetooth® Smart (4.0) technology to connect with fitness apps on iPhones and selected Android devices.

Mio ALPHA utilises a technology that was developed together with Philips Electronics Technologies Research. Two LED sensors and an electro-optical lens measure blood flow in the capillaries. The results: compared with leading heart rate monitor systems that require the wearing of chest bands, the Mio ALPHA reaches a measuring accuracy up to 97%.



BU 550 CONNECT

Upper arm blood pressure monitor with Bluetooth

A particularity of the BU 550 connect is its ability to transfer health data via Bluetooth® Smart (4.0) to the VitaDock+ App on an iOS or Android device. VitaDock® Online is a free online portal developed by Medisana® to store, view, analyse and export subscribers' own vital data. This portal allows blood pressure, blood glucose, activity, weight and body temperature dated to be saved irrespective of device, and to be analysed in the form of statistics and tables.

The BU 550 connect and is also equipped with inflating technology. This technology allows blood pressure to already be monitored when the related cuff is inflated. Users thereby obtain their measurement results faster than with conventional devices – and with the same measuring accuracy. It also shows any irregular heart rhythm (arrhythmia). A heart-shaped symbol in the display indicates that the user is suffering from an irregular heart rhythm. Particularly large figures make it easy to read.

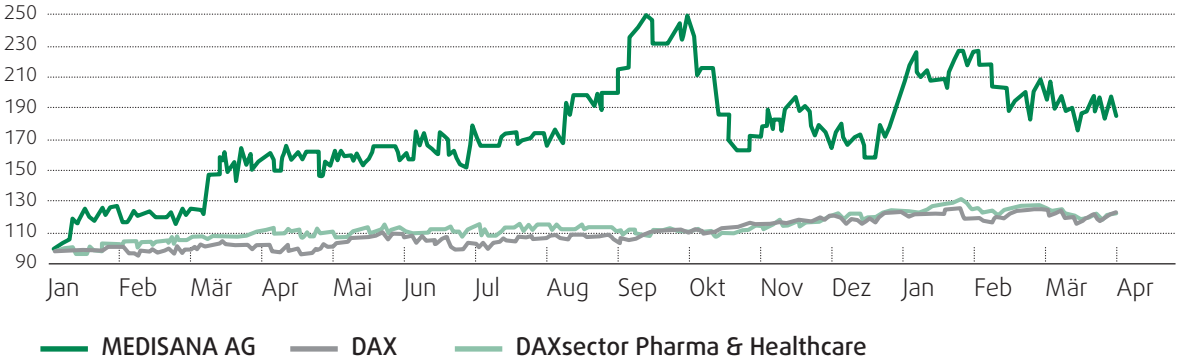
MEDISANA STOCK

The MEDISANA stock outperformed its relevant comparative indices, the DAX (German equities index) and the DAXsector Pharma & Healthcare Performance Index (reflecting companies from the health sector from all stock market segments), during both the 2013 financial year and the first quarter of 2014. The share was up 117 percent by the end of 2013, and by 83 percent by the end of the first quarter of 2014. Both of the benchmark indices appreciated by 23 percent between the start of 2013 and the end of the year, and by the end of the first quarter 2014, the DAXsector Pharma & Healthcare Performance Index was 22 percent ahead of its level at the start of 2013, with the DAX being 23 percent higher. The stock started the year on January 2, 2013 at a price of EUR 1.12 – which was also its low for the year – and reached its high of EUR 2.88 on September 9, before closing the first quarter of 2014 at EUR 2.10 on March 31, 2014.

MEDISANA AG placed two capital increases totalling 935,516 shares on the market in 2013, as well as successfully selling 630,000 of its treasury shares. The cash proceeds from these capital measures amounted to EUR 3.4 million, and are earmarked to finance future investments.

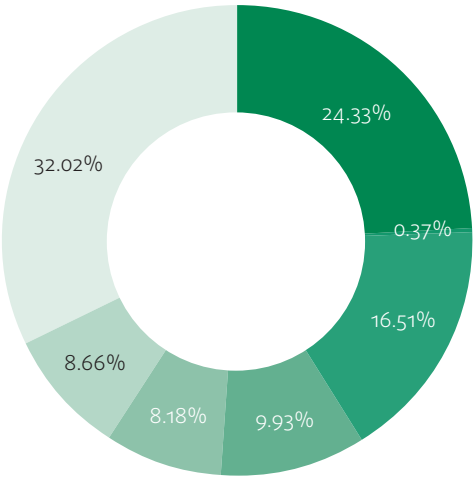
Trading volumes in the MEDISANA stock increased over the course of the year. Compared with average daily turnover in the share (XETRA & Frankfurt) during the first quarter of the year under review of 4,890 shares, it almost doubled in the fourth quarter to 9,633.

Development of the MEDISANA share from 01.01.2013 – 31.03.2014 (indexed), XETRA



KEY DATA FOR THE MEDISANA SHARE AS OF DECEMBER 31, 2013	
ISIN / WKN	DE0005492540 / 549 254
Ticker symbol	MHH
Stock market segment	Regulated Market (General Standard)
Stock exchanges	XETRA, Frankfurt-am-Main, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart
Designated Sponsor	Lang & Schwarz Broker GmbH
Specialist (Frankfurt)	MWB Fairtrade AG

Shareholder structure



Cedar Holdings GmbH	2,278,473 shares
Ralf Lindner	35,083 shares
Francesco Muller	1,546,363 shares
Raptor Beteiligungsgesellschaft mbH, attributable to Supervisory Board Chairman Thies J.G. Goldberg	930,000 shares
Superb Wealth Investments Limited	766,000 shares
Pacific Century Investments Limited	811,439 shares
Free float, of which Dr. Hartz 2.31%	2,998,485 shares
Total shares (100%)	**9,365,843 shares**

MEDISANA QUARTERLY SHARE PRICE PERFORMANCE (EUR)						
				2013		2012
	Q4	Q3	Q2	Q1	Q4	Q3
High	2.61	2.88	2.15	1.89	1.87	2.36
Low	1.79	1.87	1.60	1.12	1.05	1.71
Price at quarter-end	2.50	2.70	2.05	1.78	1.05	1.71
No. of shares (capital stock)	9,365,843	9,365,843	8,430,327	8,430,327	8,430,327	8,430,327
Market capitalisation in EUR million	23.4	25.3	17.3	15.0	8.9	14.4
Average daily turnover in number of shares (XETRA & Frankfurt)	9,633	6,308	3,796	4,890	3,442	1,684
EPS (earnings per share)	-0.13	-0.14	-0.14	-0.06	0.05	-0.18

Investor relations activities

MEDISANA AG informs all capital market participants comprehensively and rapidly. In addition, all published information is available on the company's website at medisana.de within the Investor Relations area.

Interest from both specialists and the media in MEDISANA AG's innovative products is unbroken. As already in previous years, MEDISANA products received numerous awards. For example, Vitadock, our range of mobile health monitoring devices for the second consecutive time won the CeBIT E-Health IT Innovation Prize. After winning first prize in 2012 for the VitaDock App, VitaDock Online came first in 2013. Also for the second time, VitaDock won the eHealth Award in the Second EU SME eHealth Competition at the eHealth Week 2013 in Dublin. These new awards for VitaDock confirm that MEDISANA is on the right path in networked health. Further evidence of this is reflected in the top ranking for GlucoDock, the blood sugar monitoring module, which experts at PCgo technology magazine ranked as "very good".

At the company's AGM on June 21, 2013, the shareholders of MEDISANA AG supported the work of the Management and Supervisory boards by a large majority, in each case with that these 95 percent of the votes present.

STATEMENT BY THE MANAGEMENT BOARD

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

Neuss, April 28, 2014

Ralf Lindner
Chairman of the Management Board (CEO)
of MEDISANA AG

Marco Getz
Member of the Management Board
of MEDISANA AG

GROUP MANAGEMENT REPORT

FIRST-TIME APPLICATION OF DRS 20

The new German accounting standard 20 (DRS 20) is applicable for all parent companies that are required to prepare a Group management report pursuant to Section 315 of the German Commercial Code (HGB). Application of DRS 20 resulted in a number of changes, with a chapter on the corporate steering system being added as a consequence. This chapter lists the key steering indicators of relevance for the company's internal steering that form the basis for describing the progression of business and the forecast for the next financial year pursuant to DRS 20. The subsequent year's management report then compares this forecast with how business actually developed. DRS 20 also adds to or removes additionally required disclosures in various chapters.

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

MEDISANA AG, which is based in Germany, is the company that manages the MEDISANA Group, determining significant aspects of its product and sales policy. MEDISANA AG also contributes significantly to the financing of the Group subsidiaries. In the following section, the terms MEDISANA and MEDISANA Group refer to the entire MEDISANA Group.

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

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

With these product groups, MEDISANA helps customers to lead health-conscious lives. The company aims to meet the highest quality requirements throughout the entirety of its product range. Its products carry no side-effects of any kind, boast pleasant designs, and are easy to use. Trade partners also benefit from the products' quality in combination with service, advice and extensive know-how. MEDISANA is also continuing to invest heavily in expanding capacities in the future-oriented areas of mobile health care and MEDISANA Connect.

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

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

Structure of the Group/subsidiaries

The MEDISANA Group consists of the Group's ultimate parent company, MEDISANA AG, Neuss (Germany), and, as of the December 31, 2013 balance sheet date, of nine subsidiaries and three second-tier subsidiaries. All companies comprise sales companies, with the exception of MEDISANA Space Technologies GmbH, which currently focuses on developing software and hardware for mobile health care products. Please refer to the notes to the consolidated financial statements for more details.

Management and Supervisory boards

One change occurred to the composition of the Management Board of MEDISANA AG in 2013. As of June 14, 2013, Dr. Heinrich Komesker, who until had been Chief Technology Officer (CTO) of MEDISANA AG, stepped down from the company's Management Board at his own wish. No changes occurred to the composition of the Supervisory Board in the year under review.

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

MEDISANA AG Management and Supervisory boards – composition

Chairman of the Management Board (CEO)
Ralf Lindner
Strategy, investor relations/corporate marketing, global sales
Management Board member
Marco Getz
Finance, controlling, administration

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

Corporate steering

An internal management information system that comprises cross-divisional planning, steering and reporting processes ensures transparency relating to current business trends, as well as a constant comparison with corporate planning. Planning accounts cover a period of three years, and are continuously adjusted to reflect market conditions.

To supplement its key financial performance indicators, MEDISANA also focuses on optimising organisational processes and on bolstering corporate and business flexibility.

Steering system

Steering metrics and controlling system In formal terms it should be noted that, pursuant to the regulations of DRS 20, only the most important key steering indicators (sales revenue and EBIT) form part of the outlook report, and of the comparison with actual business trends in the subsequent year that is based on this. If the company voluntarily presents forecasts of other key indicators, these are not included in the outlook report, but instead in the corresponding chapters of the management report that are referred to below. These key indicators are generally presented analogously to the consolidated financial statements that are prepared according to International Financial Reporting Standards (IFRS), unless references made to another definition.

Key steering indicators of the results of operations, financial position and net assets

For MEDISANA, sales revenue forms an elementary steering metric for its operating business. Along with securing liquidity (cash and cash equivalents), it represents the central reference metric for operating business trends. Other important measurement metrics include gross profit, operating profit and net profit/loss for the year. These steering indicators are monitored for both the entire Group and the individual Group segments.

The steering of MEDISANA's financial position, assets and liabilities serves the objective of sustainably securing the Group companies' liquidity, as well as covering financing requirements on a cost-effective basis. The business report in the chapter on sales revenues, results of operations, the financial position, and assets and liabilities presents the financial position, assets and liabilities in detail.

Research and development

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

All research and development activities aim to generate the greatest possible benefit for customers. This also includes the constant further development of software that forms the basis for all mobile health products. MEDISANA has also involved its subsidiary MEDISANA Space Technologies GmbH to this end, and equipped it with corresponding capacities. Innovations are key growth-drivers. Consequently, MEDISANA continued to bring numerous product developments to the market in 2013.

LAST YEAR'S IMPORTANT PRODUCTS

The most important product innovations in the Mobile Health / MEDISANA Connect areas in 2013 included:

- MIO Alpha heart rate sport watch
- ViFit Activity Tracker USB
- ViFit Activity Tracker Bluetooth
- Body analysis scale Connect BS 430 and BS 440
- Blood pressure monitor Connect BU 550, Connect BU 575, Connect BW 300
- Blood pressure monitor MediTouch 2
- Metria analysis plaster

In the Home Health Care market area:

- Multifunction thermometer TM 750
- MC 825 Shiatsu acupressure massage seat cover
- Massage seat cover with gel cushion MC 830
- Shiatsu neck massager NM 860
- Foot spa FS 885 Comfort
- Inhalers IN 550 pro and IN 500 compact
- Infrared lamp IR 885
- Cellulite massage device AC 850
- Hand and foot care device MP 820

An amount of EUR 0.1 million was expensed in the research and development area in the 2013 financial year (previous year: EUR 0.1 million). Amortisation of EUR 0.6 million was also applied to capitalised (purchased) development costs (previous year: EUR 0.4 million).

II. BUSINESS REPORT (MACROECONOMIC AND SECTOR-RELATED CONDITIONS, SALES REVENUE AND RESULTS OF OPERATIONS, FINANCIAL POSITION, AND NET ASSETS)

Macroeconomic and sector-related conditions

MEDISANA is an internationally operating group whose business activities focus on Germany. As a consequence, both global economic trends and the economic situation Germany are important for the Group's business development and growth.

- **Global economy bolstered by upturn in industrialised countries**
- **German economy reports moderate growth in year under review**

Global economic growth in the second half of 2013 was higher than in the first half of the year. Industrialised countries were increasingly the drivers of this upturn. Following 3 percent growth in the year under review, the German Institute for Economic Research (DIW Berlin) forecasts global economic growth of 3.8 percent for 2014, and even as much as 4.1 percent for 2015. Equity markets touched new record levels in 2013. The German equity index (DAX) was up by 25 percent compared with the previous year-end, reaching 9,552 points as of December 31, 2013. At the end of December, it achieved a new all-time high at 9,594 points. Other important indices, such as the FTSE100 and the Dow Jones, fail to performed as well as the DAX, as in the previous, although they did register growth. The UK FTSE100 appreciated by 15 percent between the start of January and the end of December, and the US Dow Jones was up by 27 percent.

Germany

The German economy registered moderate growth in the financial year elapsed. Price-adjusted gross domestic product (GDP) was up by 0.4 percent year-on-year, according to data from the German Federal Statistical Office (Destatis). This compares with 0.7 percent GDP growth in 2012. The slow growth reflects the continued recession in some European countries and a slowdown in global economic trends. Strong domestic demand offset this to only a limited extent. Private consumer spending was up by 0.9 percent, particularly due to the new record level of employment. An average of 41.78 million German citizens were employed during 2013. This reflects 0.6 percent growth and the seventh consecutive record number of individuals in employment in Germany, whereby job creation weakened significantly with an increase of 0.6 percent. Compared with this, the number of unemployed fell by 1.6 percent.

The otherwise very robust German export trade lost some of its dynamism on a year-average basis in 2013 due to a continued difficult external economic environment. Net exports were negative at -0.3 percent. Gross exports were up by 0.6 percent year-on-year, but imports also increased by 1.3 percent. Capital expenditures fell in line with the generally uncertain situation. Together, companies and the state invested 2.2 percent less in machinery, equipment and vehicles in the business year elapsed.

Gross wages and salaries rose by 3.1 percent to EUR 1,161 billion in 2013, while net wages and salaries were up by 2.9 percent to EUR 774 billion, according to provisional data from the German Federal Statistical Office.

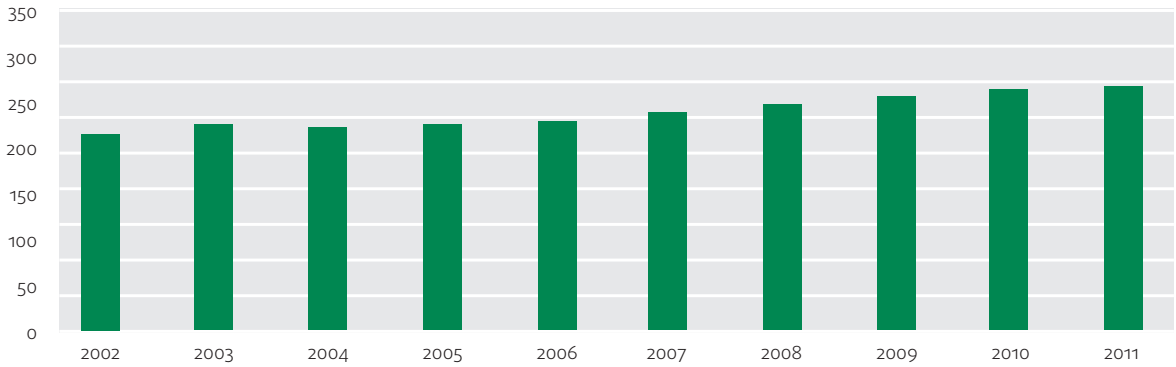
Healthcare market

The German healthcare industry is an economic sector that exhibits dynamic growth and innovative strength, as well as considerable economic significance for Germany as a business location. Healthcare spending amounted to around EUR 294 billion in 2011, according to German Federal Statistical Office data. As a consequence, EUR 5.5 billion, or 1.9 percent, more was spent than in 2010. EUR 3,590 was spent per capita in 2011, compared with TEUR 3,530 in 2010. In total, the share of healthcare spending as a proportion of gross domestic product amounted to 11.3 percent in 2011, compared with 11.5 percent in 2010. Experts anticipate further growth in 2012 and 2013.

