

MEDISANA

HOME HEALTH CARE

Interim Report
for the period from 1 January to 30 June 2006

MEDISANA AG in the first half-year of 2006

- Group revenues at the half-year stage reach 8.478 million euros (+ 1.4 %)
- Gross profit and earnings before interest and tax (EBIT) with detrimental effects through delayed start to the season for antiallergy products, as well as higher raw materials prices and logistics costs
- Strong growth rates in new orders: significant growth in Group order books to around 6.1 million euros; (previous year approximately 1.5 million euros)
- 2006 forecast reinforces strong sales growth and improving earnings: against the backdrop of a very good order book position and the traditionally strong the Executive board expects a significant improvement in the development of Group sales in the second half of 2006 and, as a consequence, a positive half-year result.

For the whole of 2006 financial year, the company is aiming for an increase in revenues of about 50 %. In respect of net profit the Company is targeting break-even for the first time in five years.

Key consolidated figures for the MEDISANA Group (according to IFRS)

	2006	2005 ¹⁾	+/-
(in EUR million)	01.01.-30.6.	01.01.-30.6.	in %
Revenues	8,5	8.4	+1.4
Gross profit	2.0	4.7	-56.8
EBIT	-2.2	0.4	-
Net result for the period	-2.2	0.4	-
Employees (as of the reporting date)	64 ²⁾	45	+42.2

1) Promed GmbH and Rebac GmbH fully consolidated as of 01.10.2005

2) Average number of employees: Promed GmbH 20 persons, Rebac GmbH 4 persons

Business development at the MEDISANA Group

Economic environment

German gross domestic product rose 2.9 % in the first quarter of 2006. A similar rate of growth is expected for the second quarter. This growth is supported primarily by exports.

Group revenues and earnings

Group revenues in the first half of the year of 2006 were at 8.479 million euros, 1,4 % or 118,000 euros above those of the previous year. The consolidated entity changed as of October 1, 2005 due to the acquisition of Promed GmbH and Rebac GmbH. In the case of MEDISANA Germany, a legal proceeding running into the first quarter regarding marketing statements, had negative effects on the start of the campaign for Medinose®. In the meantime, the proceedings have been settled in favor of MEDISANA. However, as a consequence, the half-year result mirrored this lack of earnings contributions.

The Home Therapy segment made lower contributions to sales in the first half of the year, while the other core segments of Health Control and Beauty experienced significant rates of growth, in particular due to the acquisition of Promed GmbH.

Gross profit in the first half of the year of 2006 reached 2.0 million euros, following 4.7 million euros in the previous year. The disappointing development is attributable to the weak business as a result of the delay in the start of the season for the high margin antiallergy products such as Medinose®, as well as the higher raw materials and logistics costs. Despite the fact that MEDISANA has increasingly managed to position the entire product range, the absence of the sales and profits contributions in the first quarter from the antiallergy products, which were to be placed in spring, had a stronger than expected effect on the half-year result. In particular, it was not possible to compensate the high margin contributions through other sales areas.

Additionally higher costs for logistics and price increases for raw materials had an effect on gross profit. Overall, there were two factors driving prices: on the one hand, there was the need to absorb generally higher market prices for the predominantly crude oil-based raw materials and, on the other hand, as a result of the EU ordinance regarding raw materials and additives, referred to as the Restriction of Hazardous Substances Directive (RoHS), there was a partial change in procurement behavior.

Given these factors, earnings before interest and taxes (EBIT) amounted to -2.2 million euros in the first six months of 2006 (previous year: 0.4 million euros).

Business development at the MEDISANA Group

In the first step of our repositioning, we concentrated our marketing in 2005 on so-called highlight products, such as Medinose®. This reinvigorated the brand as well as reactivated sales channels, such as distribution via apothecaries' shops. Building on this, the marketing strategy in the first half of 2006 was focused on sharpening awareness of the brand as a premium brand. Through this, MEDISANA has demonstrated that customers and sales partners are able to develop enthusiasm for the entire product range as a result of an emotional marketing approach. The consequence for the second half of 2006 is a further opening of high-volume sales channels.

In a year-on-year comparison, the order book has improved significantly, having risen fourfold on a Group-wide basis. As at June 30, 2006, orders outstanding reached a volume of 6.1 million euros (previous year: approximately 1.5 million euros).

Balance sheet and financial situation

MEDISANA Group total assets fell as of June 30, 2006 compared with the previous year by 1.8 million euros or by around 7 % to 24.1 million euros.

The decline is due primarily to a decline in current assets; as a result of improved receivables management, as well as more streamlined warehousing policies, inventories and receivables could be kept on a lower level.

