MEDISANA®

ANNUAL REPORT 2011

HEALTHY PROGRESS

MEDISANA®

ANNUAL REPORT 2011

CONTENTS

TO OUR SHAREHOLDERS

Ralf Lindner

» Mobile VitaDock health measurement devices reflect a shift away from traditional measuring devices towards modern, networked and communicative health care products for which enormous growth potential is forecast worldwide, and which will make an important contribution to caring for an increasingly ageing population in many countries. «

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

2011 was a year of far-reaching change for MEDISANA.

REVENUE AND EARNINGS

We achieved a significant earnings improvement on the back of slight revenue growth to EUR 47.3 million (previous year: EUR 46.3 million), reporting an operating result significantly better at EUR -0.4 million (previous year: EUR -3.6 million).

As a consequence, we reported a new record level of revenue in MEDISANA's now more than 30-year history.

This result primarily reflected strong business in Germany, positive trends in Russia, and in Asia and Australia. European markets were impacted by the continuing crisis, particularly in Southern Europe, with our Greek and Spanish subsidiaries being hit correspondingly.

INNOVATION AND TRADITION

Together with Deutsche Telekom and Apple, we launched the newly developed mobile health measurement devices from the VitaDock series on the German market for the first time in August 2011. Following an exclusive prelaunch, sales were expanded to further new channels and existing customers, and launched in more than ten European countries. This software app is available in six language variants, and is gradually being expanded to include 20 languages.

Mobile VitaDock health measurement devices fully reflect a shift away from traditional measuring equipment towards modern, networked and communicative health care products for which enormous growth potential is predicted worldwide, and which will make an important contribution to caring for an increasingly ageing population in all countries.

At this year's CeBIT IT trade fair, MEDISANA's VitaDock product range was selected from more than 2,500 submissions and was awarded the IT innovation prize by the German Medium-Sized Companies Initiative.

This prize was awarded under the aegis of German federal government IT officials and IBM Deutschland GmbH. It is a distinction for all MEDISANA staff members that pleased us greatly, and which bears testimony to their outstanding work in the development and launch of the VitaDock products.

MEDISANA's core business with traditional health products, as well as with new massage products from the Home of Wellness series, home therapy equipment, and personal care products, also reported gratifying growth, and our customers received the innovations in all product segments positively. This is particularly important since competitive pressure continues unabated, and can only be sustainably offset through innovations.

UNWINDING OUR INTEREST IN GIMELLI

Despite promising prospects of success, the majority takeover of Gimelli Laboratories Co., Ltd in 2009 became a significant burden for MEDISANA. In spite of intensive efforts, it proved impossible to implement our original idea of expanding our product portfolio with our own production, and of deepening our value chain. Significant wage cost increases, currency and raw materials price fluctuations, and sales problems with important customers accumulated to become burdens that proved no longer bearable for MEDISANA.

As part of the unwinding of this transaction, the full purchase price paid of USD 2.8 million and 630,000 shares were reinstated to MEDISANA.

CAPITAL INCREASE AT EUR 3.50 PER SHARE

As part of the capital increase at the end of the 2011 financial year, we received a pleasing confirmation of our strategy. In return for the contribution of a loan of EUR 2,681,000, MEDISANA's capital stock increased by EUR 766,000 to EUR 8,430,327. As a consequence, our new investor and shareholder, Superb Wealth Investments Ltd., from Hong Kong, paid EUR 3.50 per share, thereby underscoring the potential identified in MEDISANA.

NEW SALES STRUCTURES

As part of a group-wide restructuring within the TTI Group, the separation occurred at the end of 2011 of the sales force in Germany and Austria that is jointly utilised with Royal Appliance International GmbH, as well as of jointly utilised sales structures in European countries outside Germany, as well as within sales management. This necessitated that MEDISANA establish its own new sales structures within the shortest possible period. This process was launched successfully, and will be concluded this year.

With the blood sugar measurement devices that were successfully launched in 2010, MEDISANA has responded in good time to the changes that are expected on the market, and has positioned itself on a forward-looking basis. Such equipment is encountering stronger demand since the discontinuation since 2011 of reimbursement for test strips for Type 2 diabetics who do not require insulin. With the Meditouch blood sugar measurement device and the Meditouch test strips, MEDISANA has created an attractively priced alternative to established suppliers that is enjoying constant demand growth. As a consequence, we also reported stronger demand from pharmacies. MEDISANA products are consequently available again at pharmacies across the whole of Germany.

CORPORATE HEALTH

We continue to work unabated on strengthening MEDISANA's profitability through efficient cost structures, and on generating sustainable, profitable and continuous growth.

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

I would like to extend my very special thanks for your indefatigable commitment to MEDISANA. I would like to thank you for having continued to work together with trust and confidence during hectic and challenging times of change, and for your joint efforts to bring MEDISANA further forward, and I would like to wish us all every success in the future.

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Kind regards

Neuss, May 2012

Ralf Lindner
CEO of MEDISANA AG

VitaDock®

forms the interface between medicine and lifestyle with the aim of enhancing users' quality-of-life through comprehensive health care and management.

VitaDock is the only product that allows different vital signs such as blood sugar, temperature, weight, blood pressure and pulse to be measured, saved, evaluated and presented comprehensively within one software application. This enables users to conduct their own "Mobile Health Care Management".

Made for iPod iPhone iPad

VitaDock has already received several prizes and awards.

INNOVATIONSPREIS-IT
SIEGER 2012
initiative mittelstand
E-HEALTH

2ND
eHealth Solution
EU SME Competition 2012

GlucoDock®

Blood Glucose Module

Diabetes management in a new dimension

ThermoDock®

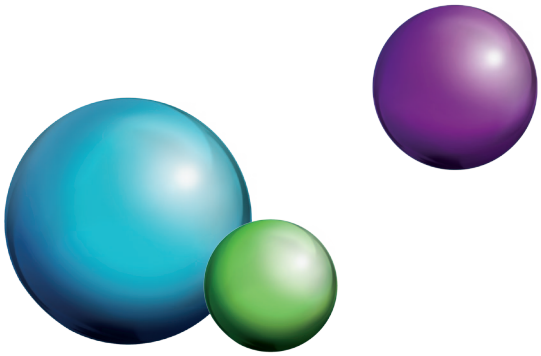
Infrared Thermometer Module

Precise temperature measurement with innovative technology

CardioDock®

Blood Pressure Module

The new benchmark in blood pressure and pulse measurement



TargetScale®

Body Analysis Scale with Target Function

Faster to your target weight with innovative technology

REPORT OF THE SUPERVISORY BOARD ON THE 2011 FINANCIAL YEAR

Dear shareholders,
Ladies and gentlemen,

In 2011, MEDISANA continued to implement the measures that it had identified in the previous year in order to create the foundation for the MEDISANA Group's long-term positive development. Among other measures, these included a focus on innovation and selected market segments. The Management Board was also given the task of gradually restructuring the international business. The MEDISANA Mobile Health area formed, and continues to form, a particular focus of further development. In the financial year elapsed, the company succeeded in expanding its lead on its competitors, and of adopting a pioneering role. The Supervisory Board monitored the implementation of these measures in close coordination with the Management Board and the auditor, and was available for consultation and advice.

In 2011, the Supervisory Board continued to fulfil the duties incumbent upon it pursuant to both the company's articles of incorporation and the law, in compliance with the rules of business procedure of the Management and Supervisory boards, as well as with the German Corporate Governance Code. We consulted continuously with the Management Board members, and supervised their activities. Using internal presentations and documents presented by the Management Board, we carefully reviewed corporate decisions of financial, organisational and legal significance within the context of the catalogue of transactions that require our approval. The Management Board members also reported to us promptly and extensively concerning matters referred to in Section 90 of the German Stock Corporation Act (AktG).

The Supervisory Board appointed Dr.-Ing. Heinrich Komesker as a Management Board member with effect as of January 1, 2011. As Chief Technology Officer (CTO), he was given responsibility for the management of the Research & Development, Product and Quality Management, and Production areas. Dr. Komesker was previously a member for many years of the Supervisory Board. The Supervisory Board would like to take this opportunity to extend their thanks to him for his commitment, and looks forward to continuing to work together with him on the basis of trust and confidence. At the first Supervisory Board meeting of 2011, on February 15, 2011, Mr. Heinz-Peter J. Sprecht was elected as Deputy Supervisory Board Chairman of MEDISANA AG, after the Düsseldorf District Court had appointed him as a member of the Supervisory Board on January 18, 2011. Mr. Thies G. J. Goldberg was confirmed as the Chairman at this meeting.

A total of six meetings were attended in person in the 2011 financial year, and two Supervisory Board meetings were held by telephone. The Supervisory Board reviewed and queried the information that the Management Board had provided within the context of meetings, and in one-on-one discussions, particularly between the Supervisory Board Chairman and the management. For the purposes of Supervisory Board consultations further information was drawn from external sources, senior MEDISANA AG staff members, and the auditors. The Supervisory Board formed its own impressions of corporate trends on this basis, which it utilised to establish its opinions and decisions. We continued to self-assess the efficiency of our work in accordance with the efficiency principle.

SUPERVISORY BOARD MEETINGS IN 2011

At all of the meetings convened in 2011, the Management Board of MEDISANA AG informed the Supervisory Board in detail concerning current business trends and all significant corporate activities, and about the Management Board's liquidity planning and investment plans. Minutes were taken of further meeting topics, and are summarised below.

February 15, 2011

- Confirmation of the appointment of Mr. Heinz-Peter J. Specht as a Supervisory Board member
- Election of the Supervisory Board Chairman and Deputy Chairman
- Discussion of 2010 business trends and prospects for 2011

May 5, 2011

- A status report on the financial statements for the single entity for the 2010 financial year
- Presentation of the preliminary 2010 consolidated financial statements
- Management Board report on business trends in the first quarter of 2011
- Separation from Royal Appliance International GmbH

June 20, 2011

- Presentation of the 2010 single-entity financial statements by Warth & Klein auditors
- Approval by the Supervisory Board of the 2010 single-entity financial statements
- Management Board report on the 2010 consolidated financial statements

June 24, 2011

- In the Supervisory Board telephone meeting with the Management Board, the Management Board reported on the current status of work on the 2010 consolidated financial statements, and responded to Supervisory Board questions

August 8, 2011

- In this Supervisory Board telephone meeting, which also included the Management Board and the auditor, an in-depth discussion was held concerning the documents for the 2010 consolidated financial statements, including the audit report that had previously been submitted to the Supervisory Board, and Supervisory Board questions were answered. The Supervisory Board approved without objections the audited consolidated financial statements and the Group management report for MEDISANA AG as of December 31, 2010.

September 2, 12011, preceding the Annual General Meeting

- Management Board report on the unwinding of the Gimelli transaction
- Management Board report on the capital increase against non-cash capital contributions

September 21, 2011, in the afternoon following the Annual General Meeting

- Analysis and evaluation of the course of the Annual General Meeting, the voting results, and shareholders' questions.
- Management Board report on 2011 business trends up to and including July, and focus report on Gimelli

December 16, 2011

- Outlook on business trends in the fourth quarter of 2011, and the expected annual 2011 results for the single entity and the Group
- Management Board report on the 2011 financial statements and the change of the auditor
- Management Board report on VitaDock and core business trends
- Management Board report on the restructuring of international activities and on the IP portfolio
- 2012 budget – single entity and Group
- Review of the rules of business procedure for the Management and Supervisory boards
- Coordination of 2012 calendar dates

All Supervisory and Management board members attended all of the actual or telephone meetings. Since the Supervisory Board continued to consist of three individuals in the 2011 financial year, it continued to form no committees in order to ensure that it worked efficiently. In the year under review, the Supervisory Board monitored compliance with existing and new German Corporate Governance Code regulations. The 2011 statement of compliance according to Article 161 of the German Companies Act in combination with the German Corporate Governance Code is reproduced accordingly in the annual report in the Corporate Governance chapter as part of the "Corporate governance statement", and is published on the Internet at www.medisana.de.

AUDIT OF THE 2011 SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

At the Ordinary AGM on September 21, 2011, BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, was elected as the auditor of the single-entity and consolidated financial statements for the 2011 financial year. The Supervisory Board awarded the corresponding audit mandate (for both the consolidated and single-entity financial statements) while setting out clear rules for the specifics of the mandate, and how the auditor should work together with the Supervisory Board.

BDO AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the 2011 single-entity annual financial statements, which the Management Board prepared according to German Commercial Code (HGB) accounting regulations, and the 2011 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 consolidated financial statements of MEDISANA AG as of December 31, 2011, were made available to the Supervisory Board before its meeting on May 2, 2012, and were discussed in detail together with the Management Board and the auditor. The auditor reported on the current audit process, and responded to Supervisory Board queries. At the same time, the Management Board reported on the 2011 financial year. Significant matters relating to the consolidated financial statements were also discussed with the auditor. The Supervisory Board noted all of the audit results with approval, and for its part reviewed in detail the audited single-entity annual financial statements and the consolidated financial statements, as well as the management reports for both the single entity and the Group. In-depth discussions were held concerning all of the documents requiring auditing.

After all of the Supervisory Board's questions relating to the financial statements and the audit work had been answered, the Supervisory Board approved without objections the audited single-entity annual financial statements and the consolidated financial statements, as well as the single-entity management and Group management reports, for MEDISANA AG as of December 31, 2011. The 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 2011 financial year.

CHANGES TO THE MANAGEMENT AND SUPERVISORY BOARDS

In the 2011 financial year, Dr.-Ing. Heinrich Komesker stepped down from the Supervisory Board, and was appointed an additional Management Board member with effect as of January 1, 2011. Mr. Heinz-Peter J. Specht was court-appointed to as a new Supervisory Board member. Mr. Specht's appointment was confirmed by his being elected a Supervisory Board member by the Annual General Meeting on September 21, 2011.

THANKS

Joint efforts over the past months have brought the development of the MEDISANA Group further ahead. We, as the Supervisory Board, would like to thank all MEDISANA staff members who have contributed to this development with their great energy and commitment.

Hamburg, May 2012

Thies G. J. Goldberg
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Pursuant to Section 3.10 of the German Corporate Governance Code, the Management Board – including also on behalf of the Supervisory Board – reports on corporate governance at MEDISANA AG. As a German public stock corporation based at Neuss, Germany, MEDISANA AG is subject to the German Stock Corporation Act (AktG). This act precisely regulates the roles of the company's controlling bodies, in other words those of the Supervisory Board, the Management Board, and the Shareholders' General Meeting, and their interplay.

MEDISANA places a high priority on the Corporate Governance Code guidelines, and takes them into consideration as part of its responsible and long-term oriented corporate management. The primary objective in this context is to secure the company as a going concern in combination with sustainable value creation.

The Management and Supervisory boards are convinced that transparency as part of corporate governance represents a significant factor for corporate success and the fostering of trust and confidence among customers, investors, analysts, business partners, staff members and the public.

All information about the manner in which such transparency is achieved is available on the company's website (www.medisana.de). Along with financial reports, scheduled and unscheduled press releases, and studies about the company, information about the AGM, including notarised minutes, as well as the following current statement of compliance for 2011, in addition to those for previous years, can also be downloaded from the website.

1. DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) OF DECEMBER 15, 2011

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

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

Given this, the Management and Supervisory boards of MEDISANA AG declare that the recommendations of the government-commissioned German Corporate Governance Code in the version of May 26, 2010, have been adhered to since the submission of the last statement of compliance, and will be adhered to in future, with the following provisions:

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

The German Corporate Governance Code (Code Article 3.8) recommends that, in directors' and officers' liability insurance policies (D&O) that the company takes out for supervisory board members, the company agrees a corresponding deductible. The respective D&O insurance cover that MEDISANA AG has taken out includes a deductible equivalent to the respective annual compensation of the Supervisory Board member. MEDISANA AG is of the opinion that it complies with the Code with this regulation, and does not take the view that are higher deductible improves the commitment and sense of responsibility of the Supervisory Board members with which they pursue their duties. At the end of the current periods of office, or in the case of new elections, such arrangements will be reviewed before reinstatement, particularly with regard to the legal circumstances prevailing at the time.

The company's boards should set age limits for their members. The Management Board (Code Article 5.1.2) and the Supervisory Board (Code Article 5.4.1) refrain from determining age limits because, firstly, individuals are appointed on the basis of their knowledge, aptitude and expertise, and, secondly, because the current age structure does not necessitate a limitation.

According to Code Article 5.1.2, the Supervisory Board should also give consideration to diversity in the composition of the Management Board, and, in particular, aim for an appropriate inclusion of women. This recommendation is currently not complied with, since there were no appropriate women candidates for the available positions when the last appointments were made to the Management Board. The Supervisory Board will examine the extent to which this recommendation is complied with in the future.

According to Code Article 5.3, the Supervisory Board should form an audit committee and further committees. The Supervisory Board has formed no committees, including no audit committee. With only three members, the Supervisory Board is purposely kept small due to the company's size, and in order to achieve a high level of efficiency. All of the important matters in the focal topics mentioned in the Code are handled intensively within the entire Supervisory Board. For this reason, the Supervisory Board has refrained from forming committees.

According to Code Article 5.4.1, the supervisory board should set specific targets for its composition that take into account the company's specific situation, its international activities, potential conflicts of interest, fixed age limits for supervisory board members, and diversity. In particular, these targets should include an appropriate involvement of women. This recommendation is currently not complied with. In the view of the Supervisory Board of MEDISANA AG, such targets are not required for the Supervisory Board's successful and effective work. The Supervisory Board will examine the extent to which this recommendation can be complied with in the future.

Article 5.4.6 of the German Corporate Governance Code recommends that both fixed and performance-related compensation is agreed for supervisory board members. The existing regulation concerning fixed compensation has proved itself, and the Management and Supervisory boards assume that performance-based compensation for the Supervisory Board members does not support their controlling function. Above and beyond this, this compensation regulation was approved by the company's AGM, and is anchored within its articles of incorporation. The company is bound by such regulations issued by the AGM.