Healthcare spending trends

Healthcare spending (nominal)

EUR bn



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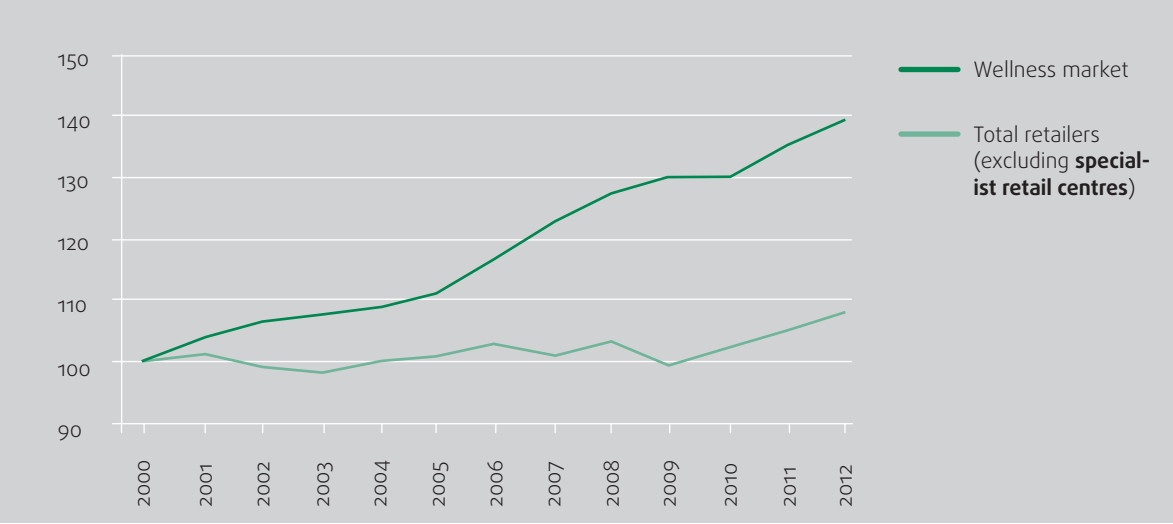
The healthcare market is split into the so-called First Health Care Market, which essentially comprises classic healthcare provision by doctors, hospitals etc, which is financed by statutory and private health care insurance, and the so-called Second Health Care Market, which is defined by all privately-financed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

The Mobile Health area continues to gain further important on the health care market. The GSM Association (global industry association of GSM mobile telephony providers) forecasts that the sales of the global mobile health market will grow to USD 23 billion by 2017. It is expected that, with USD 6.9 billion of sales, the European market will rank ahead of the North American market at USD 6.5 billion. The mobile health apps market already exhibits a more than positive trend today. The number of health apps (health care and fitness) has almost tripled since 2010, standing at around 15,000 in 2011, according to the BITKOM high-tech association.

Following a hesitant start, the GfK consumer research group identifies considerable potential in the mobile health area. Despite their niche existence, mobile networked healthcare tools such as blood pressure monitoring devices and weighing scales are experiencing strong sales growth in European countries according to market research data. Unit sales of mobile networked blood pressure measurement devices in the United Kingdom, Germany, France and the Netherlands were up by 42 percent last year compared with 2012, according to GfK market data. Sales of networked weighing scales even reported 88 percent growth.

Total sales in the fitness sector stood at EUR 3.8 billion in 2012, reflecting slight year-on-year growth. Overall, leisure sport in Germany is delivering rising sales for the specialist sports wholesaling and retailing sector. Sales revenues grew by 2 percent to EUR 7.34 billion in 2012, according to the German Association of Sports Retailers (VDS). The German market for wellness is distinguished by very high growth rates. It is extremely varied, comprising highly different products and services. This market can be roughly split into the following four segments: nutrition, health, beauty and fitness.



Competition

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

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

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

MEDISANA's business activities are primarily located in the home health care area, a niche market within the health care sector. The company is significantly differentiated from its competitors. Medisana offers a broad

portfolio of electronic health care devices, focuses clearly on home health care products, and boasts pronounced sales and marketing strengths. The Mobile Health and MEDISANA Connect areas are growing ever more important in this context. With the development of the VitaDock series, the MioAlpha heart rate sport watch and the ViFit Activity Tracker, MEDISANA has established an important advance on its competitors in a high-growth segment of the health care market. Feedback from the health care sector is particularly positive. The ViFit Activity Tracker has already received a Plus X Award in the "Innovation, High Quality, Design, User-Friendliness and Functionality" category, as have the MEDISANA products TargetScale® 2 and the MIO® Alpha heart rate sport watch. Both products have also received the "Best Product of 2013" award, and the "Best Design Brand 2013/2014" jury selected the MEDISANA brand within the "Health and Personal Care" product group. The Plus X Award has existed for the last ten years. It is an innovation prize distinguishing manufacturers for their products' quality advantages and advances.

Purchasing

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

Prices on commodity markets largely fell in 2013. The Brent crude oil price was down by around 2 percent per barrel. European markets benefited only partially from lower crude oil prices due to the fluctuating exchange rate between the US Dollar and the Euro.

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

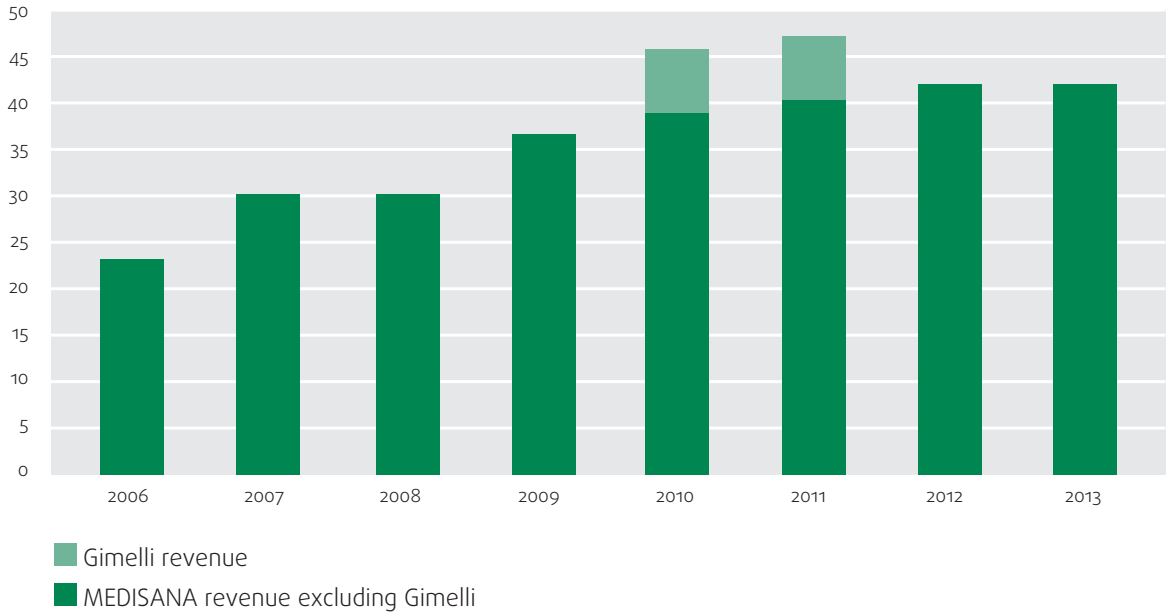
It was impossible to achieve a linear reduction in purchasing prices during the reporting period due to the volatility of the US dollar. Significant increases in wage levels and social costs in the Far East also negatively impacted purchasing prices.

GROUP BUSINESS PROGRESS AND POSITION

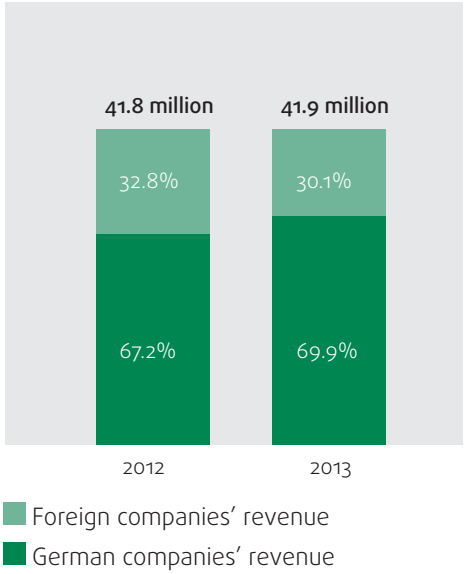
Revenue and earnings positions

During the period under review, Medisana's consolidated revenue registered slight growth from EUR 41.8 million to EUR 41.9 million. Of this amount, EUR 29.3 million was attributable to Germany (previous year: EUR 28.1 million), and EUR 12.6 million was attributable to revenue generated abroad (previous year: EUR 13.7 million).

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



Sales revenue in EUR millions: split between domestic and foreign subsidiaries



Despite slightly higher revenue, gross profits of EUR 10.7 million were 7.3 percent lower than in the previous year (EUR 11.6 million) due to a higher cost of sales. These higher cost of sales reflect an increase in purchasing costs for sold merchandise, and arise in manufacturing and sales costs that are directly attributable to sales revenues.

The operating expenses of the functional areas registered a slight increase from EUR 14.2 million to EUR 14.3 million. Purchasing and warehousing costs were down by EUR 0.4 million to EUR 2.5 million (previous year: EUR 2.9 million). Sales and marketing costs stood at EUR 7.3 million (previous year: EUR 6.8 million), while EUR 4.5 million was spent on administration (previous year: EUR 4.5 million).

Other operating expenses fell 19 percent to EUR 0.2 million (previous year: EUR 0.3 million). Other operating expenses rose slightly to EUR 0.7 million (previous year: EUR 0.6 million). Operating earnings before interest and tax (EBIT) worsened significantly overall. They stood at a loss of EUR -3.1 million in the year under review (previous year: EUR -2.4 million).

The net interest result amounted to EUR -0.6 million (previous year: EUR -0.4 million).

The loss before tax (EBT) stood at EUR -3.7 million (previous year: EUR -2.8 million). After taxes on income, the company reported a total consolidated net loss of EUR -4.0 million (previous year: EUR -3.0 million).

After deducting non-controlling interests, the consolidated net loss amounted to EUR -4.0 million in 2013, a considerable deterioration compared with the previous year (EUR -1.0 million). Earnings per share stood at EUR -0.47, compared with EUR -0.35 in the previous year.

Unfortunately, the company was unable to reach the forecasts presented in the management report for the 2012 financial year for the 2013 financial year relating to sales revenue trends (at least 10 percent sales revenue growth) and earnings trends (improved net result). The main reasons for this shortfall compared with the sales revenue targets included the discontinuation or postponement of two major projects on the Austrian market, a lack of revenues in the export area due to a change of personnel, the delay of the sales and marketing start in the MEDISANA Connect area, and the postponement of the realisation of revenue arising from a partner agreement.

The forecast result failed to be achieved mainly due to the lack of profit margin from the aforementioned missing sales revenue, and a fall in business in the pharmacies area (this mainly affected the "Germany" and "Rest of Europe" segments). The result was also burdened by higher expenses for sales and marketing of EUR 0.5 million.

Financial position

Capital structure Overview of the financial position of the MEDISANA Group		
In EUR millions or %	**2013**	**2012**
Equity	6.8	7.9
Equity ratio %	22.5	23.0
Non-current liabilities	1.0	4.0
Current liabilities	22.6	22.5
Net debt	20.3	20.2
Cash inflow/outflow from operating activities	0.2	-1.1
Cash outflow from investing activities	-0.7	-1.2
Cash inflow/outflow from financing activities	2.3	-0.5

The total assets of MEDISANA AG fell by 12 percent to EUR 30.4 million. Of these total assets, 22.5 percent (previous year: 23.0 percent) were financed by equity, and 77.5 percent (previous year: 77.0 percent) by liabilities due to third parties. The reduction in total assets primarily reflects a reduction in trade payables from EUR 14.0 million to EUR 12.6 million, a fall in non-current financial liabilities from EUR 3.0 million to TEUR 50, and the consolidated net result for 2013. Along with securing the company as a going concern, MEDISANA's capital management, which is based on IFRS balance sheet equity and liabilities, is aimed at profitability in order to thereby generate an adequate return on capital employed, to enhance the company's long-term value, and to be able to satisfy payment obligations at all times.

Net liquidity, in other words, the net balance of current financial liabilities and liquid resources, amounted to EUR -4.3 million as of the balance sheet date (previous year: EUR -3.1 million).

The company reduced the level of capital tied up in its business, as planned. Inventories were down by EUR 1.2 million, trade receivables fell by EUR 0.3 million, while other receivables were unchanged at EUR 0.7 million. Trade payables reduced by EUR 1.4 million. Capital employed fell by EUR 2.9 million overall.

After a EUR 1.1 million cash outflow from operating activities in the previous year, MEDISANA generated a EUR 0.2 million cash inflow in the year under review. Investments in MEDISANA's non-current assets amounted to EUR 0.7 million, compared with EUR 1.3 million in the previous year. The cash outflow from investing activities amounted to EUR 0.7 million in the year under review (previous year: EUR 1.2 million). The EUR 2.3 million cash inflow from financing activities, compared with a EUR 0.5 million inflow in the previous year, results mainly from the proceeds from capital increases and the sale of treasury shares.

The liquid assets of EUR 0.7 million reported in the cash flow statement, compared with EUR -1.2 million in the previous year, correspond to the liquid assets of EUR 2.2 million reported in the balance sheet (previous year: EUR 2.2 million), less restricted liquid funds EUR 0.0 million (previous year: EUR 0.7 million), and less EUR 1.5 million of current account credits reported among current financial debt (previous year: EUR 2.7 million).

The Group also had at its disposal a EUR 17.9 million supplier credit line, of which EUR 9.6 million was utilised in the year under review. This financing facility is committed until at least December 31, 2015. Payment targets are adjusted to seasonally higher liquidity requirements. This ensures financing to secure the company's solvency. A factoring agreement for a maximum utilisation of EUR 6.0 million also exists until May 31, 2015. An amount of EUR 5.2 million was utilised as of the balance sheet date. The term always extends by one year unless cancellation is notified three months before expiry. MEDISANA also has at its disposal a EUR 3.0 million bank credit line. It is limited until August 19, 2014, runs in rotation for a year, and will be extended prospectively for a further year before it expires. This bank credit line was utilised in an amount of EUR 1.6 million as of the balance sheet date. A EUR 4.5 million loan also exists with a current repayment date of December 2014.

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.

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

Net assets

On the assets side of the balance sheet, non-current assets fell to EUR 4.9 million (previous year: EUR 5.5 million). This mainly reflects a drop in intangible assets from EUR 2.5 million to EUR 2.2 million due to amortisation, and a fall in deferred tax assets from EUR 1.0 million to EUR 0.7 million. Goodwill of EUR 1.1 million and property, plant and equipment of EUR 0.8 million were unchanged.

Current assets fell from EUR 28.9 million to EUR 25.5 million during the reporting period. This was mainly due to a fall in the inventories position from EUR 13.5 million to EUR 12.3 million. At the same time, current financial assets reduced from EUR 3.6 million to EUR 1.7 million. Total trade receivables of EUR 8.5 million were down by 4 percent year-on-year. Other receivables of EUR 0.7 million in liquid assets of EUR 2.2 million were both at their previous year's levels.

On the equity and liabilities side of the balance sheet, equity was down from EUR 7.9 million to EUR 6.8 million as of December 31, 2013, despite the capital measures that were implemented, being burdened by the consolidated net loss that was incurred. The equity ratio fell from 23.0 percent in 2012 to 22.5 percent as of December 31, 2013. Non-current liabilities reduced markedly from EUR 4.0 million to EUR 1.0 million. This is mainly attributable to the fact that a EUR 3.0 million loan amount that was reported under this item in the previous year is now reported as current.

Current liabilities of EUR 22.6 million were almost at their previous year's level of EUR 22.5 million, by contrast. The current financial liabilities item of EUR 6.5 billion (previous year: EUR 5.3 million) chiefly comprises utilised overdrafts of EUR 1.5 billion (EUR 2.7 million) and the loan from Techtronic Industries Company Ltd. Hong Kong, for EUR 4.5 million (previous year: a total of EUR 5.5 million, of which EUR 2.5 million current). Trade payables also reduced from EUR 14.0 million to EUR 12.6 million.

Overall statement

MEDISANA reported a worsening in its result mainly due to the rise in cost of sales in the year under review that is reported upon in the section on results of operations, accompanied by a slight increase in sales revenue. Despite the EUR 3.4 million cash inflow due to the capital measures, the financial position is almost unchanged compared with the previous year. Given a marked reduction in total assets – mainly due to the tangible repayment of liabilities – the equity ratio was approximately at the previous year's level.

Employees

During the financial year, the company employed an average of 127 (previous year: 136) salaried staff, and 15 (previous year: 16) industrial employees.

MEDISANA employed 149 staff members as of the balance sheet date (previous year: 139). The regional allocation of the employees is as follows:

Employees	2013	2012
Germany	111	99
Rest of Europe	28	30
Rest of the World	10	10
	149	**139**

III. EVENTS AFTER THE BALANCE SHEET DATE

No special events were reported between December 31, 2013 and the editorial conclusion of this report.

IV. OUTLOOK AND OPPORTUNITIES

Sector trends

The healthcare market remains a growth market, offering outstanding prospects to companies in Germany, particularly from the pharmaceuticals and medical technology sectors. The German healthcare market should grow by 3.5 percent per annum in the medium to long term, according to a study published by Deutsche Bank. This does not include up-and-coming peripheral areas such as fitness and wellness. The rising number of older citizens, the major potentials offered by medical technology progress, the high level of health awareness, growth in chronic and mental illnesses, and further increases in incomes comprise this market's key drivers, according to Deutsche Bank's analysts.