The shareholders' equity as of June 30, 2006 rose to 13.0 million euros (previous year: 12.2 million euros) and corresponds to a high equity ratio of 53.8 %.

In June 2006 the share capital was increased by 600,000 euros to 7,034,327 euros from authorised capital. As a result of the capital increase, which had already been pre-placed, the company generated gross proceeds of around 3.0 million euros. The cash inflow will also be used for expanding the business area around the anti-infective substance Rebac®.

Workforce

At the end of the first six months of 2006, an average of 61 staff were employed in the MEDISANA Group. This is an increase of around 22 % compared with the previous year. The increase is due to the acquisitions of Promed GmbH and Rebac GmbH in the second half of 2005. Promed GmbH, with its headquarters in Farchant, employed an average of 20 persons as at June 30, 2006. At Rebac GmbH, headquartered in Hilden, there were four members of staff.

Business development at the MEDISANA Group

Supplementary Notes

Consolidated entity

Besides MEDISANA AG, the consolidated accounts include all subsidiaries, whether in Germany or abroad, where MEDISANA AG controls the majority of the voting rights, either directly or indirectly.

The scope of consolidation consists of:

- MEDISANA AG,
Hilden (Germany)
- MEDISANA Benelux NV;
Kerkrade (Netherlands)
- MEDISANA Healthcare, S.L.;;
Barcelona (Spain)
- MEDISANA Hellas Ltd.;;
Heraklion (Greece)
- MEDISANA Healthcare UK Ltd.;;
London (GB)
- MEDISANA Far East Ltd.;;
Hong Kong
- MEDISANA USA Inc.;;
Charlotte, NC (USA)
- Sanico GmbH i.L.,
Barsbüttel (Germany)
- Rebac GmbH,
Hilden (Germany)
- Promed GmbH,
Farchant (Germany)

At equity valuation:

- Sanico S.R.L., Cusago (Italy)

In the reporting period, there have been no changes compared with the annual financial statements as at December 31, 2005.

Accounting principles

The interim report as at June 30, 2006, has been prepared in accordance with International Financial Reporting Standards (IFRS). It was prepared taking into account the same accounting and valuation principles on which the preceding Group financial statements as of December 31, 2005 were based. These interim financial statements of the period under review ended June 30, 2006, are unaudited.

Seasonal effects

During the course of the year, MEDISANA AG experiences seasonally-affected fluctuations in revenues. Traditionally, on the basis of both orders and deliveries, the first and fourth quarters of the business year experience higher levels of sales.

Risks

Compared with the status presented in the 2005 annual report, there have been no significant changes in the reporting period, with respect to the risks to which MEDISANA AG is exposed.

Business development at the MEDISANA Group

Personnel changes in the Management boards

With effect from January 1, 2006, Mr Thies Goldberg joined the Supervisory Board of MEDISANA AG, after Klaus Wendt resigned on December 31, 2006 for health reasons. Mr Goldberg, who is a graduate in political economics and a management consultant, had already been elected to the Supervisory Board as an alternate member in a resolution concerning the Supervisory Board made at the annual General Meeting on December 2, 2004. In the meeting of the Supervisory Board of February 7, 2006, Thies Goldberg was elected Deputy Chairman of the Supervisory board.

Special events after the end of the period under review

On August 9, 2006, an exclusive partnership with Austria's largest chain of opticians was announced. As part of this, MEDISANA became the exclusive supplier of health products for all 155 stores of the Austrian company Hartlauer Ges.mbH. MEDISANA estimates the contribution to revenues at around 1 million euros per year.

Following the end of the first half of the year, no further special events have occurred above and beyond the developments already presented, which are of major significance for MEDISANA and which could lead to a modified evaluation of the company.

Outlook

Along with the relaunch of its brand, MEDISANA has reopened important distribution channels. Besides our reactivation of apothecaries' shops as a distribution channel in 2005, it was achieved to expand the listing in high-volume distribution channels with effect beginning from the second half of 2006.

MEDISANA is focusing clearly on its positioning with high-value premium products in the area of preventative health and self-therapy (home health care), and is asserting its prices accordingly on the markets.

Moreover in the business area of Rebac GmbH, the first consumer and industrial applications for this anti-infective substance is reaching marketability. MEDISANA is expecting revenues from licensing transactions to result from this already in 2006.

Strong rates of growth for new orders:

The situation as regards orders for the second half of 2006 has improved significantly on the basis of the streamlined and complete product range compared with the previous year.

Compared with the previous year, orders on hand have quadrupled from around 1.5 million euros to around 6.1 million euros.