Regarding the publication of reports, according to Code Article 7.1.2 it is recommended that the annual consolidated financial statements be made available within 90 days, and interim reports within 45 days. For organisational reasons, the company has exceeded these publication deadlines for the annual consolidated financial

statements, since a large number of single-entity financial statements and information from both the German and foreign subsidiaries must be gathered to generate the Group data. Due to their comparatively small size and local regulations, the preparation of the foreign subsidiaries' single-entity financial statements are subject to a high level of administrative expenditure. The annual consolidated financial statements are published as soon as they have been prepared. We strive to adhere to the recommended disclosure periods in the Code of 90 days after the conclusion of each reporting period.

2. MANAGEMENT BOARD COMPENSATION REPORT

Mitglieder des Vorstands sind:

Ralf Lindner	Chief Executive Officer	Appointed until September 30, 2015
Marco Getz	Management Board member	Appointed until September 30, 2015
Dr.-Ing. Heinrich Komesker	Management Board member	Appointed until December 31, 2015

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 2011 financial year, the Management Board received TEUR 571 of fixed compensation, and EUR 15,000 of variable compensation. As a consequence, total Management Board compensation stood at TEUR 586 for the 2011 financial year (previous year: TEUR 320).

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 99.26% of the represented voting capital, the Annual General Meeting of August 24, 2006 made use of the option not to publish such detailed information pursuant to Section 285 Clause 1 Number 9 Letter a Clauses 5 to 9 and Section 314 (1) Number 6 Letter a Clauses 5 to 9 of the German Commercial Code (HGB).

3. SUPERVISORY BOARD COMPENSATION REPORT

The Supervisory Board of MEDISANA AG consists of three members. Mr. Thies G.J. Goldberg and Dr. Matthias Hartz were elected by the Ordinary AGM of August 23, 2007. Mr. Heinz-Peter J. Specht was appointed to the Supervisory Board by a ruling of the Düsseldorf District Court of January 18, 2011, and elected to the Supervisory Board of MEDISANA AG at the first Supervisory Board meeting of the year on February 15, 2011. The period of office of all Supervisory Board members runs until the end of the AGM on June 26, 2012, which decides concerning the discharge of the Supervisory Board members for the 2011 financial year.

The members of the Supervisory Board in the 2011 financial year were as follows:

Thies G. J. Goldberg	Chairman, management consultant, Hamburg
Heinz-Peter J. Specht	Deputy Chairman, management consultant, Munich
Dr. Matthias Hartz	Lawyer, Hergiswil

Besides reimbursement of their expenses, Supervisory Board members also receive compensation pursuant to Section 13 of the articles of incorporation. New regulations about such compensation were agreed at the AGM on September 21, 2011. It consists of a fixed component, and of a component depends on the number of meetings ("meeting fee"). The fixed component amounts to EUR 5,000.00 per annum. The Supervisory Board Chairman receives twice this amount, and the Deputy Chairman receives one and a half times the fixed compensation.

The meeting fee amounts to EUR 1,000.00 per meeting which the Supervisory Board members attend in person, or per committee meeting, and EUR 500.00 for each meeting of the Supervisory Board, or of its committees, conducted by telephone. No additional meeting fees are paid if several meetings occur on one day, or on consecutive days. Since only one meeting in which Supervisory Board members were in person attendance occurred after this AGM resolution, the Supervisory Board members each received meeting fees of EUR 1,000.00 for 2011. Supervisory Board compensation pursuant to the articles of incorporation was consequently composed as follows for the 2011 financial year:

Thies G. J. Goldberg EUR 11,000.00
Heinz-Peter J. Specht EUR 6,000.00
Dr. Matthias Hartz EUR 6,000.00

4. OWNERSHIP AND TRADING OF SHARES AND FINANCIAL INSTRUMENTS

Ownership of shares and financial instruments

In each case, the company reports in its annual and interim reports the shareholdings of board members, and the ownership of options as part of the Stock Option Program approved by the ordinary AGM on June 26, 2009, which are based on the company's share.

As of December 31, 2011, board members' shareholdings were reported as follows compared with the previous year.

Shareholdings [1] of board members	Mandate	31.12.2010	31.12.2011
Ralf Lindner	Chairman of the Management Board (CEO)	2,131,656	2,151,506
Dr.-Ing. Heinrich Komesker	Management Board member	60,650	40,095
Marco Getz	Management Board member	0	10,000
Thies G. J. Goldberg	Chairman of the Supervisory Board	930,000	930,000
Dr. Matthias Hartz	Supervisory Board member	365,400	365,400
Total		**3,487,706**	**3,497,001**

1) In each case, total from direct or attributable share ownership

Securities transactions requiring mandatory reporting

The company publishes all directors' dealings requiring publication on its website at http://www.medisana.de/directorsdealings.html, and makes this information available for at least 12 months after publication.

The following directors' dealings requiring mandatory publication were performed and published in the 2011 financial year:

Name	Transaction	Trade date	Number	Price in EUR
Marco Getz, Management Board member	Purchase	01.08.2011	10,000	1.86
Cedar Holdings GmbH (Legal entity related to Ralph Lindner, Management Board member)	Purchase	09.12.2011	19,850	1.68

Other

MEDISANA AG has taken out directors' and officers' liability insurance policies for the members of the Management and Supervisory boards. Such cover includes a deductible equivalent to the annual compensation of the Supervisory Board members. For each of the Management Board members, a deductible pursuant to the regulations of Section 93 (2) Clause 3 of the German Stock Corporation Act (AktG) has been agreed.

Accounting

Shareholders and third parties are primarily informed through the annual consolidated financial statements. During the financial year, they are informed about the company's development through the mid-year report as well as the first-quarter and third-quarter interim reports. The annual consolidated financial statements, the mid-year report, and interim reports are prepared in compliance with internationally recognised accounting principles. The annual consolidated financial statements are compiled by the Management Board and are reviewed by both the Supervisory Board and the auditor.

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 27, 2012

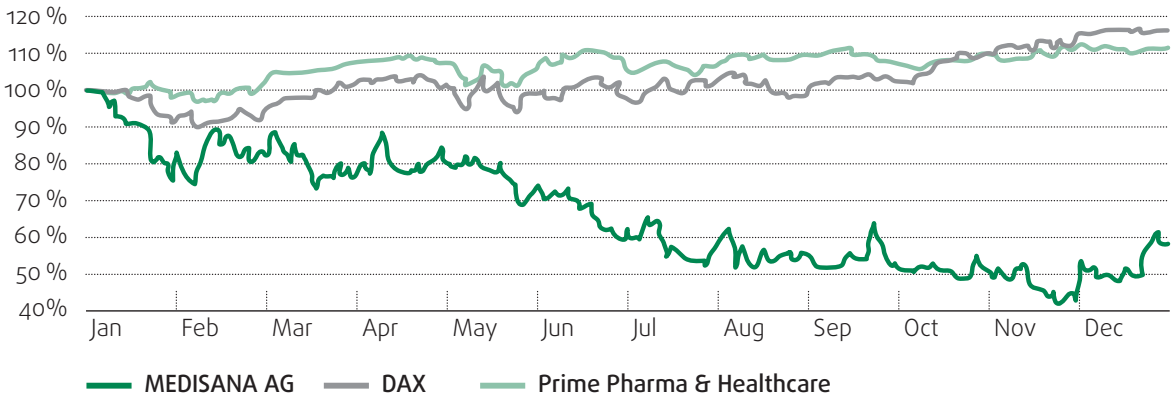
Ralf Lindner
Management Board Chairman (CEO)
of MEDISANA AG

Marco Getz
Management Board member
of MEDISANA AG

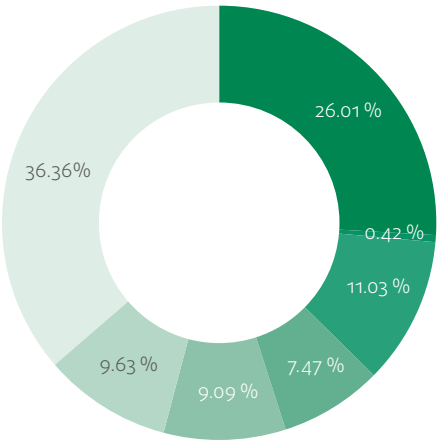
Dr.-Ing. Heinrich Komesker
Management Board member
of MEDISANA AG

MEDISANA STOCK

In the 2011 financial year the MEDISANA share diverged from the performance of the relevant comparable indices: the DAX (German equities index) and the Prime Pharma & Health Care (health care sector companies from all stock market segments). The shares' first quotation on January 3 and EUR 3.29 also represented the MEDISANA share price high for 2011, having performed well in the previous year. The low for the year of EUR 1.36 was reached on November 24, with the shares subsequently recovering to EUR 1.94 on December 30. As a consequence, the MEDISANA share depreciated by around 40% in total over the course of the year, while the DAX appreciated by around 16%, and the Prime Pharma & Health Care index was up by 11%.



Key data for the MEDISANA share as of December 31, 2011	
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
- Ralf Lindner
- Raptor Beteiligungsgesellschaft mbH, Attributable to Thies J.G. Goldberg, Supervisory Board Chairman
- MEDISANA AG (treasury shares)
- Superb Walth Investments Limited
- Pacific Century Investments Limited
- Free Float, of which
  Dr. Hartz 4.33%
  Dr. Komesker 0.48%

MEDISANA quarterly share price performance (EUR)						
				2011		2010
	Q4	Q3	Q2	Q1	Q4	Q3
High	2.10	2.17	2.90	3.44	3.95	4.10
Low	1.36	1.74	1.93	2.36	2.98	2.66
Price at quarter-end	1.94	1.75	2.06	2.59	3.12	3.94
Number of shares (capital stock)	8,430,327	7,664,327	7,664,327	7,664,327	7,664,327	7,664,327
Market capitalisation in EUR million	16.35	13.41	15.79	19.85	23.91	30.20
Average daily turnover in number of shares (XETRA & Frankfurt)	2,480	2,281	2,194	9,617	2,577	4,194
EPS (earnings per share)	0.33	-0.23	-0.05	-0.08	-0.55	-0.08

INVESTOR RELATIONS ACTIVITIES

In the year under review, the MEDISANA Management Board concentrated on implementing its corporate strategy, achieving a very positive solution for its former interest in Gimelli, and driving further ahead with the marketing of new products, particularly in the VitaDock series. As a consequence, the foundations were laid for tangibly boosting the shares' attractiveness for investors. Investor relations and PR activities were expanded continuously from the start of the second quarter of 2012.

As part of the AGM which was held in Düsseldorf on September 21, 2011, the Management Board informed shareholders about the events and trends of both the past and the present financial year. The shareholders accepted the management's proposals with clear majorities, and supported the path of the Management Board had adopted.

Media interest in the company, and particularly in its new products, has risen considerably. In particular, the two new product series VitaDock and iHealth, which are combined under the umbrella of MEDISANA Mobile Health, formed the focus of reporting. Both new lines comprise innovative health care products for mobile applications. MEDISANA is assuming a clear pioneering role in this context. Fielding its VitaDock line, MEDISANA received the highly coveted IT Innovation Prize awarded by the German Medium-Sized Companies Initiative at the 2012 CeBIT trade fair.

The Management Board is also combining a greater level of investor relations activities with the anticipated success of its Mobile Health area. Communication with financial journalists and investors is being intensified over the course of 2012, and the company is planning a presentation as part of various events. In this context, the Deutsche Börse AG's Entry and General Standard Conference to be held in Frankfurt am Main in May 2012 is regarded as an opening event to communicate the company's strategy and its potentials investors.

GROUP MANAGEMENT REPORT

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

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

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

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

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

MEDISANA is an internationally positioned group, which, besides its Group headquarters in Neuss, Germany, operates further corporate sites that serve lucrative foreign markets. MEDISANA has already highlighted the potential inherent in the Russian home health care market through its partnership in the MARS 500 Program. This long-term experiment being conducted by the Russian space agency Roskosmos and the European ESA simulates spaceflights to Mars, in order to investigate health, psychological and environmental questions. MEDISANA AG has provided a total of more than 50 different devices as part of this programme, including those for blood sugar measurement, pain therapy, infrared lamps, and massage devices. Response from the population, as well as media interest, have confirmed to MEDISANA AG the enormous potential of the attractive Russian market.

A constant increase in internationalisation forms a key building block as part of the company's strategy which is aimed primarily at international growth, related economies of scale, and the extensive market launch of the new mobile health measurement instruments. A further important component of the strategy is highlighted particularly on the basis of the new health care measurement devices: the aim is to achieve innovation leadership within the sector by means of high quality standards and the developmental 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, 2011 balance sheet date, of nine subsidiaries and four second-tier subsidiaries, of which the second-tier subsidiary MEDISANA Saglik Ürünleri Ltd., Istanbul, is in liquidation. All companies comprise sales companies, with the exception of MEDISANA Space Technologies GmbH, which currently focuses on developing software and hardware for mobile health care products. Please refer to the notes to the consolidated financial statements for more details.

Management and Supervisory boards

Changes occurred to both the Supervisory and Management boards in the year under review. In light of the company's strong growth and growing international orientation, Dr.-Ing. Heinrich Komesker was appointed as the third Management Board member as of January 1, 2011. He was given responsibility for the management of the Research & Development, Product and Quality Management, and Production areas. Dr. Komesker had previously served as a Supervisory Board member for many years. Heinz-Peter J. Specht, an independent management consultant from Munich, was appointed to be a Supervisory Board member to replace him. In the 2011 financial year, the Supervisory Board was composed of its Chairman, Thies G. J. Goldberg, its Deputy Chairman Heinz-Peter J. Specht, and Dr. Matthias Hartz. The Supervisory Board monitored the management of the company by the Management Board, and made itself available to it for consultation.

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.

MEDISANA AG Management and Supervisory boards – composition

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

Supervisory Board		
	Chairman of the Supervisory Board	Deputy Supervisory Board Chairman
Dr. Matthias Hartz	Thies G. J. Goldberg	Heinz-Peter J. Specht

2. COMPENSATION REPORT

Supervisory Board members receive fixed compensation of TEUR 5 per year, with the Supervisory Board Chairman being entitled to double this amount. The Supervisory Board was correspondingly paid a total of TEUR 20 of fixed compensation in the 2011 financial year. The Supervisory Board also received a total of TEUR 3 of meeting fees based on the AGM resolution of September 21, 2011.

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 2011 financial year, the Management Board received TEUR 571 of fixed compensation, and TEUR 15 of variable compensation. In this context, no stock options were issued, either from the Stock Option Program 2009 as part of a remaining 50,000 unissued options, or from the Stock Option Program 2010. As a consequence, total Management Board compensation stood at TEUR 586 for the 2011 financial year (previous year: TEUR 320).

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 Number 9 Letter a Clauses 5 to 8 as well as Article 314 Paragraph 1 Number 6 Letter a Clauses 5 to 8 of the German Commercial Code. As a consequence of this resolution, no detailed disclosures are made relating to Management Board compensation for the 2011 until 2015 financial years inclusive.

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

Stock market listing

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

Capital stock

In the fourth quarter of 2011, the company successfully concluded the sale of its 51% interest in Gimelli Laboratories Co. Ltd., Hong Kong. The transaction entailed the return to MEDISANA AG of the purchase price of USD 2.8 million and 630,000 MEDISANA shares that it originally rendered for its shares in Gimelli. As a consequence, this transaction was in accordance with the terms on which the interest was acquired in 2009.

In addition, the company, as planned, increased its capital stock by 760,000 shares, with a value of EUR 2,681,000. This capital measure was performed against a loan as a non-cash capital contribution under exclusion of subscription rights, corresponding to a consideration of EUR 3.50 per share. The new shares were subscribe for in their entirety by Superb Wealth Investments Ltd., Hong Kong, which now holds 9.09% of the total voting rights. The capital stock of MEDISANA AG amounted to EUR 8,430,327 as of the reporting date. Superb Wealth Investments Ltd became aware of MEDISANA as part of the development and marketing of mobile health care product innovations, and to this extent aims with its interest to pursue its objective of participating in the expected growth of this new market segment.

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-up of the company (Section 271 AktG), and the right to subscribe to shares in the case of capital increase is (Section 186 (1) AktG). Rights relating to the administration of the company concerned the right to participate in the Shareholders' General Meeting, the right to speak there, the right to submit questions and motions, and the right to exercise voting rights. Shareholders are entitled to enforce such rights through legal actions for information, or actions to rescind.

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

The following direct or indirect investments in the company's capital stock, which exceed 10% 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, 2011 balance sheet date in relation to the number of total outstanding shares on the balance sheet date):

Interest	Notifications
25.52 %	Cedar Holdings GmbH, Neuss, Interest attributable to Mr. Ralf Linder, Chairman of the Management Board
11.03 %	Raptor Beteiligungsgesellschaft mbH, Hamburg, Interest attributable to Mr. Thies Goldberg, Supervisory Board member

Authorisation to issue new shares / Approved capital and Conditional capital

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

New conditional capital of up to EUR 3,832,163.00 was created through an AGM resolution of June 29, 2010. This resolution authorised the Management Board to increase the company's capital stock, with Supervisory Board approval, until June 28, 2015 through issuing up to 3,832,163 new ordinary bearer shares, once or on several occasions, against cash and/or non-cash Capital contributions, by up to a total of EUR 3,832,163.00. With Supervisory Board approval, the Management Board is authorised to exclude subscription rights in certain instances.

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

The AGM of June 29, 2010 also approved with a 99.99% approval ratio of the represented voting-entitled capital the introduction of Stock Option Program 2010. With Supervisory Board approval, 260,000 options can be issued until June 28, 2013 to current or future employees of the company, members of the Management Board, and to members of management boards and employees of current or future associated companies, which entitle the recipients to acquire new shares in MEDISANA AG. This Stock Option Program was not utilised in the year under review. The options can be serviced from conditional capital to be created in future, from existing or future approved capital, or from existing shares. Cash settlement can also be granted to the individuals entitled to subscribe on the option exercise according to the company's choice.