Total fitness sector sales amounted to EUR 3.8 billion in 2012, a slight year-on-year increase, according to data from a joint study produced by Deloitte and the German Fitness and Health Centres Employers Association (DSSV). Trends such as health-oriented fitness concepts are observable in the sector. The study assumes that sales will continue to grow, that the overall market will become further differentiated, and that there will always be niches that can be very profitable to occupy.

Leisure sport in Germany is delivering rising sales for the specialist sports wholesaling and retailing sector. Sales revenues grew by 2 percent to EUR 7.34 billion in 2012, according to the German Association of Sports Retailers (VDS). At the 2014 ISPO in Munich, the world's largest international sports article and sports fashion trade fair, the trend topic of health & fitness was presented for the first time within its own hall in order to address the high level of demand.

The Mobile Health (mhealth) area continues to become increasingly important. A total of USD 6.6 billion was already spent on mHealth in 2013, a figure that is set to rise to more than USD 20 billion by 2018, according to market research firm Research and Markets.

Revenue and earnings forecast

Experts are unanimous in predicting strong growth in the Mobile Health area. Studies and forecasts produced by leading industrial associations and market research companies that are presented in the section on the healthcare market reflect the enormous potential for mobile health applications. In addition, interest from the media, the sector and consumers at leading industry trade fair such as the GSMA World Congress (February 2014), the CES in Las Vegas (January 2014) and ISPO in Munich (January 2014) shows how strong the trend will be in the future, and consequently the related market growth. At the CES 2014, for example, a sharp year-on-year increase in the number of providers presented themselves, including Samsung and Blaupunkt, in the area of the new product group of health trackers, fitness trackers and activity trackers.

GfK regards 2014 as the year of mobile health and wearable devices. The strong reception for these topics by the media will have positive impacts on consumer awareness about the potential benefits of these products, according to assessments made by GfK. Consumers today expect quick answers and information to queries they placed via smartphones or tablets. This is also true for their own health condition and activity level. Market researchers believe that so-called fitness trackers represent the next big trend. Health and fitness trackers form part of a new product group that GfK is currently analysing. They track individuals' activity levels during the day by counting steps and calories consumed, calculating distances, and in some cases even the number of hours of sleep. They comprise not only a personal monitoring tool, but also a lifestyle product.

The Management Board of MEDISANA AG regards itself as promisingly positioned in this growth market with its current product portfolio and planned innovations, and expects to participate in the positive trend. A key success factor in this connection, however, is that MEDISANA can enter into further appropriate partnerships to add to its already existing cooperation partners. The tapping of innovative new sales channels and continuous investment in improving and expanding MEDISANA products are also important.

MEDISANA will abide by its present business policy, and consistently invest in the development of innovations along with optimising the existing product portfolio. The main focus in this context is on the Mobile Health and MEDISANA Connect areas, whose growth prospects are gauged as very positive on the basis of the aforementioned forecasts from GfK, and renowned market research companies such as Deloitte, and Research and Markets, as well as on the basis of feedback at global specialist trade fairs. In the 2014 financial year, the Management Board particularly expects that it will substantially increase sales numbers of the ViFit Activity Tracker, which was launched on the market of the end of the third quarter of 2013. The ViFit Activity Tracker has already received a Plus X Award in the "Innovation, High Quality, Design, User-Friendliness and Functionality" category, as have the MEDISANA products TargetScale® 2 and the MIO Alpha heart rate sport watch.

Based on experience to date with the products in the areas of Mobile Health and MEDISANA Connect, as well as due to the expansion of the core product range, the Management Board anticipates that, compared with 2013, it will register significantly higher sales revenue growth rates over the coming three financial years. In this context, the strongest growth is anticipated to be in the "Germany" segment. The company regards itself as sufficiently financed for this anticipated growth with free credit lines and with its existing equity and debt capital (seasonal liquidity peaks are covered through agreed, flexible payment targets).

Taking into account investments in technology and products over the last years, for the 2014 financial year the Management Board is consequently assuming considerably improved earnings compared with 2013 on the basis of a comparable cost of sales.

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

V. RISK REPORT (RISK REPORT, RISK REPORT RELATING TO THE UTILISATION OF FINANCIAL INSTRUMENTS, AND THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEMS)

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

MEDISANA's general risk management aims to identify relevant risks in good time, evaluate them and their significance for the company, and to take appropriate measures that as far as possible prevent or at least limit their negative impact. The MEDISANA AG Management Board structures its business policy on a risk-aware basis.

Risk management principles

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

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

Identified risks

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

Macroeconomic risks

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

Sector risks

The healthcare market is polypolistic, in other words, a large number of providers addresses a large number of buyers. The individual suppliers enjoy low market shares. The markets are competitive markets. Since the healthcare market is also a growth market, an ever-increasing number of providers are forcing their way onto this market. Along with established pharmaceutical and medical technology sector companies, participants that are entirely new to the sector are also discovering the healthcare business. Prices come under pressure where major groups exploit established sales and production structures to offer comparatively low prices through

progressive cost reductions. Some MEDISANA products are exposed to this type of major pricing pressure. For this reason, the company places a priority on a high level of investments in research and development, as well as a high innovation rate, since this allows margin losses to be avoided. The company constantly seeks product niches, develops its existing products further, or improves design.

Demographic trends, particularly in industrialised countries, as well as the general economic situation, are feeding through to international competition for highly qualified technical and managerial staff. This lack of technical staff will intensify even further over the medium to long term. For MEDISANA, this generates the risk that it cannot fill key positions within the company. Through targeted personnel development, the company endeavours to target the loyalty of technical and managerial staff to the company, and also expand its personnel base through acquisitions.

Operational risks

As a commercial company, MEDISANA depends on functioning supplier relationships. Only in this way can products be manufactured on time and to a high quality level. MEDISANA constantly reviews its information and purchasing process, and adjusts it where necessary, in order to avoid supply bottlenecks and delays that can lead to lost sales revenues. MEDISANA constantly monitors trends in relevant purchasing prices. Together with the careful selection of business partners regarding their ability to fulfil contracts, this operating risk is minimised as far as possible.

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

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

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

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

Financial risks

MEDISANA is an internationally operating group. A stable financial basis is of great significance since, as a consequence of the 2008/2009 recession, banks do not grant loans until they have first conducted extensive reviews. Requirements in terms of available equity have also risen in this context. Once capital measures have already been concluded, and permanent adjustments have been applied to financing agreements and payment targets with banks and supplies, MEDISANA focuses on reducing working capital, and on measures to achieve greater profitability. MEDISANA AG is financed sufficiently to invest in further growth given its 22.5 percent equity ratio, and its access to adequate credit lines (especially for merchandise financing). Its existing bank credit lines are short-term in nature, and are currently fixed until August 19, 2013. The Management Board currently assumes that it will be able to extend these credit lines accordingly before they expire. Seasonally-dependent sales revenue and liquidity trends generate the risk of short-term liquidity bottlenecks. The company counters such risk through the flexible payment targets that it has already agreed with its suppliers, in particular.

Purchasing from various producers in the Far East is realised through a procurement company that does not form part of the Group, which provides extensive financing lines. Repayment terms agreed with this company are taken into account in the current cash flow plans for the MEDISANA Group, including the repayment of debt due.

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

Currency and interest-rate risks

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

Currency risks exist in the case of exchange-rate fluctuations between the Euro and the US Dollar. A 1 US dollar cent improvement in the Euro exchange rate results in a 0.72 percent reduction or increase in the purchase price respectively. Forward-plus contracts are primarily utilised to limit such risks at the liability portfolio level. Such derivative financial instrument contracts are concluded only with German banks of impeccable credit standing, and serve exclusively to hedge currency risks. The valuation of derivatives measured at fair value can be found in the notes to the annual financial statements.

An interest-rate risk also exists due to potential changes to market interest rates. In the case of fixed-interest financial assets and loans, such changes can feed through to a change in fair value, and, in the case of variable-rate financial instruments, to fluctuations in interest payments. An interest-rate swap was concluded for a basis amount of EUR 1.2 million. It is nevertheless impossible to fully hedge interest-rate risk due to the fluctuating utilisation of credit lines and supplier loans.

Default risks

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

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

Regulatory and political risks

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

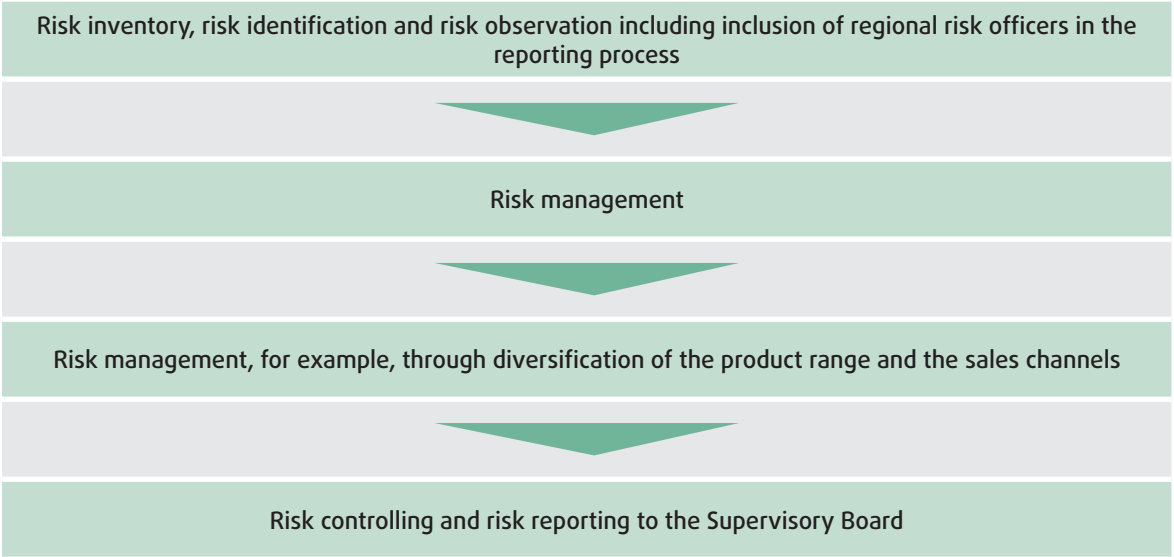
Evaluation of overall risk

The type and composition of MEDISANA's risks in the 2013 reporting year is unchanged compared with the previous financial year. The main focus is on steering financial risks. It is currently very difficult to gauge the effects of the EU debt crisis and economic trends, consumers' spending propensity, banks' preparedness to provide funding, the solvency of suppliers and customers, as well as volatility on currency and raw materials markets. MEDISANA hedges against these risks through its established risk management system to the extent that is currently foreseeable and possible. As a consequence, the Management Board notes that there is no identifiable going-concern risk to the company.

Risk management process

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

The entire process can be summarised in the following steps:



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

Basic aspects of the internal controlling system

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

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

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

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

VI. DISCLOSURES PURSUANT TO SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

Stock market listing

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

Capital stock

The capital stock amounted to EUR 9,365,843 as of the balance sheet date, and is composed of 9,365,843 no par value ordinary bearer shares.

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

During the financial year under review, to capital increases were implemented, including and excluding subscription rights for old shareholders. This entailed increasing the company's capital stock by a total of EUR 935,516 (corresponding to 935,516 shares), from EUR 8,430,327 to EUR 9,365,843. In addition, 630,000 of MEDISANA's treasury shares were sold.

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

The following direct or indirect investments in the company's capital stock, which exceed 10 percent of the voting rights, have been notified to the company pursuant to Article 21 of the German Securities Trading Act (WpHG) (percentages result from the number of reported shares as of the December 31, 2013 balance sheet date in relation to the number of total outstanding shares on the balance sheet date):

Interest	Announcement
24.33%	Interest attributable to Cedar Holdings GmbH, Neuss, Mr. Ralf Lindner, CEO
16.51%	Francesco Muller, Monaco

Authorisation to issue new shares/Approved capital and Conditional capital

The Management Board is authorised, with Supervisory Board assent, to increase the company's capital stock in the period until June 25, 2017, once or on several occasions, by total of up to EUR 3,279,647.00 through issuing up to 3,279,647 new ordinary no par value bearer shares against cash and/or non-cash capital contributions (Approved Capital 2012). The Management Board is authorised, with Supervisory Board assent, to partially or wholly exclude shareholders' subscription rights. This exclusion of subscription rights is nevertheless permissible only in the following instances:

(i) in the case of capital increases against cash capital contributions, if the company shares are traded on the stock market (regulated market or regulated unofficial market, or the successes of the segments), the capital increase does not exceed ten percent of the capital stock, and specifically neither of the time when this authorisation becomes effective nor at the time when this authorisation is exercised, and the issue price of the new shares is not significantly less than the stock market price of the shares of the company that already traded on the stock market of the same class and entitlements in the meaning of Sections 203 (1) and (2), 186 (3) Clause 4 of the German Stock Corporation Act (AktG). To the amount of 10% of the capital stock is to be added the amount that is attributable to the shares that are issued or are sold on the basis of another corresponding authorisation under exclusion of subscription rights in direct or corresponding application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), to the extent that such attribution is required by law. In the meaning of this authorisation, the issue amount in the case of the transfer of the new shares to an issuing intermediary while at the same time obligating the issuing intermediary to offer the new shares for purchase to one or several third party is determined by the company shall be the amount that is to be paid by the third party or the third parties.

(ii) in the case of capital increases against non-cash capital contributions, especially to acquire companies, parts of companies and interests in companies, industrial trade rights such as patents, brands or licences related to these, or other product rights or other non-cash capital contributions.

(iii) to the extent that it is required in order to granted to the holders or creditors of bonds with warrants or conversion rights or obligations that are issued by the company or its Group companies a subscription rights to new shares in the scope to which they would be entitled after exercising their warrant or conversion rights, or after satisfying their warrant or conversion obligations, or

(iv) for residual amounts that arise as a consequence of the subscription ratio.

The Management Board is authorised, with Supervisory Board assent, to determine the further content of the share rights and the other specifics of the capital increase and its implementation. The Management Board is authorised to determine that the new shares pursuant to Section 186 (5) of the German Stock Corporation Act (AktG) are transferred to a bank or a company operating pursuant to Section 53 (1) Clause 1 or Section 53b (1) Clause 1) or (7) of the German Banking Act (KWG), with the obligation that they be offered to shareholders for subscription.

The company's capital stock is conditionally increased by EUR 3,715,163.00 through issuing 3,715,163 new no par ordinary bearer shares (Conditional Capital 2013/I). The conditional capital increase will be implemented only to the extent that

(i) the holders of convertible bonds and/or bonds with warrants and/or participation rights with exchange or subscription rights that are issued until June 20, 2018 by the company or its subordinated Group companies on the basis of the authorisation resolution of the AGM of June 21, 2013, utilise their exchange or subscription rights, and the company decides to service the exchange or subscription rights from this conditional capital, or

(i) the conversion-obligated holders of convertible bonds and/or bonds with warrants and/or participation rights with exchange or subscription rights that are issued until June 20, 2018 by the company or its subordinated Group companies on the basis of the authorisation resolution of the AGM of June 21, 2013, satisfy the obligation to exchange, and the company decides to serve the exchange or subscription rights from this conditional capital, or

The company's capital stock is conditionally increased by EUR 500,000.00 through issuing 500,000 no par ordinary bearer shares (Conditional Capital 2012). The conditional capital increase serves exclusively to satisfy options that were granted until June 25, 2015 on the basis of the authorisation of the AGM of June 26, 2012 pursuant to agenda item 7 section A. The conditional capital increase will be performed only to the extent that the holders of the issued options utilise their entitlement to subscribe for the company's shares, and the company makes recourse to this Conditional Capital 2012 in order to satisfy the options. The shares from Conditional Capital 2012 are issued at the issue amount as derived from the authorisation. The new shares are dividend-entitled from the start of the financial year in which they arise as the result of the exercising of the options.

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

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

Amendments to the company's articles of incorporation

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

Significant agreements subject to a change of control

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

VII. COMPENSATION REPORT

Supervisory Board members receive fixed compensation of TEUR 5 per year, with the Supervisory Board Chairman being entitled to double this amount. The Supervisory Board was correspondingly paid a total of TEUR 42 of fixed compensation in the 2013 financial year, including fees paid for meetings.

Pursuant to statutory regulations, the Supervisory Board appoints Management Board members for a maximum period of five years. Multiple appointments may be made, or periods of office may be extended, in each case for a maximum period of five years. Management Board compensation consists of a fixed salary, and variable performance-related compensation at the Supervisory Board's discretion, and share subscription rights with long-term incentive effect. In the 2013 financial year, the Management Board received TEUR 454 of fixed compensation (previous year: TEUR 648).

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

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289a OF THE GERMAN COMMERCIAL CODE (HGB)
The Management Board issued the corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB). Both this and the company's corporate governance report are published on the company's website at http://www.medisana.de within the Investor Relations area under the menu item.