2006 forecast reinforces strong sales growth and improving earnings:

Against the backdrop of a very good order book position and the traditionally strong business during the Christmas season, the Executive board expects a significant improvement in the development of Group revenues in the second half of 2006 and as a consequence a positive half-year result.

For the whole of 2006 financial year, the company is aiming for an increase in revenues of about 50 %. In respect of net profit, the company is targeting break-even for the first time in five years.

Income statement of the MEDISANA Group in accordance with IFRS

	01.01.2006 -30.06.2006 in Euro	01.01.2005 -30.06.2005 in Euro
Revenues	8,478,894	8,360,984
Cost of sales	-6,459,485	-3,679,839
Gross profit	2,019,409	4,681,145
Purchasing & Storage	-665,588	-475,900
Sales & Marketing	-2,196,573	-2,853,933
Administration	-1,334,320	-810,944
Other operating expenses/ income	-1,345	-133,709
Amortization of goodwill	0	0
EBIT	-2,178,417	406,659
Financial result	-100,614	-18,644
Result from companies valued according to the equity method	0	0
Earnings before taxes (EBT)	-2,279,032	388,015
Income tax	-46,106	61,745
Result for the period including minority interests	-2,325,138	449,760
Minority interests	136,250	-26,927
Net income/ loss	-2,188,888	422,833
Net income per share (given 7,034,327 ordinary shares)	-0.31	0.08
(Previous year: 5,128,067 ordinary shares)		

Consolidated balance sheet in accordance with IFRS

	30.06.2006 in Euro	31.12.2005 in Euro
Fixed assets	8,588,529	8,652,268
Intangible assets	3,214,474	3,270,704
Tangible assets	325,421	346,747
Financial investments (at equity)	955,435	955,435
Long-term trade receivables	1,347,815	1,101,574
Deferred tax claims	2,745,384	2,977,808
Current assets	15,541,235	17,256,888
Inventories	7,517,288	8,021,471
Short-term trade receivables	3,436,276	5,015,454
Other receivables and other assets	992,712	2,899,659
Cash and cash equivalents	3,594,959	1,320,304
Total assets	24,129,763	25,909,156
Shareholders' equity	12,992,603	12,222,264
Subscribed capital	7,034,327	6,434,327
Capital reserve	24,658,939	22,258,757
Balancing item from currency conversion	-132,018	-167,431
Profit/ loss carried forward	-16,577,986	-13,347,705
Net profit/ loss for the year	-2,188,888	-3,302,056
Minority shares	198,229	346,372
Provisions	2,027,832	2,022,057
Provisions for pensions	1,118,925	1,098,925
Deferred tax liabilities	762,067	764,450
Other provisions	0	0
Long-term financial liabilities	146,839	158,682
Liabilities	9,109,329	11,664,835
Effective income tax liabilities	0	720
Other provisions	3,978	696,248
Short-term financial liabilities	2,489,612	2,009,640
Trade payables	6,032,964	7,929,963
Other liabilities	582,775	1,028,264
Total liabilities	24,129,763	25,909,156

Cash flow statement of the MEDISANA Group in accordance with IFRS

	01.01.2006 -30.06.2006 in Euro	01.01.2005 -30.06.2005 in Euro
Net profit/ loss	-2,188,888	422,833
Depreciation and amortization	81,379	120,422
Other cash expenses/ income	72,776	-9,595
Net financial result	-100,614	-18,644
Change in inventories	504,183	-854,797
Change in receivables, payables (excluding financial liabilities)	-1,102,603	276,647
Income taxes paid	230,041	-259,988
Increase in provisions	-672,269	-118,762
Cash flow from operating activities	-3,175,996	-441,884
Investments in property, plant and equipment, excluding acquisition of shares	3,823	-143,041
Investments in consolidated companies	0	0
Proceeds from the disposal of tangible and intangible assets	0	0
Payments received due to repayment of loans by third parties	2,000,000	0
Cash flow from investment activities	2,003,823	-143,041
Payments received from capital increases	3,000,000	7,422,250
Sale of own shares	0	0
Distribution to third parties	0	0
Short-term financial liabilities	479,972	205,567
Long-term financial liabilities	-11,843	-225,000
Cash flow from financing activities	3,468,129	7,402,817
Change in cash and cash equivalents	2,295,955	6,817,892
Cash and cash equivalents as of January 1	1,320,304	798,185
Change in cash and cash equivalents as a result of exchange rates	-21,300	2,113
Cash and cash equivalents as of June 30	3,594,959	7,618,190

Financial calendar

24.08.2006 Publication of the Interim report 2006

24.08.2006 Annual General Meeting, Dusseldorf

29.11.2006 „Eigenkapitalforum“, Frankfurt
Investor and Analyst Conference

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