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

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

Resolution concerning the authorisation to deploy derivatives as part of the purchase and sale of treasury shares pursuant to Section 71 (1) Number 8 of the German Stock Corporation Act (AktG) under exclusion of shareholders' subscription rights and put rights

The AGM of September 21, 2011, also authorised the company, by way of a supplement to the authorisation to be passed to acquire treasury shares pursuant to Section 71 (1) Number 8 of the German Stock Corporation Act (AktG), to also acquire and sell treasury shares by deploying derivatives. With Supervisory Board approval, options can be sold that obligate the company to acquire treasury shares when exercising the option (put options), options can be acquired and exercised that entitle the company to acquire treasury shares when exercising the option (call options), forward purchase agreements for treasury shares can be concluded where more than two stock market trading days lie between the conclusion of the purchase agreement and the delivery of the acquired shares (forward purchases), and treasury shares can be acquired by deploying a combination of such derivatives (all of the aforementioned structures are referred to below as "equity derivatives").

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

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

The appointment to and recall from office of Management Board members is performed according to Sections 84 et seq. of the German Stock Corporation Act (AktG), and according to Section 6 of the articles of incorporation. According to the articles of incorporation, the Management Board consists of one or several persons, whereby the Supervisory Board determines the number of members of the Management Board according to statutory regulations. The Supervisory Board may nominate one Management Board member to be the chairperson of the Management Board, as well as deputy Management Board members. Pursuant to statutory regulations, the

Supervisory Board appoints Management Board members for a maximum period of five years. Multiple appointments may be made, or periods of office may be extended, in each case for a maximum period of five years.

Amendments to the company's articles of incorporation

The Supervisory Board is 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) Number N 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

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

4. MACROECONOMIC ENVIRONMENT

- **Euro crisis feeds through to slower growth**
- **Emerging economies, particularly China, become more firmly established as stabilising factors for the global economy**
- **Germany largely immune to the European crisis**

Including on a global basis, 2011 was characterised by the euro and debt crisis impacting European states. Growing uncertainty, downgrades by American rating agencies of some countries, and various crisis summits deemed as innocuous fed through to a loss of confidence in the euro. European and Asian stock markets were also affected by this uncertainty. The EUROSTOXX index quoted at 2,308 points on December 30, 2011, 18.5% lower than at the start of the year. At the close of the year, the DAX index was also 15.6% down on its level at the start of the year, and the Nikkei225 even relinquished as much as 17.3%. The American Dow Jones index nevertheless benefited from the euro weakness, and appreciated by 4.7%.

Despite economic and political tensions, the International Monetary Fund (IMF) is assuming 4.0% growth for 2011, compared with 3.9% in the previous year. So-called emerging economies, particularly China, played a significant role in global demand, averting a growth slowdown. China is also the USA's largest trade partner, for which 1.6% growth is forecast. Forecasts anticipate that China's economic output will grow by 9%, and a slight fall in Japan's economy of -0.4%.

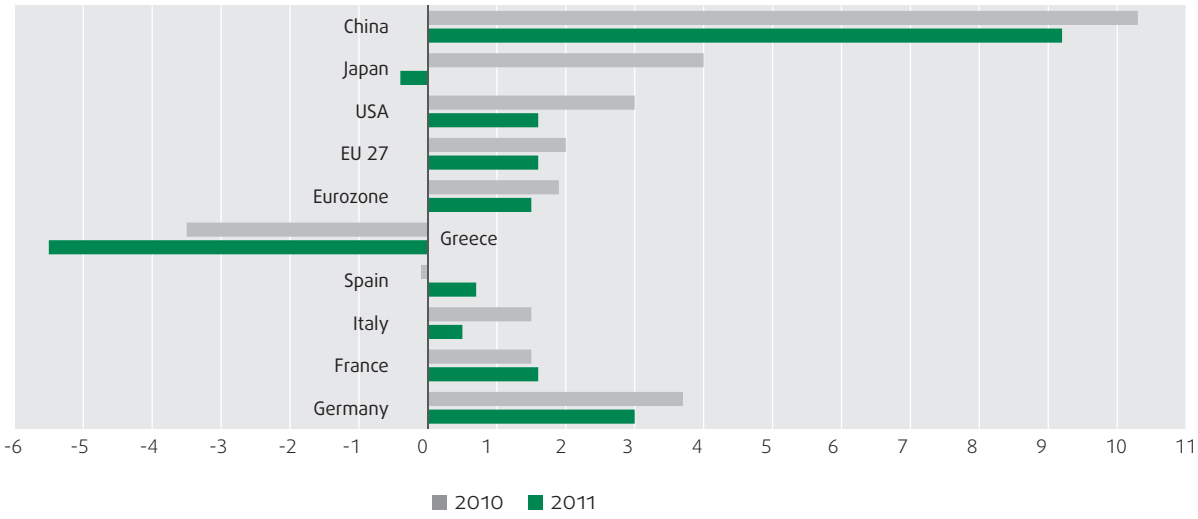
Europe and Germany

European countries suffered the consequences of the financial crisis, and implemented various measures to stabilise the Eurozone due to a potential bankruptcy of Greece. Lenders to Greece consequently agreed to a 53.5% cut in the value of their loans, a reform of the core capital ratios required by European banks, and closer coordination of economic and fiscal policies. The European Central Bank will also waive some of its returns on Greek sovereign bonds. To counter this, pressure on Greece was maintained. Athens agreed to set up a trust account for some tax income from which payments to creditors are to be served. Greece's indebtedness is to be reduced from more than 160% of GDP to almost 120% of GDP by 2020.

The euro crisis fed the scepticism of companies, consumers and markets, resulting in significantly lower growth expectations for 2011. The International Monetary Fund (IMF) downgraded its Eurozone economic forecast from 4.0% to 3.25%. This downgrade was justified with the great savings efforts made by countries to master the debt crisis. The European Commission expects 1.6% growth for the EU states. The European Central Bank (ECB) held its key interest rate at 1.0% of the end of the year, having reduced it to 1.5% in July 2011. Despite high liquidity on markets, the key interest rate was kept low to promote investment and economic growth.

Germany continued to report stable growth of 3.0% in a difficult 2011. This growth was driven by higher private and state consumption spending, which were up by 3.7% and 2.7% respectively, 11.1% export volume growth, and an 8.3% increase in gross investments. Employees and private households also participated in the economic upturn: disposable household incomes grew by 3.3%, while corporate and investment income increased by 1.5% compared with 2010. This income growth was nevertheless almost fully consumed by a 2.3% year-on-year inflation rate. As shown by the comparison with the two previous years (2009: 0.4%; 2010: 1.1%), inflation gathers significant momentum within a short period. Higher energy prices were primarily responsible for this increase, reporting tangible growth of 10.0%. Annual inflation would be only 1.3% if energy price increases were excluded from the calculation.

At the same time, the economic upswing fed through to a stable labour market situation and an upturn in employment. The number of individuals in employment stands at the highest level since German reunification. Fewer than three million of the working population were registered as unemployed, 260,000 less than in the previous year. The seasonally-adjusted and normal winter increase in unemployment was also lower than in the previous years. In December 2011, 2.78 million individuals were unemployed: although this is 67,000 fewer than in the previous month, it nevertheless reflects 231,000 less individuals than in December 2010.



Global growth rates

Source: Destatis (German Federal Statistical Office); Deutsche Wirtschaft 2011, p. 10

Health care market

The health care market remains a growth market, offering outstanding prospects to export-oriented companies in Germany, particularly from the pharmaceuticals and medical technology sectors. The global health care market is set to grow by 6% annually to up to USD 20 billion by 2030, according to a study produced by Roland Berger management consultants. The study entitled "Global health care economy – opportunities for Germany" attributes great export growth potential to the German health care sector, in particular.

The most important parameters relating to global health care spending growth are the growing world population, and rising per capita health care spending. The global population is forecast to grow from 6.7 billion individuals in 2008 to 8.3 billion in 2030. At the same time, average per capita health care spending is set to increase by around 6% per year. Some countries such as Russia and China will even achieve double these annual growth rate of 13% and 12% respectively.

It is noteworthy that the health care sector in most countries is growing faster than gross domestic product (GDP). Among other factors, this is due to demographic trend towards an ageing global population, an increase in chronic illnesses due to civilisation influences, as well as technological progress and growing purchasing power among the population. Particularly in industrial countries, but also increasingly in emerging economies, this growth is also being supported by a constant rise in health awareness in society, and the related willingness of individuals to invest in their own health care.

The number of people employed in the health care sector in Germany also grew by around 4.8 million in 2010, according to data provided by the German Federal Statistical Office (Destatis). As a consequence, around every one in nine German citizens works in this area. According to further information provided by Destatis, there were consequently around 90,000 more jobs in the health care sector in 2010 than in the previous year. This corresponds to 1.9% growth in jobs.

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

The German Association of Medical Technology Manufacturers (Spectaris) anticipates sales to grow by around 6% in 2011 to total EUR 21.1 billion. Sales in Germany are expected to amount to around EUR 7.4 billion, reflecting almost 3% year-on-year growth. International business is set to grow by 7%, however. It is expected that planned savings on spending in the health care sector in some European countries precipitated by the financial and economic crisis will be offset by high sales growth in other countries or regions such as Asia. Here, growth of up to 13% is anticipated. At 8%, growth in the North American business is also set to exceed the average. Around 20% of German medical technology exports go to each of these regions.

In 2011, investments in the health care area lived up to their reputation as defensive and sustainable stocks, significantly outperforming the market in the face of turbulent conditions worldwide. The MSCI World Health Index was up by 10.3%, while the MSCI World Index was down by 4.7%. The generally weak economic situation put the brakes on even stronger growth in the health care sector.

5. COMPETITION

The German healthcare sector is an economic sector that exhibits high growth and innovative strength, as well as considerable economic significance for Germany as an business location. On the health care market, a large number of suppliers each with small market shares face many buyers: the market is polypolistic. The health care market is a growth market, with high forecast growth rates of 6% annually until 2030. The opportunities this competitive market offers attract many companies. Along with traditional providers such as pharmaceutical companies and medical technology companies, pharmacy chains and discounters sell over-the-counter remedies, as well as medical technology products in some cases. Price pressure is a consequence in some areas. Stronger consolidation trends are emerging on the market.

Many market participants are boosting their activities on the so-called Second Health Care Market, which, along with purely privately financed health care products and services, also comprises medically inessential medical services, referred to as "individual health care services". According to a 2007 study produced by Roland Berger management consultants, 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 AG's business activities are primarily located in the home health care area, a niche market within the health care sector. The company is significantly differentiated from its competitors. MEDISANA AG offers a broad portfolio of electronic health care devices, focuses clearly on home health care products, and boasts pronounced sales and marketing strengths.

Health care sector companies enjoy opportunities to further boost their exports in the growing health care market, according to information provided in a recent study compiled by management consultants Roland Berger. Medical products' share of total German exports stood at only 6.3% in 2008. Particularly in the pharmaceutical and medical technology sectors, however, Germany is registering ever-growing exports. In the target markets of the USA, Saudi Arabia, Russia and Poland, most medical technology products are imported from Germany. Roland Berger also identifies good potential in African countries, as well as in the English-speaking and Latin American world, however.

6. RESEARCH AND DEVELOPMENT

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

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

Innovation as one of the key growth-drivers

MEDISANA presented its two new product series, VitaDock and iHealth, at the world's largest medical trade fair, Medica, in November 2011. Under the banner of MEDISANA Mobile Health, these product lines stand for innovative health care products for mobile applications. These products allow classic health care measurement systems such as blood sugar measurement devices or body analysis scales to be coupled with an iPhone, iPod Touch or iPad, and the data to be evaluated. The customised software application (App) stores, processes and visualises all data recorded with the VitaDock measurement devices. This generates a personalised health care database that simplifies the monitoring of vital figures. Various diagnostic and analysis functions, such as according to the WHO Standards, help users to interpret the results. Important health care figures can be accessed, presented and communicated at any time.

The ability to send such data directly to doctors enables them to form a comprehensive picture of their patients' health conditions, allowing them to initiate targeted therapies.

Last year's important products

The most important product innovations in the Mobile Health area in 2011 included:

- CardioDock
- ThermoDock
- GlucoDock
- TargetScale Body analysis scale with target function
- iHealth Blood sugar measurement system

In the Home Health Care market area:

- Ecomed heating pad
- Digital tens stimulator TDP
- Abdominal muscle stimulator BOB

An amount of EUR 0.5 million was expensed in the research and development area in the 2011 financial year (previous year: EUR 0.5 million).

7. PURCHASING

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

Raw materials markets reported differing trends in 2011. While gold, as a crisis-proof precious metal, was up by 10.5%, copper, which is regarded as a classic economic barometer, quoted 21.5% lower than at the start of 2011. The crude oil price was priced at a low level on average in 2011, and at times relinquished around 12.0% of its value. The USA was the primary beneficiary of the low prices, while European markets hardly benefited due to the weakness of the euro. The oil price rallied to USD 98.90 per barrel at the end of the year (+8.1%).

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 AG to avoid unnecessary risk and cost positions. The company works constantly on reducing supplier costs while avoiding detrimental effects on supply quality. The global search for and assessment of new purchasing sources represents a further focal point.

It was impossible to achieve a linear reduction in purchasing prices during the reporting period due to the volatility of the US dollar. Along with higher oil-based raw materials prices, significant increases in wage levels and social costs in the Far East also negatively impacted purchasing prices.

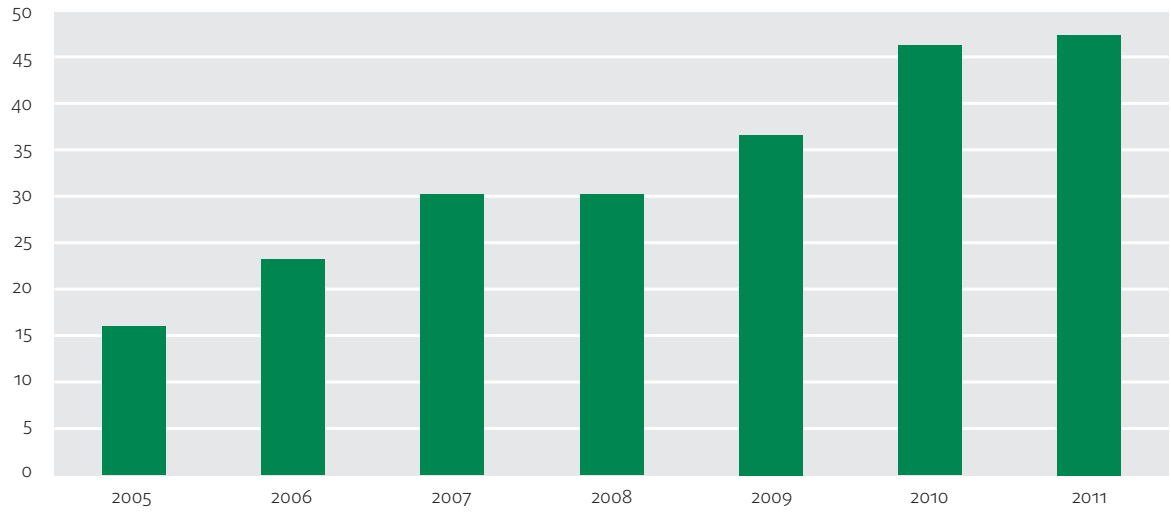
II. DEVELOPMENT OF BUSINESS OPERATIONS

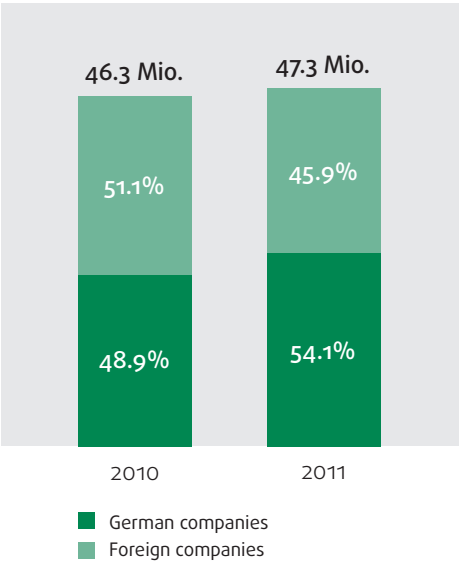
MEDISANA achieved slight revenue growth in the 2011 reporting year, although its interest in Gimelli was consolidated for only the January to September period. This significantly improved earnings, as planned. Product developments in the Home of Wellness, blood glucose and Mobile Health areas have been taken up very positively on the markets. The company continues to consistently implement and further develop its corporate strategy with its focus on mobile health.

1. REVENUE AND EARNINGS POSITIONS

MEDISANA grew its consolidated revenue by 2.2% in the year under review, from EUR 46.3 million to EUR 47.3 million. Of this amount, EUR 25.6 million was attributable to Germany (previous year: EUR 22.6 million), and EUR 21.7 million was attributable to revenue generated abroad (previous year: EUR 23.7 million).

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





Revenue in EUR millions: split between German and foreign companies

Despite high revenue, gross profits of EUR 11.3 million were 1.8% lower than in the previous year (EUR 11.5 million), due to a higher cost of sales. The additional costs are due to continued intense competition on relevant markets.

Operating expenses for the functional areas increased by EUR 0.3 million, or 2.1%, rising from EUR 14.6 million to EUR 14.9 million. Purchasing and warehousing costs were up by EUR 0.7 million to EUR 3.3 million (previous year: EUR 2.6 million) due to the revenue growth, and infrastructure restructuring in Neuss. Sales and marketing costs stood at EUR 6.9 million (previous year: EUR 7.1 million), and EUR 4.7 million was spent on administration (previous year: EUR 4.8 million).

Other operating expenses fell 46.1% to EUR 1.1 million (previous year: EUR 2.1 million). The 2010 figures still included special effects totalling EUR 1.7 million arising from impairment charges applied to customer relationships, goodwill and the patent for Gimelli Laboratories Co. Ltd. (Gimelli).

At EUR 4.3 million, other operating income was significantly higher than the previous year's EUR 1.6 million. This primarily reflected a deconsolidation gain of EUR 1.0 million arising from the disposal of the interest in Gimelli, and receivables waivers of EUR 0.9 million.

A significant overall improvement was reported at the earnings before interest and tax (EBIT) level, which amounted to EUR -0.4 million (previous year: EUR -3.6 million).

The net interest result improved by EUR 0.1 million to EUR -0.7 million.

Earnings before tax (EBT) stood at EUR -1.1 million (previous year: EUR -4.4 million). After EUR 0.2 million of taxes on income, the company reported total consolidated net income of EUR -0.9 million (previous year: EUR -7.1 million).