Neuss, April 2014

Ralf Lindner
CEO
of MEDISANA AG

Marco Getz
CFO
of MEDISANA AG

CONSOLIDATED FINANCIAL STATEMENTS

MEDISANA AG (GROUP) BALANCE SHEET AS OF DECEMBER 31, 2013

EUR	Notes*2	31/12/2013	31/12/2012*	01/01/2012*
ASSETS				
Non-current assets	**(1)**	**4,899,474**	**5,498,496**	**5,472,340**
Goodwill	(2)	1,138,524	1,138,524	1,138,524
Intangible assets	(2)	2,163,468	2,491,611	2,025,861
Property, plant and equipment	(3)	786,405	785,356	901,818
Financial assets	(6)	12,693	11,171	76,958
Other receivables	(7)	73,966	52,587	60,951
Tax reimbursement claims	(8)	32,437	42,574	52,321
Deferred tax assets	(9)	691,981	976,673	1,215,907
Current assets		**25,502,091**	**28,947,378**	**27,021,078**
Inventories	(5)	12,344,349	13,461,260	11,922,516
Financial assets	(6)	1,713,495	3,615,913	2,719,214
Trade receivables	(7)	8,452,281	8,778,751	8,499,782
Other receivables	(7)	660,864	748,727	927,403
Tax reimbursement claims	(8)	82,792	113,017	144,216
Liquid assets	(10)	2,248,310	2,229,710	2,807,947
		30,401,565	**34,445,874**	**32,493,418**

*) The previous year's figures were restated according to revised IAS 19 in combination with IAS 8.

*2) Notes to the consolidated financial statements

MEDISANA AG (GROUP) BALANCE SHEET AS OF DECEMBER 31, 2013

EUR	Notes*2	31/12/2013	31/12/2012*	01/01/2012*
EQUITY AND LIABILITIES				
Equity		**6,825,513**	**7,935,821**	**10,966,513**
Of which attributable to non-controlling shareholders		6,247,959	7,113,763	10,418,907
Capital stock	(11)	9,365,843	7,800,327	7,800,327
Capital reserves	(11)	29,092,412	28,010,028	27,903,412
Balancing item for currency translation	(11)	-453,069	-447,278	-425,213
OCI pension provisions	(11)	-43,485	-42,791	13,079
Retained earnings		-27,746,361	-25,456,667	-24,502,267
Profit/loss for the year		-3,967,381	-2,749,856	-370,431
Non-controlling shareholders	(12)	577,554	822,058	547,606
Non-current liabilities		**1,021,899**	**4,025,174**	**6,123,820**
Pension provisions	(13)	202,017	193,988	84,564
Other provisions	(14)	49,399	46,704	41,600
Deferred tax liabilities	(9/15)	720,483	784,482	997,656
Financial debt	(16)	50,000	3,000,000	5,000,000
Current liabilities		**22,554,153**	**22,484,879**	**15,403,085**
Pension provisions	(13)	14,247	16,879	14,349
Other provisions	(14)	1,487,032	1,336,029	1,545,577
Tax liabilities	(15)	7,883	26,282	26,841
Financial debt	(16)	6,533,423	5,345,185	2,193,893
Trade payables	(16)	12,579,178	13,991,027	9,941,273
Other liabilities	(16)	1,932,390	1,769,477	1,681,152
		30,401,565	**34,445,874**	**32,493,418**

*) The previous year's figures were restated according to revised IAS 19 in combination with IAS 8.

*2) Notes to the consolidated financial statements

MEDISANA AG (GROUP) STATEMENT OF INCOME FOR FINANCIAL YEAR 2013

EUR	Notes*2	2013	2012*
Sales revenue	(17)	**41,912,645**	**41,807,607**
Cost of sales	(18)	-31,199,472	-30,254,081
Gross profit		**10.713.173**	**11,553,526**
Purchasing and stockkeeping	(19)	-2,531,645	-2,875,704
Sales and marketing	(19)	-7,270,179	-6,775,309
Administration	(19)	-4,499,386	-4,555,229
Other operating expenses	(20)	-249,825	-306,820
Other operating income	(21)	702,588	584,971
EBIT		**-3,135,274**	**-2,374,565**
Interest income	(22)	54,775	35,744
Interest expenses	(22)	-574,784	-420,600
Profit/loss before income taxes (EBT)		**-3,655,283**	**-2,759,421**
Income taxes	(23)	-321,436	-215,200
Net profit/loss including non-controlling shareholders		**-3,976,719**	**-2,974,621**
of which attributable to non-controlling shareholders	(24)	-9,338	-224,765
of which attributable to Medisana AG shareholders (consolidated net result)		**-3,967,381**	**-2,749,856**
Basic / diluted earnings per share (in EUR)	(25)	**-0.47**	**-0.35**

*) The previous year's figures were restated according to revised IAS 19 in combination with IAS 8. No change occurred to the 2012 loss per share due to the minor extent of the adjustment to the 2012 net loss for the year.

*2) Notes to the consolidated financial statements

MEDISANA AG (GROUP) STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2013

(Please refer to notes 11, 12)

EUR	2013	2012*
Net profit/loss including non-controlling shareholders	**-3,976,719**	**-2,974,621**
of which attributable to non-controlling shareholders	-9,338	-224,765
of which attributable to Medisana AG shareholders	-3,967,381	-2,749,856
Change in balancing item from currency translation of foreign subsidiaries (recyclable)	-22,242	-20,601
Change to OCI arising from pension provisions (non-recyclable)	-12,518	-64,058
Amount from currency translation reclassified to income statement	-	-
Change in amount reported in equity (Currency translation and OCI pensions)	**-34,760**	**-84,659**
Total comprehensive income (= total of earnings after tax and value changes reported in equity)	**-4,011,479**	**-3,059,280**
of which attributable to non-controlling shareholders	-25,274	-255,885
of which attributable to Medisana AG shareholders	-3,986,205	-2,803,395

*) The previous year's figures were restated according to revised IAS 19 in combination with IAS 8.

MEDISANA AG (GROUP) CASH FLOW STATEMENT FOR FINANCIAL YEAR 2013

(Please refer to note 26)

EUR	2013	2012*
Net profit/loss including non-controlling shareholders	-3,976,719	-2,974,621
Depreciation and amortisation (note 1)	997,673	874,366
Other non-cash expenses and income	123,756	37,310
Net interest result	520,009	384,856
Tax result (excluding deferred tax)	102,357	152,668
Change in inventories	1,116,911	-1,538,744
Changes in receivables, liabilities	1,770,259	2,590,855
Change in provisions	159,095	-92,490
Paid income taxes	-86,149	-191,508
Interest payments received	5,756	83,989
Paid interest	-559,994	-394,218
Interest payments received	15,292	7,580
Cash flow from operating activities	**188,247**	**-1,059,957**
Investments in non-current assets	-669,042	-1,267,666
Proceeds from the disposal of intangible assets and property, plant and equipment	0	39,744
Cash outflow from investing activities	**-669,042**	**-1,227,922**
Capital increase at parent company	1,734,400	0
Incoming payments from the sale of treasury shares	1,386,000	0
Distribution to third parties	-219,229	-58,448
Redemption of loans	-1,000,000	-500,000
Drawing down of loans	50,000	0
Current financial debt	377,474	73,881
Cash inflow/outflow from financing activities	**2,328,645**	**-484,567**
Net change in liquid assets	**1,847,850**	**-2,772,446**
Liquid assets January 1	-1,165,742	1,638,947
Changes in liquid assets due to exchange rates	-27,669	-32,243
Liquid assets December 31 (Notes 10, 16, 26)	**654,439**	**-1,165,742**

*) The previous year's figures were restated according to revised IAS 19 in combination with IAS 8.

MEDISANA AG (GROUP) STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEARS 2013 AND 2012

(Please refer to notes 11, 12)

EUR	Capital stock	Capital reserves	Balancing item for currency translation	OCI* Pension provisions	Consolidated retained earnings including consolidated net result for the year	Attributable to Medisana AG shareholders	Equity attributable to non-controlling shareholders, including OCI*	Total
Balance on January 1, 2012 before adjustment	**7,800,327**	**27,903,411**	**-425,212**	**0**	**-24,872,698**	**10,405,828**	**541,104**	**10,946,932**
IAS 8 restatement **)				13,079		13,079	6,501	19,580
Balance on January 1, 2012 after adjustment	**7,800,327**	**27,903,411**	**-425,212**	**13,079**	**-24,872,698**	**10,418,907**	**547,605**	**10,966,512**
Changes reported directly in equity (OCI)*			-22,066	-42,791	11,318	-53,539	-31,120	-84,659
Net profit/loss including non-controlling shareholders					-2,749,856	-2,749,856	-224,765	-2,974,621
Changes from comprehensive income	**0**	**0**	**-22,066**	**-42,791**	**-2,738,538**	**-2,803,395**	**-255,885**	**-3,059,280**
Equity transactions with shareholders								
- Stock option program		106,617				106,617		106,617
Change in consolidation scope					-595,286	-595,286	595,286	0
Dividend payout						0	-58,448	-58,448
Other changes	**0**	**106,617**	**0**	**0**	**-595,286**	**-488,669**	**536,838**	**48,169**
Balance on December 31, 2012 after restatement / corresponds to balance on January 1, 2013	**7,800,327**	**28,010,028**	**-447,278**	**-42,791**	**-28,206,522**	**7,113,764**	**822,057**	**7,935,821**
Changes reported directly in equity (OCI)*			-5,791	-694	-12,339	-18,824	-15,936	-34,760
Net profit/loss including non-controlling shareholders					-3,967,381	-3,967,381	-9,338	-3,976,719
Changes from comprehensive income	**0**	**0**	**-5,791**	**-694**	**-3,979,720**	**-3,986,205**	**-25,274**	**-4,011,479**
Equity transactions with shareholders								
- Capital increases at Medisana AG	935,516	798,884				1,734,400		1,734,400
- Sale of treasury shares	630,000	283,500			472,500	1,386,000		1,386,000
Dividend payout						0	-219,229	-219,229
Other changes	**1,565,516**	**1,082,384**	**0**	**0**	**472,500**	**3,120,400**	**-219,229**	**2,901,171**
Balance on December 31, 2013	**9,365,843**	**29,092,412**	**-453,069**	**-43,485**	**-31,713,742**	**6,247,959**	**577,554**	**6,825,513**

* OCI = Other Comprehensive Income, ** The adjustments occurred on the basis of revised IAS 19 in combination with IAS 8

BASIS OF ACCOUNTING

GENERAL INFORMATION

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

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

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

BASIS OF ACCOUNTING

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

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

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

SCOPE OF CONSOLIDATION

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

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

During the financial year under review, no changes occurred to the scope of consolidation; accordingly, it continues to comprise the following 13 Group companies:

	31/12/2012	Additions	Disposals	31/12/2013
Fully consolidated companies				
- of which in Germany	4	0	0	4
- of which abroad	9	0	0	9

Consolidated companies of the MEDISANA Group as of December 31, 2013

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

* Indirect Group interest

CORPORATE ACQUISITIONS

No corporate acquisitions occurred in the 2013 financial year.

BASIS FOR CONSOLIDATION

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

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

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

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

CURRENCY TRANSLATION

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

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

Exchange rates in EUR					
		Mid rate on balance sheet date		Year-average rate	
		31/12/2013	31/12/2012	2013	2012
USA	1 USD	0.7263	0.7567	0.7532	0.7781
UK	1 GBP	1.1976	1.2220	1.1780	1.2330
China	1 CNY	0.1188	0.1198	0.1216	0.1231
Hong Kong	1 HKD	0.0936	0.0975	0.0971	0.1003
Russia	1 RUB	0.0221	0.0248	0.0237	0.0250

ACCOUNTING METHODS

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

Internally generated intangible assets are capitalised according to the preconditions of IAS 38 to the level of development 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. If the reasons for impairment charges no longer apply, corresponding reversals to impairment charges are performed.

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

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

Property, plant and equipment are measured at cost less scheduled depreciation and, if required, less impairment charges. Subsequent measurement applies the purchase cost model pursuant to IAS 16.30. 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.

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

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

If evidence of impairment exists, and the recoverable amount is less than the depreciated cost, tangible assets are subjected to extraordinary write-downs. If the reasons for impairment charges no longer apply, corresponding reversals to impairment charges are performed.

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

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

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

Inventories are recognised at cost, including incidental acquisition costs, on the basis of average prices. Production costs include costs directly attributable to the production process, as well as appropriate portions of production-related overhead costs. The latter include materials and manufacturing costs, including production-related depreciation charges, among other items. Inventories are measured at the lower of cost and net realisable value less costs to sell. 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 reversal is reported as a reduction in the cost of sale. Inventories disposals are also reported as sales costs. Borrowing costs are not included.

Receivables and financial assets in the loans and receivables category are recognised at their nominal value on the trade date, and subsequently measured 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 adjustments are booked against the receivables. Amounts denominated in foreign currencies are measured at the mid-rate as of the balance sheet date. Resultant valuation fluctuations are expensed. Receivables with maturities of more than one year, which carry no interest, or low rates of interest, are discounted using the effective interest rate method. Net gains or losses are calculated using receivables defaults and valuation adjustments, as well as amounts arising from currency translation.

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

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

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

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

Retained earnings show prior periods' results carried forward to a new account. In the financial year under review, an amount was offset arising from the sale of treasury shares.

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

Pension provisions are calculated applying the project unit credit method in the case of defined benefit pension plans. In this case, the scope of the obligation is calculated based on expected future salary and pension increases, as well as further actuarial assumptions. Actuarial gains or losses arise when differences occurred between actuarial assumptions and actual developments in the underlying calculation parameters; from the 2013 financial year, such differences are reported within a separate item of equity (OCI) (pursuant to IAS 19 revised).

The service expense is reported among personnel expenditure, and the interest proportion of the addition to the provision is reported in the interest result.

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

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

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

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

Government grants are reported if sufficient certainty exists that the Group company will satisfy the related conditions, and that the grants will be disbursed. Performance-related grants are recognised as income in the period in which the subsidised expenses are incurred. The grants that are received are reported within other income. Government grants for assets have not been disbursed to date.

Operating expenses are expensed 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 expenses are reported in line with the period in which they are incurred, and are not capitalised.

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

Receivables, liabilities, debts and derivative financial instruments are booked on their trade dates. Such items are derecognised when they expire, or when the contractual rights to cash streams from a financial instrument

expire, or when all opportunities and risks transfer to a third party. Interim valuation changes are calculated as net gains or net losses to the relevant category.

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

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

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

The respective **assumptions and estimates** are based on premisses that correspond to the most up-to-date information. Such estimates and the underlying assumptions are reviewed continuously. In the consolidated financial statements, significant estimation assumptions particularly relate to the planning forecast of the future trends of the consolidated companies. The following items are capitalised on this basis: goodwill of TEUR 1,139 (previous year: TEUR 1,139), brand rights of TEUR 656 (previous year: TEUR 656), customer relationships and patents of TEUR 113 (previous year: TEUR 185), and deferred tax assets on loss carryforwards of TEUR 432 (previous year: TEUR 665). Due to changes in interest rates, actual developments may result in amounts that diverge from the estimated figures.

APPLICATION OF REVISED AND NEW STANDARDS AND INTERPRETATIONS

Accounting regulations applied for the first time

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

- Revised version of IAS 1 "Presentation of Financial Statements";
- Revised version of IAS 12 "Income Taxes"
- New version of IAS 19 "Employee Benefits";
- Revised version of IFRS 1 "First-Time Adoption of International Financial Reporting Standards";
- Revised version of IFRS 7 "Financial Instruments: Disclosures"
- IFRS 13 "Fair Value Measurement"
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"
- "Annual Improvements to IFRS 2009 – 2011"

The revision of IAS 1 concerns changes relating to the presentation of other comprehensive income (OCI).
The amendments to IAS 12 regulate the measurement of deferred tax assets and deferred tax liabilities depending on the type of realisation of the carrying amount of the underlying assets.
The new version of IAS 19 requires that actuarial gains and losses arising from pension obligations be reported immediately and directly within OCI. The plan assets position is now no longer calculated applying the expected return, but instead using the discounting rate applied to the obligation. The scope of mandatory disclosures was expanded.
The amendments to IFRS 1 include clarification of the date of transition to IFRS. A regulation for first-time transition to IFRS was created for the instance of a highly inflationary functional currency. The regulations relating to the first-time recognition of low-interest government loans according to IFRS were also modified.
The amendment IFRS 7 introduces extensive mandatory disclosures that are intended to clarify the impact of offsetting agreements in the case of financial assets and liabilities.
IFRS 13 specifies the requirements for the market value-based calculation of fair value, defining it as the sale price. In the case of liabilities, fair value is measured applying a notional transfer. Along with measurement assumptions for non-financial assets, non-financial liabilities and financial instruments, as well as measurement in the case of falling market activity, the standard particularly addresses the measurement hierarchy, measurement methods and measurement input factors.
IFRIC 20 introduces guidelines for the accounting treatment of stripping costs in the production phase of a surface mine.
The "Annual Improvements to IFRS 2009 – 2011" fed through to adaptations to the following regulations:

- IFRS 1 "First-Time Adoption of International Financial Reporting Standards"; Clarification of the scope of application of the standard and relating to the treatment of capitalised borrowing costs
- IAS 1 "Presentation of Financial Statements": Clarification relating to the disclosure of comparable prior-year information
- IAS 16 "Property, Plant and Equipment": Regulations relating to the classification of maintenance and replacement parts
- IAS 32 "Financial Instruments: Presentation": Elimination of redundancy relating to tax effects in the case of distributions to equity-providers, and for costs connected with an equity capital transaction
- IAS 34 "Interim Financial Reporting": Clarification relating to the disclosure of total assets per segment

The new version of IAS 19 "Employee Benefits" results in no effects on the net assets, financial position and results of operations of the MEDISANA Group, although it does affect cash flow. Cumulative actuarial losses are now reported fully within equity (OCI). The balance sheet recognition of the pension provision increased accordingly. Before the new version of IAS 19 came into force, actuarial gains and losses were reflected solely on a proportional basis as part of the corridor method, which generally resulted in a divergence between the defined benefit obligation (DBO) and the provision recognised on the balance sheet.
All of the other aforementioned accounting changes have no effects on the net assets, financial position, results of operations and cash flows of the MEDISANA Group.