After minority earnings of EUR 0.5 million, earnings attributable to MEDISANA AG shareholders in 2011 amounted to EUR -0.4 million, representing a considerable improvement on the previous year (EUR -5.9 million). Earnings per share stood at EUR -0.05, compared with EUR -0.77 in the previous year.

2. FINANCIAL POSITION

The total consolidated assets of the MEDISANA Group fell by EUR 9.6 million to EUR 32.5 million. Of this amount, 33.7% (previous year: 25.2%) is financed by equity, and 66.3% (previous year: 74.8%) is financed by liabilities. The decline in total assets primarily reflects a reduction in non-current assets from EUR 10.3 million to EUR 5.5 million as a consequence of the disposal of the interest in Gimelli, and a reduction in current assets from EUR 31.7 million to EUR 27.0 million. Along with the consequences of the deconsolidation of Gimelli, this also reflected a reduction in accounts outstanding. 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 0.6 million as of the balance sheet date (previous year: EUR -8.7 million).

The company reduced the level of capital tied up in its business, as planned. Inventories were down by EUR 0.9 million, trade receivables fell by EUR 4.3 million, while other receivables increased by EUR 0.1 million. Trade payables reduced by EUR 1.9 million to EUR 9.9 million. Capital tied up fell by EUR 7.0 million overall.

After a EUR 6.5 million cash outflow from operating activities in the previous year, the MEDISANA Group generated a EUR 0.2 million cash inflow in the year under review, especially as a consequence of the significant earnings improvement. Investments in MEDISANA's non-current assets amounted to EUR 1.4 million, compared with EUR 1.2 million in the previous year. Of this amount, EUR 0.8 million was attributable to intangible assets (previous year: EUR 0.4 million), and EUR 0.6 million was attributable to tangible assets (previous year: EUR 0.8 million). Payments of EUR 1.8 million were also received from the sale of the interest in Gimelli (previous year: EUR 0.0 million). The total cash inflow from investing activities consequently amounted to EUR 0.4 million, following a EUR 1.0 million cash outflow in 2010.

The EUR 2.3 million cash inflow from financing activities, compared with EUR 4.7 million in the previous year, results mainly from the drawing down and redemption of short- and long-term borrowings, and the capital increase that MEDISANA AG conducted in 2011. The company received EUR 2.7 million of proceeds from the capital increase. Besides this, EUR 1.0 million of short-term loans were drawn down, and a total of EUR 3.3 million were repaid. Long-term loans of EUR 5.0 million were also drawn down, and EUR 3.1 million of long-term loans were repaid.

The liquid assets of EUR 1.6 million reported in the cash flow statement, compared with EUR -4.2 million in the previous year, correspond to the liquid assets of EUR 2.8 million reported in the balance sheet (previous year: EUR 3.6 million), less EUR 1.2 million of current account credits reported among current financial debt (previous year: EUR 7.8 million).

The Group also had at its disposal a EUR 19.3 million supplier credit line, of which EUR 13.0 million was utilised in the year under review (including loans). This ensures sufficient financing to secure the company's solvency. There were no external covenants as of the balance sheet date.

The financing costs vary according to the utilisation of variable payment targets on the basis of LIBOR. As a rule, currency exchange rate risk is limited using cost-free exchange rate hedging transactions immediately after goods have been ordered. Forward-plus contracts, in particular, were used for this purpose in 2011. The term for all contracts amounts to less than 12 months from the balance sheet date.

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 term, currency and interest structures, about the interest-rate level, as well as concerning important borrowing terms.

3. NET ASSETS

The total consolidated assets of the MEDISANA Group declined by EUR 9.6 million in the 2011 financial year, from EUR 42.1 million to EUR 32.5 million. On the assets side of the balance sheet, non-current assets fell significantly from EUR 10.4 million to EUR 5.5 million, mainly due to the change in goodwill. Goodwill dropped markedly to EUR 1.1 million (previous year: EUR 5.0 million) due to the sale of the interest in Gimelli. Intangible assets were almost unchanged at EUR 2.0 million (previous year: EUR 2.1 million). Non-current tangible assets fell from EUR 1.7 million in the previous year to EUR 0.9 million in the year under review.

Current assets were also down from EUR 31.7 million to EUR 27.0 million. This is mainly due to a reduction in trade receivables from EUR 12.8 million to EUR 8.5 million. At the same time, current financial assets increased to EUR 2.7 million (previous year: EUR 1.7 million). A decline was also reported in inventories to EUR 11.9 million (previous year: EUR 12.8 million).

On the equity and liabilities side of the balance sheet, equity rose slightly from EUR 10.6 million to EUR 11.0 million. In the year under review, equity incurred only a slight further burden from the consolidated net loss (excluding minority interests), with the loss amounting to only EUR -0.4 million compared with EUR -5.9 million in the previous year.

Non-current liabilities increased by almost EUR 2 million to EUR 6.2 million due to a loan. Current liabilities fell from EUR 27.3 million to EUR 15.4 million, by contrast, primarily due to the deconsolidation of Gimelli.

The Group regards itself as remaining solidly equipped in financial terms, and prepared for the future, with a significant year-on-year improvement in its equity ratio to 33.7% (previous year: 25.2%), and sufficient free credit lines and liquid assets of EUR 2.8 million.

4. EMPLOYEES

The company employed an average of 195 salaried employees in the 2011 financial year (previous year: 174), and 384 industrial employees (previous year: 501). A total of 115 salaried employees and 16 commercial employees were employed in the company excluding the proportional inclusion of Gimelli.

MEDISANA employed 127 individuals as of the balance sheet date, compared with 705 Group employees in the previous year including the personnel of Gimelli. The regional allocation of the employees is as follows:

Employees	2010	2011
Germany	87	84
Rest of Europe	37	35
Rest of the world	581	8
	705	**127**

Social responsibility

As a company operating in the health care market, MEDISANA considers that it bears a particular social responsibility. This responsibility concerns not only support for the further training and qualification of its staff, and joint events, but also the provision of traineeships. Such targeted training helps young people to embark on their professional careers.

As an internationally operating company, MEDISANA places a particular priority on languages in the further training of its staff.

Thanks to our employees

The 2011 business year was a further year characterised by various internal changes to the Group, demanding considerable commitment from all involved. For this, the Management Board would like to extend its express thanks to all staff members. The planned innovations, business expansions, and further developments of the company are impossible without the commitment of all staff. For this reason, we base our work on a satisfied workforce, and are committed to a corporate culture that is beneficial for both parties.

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

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

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

Risk management principles

MEDISANA AG's risk management focuses on the protection of its assets. As part of its corporate management approach, the Management Board also bases its activities primarily on three further important criteria. These are risk-aware 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

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

Macroeconomic risks

Observing economic trends in MEDISANA AG's sales markets plays a critical role since this significantly impacts local demand situations. Such monitoring allows risks of relevance for the company to be estimated and appraised. A potential recession could feed through to lower global 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 health care 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 health care market is also a growth market, an ever-increasing number of providers are forcing their way onto this market. Along with established pharmaceutical and medical technology sector companies, participants that are entirely new to the sector are also discovering the health care business. Prices come under pressure where major groups exploit established sales and production structures to offer comparatively low prices through progressive cost reductions. Some MEDISANA AG products are exposed to this type of major pricing pressure. For this reason, the company places a priority on a high level of investments in research and development, as well as a high innovation rate, since this allows margin losses to be avoided. The company constantly seeks product niches, develops its existing products further, or improves design.

Demographic trends, particularly in industrial nations, as well as the general economic situation, are feeding through to international competition for highly qualified technical and managerial staff. This lack of technical staff will intensify even further over the medium to long term. For MEDISANA AG, this generates the risk that the company will not be able to fill job vacancies, particularly engineering positions, and especially in medical technology areas. 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

MEDISANA AG depends on functioning supplier relationships. Only in this way can products be manufactured on time and to a high quality level. MEDISANA AG constantly reviews its information and purchasing process, and adjusts it where necessary, in order to avoid supply bottlenecks and delays that can lead to production stoppages. MEDISANA continuously monitors raw materials price trends to hedge itself against rising 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.

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, whose terms are examined and adjusted where required, especially before entering into new equity participations, or as part of the due diligence process before takeovers.

In addition, the planned merger of the Spanish subsidiaries Royal Appliance Espana S.L. and MEDISANA Healthcare S.L. could necessitate restructuring measures in the instance that the merger is unsuccessful, which would result in extraordinary charges.

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

Financial risks

MEDISANA AG is an internationally operating company. A stable financial basis is of great significance since, as a consequence of the 2008/2009 recession, banks do not grant loans until they have first conducted extensive reviews. Requirements in terms of available equity have also risen. Once capital measures have 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 due to its equity ratio being above the sector average, and due to its adequate credit lines. Its existing credit lines are short-term in nature in order to create an optimal financing structure, and are currently fixed until summer 2012. Sufficient supplier credit facilities and loans ensure medium- and long-term financing.

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 inventory changes to constant controlling. Liquidity risks are monitored and managed as part of short- and long-term budgeting.

Currency and interest-rate risks

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

Currency risks exist in the case of exchange-rate fluctuations between the euro and the US dollar. A 1 cent improvement in the exchange-rate feeds through to a 0.74% purchasing price reduction, while a 1 cent deterioration in the rate increases purchasing prices by 0.75%. Forward-plus contracts are primarily utilised to limit such risks at the liability portfolio level. Such derivative financial instrument contracts are concluded with German banks of impeccable credit standing, and serve exclusively to hedge currency risks. The valuation of derivatives measured at fair value can be found in the notes to the consolidated financial statements. Customers are invoiced almost exclusively in euros, or in the currency of the respective subsidiary.

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. Among other instruments, interest-rate swaps are entered into to hedge such risks. It is nevertheless impossible to fully hedge interest-rate risk due to the fluctuating utilisation of credit lines, and also with regard to supplier loans.

Default risks

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

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

Regulatory and political risks

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

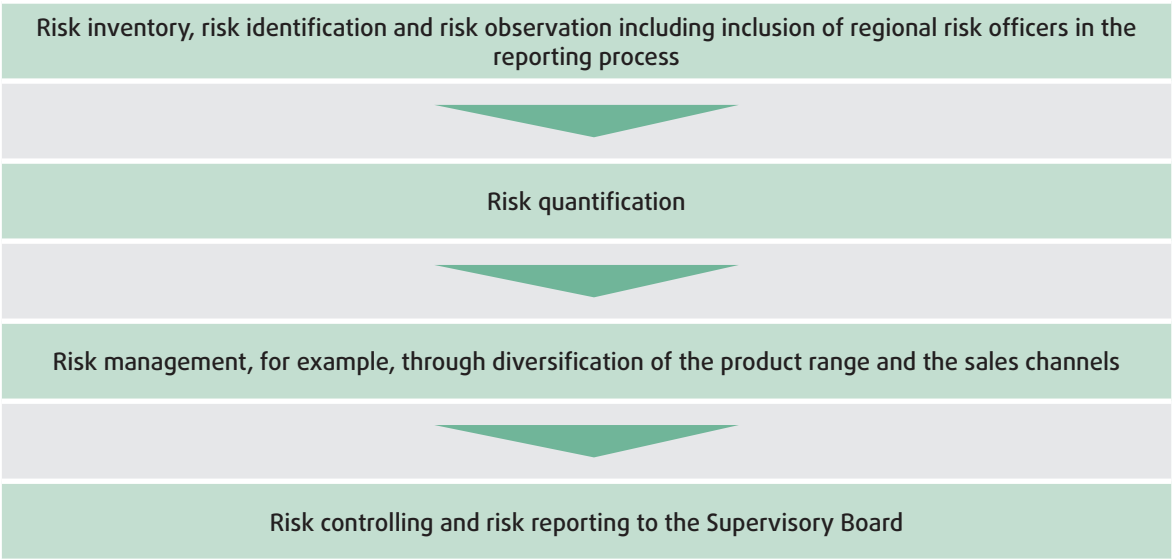
Evaluation of overall risk

MEDISANA AG's risk position in the 2011 reporting year is unchanged compared with the previous financial year. It is currently very difficult to gauge the effects of the EU debt crisis and economic trends, consumers' spending propensity, banks' preparedness to provide funding, the solvency of suppliers and customers, as well as volatility on currency and raw materials markets. MEDISANA AG hedges against these risks through its established risk management system to the extent that is currently foreseeable and possible. As a consequence, the Management Board notes that there is no identifiable going-concern risk to the company.

Risk management process

Risk management is aimed at ensuring an efficient basis to limit risks. As a consequence, MEDISANA AG's risk policy supports sustainable growth through the management and avoidance of inappropriate risks, 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 AG operates a risk management system that comprises all Group 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 AG's internal controlling system is anchored within the organisational structure on the basis of clearly defined responsibilities. MEDISANA AG's Management Board ensures that its divisions are managed on the basis of Group interests.

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

IV. KEY EVENTS AFTER THE BALANCE SHEET DATE

No special events were reported between December 31, 2011 and the editorial conclusion of this report.

V. FORECAST AND OPPORTUNITIES; OUTLOOK

Strategy: premium products, technological innovations, and focus on strong growth markets

The MEDISANA product portfolio is serving the Second Health Care Market, which meanwhile already represents one third of the total health care market, and is registering above-average annual growth. In other words, the general prevailing conditions are very positive. Citizens are already prepared to spend EUR 1,500 per year from their own money on health, fitness and well-being. The core points of our strategy include addressing the premium segment in the international home health care market, a high innovation rate, a broad and modern product range, strong sales channels and solid financing. In line with its strategy, MEDISANA has positioned itself well on markets in recent years, frequently ranking top in quality comparisons. The trend in so-called healthcare deposits is also progressing successfully. These are sold through pharmacies, and are encountering continued interest.

Ever greater significance is attributed to mobile health measurement modules in the future, especially the VitaDock series. While on the move, users can record, save, evaluate and transfer their results via smartphone and tablet PC. The VitaDock measurement devices are available for iPhone 4, 3GS, 3G, iPad and iPod Touch. An enormous customer base exists for these products, which the company aims to tap. In the fourth quarter of 2011, a total of 37 million iPhones were sold.

Finally, the "Assisted Living" product group offers above-average sales potential in line with demographic trends. Workplace stress management products can be interesting for both employers and employees since they not only boost well-being and contentment, but can also reduce sick days. Cooperation with universities and research institutions is also important.

General conditions: Cautious forecasts for 2012

Economic forecasts for 2012 reflect reticence. The real economy is suffering from declining investment capacities and decreasing demand due to considerable savings measures across the entire Eurozone, and critical banks that are very hesitant in their lending policies. For this reason, the IMF anticipates the Eurozone economic output will fall by 0.5%, having assumed 1.1% growth as recently as September 2011. A marginal increase in gross domestic product (GDP) of 0.3% is forecast for Germany, and 0.2% growth for France. Spain's economic output is set to fall by 1.7%.

The ifo Institute shares this assessment. Only the prospectively favourable labour market situation combined with higher disposable incomes could drive consumption further, just protecting Germany from a recession. On the other hand, the European debt crisis and the general slowdown in global trade is hampering Germany's important export business. Growth of 1.8% is forecast for the United States.

At global level, 3.3% growth is forecast for 2012 due to the ever-increasing European tensions and a cooling of global demand. This represents a significant drop from the previous year's 4.0%. Along with Europe's debt crisis, which is increasingly spiralling out of control, a slowdown in the US economy and Japan's recessionary trend represent serious factors promoting uncertainty.

Sector trends

The long-term fundamentals for the health care sector remain positive. Rising life expectancy accompanied by greater health awareness are driving demand in Western industrial countries. Savings in health care systems in European countries and the USA necessitated by the financial and economic crisis could prove problematic, by contrast. Such policies could lead companies in the sector to increasingly explore emerging economies' growing sales markets.

For example, German medical technology manufacturers expect 13% growth rates in Asia, and 8% in North America. Both regions currently account for 20% of German medical technology exports. Such a geographic shift is also suggested by the growing prevalence of obesity, diabetes, circulatory disorders, high blood pressure and cancer in emerging economies. More than 141 million Chinese citizens will be morbidly overweight by 2030, according to estimates produced by Sustainable Asset Management (SAM). Especially in the case of children, the obesity rate will rise even more rapidly than in industrial countries.

High global population growth and an increasingly ageing population alone will boost demand for health-promoting and health-maintaining products. One third of the population is set to be 65 years or older in Germany alone by 2060 according to estimates produced by the German Federal Statistical Office. For almost 40 years, the number of children born is no longer sufficient to replace their parents' generation. Given an equilibrium between immigration and emigration, this results in a shift in the age structure, and in times of tight state budgets means that individuals bear more responsibility for their own health care. The shrinking of the population is clearest among individuals under the age of 20 years (-17% up to 2030) and among people of employable age (-15% up to 2030), according to the German Federal Statistical Office. The increase in the group of individuals requiring care should also feed through to a marked demand leap on the Second Health Care Market in which MEDISANA AG operates.

Along with age-related illnesses, diabetes, in particular, is on the advance as a so-called "disease of affluence". The number of diabetics has risen to 285,000,000 individuals in 2010, and is set to rise to around 438 million by as early as 2030, according to the International Diabetes Federation. With the introduction of its VitaDock series to control and monitor specific health parameters, MEDISANA addresses a high-growth interest group that is at home with modern technology, and at the same time wishes to halt the growing share of modern endemic diseases.

Revenue and earnings forecast

The Management Board is convinced that the mobile health area in which the company has successfully positioned itself as a pioneer offers enormous development opportunities. Locating further cooperation partners, the tapping of new sales channels, and the continuous improvement and expansion of products are decisive for continued success.

Innovations are ready or being developed for 2012 and 2013, whereby the company is aiming for further dynamic growth with its increasing specialisation on the profitable Second Health Care Market, and, in particular, the Mobile Health area. MEDISANA has now taken the first step with the VitaDock series that it has already launched, and is gradually expanding this product range. A boost to activities abroad, along with the ongoing development improvement of its own products, are critical to MEDISANA's further success.

MEDISANA has achieved considerable relief on the cost side through its sale of Gimelli, while at the same time the former subsidiaries' production capacities remain available on unchanged terms. This will also feed through to positive earnings effects in the classic health care products area.

Based on the successes achieved to date with products in the mobile health area, the Management Board anticipates at least 10% revenue growth for the next three financial years. The company regards itself as sufficiently financed for this anticipated growth with its existing equity and debt funding, as well as its free credit lines.

Taking into account a positive global economic trend, the Management Board assumes that it can achieve improved earnings in the 2012 financial year, making a return to operating profitability.

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 consequently do not represent fixed guarantees of future results.

Neuss, April 2012

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

CONSOLIDATED FINANCIAL STATEMENTS

MEDISANA AG (GROUP) BALANCE SHEET AS OF DECEMBER 31, 2011

€	Note	31/12/2010	31/12/2011
ASSETS			
Non-current assets	**(1)**	**10,346,673**	**5,480,731**
Goodwill	(2)	4,945,865	1,138,524
Intangible assets	(2)	2,059,343	2,025,861
Tangible assets	(3)	1,682,978	901,818
Financial assets	(6)	156,071	76,958
Other receivables	(7)	168,803	60,951
Tax reimbursement claims	(8)	61,691	52,321
Deferred tax assets	(9)	1,271,922	1,224,298
Current assets		**31,711,372**	**27,021,078**
Inventories	(5)	12,780,566	11,922,516
Financial assets	(6)	1,687,729	2,719,214
Trade receivables	(7)	12,772,565	8,499,782
Other receivables	(7)	807,829	927,403
Tax reimbursement claims	(8)	58,103	144,216
Liquid assets	(10)	3,604,580	2,807,947
		42,058,045	**32,501,809**

MEDISANA AG (GROUP) BALANCE SHEET AS OF DECEMBER 31, 2011

€	Note	31/12/2010	31/12/2011
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity		**10,598,200**	**10,946,933**
Of which attributable to non-controlling shareholders		9,336,141	10,405,828
Capital stock	(11)	7,664,327	7,800,327
Capital reserves	(11)	25,846,256	27,903,412
Balancing item for currency conversion	(11)	-146,732	-425,213
Retained earnings		-18,120,103	-24,502,267
Profit/loss for the year		-5,907,607	-370,431
Non-controlling shareholders	(12)	1,262,059	541,105
Non-current liabilities		**4,174,721**	**6,147,733**
Pension provisions	(13)	124,854	108,477
Other provisions	(14)	31,374	41,600
Deferred tax liabilities	(9/15)	918,493	997,656
Financial debt	(16)	3,100,000	5,000,000
Current liabilities		**27,285,124**	**15,407,143**
Pension provisions	(13)	6,136	18,407
Other provisions	(14)	1,619,574	1,545,577
Tax liabilities	(15)	21,213	26,841
Financial debt	(16)	12,274,977	2,193,893
Trade payables	(16)	11,757,937	9,941,273
Other liabilities	(16)	1,605,287	1,681,152
		42,058,045	**32,501,809**

MEDISANA AG (GROUP) STATEMENT OF INCOME FOR FINANCIAL YEAR 2011

€	Note	2010	2011
Sales revenue	(17)	**46,267,579**	**47,270,390**
Cost of sales	(18)	-34,759,274	-35,966,763
Gross profit/loss		**11,508,305**	**11,303,627**
Purchasing and stockkeeping	(19)	-2,637,831	-3,283,426
Sales and marketing	(19)	-7,094,626	-6,870,896
Administration	(19)	-4,835,833	-4,739,011
Other operating expenses	(20)	-2,078,988	-1,121,316
Other operating income	(21)	1,555,256	4,331,887
EBIT		**-3,583,717**	**-379,135**
Interest income	(22)	43,695	80,166
Interest expenses	(22)	-810,810	-768,241
Earnings before income taxes (EBT)		**-4,350,832**	**-1,067,210**
Income taxes	(23)	-2,730,525	171,039
Net profit/loss for the year including non-controlling share-		-7,081,357	-896,171
of which attributable to non-controlling shareholders	(24)	-1,173,750	-525,740
of which attributable to MEDISANA AG shareholders (consolidated net result)		**-5,907,607**	**-370,431**
Basic / diluted earnings per share (in €)	(25)	**-0.77**	**-0.05**

MEDISANA AG (GROUP) STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEAR 2011

(Please refer to notes 11, 12)

€	31/12/2010	31/12/2011
Net profit/loss for the year including non-controlling shareholders	**-7,081,357**	**-896,171**
of which attributable to non-controlling shareholders	-1,173,750	-525,740
of which attributable to MEDISANA AG shareholders	-5,907,607	-370,431
Change in balancing item from currency translation of foreign subsidiaries	403,837	-110,699
Amount from currency translation reclassified to income statement	-	-173,212
Change in amount reported in equity (currency translation)	**403,837**	**-283,911**
Total comprehensive income (= total of earnings after tax and value changes reported in equity)	**-6,677,520**	**-1,180,082**
of which attributable to non-controlling shareholders	-1,088,845	-529,113
of which attributable to MEDISANA AG shareholders	-5,588,675	-650,969

MEDISANA AG (GROUP) CASH FLOW STATEMENT FOR FINANCIAL YEAR 2011

(Please refer to note 26)

€	2010	2011
Net profit/loss for the year	-7,081,357	-896,171
Depreciation and amortisation (note 1)	2,787,484	1,064,467
Other non-cash expenses and income	2,420,872	-1,008,124
Net interest result	767,115	688,075
Tax result (excluding deferred tax)	177,029	47,007
Change in inventories	1,833,387	858,050
Change in receivables, payables (excluding financing charges)	-6,954,675	-116,626
Change in provisions	45,720	270,052
Paid income taxes	-216,144	-171,167
Interest payments received	29,193	53,045
Paid interest	-294,626	-644,183
Interest payments received	14,008	76,537
Cash flow from operating activities	**-6,471,996**	**220,962**
Investments in fixed assets	-1,174,782	-1,426,060
Investments in consolidated companies (including cash acquired)	139,222	0
Proceeds from the disposal of tangible and intangible assets	37,796	12,259
Proceeds from the sale of consolidated companies	0	1,826,300
Cash flow from investing activities	**-997,764**	**412,499**
Capital increase at parent company	0	2,681,000
Capital increase by non-controlling shareholders	95,926	0
Current financial debt	1,517,955	-2,253,314
Non-current financial debt	3,081,240	1,900,000
Cash flow from investing activities	**4,695,121**	**2,327,686**
Net change in liquid assets	**-2,774,639**	**2,961,147**
Liquid assets January 1	-1,503,165	-4,169,989
Differences from change to consolidation scope	0	2,819,139
Changes in liquid assets due to exchange rates	107,815	28,650
Liquid assets December 31 (notes 10, 16)	**-4,169,989**	**1,638,947**

MEDISANA AG (GROUP) **STATEMENT OF CHANGES IN EQUITY FOR FINANCIAL YEARS 2011 AND 2010**

(Please refer to notes 11, 12)

€	Capital stock	Capital reserves	Balancing item for currency conversion	Retained earnings	Attributable to MEDISANA AG share-holders	Attributa-ble to non-controlling sharehol-ders, inclu-ding OCI*	Total
Balance on January 1, 2010	**7,034,327**	**24,759,101**	**-465,664**	**-18,149,539**	**13,178,225**	**2,227,743**	**15,405,968**
Changes reported directly in equity (OCI)*			318,932		318,932	84,905	403,837
Net profit/loss for the year				-5,907,607	-5,907,607	-1,173,750	-7,081,357
Changes from comprehensive income			**318,932**	**-5,907,607**	**-5,588,675**	**-1,088,846**	**-6,677,520**
Equity transactions with shareholders							
- Purchase of Gimelli through non-cash capital increase	630,000	945,000			1,575,000		1,575,000
- Stock option program		142,155			142,155		142,155
- Capital increase at MEDISANA Saglik Ü. Ltd. Sti.						92,781	92,781
- Capital increase at MEDISANA Space Tech. GmbH						3,145	3,145
Change in consolidation scope						56,672	56,672
Non-controlling share-holders' share of losses				29,436	29,436	-29,436	0
Other changes	**630,000**	**1,087,155**	**0**	**29,436**	**1,746,591**	**123,162**	**1,869,753**
Balance on December 31, 2010	**7,664,327**	**25,846,256**	**-146,732**	**-24,027,710**	**9,336,141**	**1,262,059**	**10,598,200**
Changes reported directly in equity (OCI)*			-105,269	-2,057	-107,326	-3,373	-110,699
Change in consolidation scope			-173,212		-173,212		-173,212
Net profit/loss for the year				-370,431	-370,431	-525,740	-896,171
Changes from comprehensive income	**0**	**0**	**-278,481**	**-372,488**	**-650,969**	**-529,113**	**-1,180,082**
Equity transactions with shareholders							
- Stock option program		142,155			142,155		142,155
- Capital increase at MEDISANA AG	766,000	1,915,000			2,681,000		2,681,000
- Purchase of treasury shares	-630,000			-472,500	-1,102,500		-1,102,500
- Purchase of minorities					0	-136,561	-136,561
Change in consolidation scope					0	-55,280	-55,280
Other changes	**136,000**	**2,057,155**	**0**	**-472,500**	**1,720,656**	**-191,841**	**1,528,814**
Balance on December 31, 2011	**7,800,327**	**27,903,411**	**-425,212**	**-24,872,698**	**10,405,828**	**541,104**	**10,946,933**

* OCI = Other Comprehensive Income

BASIS OF ACCOUNTING

GENERAL INFORMATION

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

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

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

BASIS OF ACCOUNTING

The consolidated financial statements are prepared according to IFRS, as applied in the EU, and also applying the regulations of Section 315a Paragraph 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 13 subsidiaries, including second-tier subsidiaries, of which three are located in Germany, seven in European countries outside Germany, and three in countries outside Europe.

In the year under review, the interest in Promed GmbH was increased from 51.2% to 66.8% with effect as of January 1, 2011. The interest in Gimelli Laboratories Co. Ltd., in Hong Kong, was sold as of September 30, 2011, and deconsolidated from the consolidated balance sheet accordingly.

	31/12/2010	Additions	Disposals	31/12/2011
Fully consolidated companies				
- of which in Germany	4	0	0	4
- of which abroad	12	0	2	10

Consolidated companies of the MEDISANA Group as of December 31, 2011

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	*66.6
MEDISANA Hellas Ltd., Heraklion (Greece)	01/01/2001	51.0
– MEDISANA Saglik Ürünleri Ltd. i.L.; Istanbul (Turkey)	01/01/2008	*26.0
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 2011 financial year.

The interest in Gimelli Laboratories Co. Ltd., Hong Kong, China, including the second-tier interest in Gimelli Health Care Products (Shenzhen) Co. Ltd., Shenzhen, China, was sold with effect as of September 30, 2011, and deconsolidated accordingly.

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, China and Hong Kong, Russia and Turkey 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 €					
		Mid-rate on the balance sheet date		Year-average rate	
		31.12.2010	31.12.2011	2010	2011
USA	1 USD	0.7546	0.7710	0.7548	0.7188
UK	1 GBP	1.1674	1.1933	1.1657	1.1522
China	1 CNY	0.1143	0.1213	0.1115	0.1111
Hongkong	1 HKD	0.0969	0.0994	0.0971	0.0923
Russia	1 RUB	0.0247	0.0240	0.0249	0.0244
Turkey	1 TRY	0.4616	0.4053	0.5008	0.4295

ACCOUNTING METHODS

Acquired intangible assets are measured at cost less straight-line amortisation 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. Amortisation applied to concessions and industrial property rights is based on useful lives of between 3 and 20 years. Intangible assets acquired as part of 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. The recoverable amount is calculated as the higher of either sales price less costs to sell, or value-in-use, which is calculated based on management-approved planning. An impairment is expensed immediately through the income statement, and is not reversed in subsequent periods.

Tangible assets 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.

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

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

If evidence of impairment exists, and the recoverable amount is less than the depreciated cost, impairment charges are applied to tangible assets. 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 there is evidence that the future earnings can no longer be achieved, write-downs are performed to the achievable value. If the company has reported a number of losses in the recent past, deferred tax assets are 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 28% and 34% are applied to German taxes. Tax rates of between 16% and 34% are applied to foreign tax rates, as in previous years. Deferred taxes arising on consolidation continue to be measured applying a 30% tax rate.

Income tax reimbursement claims and income tax liabilities are 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 cost to sell. Inventory risks in connection with reduced usability are reflected through appropriate valuation allowances. If the net realisable value of previously devalued inventories has risen, the resultant write-up is reported as a reduction in the cost of sale. Inventories disposals are also reported as sales costs. Financing costs are not included.

Receivables 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 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 immediately 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 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' loss carryforwards.

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

The shares of non-controlling shareholders represent the share of the capital and earnings of minority interests in subsidiaries.

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 occur where there are deviations between actuarial assumptions and the actual trend of the underlying calculation parameters. These result in a divergence between the defined benefit obligation and the provision recognised in the balance sheet. Actuarial gains and

losses lying outside a 10% margin of the defined benefit obligation are distributed over the average remaining service period. 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.

Operating expenses are booked through the income statement when the service is utilised, or when the expense is incurred. Warranty provisions are formed at the time when the corresponding sales revenues are realised. Development expenses are expensed in the year when they arise, to the extent that they are not capitalised pursuant to IAS 38. Interest income and 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 the income statement. Derivative financial instruments with positive fair values are reported as financial assets, and derivatives with negative fair values are reported as financial liabilities. 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 4,946), brand rights of TEUR 656 (previous year: TEUR 656), customer relationships and patents of TEUR 305 (previous year: TEUR 826), and deferred tax assets on loss carryforwards of TEUR 544 (previous year: TEUR 742). 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 24 "Related Party Disclosures";
- Revised version of IAS 32 "Financial Instruments: Presentation"
- Revised versions of IFRS 1 "First-Time Adoption of International Financial Reporting Standards";
- "Improvements to International Financial Reporting Standards" (publication 2010);
- Revised version of IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (title of amendment: "Prepayments of a Minimum Funding Requirement"),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The amendments to IAS 24 revise the definition of related parties. They also introduce an exemption for entities under public-sector management. IAS 24 also clarifies the definition of business transactions requiring disclosure.

The revised versions of IFRS 1 contain exemptions for the redemption of equity instruments, and disclosures of financial instruments.

The IASB introduced amendments to various IFRSs through its "Improvements to International Financial Reporting Standards" omnibus standards.

The revised version of IFRIC 14 relates to companies that are subject to minimum financing regulations, which is not the case for the MEDISANA Group.

IFRIC 19 specifies how the redemption of equity instruments as part of the renegotiation of lending terms is to be treated.

All of the aforementioned accounting changes have no effects on the net assets, financial position, results of operations and cash flows of the MEDISANA Group.

ACCOUNTING REGULATIONS NOT APPLIED

For the IFRS consolidated financial statements as of December 31, 2011, no interpretations, new standards or revisions of standards were voluntarily applied that requiring mandatory application for reporting years commencing on or after January 1, 2012. This concerns the following standards and interpretations:

- Revised version of IAS 7 "Financial Instruments: Presentation" (title of the amendment: "Transfers of Financial Instruments");
- Revised version of IAS 1 "Presentation of Financial Statements";
- Revised version of IAS 19 "Employee Benefits";
- Revised version of IAS 12 "Income Taxes";
- Revised version of IAS 27 "Consolidated and Separate Financial Statements";
- Revised version of IAS 28 "Investments in Associates";
- Revised version of IFRS 1 "First-Time Adoption of International Financial Reporting Standards";
- IFRS 9 "Financial Instruments";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- Revised version of IAS 32 (title of amendment: "Offsetting Financial Assets and Financial Liabilities");
- Revised version of IFRS 7 (title of amendment: "Disclosures – Offsetting Financial Assets and Financial Liabilities");
- Revised versions of IFRS 9 and IFRS 7 (title of amendment: "Mandatory Effective Date and Transition Disclosures");
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

The aforementioned promulgations will be taken into account within the MEDISANA Group for the first time on the date when they require mandatory application. Application of these IFRSs presupposes that the European Union issues its recognition where its recognition is still outstanding. With the exception of the revised version of IFRS 7, all of the aforementioned revisions have not yet been adopted into European law by the European Union.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) SCHEDULE OF NON-CURRENT ASSETS

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

Change in non-current assets as of December 31, 2010						
€	Gross amounts					
	01,01,10	Additions	Disposals	Change in consolidation	Currency	31/12/10
Goodwill	3,612,100	1,300,576	0	357	184,615	5,097,648
Intangible assets	4,748,760	371,880	41,392	581,492	156,996	5,817,736
Tangible assets	3,452,334	802,902	71,452	197,363	56,347	4,437,494
Total	**11,813,194**	**2,475,358**	**112,844**	**779,212**	**397,958**	**15,352,878**

	Depreciation/amortisation						Net amounts	
	01/01/11	Additions	Disposals	Change in consolidation	Currency	31/12/11	31/12/10	31/12/11
	151,782	0	0	-124,017	-3,419	24,345	4,945,866	1,138,525
	3,758,393	516,366	0	-1,554,246	-39,528	2,680,985	2,059,343	2,025,860
	2,754,516	548,101	2,704	-525,830	1,146	2,775,229	1,682,978	901,818
	6,664,691	**1,064,467**	**2,704**	**-2,204,093**	**-41,801**	**5,480,560**	**8,688,187**	**4,066,204**

	Depreciation/amortisation						Net amounts	
	01,01,10	Additions	Disposals	Change in consolidation	Currency	31/12/10	31,12,09	31/12/10
	0	161,145	0	0	-9,364	151,782	3,612,100	4,945,866
	1,730,365	2,049,928	18,431	0	-3,469	3,758,393	3,018,395	2,059,343
	2,233,595	576,411	54,863	0	-627	2,754,516	1,218,739	1,682,978
	3,963,960	**2,787,485**	**73,294**	**0**	**-13,460**	**6,664,691**	**7,849,234**	**8,688,187**

(2) GOODWILL AND INTANGIBLE ASSETS

The reported goodwill is split as follows:

T€	31/12/2010	31/12/2011
Gimelli Laboratories	3,807	0
Santec	729	729
Medisana Benelux	342	342
Medisana Hellas	45	45
Promed	23	23
	4,946	**1,139**

The change in the goodwill relating to Gimelli Laboratories is entirely attributable to the sale of this company as of September 30, 2011.