ACCOUNTING REGULATIONS NOT APPLIED

For the IFRS consolidated financial statements as of December 31, 2013, no interpretations, new standards or revisions of standards were voluntarily applied that requiring mandatory application for reporting years commencing on or after January 1, 2014. This concerns the following standards and interpretations:

- Revised version of IAS 27 "Consolidated and Separate Financial Statements";
- Revised version of IAS 28 "Investments in Associates";
- Amended version of IAS 32 "Financial Instruments: Presentation"
- Amended version of IAS 36 "Impairment of Assets";
- Amended version of IAS 39 "Financial Instruments: Recognition and Measurement"
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- Transition guidelines (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The aforementioned promulgations will be taken into account within the MEDISANA Group for the first time on the date when they require mandatory application. Application of these IFRSs presupposes that the European Union issues its related recognition. All of the aforementioned amended regulations have already been adopted into European law by the European Union.
These amendments will prospectively have no significant effects on the presentation of the net assets, financial position, results of operations and cash flows of the MEDISANA Group.

For the IFRS consolidated financial statements as of December 31, 2013, no interpretations, new standards or revisions of standards were voluntarily applied for which endorsement by the European Union is still outstanding. This concerns the following standards and interpretations:

- IFRS 9 "Financial Instruments" including amendments to IFRS 7 "Financial Instruments: Disclosures"
- Amendments to IAS 19 "Employee Benefits" (Employee Contributions)
- Annual Improvements to IFRS 2010 – 2012
- Annual Improvements to IFRS 2011 – 2013
- IFRIC 21 "Levies"

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) SCHEDULE OF NON-CURRENT ASSETS

Change in non-current assets as of December 31, 2013						
EUR	Gross amounts					
	01/01/2013	Additions	Disposals	Change in consolidation scope	Currency	31/12/2013
Goodwill	1,162,870	0	0	0	0	1,162,870
Intangible assets	5,737,554	360,127	0	0	-469	6,097,212
Property, plant and equipment	3,836,652	310,961	885,281	0	-1,577	3,260,756
Total	**10,737,076**	**671,088**	**885,281**	**0**	**-2,047**	**10,520,838**

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

	Depreciation/amortisation						Net amounts	
	01/01/2013	Additions	Disposals	Change in consolidation scope	Currency	31/12/2013	31/12/2013	31/12/2012
	24,345	0	0	0	0	24,345	1,138,525	1,138,525
	3,245,944	687,974	0	0	-173	3,933,745	2,163,467	2,491,610
	3,051,296	309,699	885,281	0	-1,364	2,474,351	786,405	785,356
	6,321,585	**997,673**	**885,281**	**0**	**-1,537**	**6,432,441**	**4,088,397**	**4,415,491**

	Depreciation/amortisation						Net amounts	
	01/01/2012	Additions	Disposals	Change in consolidation scope	Currency	31/12/2012	31/12/2012	31/12/2011
	24,345	0	0	0	0	24,345	1,138,525	1,138,525
	2,680,985	564,959	0	0	-1	3,245,944	2,491,610	2,025,860
	2,775,229	309,407	33,056	0	-283	3,051,297	785,356	901,818
	5,480,560	**874,366**	**33,056**	**0**	**-284**	**6,321,585**	**4,415,491**	**4,066,204**

(2) GOODWILL AND INTANGIBLE ASSETS

The reported goodwill is split as follows:

TEUR	31/12/2013	31/12/2012
Santec	729	729
Medisana Benelux	342	342
Medisana Hellas	45	45
Promed	23	23
	1,139	**1,139**

The demarcation of Medisana's cash-generating units (CGUs) is based on individual legal units (subsidiaries).

All of the calculations for the values in use of the CGUs included three-year planning as approved by the management. Significant influencing factors in this context include sales revenues and costs planning. The sales revenues are generally planned per sales channel based on previous years' experience, expectations, and planned sales promotional activities. The planning of variable costs is derived from sales revenue planning. Fixed cost planning includes both previous years' experience and expectations about changes in costs.

Goodwill of TEUR 729 is allocated to the "Santec" CGU for 2013 (previous year: TEUR 729). The "Santec" CGU goodwill is reported directly at Medisana AG, since it arose through the merger of Santec with Medisana AG in 2001.

Its value in use was calculated on the basis of discounted cash flow forecasts derived from three-year planning approved by the management. Cash flows after this three-year period are extrapolated applying a 1% per annum perpetual growth rate. The weighted average cost of capital (WACC) derived from capital market data reflects the specific risks entailed in the business operations of the cash generating unit, and amounts to 9.29% (previous year: 8.34%) after tax for the planning period, and 8.29% (previous year: 7.34%) for the perpetual return.

Performance of the annual goodwill impairment test for the "Santec" CGU resulted in no impairment loss as of December 31, 2013. If a 1.0% higher WACC (after tax) were used to calculate value in use, no impairment loss would arise ceteris paribus. If a 20% lower revenue level had been assumed as part of the theoretical scenario to calculate value in use (including a corresponding adaptation of cost planning), no impairment would have arisen ceteris paribus.

Goodwill of TEUR 342 is allocated to the "Benelux" CGU for 2013 (previous year: TEUR 342).

Its value in use was calculated on the basis of discounted cash flow forecasts derived from three-year planning approved by the management. Cash flows after this three-year period are extrapolated applying a 1% per annum perpetual growth rate. The weighted average cost of capital (WACC) derived from capital market data reflects the specific risks entailed in the business operations of the cash generating unit, and amounts to 9.30 % (previous year: 8.36 %) after tax for the planning period, and 8.30 % (previous year: 7.36 %) for the perpetual return.

Performance of the annual goodwill impairment test for the "Benelux" CGU resulted in no impairment loss as of December 31, 2013. If a 1.0 % higher WACC (after tax) were used to calculate value in use, no impairment loss would arise ceteris paribus.

Goodwill of TEUR 23 is allocated to the "Promed" CGU, which comprises Promed GmbH, for 2013 (previous year: TEUR 23). The "Promed" trademark right, which is reported as an intangible asset of indefinite useful life, also forms part of the "Promed" CGU (carrying amount and changed as in the previous year: TEUR 656). Since the "Promed" trademark right itself does not generate cash flows that are independent of the deployment of other assets, it was allocated to the "Promed" CGU for the purposes of IAS 36 impairment testing (IAS 36.74).

Its value in use was calculated on the basis of discounted cash flow forecasts derived from three-year planning approved by the management. Cash flows after this three-year period are extrapolated applying a 1% per annum perpetual growth rate. The weighted average cost of capital (WACC) derived from capital market data reflects the specific risks entailed in the business operations of the cash generating unit, and amounts to 9.29% (previous year: 8.34%) after tax for the planning period, and 8.29% (previous year: 7.34%) for the perpetual return.

The annual goodwill impairment tests on December 31, 2013 showed that no impairment charge was necessitated for the "Promed" CGU (and consequently for the goodwill and for the allocated trademark right). If a 1.0 % higher WACC (after tax) were used to calculate value in use, no impairment loss would arise ceteris paribus.

Scheduled, performance-based amortisation of TEUR 72 (previous year: TEUR 120) was applied to the customer relationships that were capitalised in the 2013 financial year, and which arose from the acquisition of Royal Appliance España in 2010, after which its carrying amount amounts to TEUR 113 (previous year: TEUR 185). The remaining amortisation period amounts to a maximum of 6 years. The remaining intangible assets are amortised over their useful lives.

The remaining intangible assets are amortised over their useful lives. Amortisation of intangible assets amounted to TEUR 688 in the 2013 financial year (previous year: TEUR 565). No impairment charges were applied in the 2013 financial year (previous year: TEUR 0). Amortisation is reported according to its category in the functional areas of the income statement.

A further TEUR 222 of development work procured from third parties was capitalised in 2013 (previous year: TEUR 1,004). As a consequence, the gross value as of December 31, 2013 was TEUR 3,016 (previous year: TEUR 2,794). Following straight-line amortisation for the year of TEUR 558 (previous year: TEUR 352), the carrying amount as of the balance sheet date was TEUR 1,230 (previous year: TEUR 1,566). Besides this and amortisation, a total of TEUR 54 was expensed through the income statement for research and development in the year under review (previous year: TEUR 86), since such items are allocable to the research area.

Total intangible assets with a carrying amount of TEUR 360 were added (previous year: TEUR 1,031). In the previous year, no disposals required reporting.

(3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – including the additions are realised in the financial year under review – comprises almost exclusively operating and office equipment. As in the previous year, no impairment charges were applied to property, plant and equipment. Disposed assets with a carrying value of TEUR 0 (previous year: TEUR 44) include sales and scrappage, as well as eliminations to the asset base due to record inventories.

(4) LEASING

The Group has no finance leases.

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

TEUR as of 31/12 2013	2014	2015- 2018	from 2019
Buildings	658	792	7
Technical equipment and machines	16	20	0
Miscellaneous leases	180	158	3
	854	**970**	**10**

TEUR as of 31/12 2012	2013	2014-2017	from 2018
Buildings	638	1,435	146
Technical equipment and machines	22	27	0
Miscellaneous leases	192	1,840	65
	852	**1,659**	**211**

As a consequence, the minimum lease payments from uncancellable leases amount to TEUR 1,834 (previous year: TEUR 2,903).

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

The income statement in the 2013 reporting year included TEUR 930 of expenses from operating leases (previous year: TEUR 885). This amount includes expenses from the sub-leasing of buildings in an amount of TEUR 284 (previous year: TEUR 238).

(5) INVENTORIES

Inventories of TEUR 12,344 (previous year: TEUR 13,461) consist exclusively of goods. Impairment charges totalling TEUR 489 were applied in the year under review due to reduced marketability and lower net realisable values (previous year: TEUR 215). The increase of TEUR 274 in valuation adjustments was included in the cost of sales (previous year: TEUR 174). The gross values of inventories amounted to TEUR 12,833 (previous year: TEUR 13,676).
Stocks of TEUR 1,557 were pledged as collateral for short-term finance debt (previous year: TEUR 2,695).

Obligations arising from an order commitments relating to current assets also existed as of December 31, 2013 in an amount of TEUR 1,795 (previous year: TEUR 1,865). As a consequence, other financial obligations including operating leases existed in a total amount of TEUR 3,629 as of the balance sheet date (previous year: TEUR 4,768).

(6) FINANCIAL ASSETS

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

Financial assets include claims arising from two (previous year: two) interest-guarantee-plus ("ZinsGarant-Plus") transactions, which are split according to term. The fair value of the interest-guarantee-plus transactions amounts to TEUR 3 (previous year: TEUR 16), and corresponds to the market valuation applying the present value method, which was provided by the issuing bank as of December 31, 2013. This amount relates to two future invoicing dates, and reduces by payment over time accordingly. This asset is of exclusively short-term nature as of December 31, 2013 (previous year: non-current portion of TEUR 1 and current portion of TEUR 15). The net loss amounts to less than TEUR 1 (previous year: TEUR 5), and is reported in the net interest result.

Along with the current portions of the interest-rate derivatives (TEUR 3; previous year: TEUR 15), current financial assets of TEUR 1,713 (previous year: TEUR 3,616) include receivables of TEUR 1,710 due from a factoring company (previous year: TEUR 3,601). The amounts are not overdue. Of this amount TEUR 1,329 serve the factoring company as short-term collateral as of the balance sheet date (previous year: TEUR 1,921). The default risk is categorised as low due to the cooperation with major international banks. No valuation adjustments were formed accordingly. The net loss in the meaning of IFRS 7 for 2013 (as in the previous year arising exclusively from factoring fees and interest payments) amounts to TEUR 117 (previous year: TEUR 81), and is reported in an amount of TEUR 68 among other operating expenses (previous year: TEUR 57), and in an amount of TEUR 24 in interest expenses (previous year: TEUR 49). The reported carrying amount almost corresponds to the fair value as of the balance sheet date due to the high level of turnover.

(7) RECEIVABLES

Other non-current receivables relate to a discounted long-term rental prepayment to a local authority in an amount of TEUR 46 (previous year: TEUR 53), and to other receivables in an amount of TEUR 27 (previous year: TEUR 0). The net gain resulting from the 9.25% (as in the previous year) compound interest amounted to TEUR 6 in the year under review (previous year: TEUR 6), and is reported in the net interest result.

Trade receivables result from normal commercial deliveries and services with third-party companies. As in the previous year, no receivables exist with a residual term of more than one year. As in the previous year, trade receivables of TEUR 8,452 (previous year: TEUR 8,779) carry as far as possible 90-day payment targets. Trade receivables carry no interest. They are not subject to interest-rate risks accordingly.

Default risk relating to trade receivables was reflected through corresponding valuation adjustments of TEUR 620 (previous year: TEUR 733), on the basis of their overdue nature. The level of valuation adjustments is determined according to fixed criteria based on the management's conscientious estimates. The addition to valuation adjustments was included in other operating expenses in an amount of TEUR 16 (previous year: TEUR 110). Net gains arising from trade receivables stood at TEUR 20 (previous year: net loss of TEUR 103). Criteria for impairment losses include age and overdue nature of the receivable, and payments difficulties and other financial problems on the part of the debtor. Valuation adjustments are always reported through a valuation adjustment account; no direct impairment charges are applied (exception: final derecognition or losses on receivables).

TEUR	31/12/2013	31/12/2012
Trade receivables		
- Receivables	9,072	9,512
- Valuation adjustments	620	733
	8,452	**8,779**

Of the valuation adjustments, TEUR 583 (previous year: TEUR 696) relate to specific valuation adjustments, and TEUR 37 to lump-sum valuation adjustments (previous year: TEUR 37).

Valuation adjustments changed as follows:

TEUR	2013	2012
- Balance January 1	733	749
- Utilisation	-29	-69
- Releases	-100	-72
- Additions	16	125
- Balance December 31	**620**	**733**

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

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

TEUR	31/12/2013	31/12/2012
- Less than 30 days	458	928
- Between 30 and 90 days	365	1,632
- Between 91 and 180 days	114	172
- More than 181 days	324	609
	1,261	**3,341**

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

Receivables in an amount of TEUR 1,382 were also pledged to banks as collateral (previous year: TEUR 959).

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

(8) TAX REIMBURSEMENT CLAIMS

Non-current tax reimbursement claims of TEUR 32 (previous year: TEUR 43) relate to a corporation tax credit due in instalments until 2017.

Current tax reimbursement claims of TEUR 83 comprise income tax claims, in particular (previous year: TEUR 113).

(9) DEFERRED TAX REIMBURSEMENT CLAIMS

Composition:

TEUR	31/12/2013	31/12/2012
Deferred tax		
- arising from valuation differences and consolidation	260	312
- arising from loss carryforwards	432	665
	692	**977**

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

Medisana AG reports a number of tax losses in the recent past. As of December 31, 2013, Medisana AG reported TEUR 32,352 of corporation tax loss carryforwards (previous year: TEUR 29,024). The tax loss carryforwards are subject to no time limits.

In terms of temporary differences, Medisana AG reported an excess of deferred tax liabilities (TEUR 390; previous year: TEUR 432) over deferred tax assets (TEUR 23; previous year: TEUR 70) as of the reporting date. For this reason, deferred tax assets (TEUR 367; previous year: TEUR 362) were formed on the loss carryforwards of Medisana AG only to the extent required to the balance deferred tax liabilities arising from temporary differences. Of this amount, TEUR 367 (previous year: TEUR 362) relates to the capitalisation of deferred taxes relating to losses incurred in the year under review, and TEUR 0 (previous year TEUR 0) to the reversal of impairment charges applied deferred tax assets on loss carryforwards from previous years.

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

Promed reports deferred tax assets of TEUR 65 on temporary differences as of the reporting date (previous year: TEUR 69).
Deferred tax assets of TEUR 45 (previous year: TEUR 45) relate to temporary differences at Medicare Healthcare Spain.

In the previous year, deferred tax assets of TEUR 237 were reported on tax losses of Royal Appliance España S.L. Taking into account its operating results, this amount was fully written off in the 2013 financial year. No deferred tax assets were formed for losses for the 2011 to 2013 financial years that result mainly from restructuring measures.

Deferred tax assets of TEUR 65 were recognised as of December 31, 2013 for the tax loss of Medisana Hellas Ltd., while taking into account its operating results and planning accounts (previous year: TEUR 66). All of these tax loss carryforwards are subject to a time limit until five years from the year of their origination.

The business operations of Medisana USA Inc. are dormant as of the reporting date. As in the previous year, no further tax loss carryforwards exist for which deferred tax assets were formed. As in the previous year, the unutilised tax loss carryforwards at the level of the state of North Carolina amount to TEUR 19 (previous year: TEUR 14) as of December 31, 2013. Of this amount, TEUR 7 is limited to a period of 12 years, and amounts of TEUR 6 each carry a limit of 13 and 14 years respectively. The tax loss carryforwards at German federal level amount to a total of TEUR 610 (previous year: TEUR 629). The tax loss carryforward at German federal level is limited to nine years for an amount of TEUR 109, 11 years for TEUR 473, 15 years for TEUR 7, 17 years for TEUR 9, and TEUR 6 each for 18 and 19 years respectively.

The business operations of Medisana Healthcare (UK) Ltd. are currently being repositioned (unutilised tax loss as of December 31, 2013: TEUR 792 [previous year: TEUR 734] without time limit on utilisation). Medisana Space GmbH (unutilised tax loss as of December 31, 2013: TEUR 1,470 (previous year: TEUR 849) without time limit on utilisation) is still establishing its business operations, and still no sufficient and substantial indications exist of future taxable income. As a consequence, no deferred tax assets on loss carryforwards were reported for either company, as in the previous year.

Consolidation measures resulted in TEUR 103 of deferred tax assets (previous year: TEUR 121).

Deferred taxes arising from valuation differences, loss carryforwards and consolidation are allocated to the following balance sheet items and areas in 2013 and 2012:

	31/12/2013		31/12/2012	
TEUR	Assets	Liabilities	Assets	Liabilities
Non-current assets	0	450	0	518
Inventories	0	0	0	0
Receivables	75	61	87	74
Other assets	24	0	8	0
Loss carryforwards	432	0	665	0
Pension provisions with reinsurance	58	0	60	0
Other provisions	0	14	0	192
Liabilities	0	195	36	0
Consolidation measures	103	0	121	0
Consolidated balance sheet	**692**	**720**	**977**	**784**

The total of deferred tax assets arising from valuation differences, loss carryforwards and consolidation are attributable to current deferred tax assets in an amount of TEUR 325 (previous year: TEUR 615), and in an amount of TEUR 367 (previous year: TEUR 362) to non-current deferred tax assets. Of the deferred tax liabilities, TEUR 270 are current (previous year: TEUR 266), and TEUR 450 are non-current (previous year: TEUR 518).

(10) LIQUID ASSETS

Liquid assets in the form of cash holdings and bank deposits that are available short-term notice represent the Group's short-term liquidity reserve. Foreign-currency balances are measured at the mid-rate prevailing on the balance sheet date. These foreign-currency credit amounts existed in the following scope as of the reporting date: TUSD 10 (previous year: TUSD 81), THKD 2,197 (previous year: THKD 420), TGBP 71 (previous year: TGBP 149), TRUB 8,478 (previous year: TRUB 602), and TCNY 721 (previous year: TCNY 502). Currency risks arise in this instance only if the currency of the credit amount does not correspond to the respective functional currency. No interest-rate risk exists. Net gains or losses did not arise in the year under review. The credit quality is appraised as value-retaining due to collaboration with renowned banks. As a consequence, the carrying amount corresponds to fair value.

Drawing restrictions applied to TEUR 37 of liquid assets as of the balance sheet date (previous year: TEUR 649).

(11) EQUITY

Please refer to note 25.

The issued capital stock (no par value ordinary bearer shares) amounted to TEUR 9,366 (previous year: TEUR 7,800) as of December 31, 2013, which is split into 9,365,843 shares (previous year: 7,800,327 shares). The capital stock of TEUR 9,366 is fully paid in.

In the 2013 financial year, capital increases including and excluding shareholder subscription rights were implemented in a total amount of 935,516 new shares. In addition, the 630,000 treasury shares held by Medisana AG as of December 31, 2012 were all sold in the 2013 financial year. The aforementioned measures increased the issued capital stock by total of TEUR 1,566 or 1,565,516 shares.

The treasury shares were originally purchased in the 2011 financial year pursuant to the AGM authorization of September 21, 2011. The purchase of the treasury shares occurred in September 2011 as part of the disposal of the interest in Gimelli Laboratories Co. Ltd. (when the aforementioned interest was acquired in 2010, these shares were newly issued as part of the purchase price). The purchase price in 2011 amounted to EUR 1.75 per share. The treasury shares were sold at a price of EUR 2.20 per share in the 2013 financial year.

The capital reserves stood at TEUR 29,092 as of December 31, 2013 (previous year: TEUR 28,010). They primarily comprise amounts achieved in excess of the arithmetic value of shares on issue. The change in the capital reserves in the financial year under review arises from the net inflows connected with the capital increase is implemented in the financial year under review (TEUR 926) and the sale of treasury shares (TEUR 156). The TEUR 324 of capital procurement costs are already deducted from these figures.

In addition, the cash inflows from the capital measures were proportionally offset in an amount of TEUR 472 with the consolidated net result that was carried forward.

At the June 26, 2012 AGM, the Management Board was authorised to increase the company's capital stock, with Supervisory Board approval, until June 25, 2017 through issuing up to 3,279,647 new ordinary bearer shares, once or on several occasions, against cash and/or non-cash capital contributions, by up to a total of TEUR 3,280 (Approved Capital). Existing shareholders' subscription rights can be excluded.

At the Annual General Meeting of June 21, 2013, the Management Board was authorised, with the approval of the Supervisory Board, to issue until June 20, 2018, once or on several occasions, convertible bonds and/or bonds with warrant or participation rights with or without conversion and subscription rights in a total amount of up to TEUR 50,000. As a result of this, the capital stock may be increased conditionally by up to TEUR 3,517 through the issue of up to 3,517,163 new bearer shares with dividend-entitlement from the start of the financial year in which they are issued (Conditional Capital). Existing shareholders can be excluded from subscription rights under certain conditions.

The Medisana AG 2009 AGM approved the creation of a stock option plan. The stock option plan aims to generate incentives for managers and employees to raise the company's profitability. Stock options are issued to current or future Management Board members, employees, and board members and employees of current and future associated companies of Medisana AG. The stock option plan has a total of volume of 500,000 options. The

exercise price of the vested options corresponds to 100% to the market value of one of the company's shares on the issue date. The market value is derived from the average price fixed in the closing auction in XETRA trading for the company's share during the last ten stock market trading days. The options require that the employee has worked for the company for at least three years (period to acquire a claim to non-forfeitability). After the fourth year of the respective issue date, the options can be exercised only if the company has achieved or exceeded earnings of EUR 0.20 per share in at least one financial year that has elapsed since the options were issued. The options carry a contractual option period of five years. The company is entitled to settle the respective options in cash at its discretion. This is currently not planned, however.

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

	2013		2012	
	Average exercise price per share	Options (in thousands)	Average exercise price per share	Options (in thousands)
Balance at January 1	1.96	450	1.96	450
Vested	-	-	-	-
Lapsed	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Balance at December 31	1.96	450	1.96	450

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

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

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

The total value of the stock option program amounts to TEUR 426 including the expected staff turnover and the probability relating to the attainment of the agreed performance target. In the financial years up to and including 2012, this total value was added in its entirety to the capital reserves through personnel expenses (please also refer to section 19).

At the June 26, 2012 AGM, the Management Board was authorised, with Supervisory Board assent, to issue up to 500,000 options, once or on several occasions until June 25, 2015, which entitle the purchasers to acquire new no par ordinary bearer shares of Medisana AG according to the option terms (Stock Option Program 2012). As a

consequence, the company's capital stock is conditionally increased by TEUR 500 through issuing 500,000 no par ordinary bearer shares (Conditional Capital 2012). Stock options can be issued to current or future Management Board members, employees, and board members and employees of current and future associated companies. If options are to be issued to the company's Management Board members, only the Supervisory Board is entitled to implement such an issue. This option program had not yet been utilised as of the balance sheet date.

No dividend was distributed to Medisana AG shareholders.

The balancing item from currency conversion reported in equity amounted to TEUR -453 as of the reporting date (previous year: TEUR -447), representing a TEUR -6 year-on-year change. This change was carried directly to equity (previous year: TEUR -22 also directly to equity).

The other comprehensive income (OCI) arising from pension provisions in an amount of TEUR -43 (previous year: TEUR -43) results from the application of amended IAS 19. Please refer to section 13.

No tax is incurred on the OCI arising from currency translation (TEUR -453; previous year: TEUR -447); these amounts are fully recyclable. The non-recyclable OCI arising from pension provisions and similar obligations (TEUR -43; previous year: TEUR -43) is presented after tax. The amount of taxes offset within this amounts to TEUR 28 (previous year: TEUR 24).

(12) NON-CONTROLLING INTEREST

The interest of non-controlling shareholders in the equity amounted to TEUR 578 as of December 31, 2013 (previous year: TEUR 822), having correspondingly diminished by TEUR 244 in the year under review.

The reduction is especially attributable to the dividend that was distributed to the non-controlling shareholders of Medisana Far East Ltd. in the year under review (TEUR -219; previous year: TEUR -58).

Non-controlling interests' share of the subsidiaries' net results for the year amounted to TEUR -9 (previous year: TEUR -225).

The other non-controlling interests' shares in changes carried directly to equity of TEUR -16 (previous year: TEUR -31) relate to currency translation differences of TEUR -15 (previous year: TEUR -10) and their share in changes in OCI arising from pension provisions (TEUR -1; previous year: TEUR -21).

(13) PENSION PROVISIONS AND SIMILAR OBLIGATIONS

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

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 (plan assets) that have been pledged effectively. The service cost is reported as personnel expenditure, and the interest cost is reported in the financial result.

In the 2013 financial year, MEDISANA applied the new version of IAS 19 "Employee Benefits" for the first time. The changes to the standard especially relate to the reporting and measurement of expenses for defined benefit pension plans and post-retirement benefits. The delayed reporting of actuarial gains and losses was abolished. Direct reporting within other comprehensive income (OCI) is now required instead. The following changes are of relevance for the consolidated financial statements of MEDISANA:

- Actuarial gains and losses taking into account deferred tax are to be reported in the future as re-measurements directly within equity. The 10 percent corridor rule that has been applicable to date is no longer permissible. These changes resulted in an increase in pension provisions and a reduction in equity. The consolidated income statement and the earnings-effective portion of the consolidated statement of comprehensive income will in future remain free of effects arising from actuarial gains and losses, as these are now to be reported within other comprehensive income.

- The application of the expected return on plan assets was abolished. Instead, plan assets are to carry the interest rate of the discounting rate for the corresponding defined benefit pension obligation. This results in a net measurement of the net liability or net asset, as well as in a net interest expense arising from the defined benefit pension plans.

All further changes to revised IAS 19 have no effect on MEDISANA.

Corrections pursuant to IAS 8

Amended IAS 19 must be applied for financial years beginning on or after January 1, 2013. MEDISANA applies amended IAS 19 for the first time in the 2013 financial year. The company refrained from making voluntary early application in previous years.

Pursuant to IAS 8.19, amendments to accounting and measurement methods are to be applied retrospectively. Retrospective application requires that the opening balance sheet value for each affected equity component the earliest presented period as well as the other comparable amounts for each earlier presented period be restated as if the new accounting method had always been applied (IAS 8.22).

The effects of retroactive application on MEDISANA's 2012 consolidated financial statements are presented below:

- Actuarial gains and losses are reported retroactively directly in other comprehensive income (OCI). This results in TEUR 28 lower pension provisions as of January 1, 2012 (of which TEUR -24 non-current and TEUR -4 current), and TEUR 13 higher other comprehensive income (OCI). In addition, non-controlling interests' share of equity is TEUR 7 higher, and deferred tax assets are TEUR 8 lower.

- Application of the net interest method results in TEUR 11 lower interest expense for the 2012 financial year, and consequently a TEUR 11 improvement in the net result for the year. Of the earnings improvement, TEUR 7 is attributable to MEDISANA shareholders, and TEUR 4 to non-controlling interests.
- As of December 31, 2012, the pension provisions are reported TEUR 80 higher than in the original consolidated

financial statements (of which, TEUR +74 is attributable to non-current pension provisions, and TEUR +6 is attributable to current pension provisions). Other comprehensive income (OCI) is presented to TEUR 43 lower as of December 31, 2012, and deferred tax assets are TEUR 27 higher. The non-controlling interests' share of equity reduces by a total of TEUR 17 compared with the original amount (in other words, including the aforementioned share in the earnings improvement of TEUR 4).

The following effects would have arisen without application of the amended IAS 19 for the financial year under review:

- Excluding the reporting of actuarial gains and losses within equity within other comprehensive income (OCI), pension provisions would have been reported TEUR 93 lower in the balance sheet as of December 31, 2013. Other comprehensive income (OCI) would have been TEUR 43 higher, and deferred tax assets would have been presented TEUR 28 lower. In addition, non-controlling interests' share of equity would have been reported TEUR 22 higher.

- If the net interest method had not been applied, the 2013 income statement would have reported a TEUR 1 higher interest expense and a TEUR 1 lower net result for the year.

Reconciliation of the affected items

a) Modified presentation within the consolidated balance sheets as of January 1, 2012 and December 31, 2012

01/01/2012 EUR	as originally reported	IAS 8 restatement	as reported
ASSETS			
Non-current assets	**5,480,731**	**-8,391**	**5,472,340**
...			
Deferred tax assets	1,224,298	-8,391	1,215,907
...			
Total assets	**32,501,809**	**-8,391**	**32,493,418**
...			
EQUITY AND LIABILITIES			
Equity	**10,946,933**	**19,580**	**10,966,513**
Of which attributable to non-controlling shareholders	10,405,828	13,079	10,418,907
...			
OCI pension provisions	0	13,079	13,079
...			
Non-controlling shareholders	541,105	6,501	547,606
...			
Non-current liabilities	**6,147,733**	**-23,913**	**6,123,820**
Pension provisions	108,477	-23,913	84,564
...			
Current liabilities	**15,407,143**	**-4,058**	**15,403,085**
Pension provisions	18,407	-4,058	14,349
...			
Total equity and liabilities	**32,501,809**	**-8,391**	**32,493,418**

31/12/2012 EUR	as originally reported	IAS 8 restatement	as reported
ASSETS			
Non-current assets	**5,471,043**	**27,453**	**5,498,496**
...			
Deferred tax assets	949,220	27,453	976,673
...			
Total assets	**34,418,421**	**27,453**	**34,445,874**
...			
EQUITY AND LIABILITIES			
Equity	**7,988,400**	**-52,579**	**7,935,821**
Of which attributable to non-controlling shareholders	7,148,886	-35,123	7,113,763
...			
OCI pension provisions	0	-42,791	-42,791
...			
Profit/loss for the year	-2,757,524	7,668	-2,749,856
Non-controlling shareholders	839,514	-17,456	822,058
...			
Non-current liabilities	**3,951,548**	**73,626**	**4,025,174**
Pension provisions	120,362	73,626	193,988
...			
Current liabilities	**22,478,473**	**6,406**	**22,484,879**
Pension provisions	10,473	6,406	16,879
...			
Total equity and liabilities	**34,418,421**	**27,453**	**34,445,874**

b) Modified presentation within the income statement for the 2012 financial year

01/01/2012 – 31/12/2012 EUR	as originally reported	IAS 8 restatement	as reported
...			
Interest expenses	432,079	-11,479	420,600
Profit/loss before income taxes (EBT)	**-2,770,900**	**11,479**	**-2,759,421**
Income taxes	-215,200	0	-215,200
Net profit/loss including non-controlling shareholders	**-2,986,100**	**11,479**	**-2,974,621**
of which attributable to non-controlling shareholders	-228,576	3,811	-224,765
of which attributable to Medisana AG shareholders (consolidated net result)	**-2,757,524**	**7,668**	**-2,749,856**

c) Modified presentation within the statement of comprehensive income for the 2012 financial year

01/01/2012 – 31/12/2012 EUR	as originally reported	IAS 8 restatement	as reported
Net profit/loss including non-controlling shareholders	**-2,986,100**	**11,479**	**-2,974,621**
of which attributable to non-controlling shareholders	-228,576	3,811	-224,765
of which attributable to Medisana AG shareholders	-2,757,524	7,668	-2,749,856
Change in balancing item from currency translation of foreign subsidiaries	-20,601	0	-20,601
OCI change – pensions	0	-64,058	-64,058
Change in amounts reported in equity (currency translation and OCI pensions)	**-20,601**	**-64,058**	**-84,659**
Total comprehensive income (= total of earnings after tax and value changes reported in equity)	**-3,006,701**	**-52,579**	**-3,059,280**
of which attributable to non-controlling shareholders	-238,429	-17,456	-255,885
of which attributable to Medisana AG shareholders	-2,768,272	-35,123	-2,803,395

c) Modified presentation within the cash flow statement for the 2012 financial year

01/01/2012 – 31/12/2012 EUR	as originally reported	IAS 8 restatement	as reported
Net profit/loss including non-controlling shareholders	-2,986,100	11,479	-2,974,621
...			
Other non-cash expenses and income	145,313	-108,003	37,310
Net interest result	396,335	-11,479	384,856
...			
Change in provisions	-200,493	108,003	-92,490
...			
Cash outflow from operating activities	**-1,059,957**	**0**	**-1,059,957**

Further information

The level of the provision was calculated applying actuarial methods:

- The applied discounting factor for the 2013 financial year as a 3.20% (previous year: 3.50%)
- As in the previous year, the rate of increase of pension was set at 2.00%.
- The expected return on reimbursement claims on the basis of existing reinsurance amounts to 3.20% (previous year: 3.50%).
- No salary increase rate or staff turnover rate was taken into account was taken into account in either the year under review or the previous year.
- The 2005 G mortality tables published by Prof. Klaus Heubeck were utilised as a biometric calculation basis.

As of December 31, 2013, the number of beneficiaries amounted to an unchanged number of three employees. Payment commitments exist relating to one active employee (previous year: one active employee and one employee who had left the company) and two (previous year: one) pension recipient(s).

The average term of the pension obligations amounts to 12.8 years.

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

TEUR	31/12/2013	31/12/2012
Defined benefit obligation of obligations financed through qualified reinsurance	583	561
Defined benefit obligation	**583**	**561**
Fund assets included at market values	-367	-350
Pension provisions and similar obligations	**216**	**211**

The reported obligation is composed of a current component of TEUR 14 (previous year: TEUR 17), and a non-current portion of TEUR 202 (previous year: TEUR 194).