The carrying amounts of the goodwill relating to Santec amounted to TEUR 729 as of December 31, 2011. The Santec goodwill is reported directly at MEDISANA AG, since it arose through the merger of Santec with MEDISANA AG in 2001. Its value retention is calculated depending on the sales revenue of the MEDISANA brand, based on the value-in-use of this cash generating unit, which is based in turn on an unlimited useful life, since the MEDISANA brand is notionally extendable on an unlimited basis. Its fair value less costs to sell was calculated on the basis of discounted cash flow forecasts derived from five-year planning approved by the management. Cash flows after this five-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 7.44% after tax. The corresponding pre-tax WACC amounts to 10.63%.

Performance of the annual goodwill impairment test resulted in no impairment loss as of December 31, 2011. If a 1.0% higher WACC (after tax) were used to calculate fair value less costs to sell, no impairment loss would arise ceteris paribus.

The carrying amount of the goodwill allocated to the Benelux cash generating unit stands at TEUR 342 as of December 31, 2011. Performance of the annual goodwill impairment test resulted in no impairment loss as of December 31, 2011, as in the previous year.

The fair value less costs to sell, as the recoverable amount, was calculated on the basis of discounted cash flow forecasts derived from five-year planning approved by the management. The average EBIT margin amounted to 6.84% over the five-year period. Cash flows after this five-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 7.44% after tax. The corresponding pre-tax WACC amounts to 10.63%. If a 1.0% higher WACC (after tax) were used to calculate fair value less costs to sell, and a 1.0% lower average EBIT margin, no impairment loss would arise ceteris paribus.

The intangible assets relate primarily to a brand right and to customer relationships. Intangible assets also include software, industrial property rights and similar rights.

The carrying value of the Promed brand right with unlimited useful life amounted to TEUR 656, as in the previous year. Impairment is tested annually using brand-related sales planning for Promed, which is derived from management-approved five-year planning, and entails an unlimited duration. The unlimited duration arises from the effectively unlimited useful life of the extendable brand right. Cash flows after this five-year period are extrapolated applying a 1% per annum perpetual growth rate. The value-in-use is calculated according to the normal market commission of 1% that was saved on the brand sales on acquisition, and a 7.44% discounting factor (previous year: 9.25%). The fair value less costs to sell, as the recoverable amount, amounted to TEUR 916 as of December 31, 2011. If a 1.0% higher WACC (after tax) were used to calculate fair value less costs to sell, an impairment loss of TEUR 785 would arise. If a 0.5 percentage points lower saved commission had been assumed for the calculation of fair value less costs to sell, an impairment charge of TEUR 198 would arise.

The Promed brand right is allocated to the Promed cash generating unit, and the Germany segment.

Scheduled amortisation of TEUR 174 was applied to the customer relationship that was capitalised in the 2011 financial year, and which arose from the acquisition of Royal Appliance España, after which its carrying amount amounts to TEUR 305. The remaining amortisation period amounts to 8 years. No impairment charges were applied (previous year: TEUR 13).

The remaining intangible assets are amortised over their useful lives. Amortisation of intangible assets amounted to TEUR 516 in the 2011 financial year (previous year: TEUR 551). No impairment charges were applied in the 2011 financial year (previous year: TEUR 1,499). Amortisation is reported according to its category in the functional areas of the income statement.

A further TEUR 799 of development work procured from third parties was capitalised in 2011 (previous year: TEUR 252). As a consequence, the gross value as of December 31, 2011 was TEUR 1,255 (previous year: TEUR 456). Following straight-line amortisation for the year of TEUR 195 (previous year: TEUR 39), the carrying amount as of the balance sheet date was TEUR 914 (previous year: TEUR 310).A total of TEUR 232 was expensed through the income statement for research and development in the year under review (previous year: TEUR 134).

Total intangible assets with a carrying amount of TEUR 0 were disposed of (previous year: TEUR 23). At the same time, intangible assets with a carrying amount of TEUR 820 were added (previous year: TEUR 372).

The currency effects for goodwill and intangible assets presented in the schedule of changes in non-current assets result in the year under review result exclusively from the sale of Gimelli Laboratories as of September 30, 2011. The translation of other foreign subsidiaries generates insignificant currency effects, as a consequence of which a separate presentation is not be made in the schedule of changes in non-current assets.

(3) TANGIBLE ASSETS

Tangible assets comprise almost exclusively operating and office equipment. As in the previous year, no impairment charges were applied to tangible assets. Disposed assets with a carrying amount of TEUR 20 (previous year: TEUR 16) include sales and scrappage.

Tangible assets worth TEUR 0 (previous year: TEUR 51) were pledged as collateral for finance debt until the remaining debt has been extinguished.

(4) LEASING

The Group has no finance leases.

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

T€ as of 31/12/2011	2012	2013–2016	ab 2017
Buildings	627	1.443	498
Technical equipment and machines	52	71	1
Other leasing contracts	112	145	0
	791	**1.659**	**499**

T€ as of 31/12/2010	2011	2012–2015	ab 2016
Buildings	556	1.430	167
Other leasing contracts	259	549	104
	815	**1.979**	**271**

As a consequence, the minimum lease payments from uncancellable leases amounts to TEUR 2,949 (previous year: TEUR 3,065).

There are no contingent lease payments and income from sub-leases.

The income statement in the 2011 reporting year included TEUR 773 of expenses from operating leases (previous year: TEUR 672). This amount includes expenses from the sub-leasing of buildings in an amount of TEUR 120 (previous year: TEUR 324).

(5) INVENTORIES

Inventories of TEUR 11,923 (previous year: TEUR 12,781) consist exclusively of goods in the year under review (previous year: proportionally at TEUR 8,774). The semi-finished goods and raw materials, consumables and supplies reported in the previous year at TEUR 4,007 were entirely attributable to Gimelli Laboratories. Impairment charges totalling TEUR 389 were applied in the year under review due to reduced marketability and lower net realisable values (previous year: TEUR 433).

The release of TEUR 44 of valuation adjustments was included in the cost of sales (previous year: TEUR 38). The gross values of inventories amounted to TEUR 12,312 (previous year: TEUR 13,214).

Stocks of TEUR 999 were pledged as collateral for short-term finance debt (previous year: TEUR 3,926).

Obligations arising from an order commitments relating to current assets also existed as of December 31, 2011 in an amount of TEUR 4,248 (previous year: TEUR 4,939). As a consequence, other financial obligations including operating leases existed in a total amount of TEUR 7,197 as of the balance sheet date (previous year: TEUR 8,004).

(6) FINANCIAL ASSETS

Non-current financial assets include a TEUR 58 loan to an employee (previous year: TEUR 79). The term is fixed until December 2019, and the interest rate is 3.5% per annum. The net gain for the period amounts TEUR 3, and is reported in interest income. The previous year also included a non-interest-bearing deposit of TEUR 35 (term until March 2012), which was reported as current in the year under review. Discounting is according to the effective interest method, and is reported in the net interest result. The contractual partners are a senior Group employee and a leasing company. The quality of the claim is deemed to be satisfactory.

Financial assets include 15 structured forward currency transactions (previous year: 13), and claims arising from two (previous year: two) interest-guarantee-plus ("ZinsGarantPlus") transactions, which are split according to term. The fair value of the interest-guarantee-plus transactions amounts to TEUR 34 (previous year: TEUR 59), and corresponds to the market valuation applying the present value method, which was provided by the issuing bank as of December 31, 2011. This amount relates to nine future invoicing dates, and reduces by payment over time accordingly. The asset is divided into a non-current portion of TEUR 19 (previous year: TEUR 42), and a current portion of TEUR 15 (previous year: TEUR 17). The net loss amounts to TEUR 12 (previous year: net gain of TEUR 9), and is reported in the net interest result.

The contractual partner valued the forward currency transaction at TEUR 528 (previous year: TEUR 118) applying normal Black & Scholes and DCF models, and are all due within one year, as in the previous year. The net gains on financial assets measured at fair value amounted to TEUR 51 for the forward currency transactions (previous year: TEUR 118). These gains were reported in the income statement under other operating income. The contractual partners are German business banks whose counterparty quality is classified as good.

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Along with the current portions of the derivatives (TEUR 543; previous year: TEUR 135), current financial assets of TEUR 2,719 (previous year: TEUR 1,688) include, in particular, receivables of TEUR 2,173 due from a factoring company (previous year: TEUR 1,538). The amounts are not overdue. Of this amount TEUR 1,546 serve the factoring company as short-term collateral as of the balance sheet date (previous year: TEUR 1,124). Receivables in an amount of TEUR 976 were also pledged as collateral (previous year: TEUR 4,111). 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 2011 (arising from factoring fees and interest payments) amounts to TEUR 60 (previous year: TEUR 77), and is reported in an amount of TEUR 36 among administration costs (previous year: TEUR 61), and in an amount of TEUR 24 in interest expenses (previous year: TEUR 16). 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 61 (previous year: TEUR 65). The net gain resulting from the 9.25% compound interest amounted to TEUR 9 in the year under review (previous year: net loss on compound interest of TEUR 41), 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, there are no receivables with a residual maturity of more than one year. As in the previous year, trade receivables of TEUR 8,500 (previous year: TEUR 12,773) 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 to value-in-use of TEUR 749 (previous year: TEUR 646), 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 additions to valuation adjustments were included in other operating expenses in an amount of TEUR 675 (previous year: TEUR 69), and in sales deductions in an amount of TEUR 0 (previous year: TEUR 268). Net losses arising from trade receivables stood at TEUR 991 (previous year: TEUR 290). Criteria for impairment losses include age and overdue nature of the receivable, and payments difficulties and other financial problems on the part of the debtor. Valuation adjustments are always reported through a valuation adjustment account; no direct impairment charges are applied (exception: final derecognition or losses on receivables).

T€	31/12/2010	31/12/2011
Trade receivables		
- Receivables	13,419	9,249
- Valuation adjustments	646	749
	12,773	**8,500**

Of the valuation adjustments, TEUR 716 (previous year: TEUR 508) relate to specific valuation adjustments, and TEUR 33 to lump-sum valuation adjustments (previous year: TEUR 138).

Valuation adjustments changed as follows:

T€	2010	2011
- Balance January 1	487	646
- Utilisation	-111	-203
- Releases	-67	-413
- Additions	337	719
- Balance December 31	**646**	**749**

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

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

T€	31/12/2010	31/12/2011
- Less than 30 days	1,419	355
- Between 30 and 90 days	1,009	752
- Between 91 and 180 days	865	327
- More than 181 days	338	209
	3,631	**1,643**

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. There were no contingent claims as of the balance sheet date. There are no indications 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.

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 52 (previous year: TEUR 62) relate to a corporation tax credit due in instalments until 2017.

Current tax reimbursement claims of TEUR 144 comprise income tax claims, in particular (previous year: TEUR 58).

(9) DEFERRED TAX REIMBURSEMENT CLAIMS

Composition:

T€	31/12/2010	31/12/2011
Deferred tax		
- arising from valuation differences and consolidation	530	681
- arising from loss carryforwards	742	543
	1,272	**1,224**

Deferred tax assets are calculated on the basis of normal national tax rates. Consolidation effects of valued using the standard Group tax rate of 30% (previous year: 30%). The 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, 2011, MEDISANA AG reported TEUR 28,123 of corporation tax loss carryforwards (previous year: TEUR 27,763). The tax loss carryforwards are subject to no time limits.

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

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

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

Deferred tax assets of TEUR 130 (previous year: TEUR 0) relate to temporary differences at Medicare Healthcare Spain.

Deferred income tax reductions on loss carryforwards of TEUR 54 were recognised in the previous year for MEDISANA Far East Ltd. due to its operating results, and on the basis of planning accounts. These were fully utilised due to the 2011 net result.

Deferred tax assets of TEUR 237 were reported on tax losses of Royal Appliance España S.L. taking into account its operating results and planning accounts. These tax loss carryforwards are subject to a time limit until 2025. The loss in the 2011 financial year was exclusively attributable to one-off effects (mainly restructuring). The utilisation of the loss carryforwards is planned for 2012 and 2013 due to special effects.

Deferred tax assets of TEUR 40 were recognised as of December 31, 2011 for the tax loss of MEDISANA Hellas Ltd., while taking into account its operating results and planning accounts (previous year: TEUR 22). There are no further tax loss carryforwards for which no deferred tax assets were formed. 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, there are no further tax loss carryforwards 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 7 as of December 31, 2011. They carry a time limit of 14 years. The tax loss carryforwards at German federal level amount of TEUR 634 (previous year: TEUR 621). The tax loss carryforward at German federal level is limited to 11 years for an amount of TEUR 115, 13 years for TEUR 502, 17 years for TEUR 7, and 19 years for TEUR 10.

The business operations of MEDISANA Healthcare (UK) Ltd. are currently dormant (unutilised tax loss as of December 31, 2011: TEUR 618; (previous year: TEUR 516) without time limit on utilisation). MEDISANA Space GmbH (unutilised tax loss as of December 31, 2011: TEUR 390 (previous year: TEUR 83) without time limit on utilisation) is still establishing its business operations, and there are still no sufficient and substantial indications of future taxable income. As a consequence, no deferred tax assets on loss carryforwards were reported for either company, as in the previous year. MEDISANA Saglik Ürünleri Ltd. i.L. is in the process of being liquidated as of the balance sheet date, as a consequence of which here, too, no deferred tax assets on loss carryforwards were recognised, as in the previous year.

Consolidation measures resulted in TEUR 132 of deferred tax assets (previous year: TEUR 130).

Deferred taxes arising from valuation differences, loss carryforwards and consolidation are allocated to the following balance sheet items and areas in 2010 and 2011:

	31/12/2010		31/12/2011	
T€	Assets	Liabilities	Assets	Liabilities
Fixed assets	0	658	0	543
Inventories	0	159	0	0
Receivables	88	0	131	254
Other assets	0	57	36	0
Loss carryforwards	742	0	544	0
Pension provisions with reinsurance	24	0	35	0
Other provisions	0	8	0	201
Liabilities	284	0	346	0
Consolidation measures	134	36	132	0
Consolidated balance sheet	**1,272**	**918**	**1,224**	**998**

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 891 (previous year: TEUR 356), and in an amount of TEUR 333 (previous year: TEUR 916) to non-current deferred tax assets. Of the deferred tax liabilities, TEUR 455 are current (previous year: TEUR 320), and TEUR 543 are non-current (previous year: TEUR 598).

(10) LIQUID ASSETS

Liquid assets in the form of cash holdings and freely available bank positions represent the Group's short-term liquidity reserve. Foreign-currency balances are measured at the rate prevailing on the balance sheet date. These foreign-currency credit amounts existed in the following scope as of the reporting date: TUSD 569 (previous year: TUSD 2,127), THKD 3,057 (previous year: THKD 3,748) TGBP 93 (previous year: TGBP 125), TRUB 4,542 (previous year: TRUB 998), TCNY 440 (previous year: TCNY 1,107), and TTRY 0 (previous year: TTRY 39), Currency risks arise in this instance only if the currency of the credit amount does not correspond to the respective functional currency. There is no interest-rate risk. 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.

(11) EQUITY

The issued capital stock amounted to TEUR 7,800 as of December 31, 2011 (previous year: TEUR 7,664). The increase is attributable to two countervailing effects. As part of the disposal or shares in Gimelli Laboratories, the 630,000 shares issued as part of the original acquisition of the majority interest in Gimelli Laboratories were transferred to the company's own holdings, and correspondingly deducted from the capital stock. This resulted in a TEUR 630 reduction. As of December 31, 2011, the company holds 630,000 treasury shares (previous year: 0 shares). In the 2011 year, MEDISANA AG also performed a capital increase where 766,000 new shares were issued at a nominal value of €1 per share. This results in a corresponding increase of the capital stock by TEUR 766. Please refer to note 25. The issued capital stock in total increased by TEUR 136 in the year under review accordingly. The capital stock of TEUR 8,430 is fully paid in.

The treasury shares were purchased pursuant to the AGM authorisation of September 21, 2011.

The capital reserves stood at TEUR 27,903 as of December 31, 2011 (previous year: TEUR 25,846). The change in capital reserves in the year under review is due to the following two circumstances. Firstly, the proportional amount of TEUR 142 was transferred to the capital reserves in connection with the issue of the employee stock option program (previous year: TEUR 142). Secondly, a total of TEUR 1,915 (previous year: TEUR 0) was transferred to the capital reserves as part of the capital increase at MEDISANA AG at €2.50 per share, in other words, given an issue of 766,000 shares.

At the September 29, 2010 AGM, the Management Board was authorised to increase the company's capital stock, with Supervisory Board approval, until June 28, 2015 through issuing up to 3,832,163 new ordinary bearer shares, once or on several occasions, against cash and/or non-cash capital contributions, by up to a total of TEUR 3,832. Existing shareholders' subscription rights can be excluded. After partial utilisation through issuing shares as part of the aforementioned capital increase against non-cash capital contributions, an amount of approved capital of TEUR 3,066 remains from this amount, or 3,066,163 shares.

At the Annual General Meeting of June 26, 2008, the Management Board was authorised, with the approval of the Supervisory Board, to issue until June 25, 2013, once or on several occasions, convertible and/or warrant bonds 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.

No dividend was distributed to MEDISANA AG shareholders.

The balancing item from currency conversion reported in equity amounted to TEUR -425 as of the reporting date (previous year: TEUR -147), representing a TEUR -278 year-on-year change. An amount of TEUR -173 was carried through profit and loss and through equity in connection with the disposal of all shares in Gimelli Laboratories (previous year: TEUR 0). An amount of TEUR -105 was carried directly to equity (previous year: TEUR 319).

The MEDISANA AG 2009 AGM approved the creation of a stock option plan. The stock option plan aims to ge-

nerate 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, options can be exercised only if the company has achieved or exceeded earnings of €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:

	2010		2011	
	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 €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 €1.17 using a binomial model. Significant valuation parameters for the model included the share price on the vesting date of €2.02, the exercise price of €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 years 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.