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

TEUR	31/12/2013	31/12/2012
Defined benefit obligation at the start of the period	**561**	**435**
Current service cost	11	12
Interest expense (according to IAS 19)	19	23
Payments actually rendered	22	18
Actuarial gains (-) / losses (+)	14	109
Defined benefit obligation at the end of the period	**583**	**561**

The defined benefit obligation is financed with qualified reinsurance policies as of December 31, 2013, and effectively pledged to the pension beneficiaries. The reinsurance represents the plan assets pursuant to IAS 19.7.

The plan assets changed as follows:

TEUR	31/12/2013	31/12/2012
Plan assets at start of period	**350**	**336**
Employer contributions	17	16
Expected income from plan assets	12	7
Actuarial gains and losses	0	1
Payments actually rendered	12	10
Plan assets at end of period	**367**	**350**

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

The actual income from plan assets amounted to TEUR 12 (previous year: TEUR 7). Income of TEUR 12 is expected for the following financial year (previous year: TEUR 12).

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:

TEUR	2009	2010	2011	2012	2013
Defined benefit obligation	255	296	435	561	583
Fair value of plan assets	183	206	336	350	367
Financing status	72	90	99	211	216
Experience-related adjustments to DBO	0	0	11	-1	-7
Experience-related adjustments to plan assets	0	0	0	0	0

The following amounts were reported through the income statement:

TEUR	2013	2012
Current service cost	-11	-12
Interest expense arising from the obligation	-19	-23
Employer contributions	17	16
Expected income from plan assets	12	6
	-1	**-13**

The current service costs arising from the obligation are reported in the interest expenses of administration costs. The income from employer contributions and the related expected income are reported as other operating income. The interest expense is reported within the net financial result.

(14) OTHER PROVISIONS

Other non-current provisions of TEUR 49 relate to guarantee provisions (previous year: TEUR 47). These were valued over a two-year period at present value using the effective interest method. The amounts arising from reversals to discounts are immaterial overall.

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

TEUR	Balance 01/01/2013	Utilisation	Release	Addition	Balance 31/12/2013
Risks in goods transactions					
- Guarantees	151	91	20	88	128
- Bonuses and rebates	796	796	0	1,093	1,093
	947	**887**	**20**	**1,181**	**1,221**
Personnel and social area					
- Staff bonuses	80	80	0	57	57
	80	**80**	**0**	**57**	**57**
Other					
- Annual financial statement and auditing costs	148	148	0	117	117
- Supervisory Board compensation	30	30	0	32	32
- Miscellaneous	131	128	0	57	60
	309	**306**	**0**	**206**	**209**
	1,336	**1,273**	**20**	**1,444**	**1,487**

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

(15) TAX LIABILITIES

TEUR	31/12/2013	31/12/2012
Deferred tax	720	784
Actual income tax liabilities	8	26
	728	**810**

The deferred tax liabilities of TEUR 720 (previous year: TEUR 784) are attributable in an amount of TEUR 489 (previous year: TEUR 532) to temporary differences arising from the reconciliation of the Group companies' separate financial statements to IFRS, and in an amount of TEUR 231 (previous year: TEUR 252) to intangible assets and hidden reserves identified as part of the capital consolidation of subsidiaries.

Deferred tax liabilities for the 2013 financial year are composed of current deferred tax liabilities of TEUR 270 (previous year: TEUR 266), and of non-current deferred tax liabilities of TEUR 450 (previous year: TEUR 518).

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

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

(16) LIABILITIES

Financial debt:

TEUR	31/12/2013	31/12/2012
Non-current financial debt	50	3,000
Current financial debt	6,533	5,345
	6,583	**8,345**

Non-current financial debt is composed as follows:

TEUR				
Contract type	**Interest rate p.a.**	**Term**	**31/12/2013**	**31/12/2012**
Loan	5%	until June 2016	50	0
Loan	1-month LIBOR + 2%	until December 2014	0	3,000
			50	**3,000**

The loan from Techtronic Industries Company Ltd., Hong Kong, that was reported here in the previous year (non-current portion of TEUR 3,000) was re-classified to current liabilities in the financial year under review.

Current financial debt is composed as follows:

Contractual partner	Terms	31/12/2013	31/12/2012
		TEUR	TEUR
Banks (current accounts)	variable	1,557	2,746
Third parties (loans)	1-month LIBOR + 2.0%	4,500	2,500
Banks (currency derivatives)	non-interest-bearing	175	0
Third parties (other)	non-interest-bearing	301	99
		6,533	**5,345**

The interest-rate risk relates to the liabilities with variable terms. In each case, these relate to current account overdrafts based on credit lines that have been provided, and loans.

Techtronic Industries Company Ltd., Hong Kong, granted this TEUR 4,500 loan (previous year: non-current portion of TEUR 3,000 and current portion of TEUR 2,500). A total of TEUR 1,000 was repaid in the financial year under review. The link to 1-month LIBOR entails an interest-rate risk.

The contractual partner valued the existing forward currency transactions (39 transactions) at TEUR -175 as of December 31, 2013 applying normal Black & Scholes and DCF models, and are fully due within the 2014 financial year. No open forward currency transactions existed as of the previous year's balance sheet date. The net gains on financial assets measured at fair value amounted to TEUR 175 for the forward currency transactions in the 2013 financial year (previous year: net gains of TEUR 55). These gains were reported in the income statement under other operating income. The contractual partners for derivatives are always major German business banks whose counterparty quality is classified as good.

The net losses on primary financial liabilities (including non-current financial liabilities) amounted to TEUR 172 in the financial year under review (previous year: TEUR 240); these result exclusively from interest.

Stocks of TEUR 1,557 were pledged as collateral for financial liabilities (previous year: TEUR 2,695).

The **trade payables** are due within one year (TEUR 12,579; previous year: TEUR 13,991). Of this amount, EUR 9.5 million is attributable to liabilities arising from the assumption of drawn bills (previous year: EUR 10.7 million). The payment targets are predominantly more than 120 days. Interest is based on LIBOR. MEDISANA can avoid this interest-rate risk through payment within 60 days. The fair values essentially correspond to the carrying amounts due to the brief term. The net gains for the year amounted to TEUR 197 (previous year: net gains of TEUR 288); these result from interest expenses (interest on bills of exchange) and a foreign currency results.

Other liabilities of TEUR 1,932 (previous year: TEUR 1,769) primarily include VAT liabilities of TEUR 939 (previous year: TEUR 819), debtor accounts in credit of TEUR 47 (previous year: TEUR 106), liabilities to staff of TEUR 28 (previous year: TEUR 58), social security liabilities of TEUR 28 (previous year: TEUR 64), and deferred payment obligations of TEUR 630 (previous year: TEUR 228). They do not incur interest. The liabilities essentially correspond to their fair values due to their brief term. As in the previous year, there were no net gains/losses.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(17) SALES REVENUE

Sales revenue arises exclusively from the sale of goods, and was reported in a gross amount of TEUR 45,751 (previous year: TEUR 44,913. This sales revenue was offset by sales reductions of TEUR 3,838 (previous year: TEUR 3,105). Sales revenue after sales reductions consequently amounted to TEUR 41,913 (previous year: TEUR 41,808), and is split as follows:

TEUR	2013	2012
Sales revenue		
Medisana AG	19,646	19,176
Promed GmbH incl. Nova GmbH	9,388	8,818
Medisana Benelux NV	6,237	5,829
Medisana Health Care S.L. incl. Royal Appliance España S.L.	2,210	2,949
Medisana Far East Ltd. incl. Medisana Trading (Shenzhen) Ltd.	1,526	1,879
Medisana RUS OOO	1,454	2,006
Medisana Hellas Ltd.	775	795
Medisana (UK) Healthcare Ltd.	392	251
Medisana Space Technologies GmbH	285	105
Medisana USA Inc.	0	0
	41,913	**41,808**

Compared with the previous year, revenue registered a slight increase of 0.3%, from TEUR 41,808 to TEUR 41,913.

As part of its task as the Group parent company, Medisana AG generated additional sales revenue (intercompany) of TEUR 9,405 (previous year: TEUR 9,520), which was eliminated at Group level. Medisana AG also bears the greater part of the charge arising from sales deductions, at TEUR 3,289 (previous year: TEUR 2,514).

(18) COST OF SALES

The cost of sales of TEUR 31,199 (previous year: TEUR 30,254) includes the costs of procuring the goods that were sold, as well as production and sales costs directly attributable to the sales revenues. The costs of purchasing goods and materials amounted to TEUR 28,765 (previous year: TEUR 27,767). Directly attributable production and sales costs totalled TEUR 2,434 (previous year: TEUR 2,487). As in the previous year, cost of sales does not include depreciation and amortisation.

The gross profit of TEUR 10,713 (previous year: TEUR 11,554) represents the difference between sales revenues and the costs directly attributable to them.

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

The costs for purchasing & stockkeeping, sales & marketing, and administration totalling TEUR 14,301 (previous year: TEUR 14,206) include the personnel expenses, depreciation/amortisation and other expenses attributable to this area. The items are composed as follows:

a) Purchasing and stockkeeping

TEUR	2013	2012
Personnel costs	927	1,160
Premises costs	504	503
Quality testing expenses	219	285
Depreciation/amortisation	217	227
Leasing expenses	195	195
Research and development costs	94	80
Travel expenses	88	86
Vehicle costs	53	66
IT	52	58
Office expenses	51	63
Consultancy expenses	38	36
Insurance	13	28
Other expenses	81	89
	2,532	**2,876**

b) Sales and marketing

TEUR	2013	2012
Personnel costs	3,481	3,224
Marketing expenses	1,986	1,785
Depreciation/amortisation	527	403
Vehicle costs	265	298
Premises costs	286	276
Consultancy expenses	190	237
Travel expenses	168	200
Office expenses	116	107
IT	61	57
Leasing expenses	53	37
Insurance	22	27
Research and development costs	4	6
Other expenses	111	118
	7,270	**6,775**

c) Administration

TEUR	2013	2012
Personnel costs	2,290	2,216
Consultancy expenses	394	437
Travel expenses	278	308
Depreciation/amortisation	253	244
Office expenses	214	199
Annual financial statement expenses	208	288
Insurance	195	172
Premises costs	170	159
Vehicle costs	111	110
IT	100	122
Leasing expenses	88	98
Other expenses	198	202
	4,499	**4,555**

Across all three areas, total premises costs of TEUR 960 (previous year: TEUR 939) relate to sub-tenancy contracts.

Administration costs include TEUR 103 for the year under review for expenses for services related to the financial statements paid to BDO AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor of the consolidated financial statements (previous year: TEUR 141). This item also includes TEUR 8 (previous year: TEUR 0) of expenses for tax advisory services, and TEUR 0 (previous year: TEUR 7) of expenses for other consultancy services paid to BDO AG.

During the financial year, the company employed an average of 142 (previous year: 136) salaried staff, and 15 (previous year: 16) industrial employees.

MEDISANA employed 149 staff members as of the balance sheet date (previous year: 139). The regional allocation of the employees is as follows:

Employees	2013	2012
Germany	111	99
Rest of Europe	28	30
Rest of the World	10	10
	149	**139**

The total personnel costs are split as follows:

TEUR	2013	2012
Wages and salaries	5,659	5,629
Social security costs	967	892
Pension scheme expenses	73	80
	6,699	**6,601**

In the year under review, an amount of TEUR 929 was reported as compensation for payments due on a short-term basis to key Group management staff (previous year: TEUR 1,111), of which TEUR 73 was for pensions (previous year: TEUR 80). Stock options from the employee Stock Option Program 2009 that were granted in previous years resulted in no expense in 2013 (previous year: a proportional amount of TEUR 66 in 2013 for personnel expenditure for staff in key positions). Total compensation paid to employees in key positions consequently amounted to TEUR 929 (previous year: TEUR 1,177).

In the 2013 financial year, the personnel expenses included no expenses from the Stock Option Program 2009 (previous year: TEUR 107, which is reported with wages and salaries).

Social expenses include TEUR 433 of statutory payments to defined contribution pension plans (previous year: TEUR 402).

(20) OTHER OPERATING EXPENSES

Other operating expenses of TEUR 250 (previous year: TEUR 307) relate to the following items:

TEUR	2013	2012
Factoring costs	68	57
Valuation allowances applied to receivables	16	125
Miscellaneous expenses	166	125
	250	**307**

The valuation allowances of TEUR 16 applied to receivables relate exclusively to additions to valuation allowances applied to trade receivables (previous year: TEUR 125).

(21) OTHER OPERATING INCOME

TEUR	2013	2012
Currency exchange-rate gains	344	360
Reversal of valuation allowances applied to receivables	100	72
Non-cash compensation	81	72
Subsidies	80	0
Release of provisions	20	58
Other income	78	23
	703	**585**

Currency exchange rate gains and losses are reported net. A net gain of TEUR 344 was reported for the 2013 financial year (previous year: TEUR 360).

Medisana Space Technologies GmbH incurred subsidies (TEUR 80; previous year: TEUR 0), and arise from a project supported by the European Commission to research and treat type 2 diabetes.

(22) NET FINANCIAL RESULT

TEUR	2013	2012
Interest income	55	36
Interest expenses	-575	-421
Net financial result	**-520**	**-385**

The total interest expenses on financial assets and liabilities measured at fair value, but which are not carried through profit and loss, and which must be detailed pursuant to IFRS 7, amounted to TEUR 543 in the year under review (previous year: TEUR 392); the corresponding total interest income stood at TEUR 43 (previous year: TEUR 22). All of these amounts are included in the amounts detailed in the table.

(23) INCOME TAX

TEUR	2013	2012
Current income tax	-102	-153
Deferred income tax	-219	-62
	-321	**-215**

A deferred income tax expense of TEUR 219 was reported in the 2013 financial year (previous year: TEUR 62). The balance in the fiscal year under review especially relates to the impairment charge applied to the deferred tax assets relating to the loss carryforwards of Royal Appliance España S.L. in an amount of TEUR 237 (previous year: TEUR 0).

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

Reconciliation between expected and actual tax expense/income		
TEUR	**2013**	**2012**
Earnings before tax	**-3,655**	**-2,771**
Expected tax income	**1,097**	**831**
Changes to income tax arising from:		
- Change in impairment losses applied to deferred tax assets	-1,426	-1,082
- Utilisation of non-capitalised deferred tax	3	0
- Differences between divergent tax rates	65	102
- Tax-free income and non-tax-deductible expenses	-60	-66
Actual tax expense	**-321**	**-215**
Effective tax rate in %	-8.79	-7.77

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

Of the non-controlling interest, TEUR 146 (previous year: TEUR 168) relates to the share of profits, and TEUR 155 (previous year: TEUR 393) 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:

TEUR	**2013**	**2012**
Medisana Far East Ltd. incl. Medisana Trading (Shenzhen) Ltd.	93	138
Promed GmbH kosmetische Erzeugnisse	48	30
Medisana Space Technologies GmbH	-155	-93
Medisana Hellas Ltd. (previous year incl. Medisana Saglik Ürünleri Ltd. i.L.)	5	-138
Medisana Health Care S.L. incl. Royal Appliance España S.L.	0	-162
	-9	**-225**

(25) EARNINGS PER SHARE

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

EUR	2013	2012
Consolidated net income attributable to Medisana AG shareholders	-3,967,381	-2,749,856
Weighted average number of shares	**8,530,585**	**7,800,327**
Earnings per share (EPS)	-0.47	-0.35

Both basic and undiluted earnings per share stood at EUR -0.47 in the year under review (previous year: EUR -0.35).

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

Conditional capital consisting of 3,517,163 shares also existed as of December 31, 2013 (previous year: 3,517,163 shares) as well is conditional capital from the stock option programs (760,000 shares), which in each case also currently gives rise to no dilution effect.

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

(26) NOTES TO THE CASH FLOW STATEMENT

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

Starting with net loss for the year of TEUR -3,977 (previous year: TEUR -2,975), the cash inflow from operating activities stood at TEUR 188 (previous year: cash outflow of TEUR -1,060). This amount includes TEUR 15 of interest income (previous year: TEUR 8), and TEUR 560 of interest expenses (previous year: TEUR 394). Income tax paid amounted to TEUR 86 (previous year: TEUR 192). This is offset by income tax received of TEUR 6 (previous year: TEUR 84).

The cash outflow from investing activities of TEUR -669 (previous year: TEUR -1,228) primarily arises from investments in property, plant and equipment and intangible assets in an amount of TEUR 309 (previous year: TEUR 237) and TEUR 360 respectively (previous year: TEUR 1,031). The previous year also included proceeds from asset disposals of TEUR 40.

The cash inflow from financing activities of TEUR 2,329 (previous year: cash outflow of TEUR -485) principally results from the capital measures were implemented in the financial year under review (capital increase and sale of treasury shares). This is offset by the redemption of current liabilities, in particular.

The cash and cash equivalents reported in the cash flow statement in an amount of TEUR 654 (previous year: TEUR -1,166) correspond to the liquid assets as per the balance sheet in an amount of TEUR 2,248 (previous year: TEUR 2,229), less current account overdrafts reported under current financial debt of TEUR 1,557 (previous year: TEUR 2,746), and less liquid assets subject to drawing restrictions of TEUR 37 as of December 31, 2013 (previous year: TEUR 649).