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

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

(12) NON-CONTROLLING INTEREST

The interest of non-controlling shareholders in the equity amounted to TEUR 541 as of December 31, 2011 (previous year: TEUR 1,262), having correspondingly diminished by TEUR 721 in the year under review.

The reduction in the non-controlling interest is particularly attributable to the interest of non-controlling shareholders in the net income for the year of TEUR -526 (previous year: TEUR -1,174).

The non-controlling interest was further reduced by TEUR 55 as part of the disposal of all shares in Gimelli Laboratories.

Changes to the non-controlling interest carried directly to equity in an amount of TEUR -140 (previous year: TEUR 85) relate, firstly, to currency translation differences, and, secondly, to changes to the ownership interests in subsidiaries. Currency translation differences stood at TEUR -3 in the year under review (previous year: TEUR 85), and reduce the non-controlling interest by this amount. The changes to ownership interests in subsidiaries are primarily attributable to the purchase of additional shares in Promed GmbH, and results in a total further reduction in the non-controlling interest of TEUR 137 (previous year: EUR 0).

Dividend distributions comprise subsidiaries' share distributions attributable to non-controlling shareholders. No dividends were distributed in the year under review (previous year: TEUR 0).

(13) PENSION PROVISIONS AND SIMILAR OBLIGATIONS

At the MEDISANA Group, the employee pension scheme is based on defined benefit plans. Payment commitments arising from vested rights to future pension payments exist with respect to one active employee (previous year: two), one employee who has left the company (previous year: one), and one pension recipient (previous year: none). The obligations relate to individual pension commitments.

In the case of defined benefit pension plans, the company is obligated to make payments committed to active and former staff members. The measurement of the provision for defined benefit pension plans is based on the projected unit credit method pursuant to IAS 19. Accordingly, the defined benefit obligation is calculated actuarially on the basis of assumptions concerning life expectancy, increases in salary and pensions, employee turnover, interest-rate level fluctuations, as well as further calculation parameters. The provision is reduced to reflect

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

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

T€	31/12/2010	31/12/2011
Assumed rate of interest	5.40%	5.30%
Salary trend	0.00%	0.00%
Pension trend	2.00%	2.00%

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

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

T€	31/12/2010	31/12/2011
Defined benefit obligation at the start of the period	**255**	**296**
Current service cost	12	4
Interest expense (according to IAS 19)	15	16
Experience-based adjustment	0	0
Payments actually rendered	0	0
Effect from settlement statements	0	0
Actuarial gains (-) / losses (+)	14	11
Conversion	0	108
Defined benefit obligation at the end of the period	**296**	**435**

The defined benefit obligation is financed with qualified reinsurance policies as of December 31, 2011, and effectively pledged to the pension beneficiaries (previous year: TEUR). The reinsurance represents the plan assets pursuant to IAS 19.7.

The plan assets changed as follows:

T€	31/12/2010	31/12/2011
Plan assets at the start of the period	**183**	**206**
Employer contributions	13	13
Expected income from plan assets	8	21
Actuarial gains and losses	2	0
Conversion	0	96
Plan assets at the end of the period	**206**	**336**

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

The actual income from plan assets amounted to TEUR 21 (previous year: TEUR 10). Income of TEUR 6 is expected for the following financial year. The expected income from plan assets in the "financial assets available for sale" category was calculated at 1.96% (previous year: 5.5%).

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

T€	31/12/2010	31/12/2011
Defined benefit obligation of obligations financed through qualified reinsurance	**296**	**435**
Defined benefit obligation	296	435
Fund assets included at market values	-206	-336
Adjustment amount due to unreported actuarial gains and losses	41	28
Pension provisions and similar obligations	**131**	**127**

The reported obligation is composed of a current component of TEUR 18 (previous year: TEUR 6), and a non-current portion of TEUR 109 (previous year: TEUR 125).

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

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

T€	2007	2008	2009	2010	2011
Defined benefit obligation	1,380	232	255	296	435
Fair value of plan assets	143	162	183	206	336
Financing balance	1,237	70	72	90	99
Experience-related adjustments to the DBO	8	10	0	0	11
Experience-related adjustments to the plan assets	0	0	0	0	0

The following amounts were reported through the income statement:

T€	2010	2011
Current service cost	-12	-4
Interest expense arising from the obligation	-15	-16
Employer contributions	13	13
Expected income from plan assets	8	21
Realised actuarial gains or losses	7	-3
	1	**11**

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

(14) OTHER PROVISIONS

Other non-current provisions of TEUR 42 relate to guarantee provisions (previous year: TEUR 31). These were valued over a two-year period at present value using the effective interest method. The compound the amounts are negligible overall, and are offset in other changes.

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

T€	Balance 01/01/2011	Utilisation	Release	Addition	Other changes	Balance 31/12/2011
Risks in commodity transactions						
- Guarantees	184	124	60	279	-6	273
- Bonuses and rebates	1,166	1,008	74	843	23	950
	1,350	**1,132**	**134**	**1,122**	**17**	**1,223**
Personnel and social area						
- Staff bonuses	30	30	0	262	-162	100
	30	**30**	**0**	**262**	**-162**	**100**
Other						
- Sales commissions	0	0	0	0	0	0
- Annual financial statement and auditing costs	186	151	0	110	-20	125
- Supervisory Board compensation	20	20	0	30	0	30
- Miscellaneous	34	26	8	68	0	68
	240	**197**	**8**	**208**	**-20**	**223**
	1,620	**1,359**	**142**	**1,592**	**-165**	**1,546**

The other changes contain currency rate changes and changes to the consolidation scope.

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

T€	31/12/2010	31/12/2011
Deferred tax	918	998
Actual income tax liabilities	21	27
	939	**1.025**

The deferred tax liabilities of TEUR 998 (previous year: TEUR 918) are attributable in an amount of TEUR 801 (previous year: TEUR 710) to temporary differences arising from the reconciliation of the Group companies' single-entity financial statements to IFRS, and in an amount of TEUR 197 (previous year: TEUR 208) to intangible assets and hidden reserves identified as part of the capital consolidation of subsidiaries.

Deferred tax liabilities for the 2011 financial year are composed of current deferred tax liabilities of TEUR 455 (previous year: TEUR 320), and of non-current deferred tax liabilities of TEUR 543 (previous year: TEUR 598).

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

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

(16) LIABILITIES

Financial debt:

T€	31/12/2010	31/12/2011
Non-current financial debt	3,100	5,000
Current financial debt	12,275	2,194
	15,375	**7,194**

Non-current financial debt is composed as follows:

T€				
Contract type	**Interest rate p.a.**	**Term**	**31/12/2010**	**31/12/2011**
Loan	1-month LIBOR + 2% 1-month LIBOR + 2%	until December 2013 until December 2014	0 0	2,000 3,000
Loan	4.0%	unbestimmt	3,000	0
Loan	5.5%	bis November 2012	100	0
			3,100	**5,000**

The loan totalling TEUR 5,000 was granted by Techtronic Industries Company Ltd., Hong Kong. The net losses on the loan amounted to TEUR 0 for the 2011 financial year. From 2012, an interest-rate risk arises with respect to the fixing to 1-month LIBOR.

The loans reported in the previous year for TEUR 3,000 and TEUR 100 were repaid or redeemed early in 2011. The net losses on non-current financial debt amounted to TEUR 236 in the year under review (previous year: TEUR 169).

Current financial debt is composed as follows:

Contractual partner	Terms	31/12/2010	31/12/2011
		T€	T€
Banks (current accounts)	variable	7,775	1,169
Banks (other)	variable	226	0
Third parties	LIBOR + 2,0%	0	1,000
Banks (hedging transactions)	non-interest-bearing	8	0
Residual purchase price for acquisition of Gimelli Laboratories Co. Ltd.	non-interest-bearing	1,222	0
Third parties	non-interest-bearing	121	25
Third parties	4.5 – 6.6 %	223	0
Third parties	4.0 %	2,700	0
		12,275	**2,194**

The interest-rate risk relates to the liabilities with variable terms. In each case, these relate to current account overdrafts based on credit lines that have been provided, and loans. Please refer to the remarks about non-current financial debt regarding the current portion (TEUR 1,000) of the loan from Techtronic Industries Company Ltd., Hong Kong.

The expenses (net losses) included in the interest expense on current loans and credit lines for 2011 amount to TEUR 186 (previous year: TEUR 403). Stocks amounting to TEUR 999 were assigned as collateral (previous year: TEUR 3,926).

The liability of TEUR 1,222 was reported as a liability arising from the residual purchase price for the acquisition of Gimelli as of December 31, 2010. This liability was calculated applying an option pricing model. Due to the resale of the interest in Gimelli as of September 30, 2011, this liability was derecognised as part of deconsolidation.

The trade payables are due within one year (TEUR 9,941; previous year: TEUR 11,758). Of this amount, €7.0 million is attributable to liabilities arising from the assumption of drawn bills (previous year: €5.9 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. Interest costs incurred during the year amounted to TEUR 156 (previous year: TEUR 115).

Other liabilities of TEUR 1,681 (previous year: TEUR 1,605) primarily include VAT liabilities of TEUR 587 (previous year: TEUR 541), debtor accounts in credit of TEUR 157 (previous year: TEUR 80), liabilities to staff of TEUR 27 (previous year: TEUR 283), social security liabilities of TEUR 52 (previous year: TEUR 34), and deferred payment obligations of TEUR 327 (previous year: TEUR 390). 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 were reported in a gross amount of TEUR 50,527 (previous year: TEUR 49,265). This sales revenue was offset by sales reductions of TEUR 3,257 (previous year: TEUR 2,998).

T€	2010	2011
Sales revenue		
MEDISANA AG	13,961	16,881
MEDISANA USA Inc.	0	0
MEDISANA Far East Ltd. incl. MEDISANA Trading (Shenzhen) Ltd.	343	765
MEDISANA Health Care S.L. incl. Royal Appliance España S.L.	7,384	4,857
MEDISANA Benelux NV	6,837	5,834
MEDISANA Hellas Ltd. incl. MEDISANA Saglik Ürünleri Ltd.	1,563	1,216
Promed GmbH incl. Nova GmbH	8,656	8,693
MEDISANA (UK) Healthcare Ltd.	38	81
Gimelli Laboratories Co. Ltd. incl. Gimelli Health Care Products (Shenzhen) Co. Ltd.	7,210	7,166
MEDISANA RUS OOO	275	1,767
MEDISANA Space Technologies GmbH	0	10
	46,267	**47,270**

As part of its task as the Group parent company, MEDISANA AG generated additional sales revenue (intercompany) of TEUR 10,249 (previous year: TEUR 9,308), which was eliminated at Group level. MEDISANA AG also bears the greater part of the charge arising from sales deductions, at TEUR 2,476 (previous year: TEUR 2,294).

(18) COST OF SALES

The cost of sales of TEUR 35,967 (previous year: TEUR 34,759) includes the costs of procuring the goods that were sold, as well as production and sales costs directly attributable to the sales revenues. Materials purchasing costs stood at TEUR 31,041 (previous year: TEUR 29,244). Directly attributable production and sales costs totalled TEUR 4,926 (previous year: TEUR 5,515). This amount includes depreciation and amortisation of TEUR 238 (previous year: TEUR 296).

The gross profit of TEUR 11,304 (previous year: TEUR 11,508) 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 14,894 (previous year: TEUR 14,568) include the personnel expenses, depreciation/amortisation and other expenses attributable to this area. The items are composed as follows:

a) Purchasing and stockkeeping

T€	2010	2011
Personnel costs	1,217	1,476
Premises costs	573	591
Quality testing expenses	189	213
Depreciation/amortisation	115	190
Vehicle costs	60	70
Leasing expenses	141	192
Travel expenses	47	72
Office expenses	35	60
Insurance companies	23	29
Consultancy expenses	9	31
Research and development costs	94	198
IT	23	52
Other expenses	112	109
	2,638	**3,284**

b) Sales and marketing

T€	2010	2011
Personnel costs	3,017	3,360
Marketing expenses	2,194	1,877
Consultancy expenses	346	232
Vehicle costs	262	268
Premises costs	163	199
Quality testing expenses	2	0
Travel expenses	173	178
Office expenses	126	116
Depreciation/amortisation	495	408
Research and development costs	29	29
Leasing expenses	32	35
Insurance	30	29
Other expenses	225	140
	7,095	**6,871**

c) Administration

T€	2010	2011
Personnel costs	2,027	1,924
Consultancy expenses	800	550
Insurance	183	207
Office expenses	472	706
Annual financial statement expenses	392	275
Depreciation/amortisation	221	232
Premises costs	119	139
Travel expenses	253	269
Leasing expenses	76	96
Vehicle costs	58	67
IT	52	106
Other expenses	183	168
	4,836	**4,739**

Across all three areas, total premises costs of TEUR 929 (previous year: TEUR 324) relate to sub-tenancy contracts.

Administration costs include TEUR 107 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. The previous year included the following expenses paid to Warth & Klein Grant Thornton AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor of the consolidated financial statements: TEUR 138 for services related to the financial statements, TEUR 5 for other certification services, and TEUR 16 for tax advice services.

During the financial year, the company employed an average of 195 (previous year: 174) salaried staff, and 384 (previous year: 501) industrial employees. A total of 115 salaried employees and 16 industrial employees were employed in the company excluding the pro rata inclusion of Gimelli.

MEDISANA employed 127 staff as of the balance sheet date (705 in the previous year including staff from Gimelli Laboratories Co. Ltd.). The regional allocation of the employees is as follows:

Employees	2010	2011
Germany	87	84
Rest of Europe	37	35
Rest of the world	581	8
	705	**127**

The total personnel costs are split as follows:

T€	2010	2011
Wages and salaries	5,364	5,799
Social security costs	889	887
Pension scheme expenses	9	74
	6,261	**6,760**

In the year under review, an amount of TEUR 1,154 was reported as compensation for payments due on a short-term basis to key Group management staff (previous year: TEUR 973). Stock options from the employee stock option program 2009 were also granted in previous years, resulting in a proportional amount of TEUR 88 in 2011 for personnel expenditure for staff in key positions (previous year: TEUR 88). Total compensation paid to employees in key positions consequently amounted to TEUR 1,242 (previous year: TEUR 1,061).

In the 2011 financial year, the personnel expenses included total expenses of TEUR 142 from the stock option program 2009 (previous year: TEUR 142), which is reported with wages and salaries.

Social expenses include TEUR 370 of statutory payments to defined contribution pension plans (previous year: TEUR 622).

(20) OTHER OPERATING EXPENSES

Other operating expenses of TEUR 1,121 (previous year: TEUR 2,078) relate to the following items:

T€	2010	2011
Losses arising from valuation adjustments according to IAS 36	1,660	0
Valuation allowances applied to receivables	69	719
Factoring costs	61	37
Processing costs	233	138
Miscellaneous expenses	55	227
	2,078	**1,121**

The valuation allowances of TEUR 719 applied to receivables relate exclusively to additions to valuation allowances applied to trade receivables (previous year: TEUR 69).

The previous year included IAS 36 valuation charges applied to disclosed hidden reserves in an amount of TEUR 1,499, and applied to goodwill in an amount of TEUR 161, which is presented in the segment reporting section under the consolidation heading.

(21) OTHER OPERATING INCOME

T€	2010	2011
Income from the deconsolidation of Gimelli	0	1,019
Income from the TTI restructuring	0	1,000
Income from the waiving of receivables by third parties	0	900
Reversal of valuation allowances applied to receivables	67	413
Exchange rate gains	896	343
Income from the release of provisions	112	142
Non-cash compensation	46	67
Loss compensation	65	60
Service payments	292	0
Payments received for written-off receivables	29	0
Other income	48	388
	1,555	**4,332**

Currency exchange rate gains and losses are reported net. Gain of TEUR 343 was reported for the 2011 financial year (previous year: TEUR 896).

(22) NET FINANCIAL RESULT

T€	2010	2011
Interest income	44	80
Interest expenses	-811	-768
Net financial result	**-767**	**-688**

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 752 in the year under review (previous year: TEUR 798); the corresponding total interest income stood at TEUR 67 (previous year: TEUR 35). All of these amounts are included in the amounts detailed in the table.

(23) INCOME TAXES

T€	2010	2011
Current income tax	-178	-47
Deferred income tax	-2,552	218
	-2,730	**171**

A deferred income tax amount of TEUR 218 was reported in the 2011 financial year (previous year: income tax expense of TEUR 2,552). This income is primarily attributable to the release of deferred tax liabilities through profit and loss.

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

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

Reconciliation between expected and actual tax expense/income		
T€	**2010**	**2011**
Earnings before tax	-4,351	-1,067
Expected tax expense / tax income	**1,305**	**320**
Changes to income tax arising from:		
- Change in impairment losses applied to deferred tax assets	-3,785	-94
- Utilisation of non-capitalised deferred tax	46	39
- Differences between divergent tax rates	-198	-15
- Tax-free income and non-tax-deductible expenses	-98	-79
Actual tax expense	**-2,730**	**171**
Effective tax rate in %	-62,76	16,03

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

Of the non-controlling interest, TEUR 89 (previous year: TEUR 185) relates to the share of profits, and TEUR 615 (previous year: TEUR 1,359) relates to the share of losses.

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

T€	**2010**	**2011**
MEDISANA Hellas Ltd. inkl. Medisana Saglik Ürünleri Ltd. i.L.	-237	-71
MEDISANA Far East Ltd. inkl. Medisana Trading (Shenzhen) Ltd.	102	62
MEDISANA Space Technologies GmbH	-20	-55
Gimelli Laboratories Co. Ltd. incl. Gimelli Health Care Products (Shenzhen) Co. Ltd.	-989	-236
MEDISANA Health Care S.L. inkl. Royal Appliance España S.L.	-113	-253
Promed GmbH kosmetische Erzeugnisse	83	27
	-1,174	**-526**

(25) EARNINGS PER SHARE

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

€	2010	2011
Consolidated net income attributable to MEDISANA AG shareholders	-5,907,607	-370,431
Weighted average number of shares	**7,664,237**	**7,953,660**
Earnings per share (EPS)	-0.77	-0.05

Both basic and undiluted earnings per share stood at €-0.05 in the year under review (previous year: €-0.77).