(27) SEGMENT REPORTING

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

The operating segments categorised according to the management approach are composed as follows as of the December 31, 2013 balance sheet date:

"GERMANY" SEGMENT

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

"REST OF EUROPE" SEGMENT

- Medisana Benelux NV, Kerkrade (Netherlands)
- Medisana Health Care S.L., Terrassa (Spain) incl. Royal Appliance España S.L., Madrid (Spain)
- Medisana Hellas Ltd., Heraklion (Greece)
- Medisana Healthcare UK Ltd., London (United Kingdom)

"REST OF WORLD" SEGMENT

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

Medisana RUS OOO; Moscow (Russia)

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

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

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

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

MEDISANA Group segments are managed using the performance figures of EBIT (earnings before interest and tax) and EBT (earnings before tax). The segmentation is performed in accordance with IAS 8.5. Sales with important customers include customer groups with sales of more than 10% of the respective segments sales, or in the "Group" column for Group sales. Important customers allocated to segment on the basis of the headquarters of the subsidiary providing the service.

The following overview presents the MEDISANA Group segment reporting:

MEDISANA GROUP

2013 segment reporting

Segments	Germany		Rest of Europe		Rest of World	
TEUR	2013	2012	2013	2012	2013	2012
Balance sheet						
Equity	10,788	10,558	-3,191	-2,336	383	837
Segment assets	35,669	38,282	7,769	7,456	2,884	5,322
Segment liabilities	24,966	27,817	6,259	9,820	2,267	4,484
Statement of income						
Segment sales revenue	39,012	37,807	9,613	9,825	6,745	9,622
Cost of sales	31,709	30,017	7,236	7,332	5,777	8,389
Purchasing and stockkeeping	1,747	2,158	457	490	280	302
Sales and marketing	5,315	4,707	1,763	1,890	86	90
Administration	4,141	3,156	710	822	422	491
Other operating expenses	422	372	7	503	86	17
Other operating income	1,225	873	15	-45	17	196
Earnings before interest and tax (EBIT)	-3,097	-1,728	-544	-1,257	112	528
Earnings before tax (EBT)	-3,221	-1,701	-851	-1,570	48	465
Other data						
Sales revenue with important customers	0	0	0	0	0	0
Number of employees as of December 31	111	99	28	30	10	10

	IFRS adjustments		Consolidation		Group	
	2013	2012	2013	2012	2013	2012
	853	711	-2,008	-1,835	6,826	7,936
	1,005	825	-17,732	-18,570	29,594	33,314
	36	-25	-10,221	-16,474	23,307	25,623
	0	0	-13,458	-15,446	41,913	41,808
	-3	0	-13,518	-15,483	31,200	30,254
	47	-74	0	0	2,532	2,876
	33	-31	73	119	7,270	6,775
	-702	86	-71	0	4,499	4,555
	0	77	-265	-662	250	307
	-62	0	-493	-439	703	585
	562	-58	-168	141	-3,135	-2,375
	536	-93	-168	141	-3,655	-2,759
	--	--	--	--	0	0
	--	--	--	--	149	139

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

Segments (in TEUR)	Germany		Rest of Europe		Rest of World		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Balance sheet								
Non-current assets	3,353	3,548	712	850	23	18	4,088	4,415
Statement of income								
External sales	29,319	28,098	9,613	9,825	2,980	3,885	41,913	41,808

The total across all the third countries amounts to TEUR 736 in terms of non-current assets (previous year: TEUR 868), and TEUR 12,594 in terms of external sales revenue (previous year: TEUR 13,710). Non-current assets include no financial instruments, deferred tax assets, payments after the ending of employment contracts, and rights arising from insurance agreements.

(28) EVENTS AFTER THE BALANCE SHEET DATE

No events that require mandatory reporting occurred after the balance sheet date.

(29) MANAGEMENT OF FINANCIAL RISKS

Medisana AG manages its capital according to IAS 1 in the form of equity and debt, with a total equity and liabilities amount of EUR 30.4 million (previous year: EUR 34.4 million), and with the aim of profitability and constant liquidity. Semi-monthly Groupwide assessments of performance quantities and working capital, as well as a rolling financial planning that is derived from this, serve this purpose, in particular. No external covenants existed as of the balance sheet date.

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

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

Risk management

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

The fair values of financial assets and liabilities that are regularly measured at fair value

Financial assets / Financial liabilities	Fair value in TEUR		Hierarchy level as per IFRS 13	Measurement methods and significant input parameters
	31/12/2013	31/12/2012		
Forward currency transactions	-175	0	Level 2	Discounted cash flow method: Future cash flows are estimated on the basis of forward currency rates (observable rates on the balance sheet date) and contractual forward currency rates. Discounting is performed applying interest rates that take the various counterparties' credit risks into consideration.
Interest-rate swaps	3	16	Level 2	Discounted cash flow method: Future cash flows are estimated on the basis of forward interest rates (observable yield curves on the balance sheet date) and contractual forward interest rates. Discounting is performed applying interest rates that take the various counterparties' credit risks into consideration.

Liquidity risk

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

As of the balance sheet date, the supplier credit facility for the next financial year continued to amount to USD 25 million, or EUR 17.9 million. Of this amount, USD 13.0 million, or EUR 9.3 million, was utilised as of December 31, 2013 (previous year: USD 14.1 million or EUR 10.7 million).

Liquid assets of EUR 2.2 million (previous year: EUR 2.2 million) and trade receivables of EUR 8.5 million (EUR 8.8 million) were available as of the balance sheet date to settle current financial debt due for cash settlement in the subsequent year in an amount of EUR 6.5 million (previous year: EUR 5.3 million), trade payables of EUR 12.6 million (previous year: EUR 14.0 million) and current provisions of EUR 1.5 million (previous year: EUR 1.3 million). Besides the recognised amounts, a supplier credit facility of EUR 4.0 million was also available as of the balance sheet date (previous year: EUR 2.8 million). This supplier credit facility was granted in order to be able at all times

to meet sudden liquidity requirements. As in the previous year, free credit lines were also available at business banks. The following table presents an analysis of the agreed due dates for the liabilities, as well as the related future interest payments (previous year's figures in brackets):

TEUR	Financial debt	Trade payables	Other	Total
- Due within one year	6,703 (5,636)	12,579 (13,991)	1,932 (1,769)	**21,214** **(21,396)**
of which derivative liabilities	175 (0)	0 (0)	0 (0)	**175** **(0)**
- Due in the second year	0 (3,072)	0 (0)	0 (0)	**0** **(3,072)**
- Due in the third year	56 (0)	0 (0)	0 (0)	**56** **(0)**
- Due in the fourth year	0 (0)	0 (0)	0 (0)	**0** **(0)**
- Due in the fifth year	0 (0)	0 (0)	0 (0)	**0** **(0)**
- Due after the fifth year	0 (0)	0 (0)	0 (0)	**0** **(0)**

The non-current liabilities are due from 2015. Please refer to note 16 concerning changes in non-current financial debt.

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

The Group's liquidity is secured as of the reporting date due to the aforementioned circumstances.

Credit risk

The maximum default risk for the financial assets corresponds in each case to the carrying amount.

Default risks pertaining to customer receivables is counted through obtaining credit information and non-recourse factoring, among other measures. Corresponding valuation adjustments are formed in the event of any residual default risk. Please refer to notes 6 and 7 for information relating to overdue and impaired financial assets.

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

TEUR	Fair value		Carrying amounts							
			Cash and cash equivalents		Loans and receivables		Measured at fair value through P&L*		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Financial assets										
Non-current financial assets	13	11	0	0	13	10	0	1	**13**	**11**
Current financial assets	1,713	3,616	0	0	1,710	3,601	3	15	**1,713**	**3,616**
Trade receivables	8,452	8,779	0	0	8,452	8,779	0	0	**8,452**	**8,779**
Other receivables	661	749	0	0	661	749	0	0	**661**	**749**
Liquid assets	2,248	2,230	2,248	2,230	0	0	0	0	**2,248**	**2,230**

* exclusively "held-for-trading"

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

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

Net losses in the loans receivables category total TEUR 79 in 2013 (previous year: net gain of TEUR 47).

Net losses on financial instruments measured in the "at fair value through profit and loss" category total TEUR 176 in 2013 (previous year: TEUR 60).

Financial instruments measured at fair value through profit and loss are valued by the contractual partner exclusively using observable market parameters. The interest-rate derivative position as of December 31, 2013 comprises transactions with a total value of TEUR +3. The preparation of a sensitivity analysis has been refrained from due to the negligible amount involved and the short remaining term. The default rate for all derivatives stands at 0.0%, as previously.

The following overview presents the categorisation of financial liabilities.

TEUR	Fair value		Carrying amounts					
			Amortised cost		Financial instruments measured at fair value through P&L*		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Financial liabilities	**21,096**	**24,105**	**20,919**	**24,105**	**175**	**0**	**21,094**	**24,105**
Non-current financial debt	52	3,000	50	3,000	0	0	50	3,000
Current financial debt	6,533	5,345	6,358	5,345	175	0	6,533	5,345
Trade payables	12,579	13,991	12,579	13,991	0	0	12,579	13,991
Other liabilities	1,932	1,769	1,932	1,769	0	0	1,932	1,769

* exclusively "held-for-trading"

As of the previous year's balance sheet date, the fair value of non-current financial liabilities approximated to their carrying amount as the loan that is reported under this item carries variable interest, and consequently carried an interest rate in line with the market.

The net gain on financial liabilities measured at amortised cost amounted to TEUR 26 for the year under review (previous year: net gain of TEUR 48).

The net loss on financial liabilities measured at fair value amounted to TEUR 175 (previous year: TEUR 0).

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

The forward currency transactions existing as of the balance sheet date (exclusively USD/EUR) have a market value of TEUR -175 (as of the previous year's balance sheet date, there were no open forward currency transactions). The default rate for all derivatives stands at 0.0%, as previously.

Interest-rate risk

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

According to the sensitivity analysis for the liabilities arising from the assumption of bills drawn, a 1.0% change in LIBOR feeds through to a TEUR 3 earnings and equity effect for each EUR 1 million of overdue liabilities, as in the previous year. In the case of bank borrowings (TEUR 1,557; previous year: TEUR 2,746), a +/- 1% change in the variable interest rate would feed through to an earnings and equity effect of -/+ TEUR 16 (previous year: -/+ TEUR 27) for the utilised credit lines. For the newly drawn-down loan liabilities to third parties (TEUR 4,500; previous year: TEUR 5,500), a +/- 1% change in the variable interest rate would feed through to an earnings and equity effect of -/+ TEUR 45 (previous year: -/+ TEUR 55).

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

Currency risk

Significant currency risks exist within the MEDISANA Group with respect to the procurement of products that are ordered on a US Dollar basis within the Asian region. Currency risk arising from procurement within the MEDISANA Group is of subordinate significance with respect to currency rate fluctuations. In order to counter this, the currency risk between EUR and USD is limited primarily through forward currency transactions (forward-plus contracts). As of the December 31, 2013 balance sheet date, the forward currency transactions position consisted of 39 transactions with a fair value of TEUR -175 (as of the previous year's balance sheet date, there were no open transactions).

Pursuant to IFRS 7 (risk measurement sensitivity analysis), each change in the USD/EUR exchange rate by 1 cent from the reporting date rate relating to the USD liabilities as of the balance sheet date could change earnings and equity by TEUR +68 / TEUR -69 (stronger/weaker Euro) (previous year: TEUR +80 / TEUR -81).

In the case of the foreign currency derivatives, a shift in the exchange rate of USD/EUR 0.01 upwards/downwards as of the December 31, 2013 balance sheet date would have resulted in a downward shift in fair value of TEUR 103 or other and upwards shift of TEUR 105 respectively.

(30) OFF-BALANCE-SHEET TRANSACTIONS

As of the balance sheet date, Medisana AG has assigned some of its trade receivables as part of a factoring agreement. This measure served to improve liquidity, in particular; it is offset by the financing costs. As of the balance sheet date, EUR 5.2 million of liquidity accrued to Medisana AG (previous year: EUR 3.5 million).

(31) RELATED PARTIES DISCLOSURES

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

The Management Board Chairman of Medisana AG is also the Managing Director of Stellar Products GmbH, Neuss, Germany. Medisana AG invoiced Stellar Products GmbH for staff outsourcing and other services in an amount of TEUR 37 in 2013 (previous year: TEUR 44). Open items of TEUR 6 were reported as of the balance sheet date (previous year: TEUR 22).

As in the previous year, in the financial year under review, no business relations occurred between Stellar Products GmbH and the Medisana Group Spain. As of the balance sheet date, a receivable of Medisana Group Spain of TEUR 88 (previous year: TEUR 100) still exist that is due from Stellar Products GmbH.

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

The Management Board Chairman of Medisana AG is also the Managing Director of Domostar GmbH, Neuss, Germany. As in the previous year, no goods and services transactions occurred between Medisana AG and Domostar GmbH in 2013. As of the balance sheet date, Medisana AG reported a trade payable of TEUR 0 due to Domostar GmbH (previous year: TEUR 4). Business relations between Domostar GmbH and Medisana AG occur on market terms.

In the year under review, the Supervisory Board Chairman of Medisana AG charged Medisana AG for his expenses for the rendering of consultancy services in an amount of TEUR 11 (previous year: TEUR 0) on standard market terms. This resulted in no open items (as in the previous year).

The managing director of Promed generated income from the rental of movable and immovable assets to Promed in an amount of TEUR 118 in the 2013 financial year (previous year: TEUR 118). The rental occurred on standard market terms. This resulted in no open items as of the balance sheet date (as in the previous year).

The husband of the managing director of Promed rendered tax advisory and wage accounting services for Promed in an amount of TEUR 23 in 2013 (previous year: TEUR 23) on standard market terms. This resulted in no open items as of the balance sheet date (as in the previous year).

Medisana Hellas Ltd. performed goods deliveries in an amount of TEUR 33 in the 2013 financial year (previous year: TEUR 90) to Evand Trading Ltd., Larnaca. All of these deliveries were realised at standard market prices. Evand Trading Ltd., Larnaca, is majority owned by the managing director of Medisana Hellas Ltd. As of the balance sheet date, Medisana Hellas Ltd. has receivables that are due from Evand Trading Ltd., Larnaca, in an amount of TEUR 210 (previous year: TEUR 190).

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

No further relations with related parties existed that require reporting.

(32) COLLATERAL

Financial assets in an amount of TEUR 1,329 are pledged as collateral for sold receivables (previous year: TEUR 1,921).

Inventories of TEUR 1,557 were assigned as collateral for bank borrowings (previous year: TEUR 2,695); in addition, trade receivables of TEUR 1,382 (previous year: TEUR 959) were assigned as collateral.

(33) CORPORATE GOVERNANCE STATEMENT

The statement of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Management and Supervisory boards of Medisana AG, and made available on the Internet at http://www.medisana.de.

(34) PUBLICATION

Medisana presents the consolidated financial statements and Group management report to the Supervisory Board for approval. Approval by the Supervisory Board is scheduled for April 28, 2014. Publication will occur subsequently.

(35) SUPERVISORY AND MANAGEMENT BOARDS

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

MANAGEMENT BOARD

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

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

until June 14, 2013
Dr. Heinrich Komesker,
Neuss
Management Board member responsible for research & development, product & quality management, production

Remuneration of the Management Board amounted to TEUR 454 in the 2013 financial year (previous year: TEUR 648).

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

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

SUPERVISORY BOARD

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

Dr. Matthias Hartz,
Hergiswil, Switzerland
Executive Vice President
General Counsel
OC Oerlikon Management AG
(Deputy Supervisory Board Chairman)

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

Remuneration of the Supervisory Board, including fees paid for meetings, amounted to TEUR 42 in the 2013 financial year (previous year: TEUR 40).

Neuss, April 28, 2014

The Management Board

AUDITOR'S OPINION

We have audited the consolidated financial statements – consisting of balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity, and notes to the financial statements – prepared by Medisana AG, Neuss, as well as the Group management report for the financial year from January 1, 2013 until December 31, 2013. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as applicable in the EU, and additionally in accordance with the commercial law regulations pursuant to Article 315a (1) of the German Commercial Code (HGB), is the responsibility of the company's legal representatives. Our task is to issue an assessment concerning the consolidated financial statements and the Group management report on the basis of the audit we have conducted.

We conducted our audit of the consolidated financial statements pursuant to Article 317 of the German Commercial Code (HGB) taking into account German standards of proper accounting as promulgated by the Institut der Wirtschaftsprüfer (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 the assessment of the accounting information of the partial areas included in the consolidated financial statements, the demarcation of the consolidation scope, the accounting principles applied, and the significance estimates made by the legal representatives, as well as an assessment of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit constitutes a sufficiently secure basis for our assessment.

Our audit identified no cause for objection.

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

Düsseldorf, April 28, 2014

BDO AG
Wirtschaftsprüfungsgesellschaft

pp. Höschler	signed Berndt
Certified Public Auditor	Certified Public Auditor

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INFORMATION ON RISKS

FORWARD-LOOKING STATEMENTS CONTAIN RISKS

This document includes forward-looking statements about future developments that are based on the management's current assumptions. Words such as "anticipate", "assume", "believe", "assess", "expect", "intend", "can/could", "planning", "projecting", "should" and similar expressions define these kinds of forward-looking statements. Such statements are subject to certain risks and uncertainties. Should one of the uncertain factors or other uncertainties occur, or the assumptions used to make the statements prove to be wrong, 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. We will be happy to send you further information or events documents on request.

30/04/2014	Publication of 2013 consolidated financial statements
15/05/2014	Publication of Group interim report within first half of 2014
20/06/2014	Ordinary Annual General Meeting, Düsseldorf
14/08/2014	Publication of H1 2014 financial report
05/09/-10/09/2014	IFA international consumer electronics and home appliances trade fair 2014, Berlin
15/11/2014	Publication of Group interim report within second half of 2014
12/-15/11/2014	Medica, Düsseldorf

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