A non-cash capital increase consisting of the issuing of 766,000 shares from approved capital was performed in 2011 pursuant to a contractual agreement. The non-cash capital increase was performed by the contribution of a loan from Superb Wealth Investments Limited. As part of the sale of Gimelli Laboratories, MEDISANA AG assumed 630,000 shares into its treasury share position in October 2011.

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 €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, 2011 (previous year: 3,517,163 shares), which 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 income for the year of TEUR -896 (previous year: TEUR -7,081), cash flow from operating activities stood at TEUR 221 (previous year: TEUR -6,472). This amount includes TEUR 77 of interest income (previous year: TEUR 14), and TEUR 644 of interest expenses (previous year: TEUR 295). Income taxes paid amounted to TEUR 171 (previous year: TEUR 216), which were offset by income tax received of TEUR 53 (previous year: TEUR 29).

The cash inflow from investing activities of TEUR 412 (previous year: TEUR -998) primarily arises from investments in tangible and intangible assets in an amount of TEUR 606 (previous year: TEUR 803) and TEUR 820 respectively (previous year: TEUR 372), as well as from proceeds of TEUR 1,826 from the sale of Gimelli. The TEUR 233 cash position of Gimelli was deducted from the proceeds from the sale of Gimelli.

The total consideration from the sale of Gimelli amounted to TEUR 4,624. Along with TEUR 233 of cash and cash equivalents sold, current account overdrafts of TEUR 2,819 were also deconsolidated. The assets and liabilities deconsolidated as of September 30, 2011 are divided as follows:

Assets	T€
Goodwill	3,705
Intangible assets	325
Tangible assets	788
Deferred tax	417
Inventories	1,496
Trade payables	1,520
Other receivables	106
Liquid assets	233
	8,590

Liabilities	T€
Minority interest	55
Currency translation reserve	173
Deferred tax	88
Provisions	98
Current account overdrafts	2,819
Trade payables	1,358
Other liabilities	394
	4,985

The TEUR 2,328 cash inflow from financing activities (previous year: TEUR 4,695) results mainly from the drawing down and redemption of short- and long-term borrowings, and the capital increase that MEDISANA AG conducted in 2011. The company received TEUR 2,681 of proceeds from the capital increase. Besides this, short-term loans totalling TEUR 3,253 were repaid, and TEUR 1,000 were drawn down. A loan was also drawn down, TEUR 5,000 of which is reported in the non-current area.

The cash and cash equivalents reported in the cash flow statement in an amount of TEUR 1,639 (previous year: TEUR -4,170) correspond to the liquid assets as per the balance sheet in an amount of TEUR 2,808 (previous year: TEUR 3,605), less current account overdrafts reported under current financial debt of TEUR 1,169 (previous year: TEUR 7,775).

(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, 2011 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)
  incl. MEDISANA Saglik Ürünleri Ltd (i. L.), Istanbul (Turkey)
- MEDISANA Healthcare UK Ltd., London (United Kingdom)

"REST OF WORLD" SEGMENT

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

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

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

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

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

Segment assets and liabilities include all assets and liabilities with the exception of income taxes and deferred tax. These amounts are presented before consolidation. The "consolidation" column includes the total of all consolidation bookings to 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. Sales with important customers in the "Rest of World" segment and the "Group", is attributable to Gimelli (China). Important customers in 2010 included GlaxoSmithKline plc and Conair Corporation. The decline in sales with important customers in 2011 is particularly attributable to a fall in sales with the customer Conair Corporation below the mandatory 10% reporting threshold. Categorisation based on IFRS 8.32 was refrained from in order to avoid excessively high costs.

The following overview presents the MEDISANA Group segment reporting:

MEDISANA GROUP

2011 segment reporting

Segments	Germany		Rest of Europe		Rest of World	
T€	2010	2011	2010	2011	2010	2011
Balance sheet						
Equity	11,757	12,361	278	-776	508	607
Segment assets	35,682	32,653	10,654	8,442	9,253	4,858
Segment liabilities	24,021	20,440	10,342	9,275	9,186	4,230
Income statement						
Segment sales	32,275	35,912	15,835	11,988	14,243	13,976
Cost of sales	26,324	28,398	11,297	9,500	12,889	12,511
Purchasing and stockkeeping	2,147	2,775	465	564	172	182
Sales and marketing	4,087	4,434	2,499	2,117	173	97
Administration	1,979	2,205	1,179	1,015	1,562	1,507
Other operating expenses	322	486	26	588	2	14
Other operating income	513	2,116	161	1,019	219	372
Earnings before interest and tax (EBIT)	-2,071	-269	530	-778	-336	37
Earnings before tax (EBT)	-2,381	-568	160	-1,099	-423	-67
Other data						
Sales with important customers	0	0	0	0	7,500	4,432
Number of employees as of 31/12	87	84	37	35	581	8

	IFRS adjustments		Consolidation		Group	
	2010	2011	2010	2011	2010	2011
	679	731	-2,625	-1,976	10,598	10,947
	559	1,272	-15,482	-16,145	40,666	31,081
	-249	437	-12,780	-13,847	30,520	20,535
	-311	-1	-15,774	-14,604	46,268	47,270
	-488	128	-15,263	-14,570	34,759	35,967
	-99	-238	-46	0	2,638	3,283
	-8	6	344	216	7,095	6,871
	61	112	54	-100	4,836	4,739
	61	1,499	1,669	-1,465	2,079	1,121
	547	1,356	115	-531	1,555	4,332
	709	-154	-2,417	784	-3,584	-379
	708	-116	-2,415	782	-4,351	-1,067
	--	--	--	--	4,954	0
	--	--	--	--	705	127

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 T€)	Germany		Rest of Europe		Rest of World		Group	
	2010	2011	2010	2011	2010	2011	2010	2011
Balance sheet								
Non-current assets	2,402	3,038	1,236	1,008	5,049	21	8,688	4,066
Income statement								
External sales	22,617	25,585	15,823	11,988	7,828	9,698	46,268	47,270

The total across all the third countries amounts to TEUR 1,028 in terms of non-current assets (previous year: TEUR 6,389), and TEUR 21,686 in terms of external sales (previous year: TEUR 23,651). 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 occurred after the balance sheet date that require reporting.

(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 €32.5 million (previous year: €42.1 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. There were no external covenants 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.

Liquidity risk

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

As of the balance sheet date, the supplier credit facility for the next financial year amounted to $ 25 million or €19.3 million (previous year: $25 million or €18.9 million). Of this amount, $9.1 million, or €7.0 million, was utilised as of December 31, 2011 (previous year: $7.8 million or €5.9 million).

Liquid assets of €2.8 million (previous year: €3.6 million) and trade receivables of €8.5 million (€12.8 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 €2.2 million (previous year: €11.0 million), trade payables of €9.9 million (previous year: €11.8 million) and current provisions of €1.5 million (previous year: €1.6 million). Besides the recognised amounts, a supplier credit facility of €7.6 million was also available as of the balance sheet date (previous year: €5.0 million). As in the previous year, free credit lines were also available at business banks. The following table presents an analysis of the agreed due dates for the liabilities, as well as the related future interest payments (previous year's figures in brackets):

T€	Financial debt	Trade payables	Other	Total
- Due within one year	2,528 (13,050)	2,528 (13,050)	1,681 (1,605)	**14,150** **(26,413)**
- Due in the second year	2,200 (170)	0 (0)	0 (0)	**2,200** **(170)**
- Due in the third year	3,120 (120)	0 (0)	0 (0)	**3,120** **(120)**
- Due in the fourth year	0 (3,120)	0 (0)	0 (0)	**0** **(3,120)**
- Due in the fifth year	0 (0)	0 (0)	0 (0)	**0** **(0)**
- Due after the fifth year		(0)	(0)	**(0)**

The non-current liabilities are due from 2013. Please refer to note 16 concerning changes in non-current financial debt.

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

The Groups liquidity is secured as of the reporting date due to the aforementioned circumstances.

Credit risk

Credit information and genuine factoring is used to counter customer default risk. Corresponding valuation adjustments are formed in the event of default risk. Please refer to No 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:

T€	Fair Value		Carrying amounts							
			Cash and cash -equivalents		Loans and receivables		Measured at fair value through P&L*		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Financial assets										
Non-current financial assets	156	77	0	0	114	58	42	19	156	77
Current financial assets	1,688	2,719	0	0	1,553	2,176	135	543	1,688	2,719
Trade receivables	12,773	8,500	0	0	12,773	8,500	0	0	12,773	8,500
Liquid assets	3,605	2,808	3,605	2,808	0	0	0	0	3,605	2,808

* 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 0.3%) on a balance sheet date basis. According to IFRS 7 (sensitivity of receivables losses with respect to the receivables portfolio), each change in the default rate by 0.1% would have an earnings and equity effect as of the balance sheet date of TEUR 8 (TEUR 13) given an unchanged portfolio of receivables.

Net losses in the loans receivables category total TEUR 719 in 2011 (previous year: TEUR 210).

Net gains on financial instruments measured in the at fair value through profit and loss category total TEUR 40 in 2011 (previous year: TEUR 127).

Financial instruments measured at fair value through profit and loss are valued by the contractual partner exclusively using observable market parameters. In the case of forward currency transactions (as in the previous year, exclusively USD/EUR), a shift in the exchange rate by 0.01 USD/EUR upward/downwards as of the balance sheet date would have resulted in a TEUR 123 (previous year: TEUR 48) lower respectively TEUR 125 (previous year: TEUR 49) higher fair value. The default rate stands at 0.0%, as previously.

The following overview presents the categorisation of financial liabilities.

T€	Fair Value		Carrying amounts					
			Amortised cost		Financial instru-ments measured at fair value through P&L*		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
Financial liabilities	**28,738**	**18,816**	**27,508**	**18,816**	**1,230**	**0**	**28,738**	**18,816**
Non-current financial debt	3,100	5,000	3,100	5,000	0	0	3,100	5,000
Current financial debt	12,275	2,194	11,045	2,194	1,230	0	12,275	2,194
Trade payables	11,758	9,941	11,758	9,941	0	0	11,758	9,941
Other liabilities	1,605	1,681	1,605	1,681	0	0	1,605	1,681

* exclusively "held-for-trading"

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

The net loss on financial liabilities measured at amortised cost amounted to TEUR -460 for the year under review (previous year: TEUR -687).

The net gain/loss on financial liabilities measured at fair value amounted to TEUR 0 (previous year: TEUR 702).

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

Interest-rate risk

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

According to the sensitivity analysis for the liabilities arising from the assumption of bills drawn, a 1.0% change in LIBOR feeds through to a TEUR 3 earnings and equity effect for each €1 million of overdue liabilities. In the case of bank borrowings (TEUR 1,169; previous year: TEUR 8,001), a +/-1% change in the variable interest rate would feed through to an earnings and equity effect of -/+ TEUR 12 (previous year: -/+ space TEUR 60) for the utilised credit lines. For the newly drawn-down loan liabilities to third parties (TEUR 6,000), a +/- 1% change in the variable interest rate would feed through to an earnings and equity effect of -/+ TEUR 60.

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

Exchange-rate risk

Significant currency risks exist within the MEDISANA Group with respect to the procurement of products that are ordered on a US dollar basis within the Asian region. Currency risk arising from procurement within the MEDISANA Group is of subordinate significance with respect to currency rate fluctuations. In order to counter this, the currency risk between EUR and USD is limited primarily through forward currency transactions (forward-plus contracts).

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 54 (stronger/weaker euro) (previous year: +/- TEUR 44).

(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; it is offset by the financing costs. As of the balance sheet date, €3.1 million of liquidity accrued to MEDISANA AG (previous year: €1.1 million).

(31) RELATED PARTIES DISCLOSURES

The CEO of MEDISANA AG was also the Managing Director of Royal Appliance International GmbH, Neuss, until June 30, 2011. Royal Appliance International GmbH is no longer a related party from this date. For this reason, the reported figures for 2011 refer only to the January 1, 2011 until June 30, 2011 period. Royal Appliance International GmbH has sublet the building it has leased in Neuss to MEDISANA AG since November 1, 2010. This resulted in the passing of TEUR 48 of costs in the first half of 2011 (previous year: TEUR 36).

An additional TEUR 12 (previous year: TEUR 24) was charged to MEDISANA AG for the use of IT equipment and services. Since May 1, 2006, Royal Appli¬ance International GmbH has also sublet the warehouse it has leased in Neuss to MEDISANA AG. From this, costs were passed on from Royal Appliance International GmbH amounting to TEUR 144 in the first half of 2011 (previous year: TEUR 288).

Employees of Royal Alliance International GmbH performed personnel services amounting to TEUR 55 for MEDISANA AG in the year under review (previous year: TEUR 41). Further costs, in particular for joint trade fair and project activities, amounting to TEUR 21 were also transferred to MEDISANA AG (previous year: TEUR 237).

Royal Appliance International GmbH granted a TEUR 6,000 loan to MEDISANA AG, which carries a 4.0% interest rate (previous year: TEUR 5,700). The loan was completely repaid as of August 31, 2011. Royal Appliance International GmbH invoiced TEUR 120 of loan interest payments in the first half-year (previous year: TEUR 164 in total).

MEDISANA AG provided Royal Appliance International GmbH with personnel-related services to the tune of TEUR 72 in 2011 (previous year: TEUR 48).

Services and deliveries between MEDISANA AG and Royal Appliance International GmbH results in balances requiring short-term settlement in an amount of TEUR 143 (previous year: TEUR 482), which are reported among trade payables.

Royal Appliance International GmbH generated TEUR 78 of sales with MEDISANA Benelux NV in the year under review (previous year: TEUR 202). Offsetting this, MEDISANA Benelux NV invoiced a TEUR 15 sales fee to Royal Appliance International GmbH (previous year: TEUR 9).

Royal Appliance International GmbH generated TEUR 285 of sales with Royal Appliance España S.L in the year under review (previous year: TEUR 1,700). Deliveries by Royal Appliance International GmbH resulted in no balances requiring short-term settlement as of the balance sheet date (previous year: TEUR 1,923 reported among trade payables).

MEDISANA AG reports the following balances requiring short-term settlement with Royal Appliance International GmbH As of December 31, 2011:

€	2010	2011
Trade payables	2,415	143
Loan liabilities	5,700	0

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

The Management Board Chairman of MEDISANA AG is also the Managing Director of Cedar Holdings GmbH, Neuss, Germany. The TEUR 60 loan by Cedar Holdings GmbH in the previous year was fully repaid in 2011. MEDISANA AG reports TEUR 28 of current trade payables due to Cedar Holdings GmbH as of the reporting date (previous year: TEUR 26). 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 transacted no revenue with Stellar GmbH in 2011 (previous year: TEUR 2). No open items were reported as of the balance sheet date (previous year: TEUR 0).

Arising from business relationships with the MEDISANA Group Spain, Stellar Products GmbH granted receivables waivers and compensation totalling TEUR 600 (previous year: TEUR 0), which were recognised as income. A total receivable of TEUR 300 and due from Stellar Products GmbH was reported as of the balance sheet date (previous year: TEUR -423).

Business relations between Stellar GmbH and MEDISANA AG occurred on market terms in the 2011 financial year.

The Management Board Chairman of MEDISANA AG is also the Managing Director of Domostar GmbH, Neuss, Germany. Goods and services transactions occurred between MEDISANA AG and Domostar GmbH in 2011, which resulted in revenue of TEUR 925 at MEDISANA AG (previous year: TEUR 1,265).As of the balance sheet date, MEDISANA AG reported a trade payable of TEUR 14 due to Domostar GmbH (previous year: TEUR 576).Business relations between Domostar GmbH and MEDISANA AG occurred on market terms.

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

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

(32) COLLATERAL

Financial assets in an amount of TEUR 1,547 are pledged as collateral for sold receivables (previous year: TEUR 1,124). Receivables in an amount of TEUR 976 were also pledged as collateral (previous year: TEUR 4,111).

Stocks of TEUR 999 were pledged to banks as collateral for short-term finance debt (previous year: TEUR 3,926).

(33) CORPORATE GOVERNANCE STATEMENT

The statement of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Management and Supervisory boards of MEDISANA AG, and made available to the shareholders on the Internet at www.medisana.de/corporate/1/77-0-Entsprechenserklaerung.html within the area Investor Relations/Corporate Governance/Erklärung zur Unternehmensführung.

(34) PUBLICATION

MEDISANA presents the consolidated financial statements and Group management report to the Supervisory Board for approval. Approval by the Supervisory Board is scheduled for May 5, 2012. Publication will occur subsequently.

(35) ASUPERVISORY AND MANAGEMENT BOARDS

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

MANAGEMENT BOARD

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

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

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

Remuneration of the Management Board amounted to TEUR 586 in the 2011 financial year (previous year: TEUR 320).

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 Program 2010.

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 Number 9 Letter a Clauses 5 to 8 and Section 314 (1) Number 6 Letter a Clauses 5 to 8 of the German Commercial Code (HGB).

SUPERVISORY BOARD

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

Mr. Heinz-Peter J. Specht,
Munich,
independent management consultant,
SPECHT CONSULTING INTERNATIONAL
Deputy Supervisory Board Chairman

Dr. Matthias Hartz,
Pfäffikon, Switzerland
Executive Vice President
General Counsel
OC Oerlikon Management AG

Remuneration of the Supervisory Board amounted to TEUR 20 in the 2011 financial year (previous year: TEUR 20).

Neuss, April 27, 2012

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, 2011 until December 31, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as applicable in the EU, and additionally in accordance with the commercial law regulations pursuant to Article 315a Paragraph 1 of the German Commercial Code (HGB), is the responsibility of the company's legal representatives. Our task is to issue an assessment concerning the consolidated financial statements and the Group management report on the basis of the audit we have conducted.

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

Our audit identified no cause for objection.

In our opinion, and based on the knowledge gained during the audit, the consolidated financial statements conform to IFRS, as applicable in the EU, and German commercial law regulations additionally applicable pursuant to Article 315a Paragraph 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 30, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

Berndt
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INFORMATION ON RISKS

FORWARD-LOOKING STATEMENTS CONTAIN RISKS

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

FINANCIAL CALENDAR

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

07/-09/05/2012	Entry and General Standard Conference, Frankfurt am Main
18/05/2012	Publication of Group 2012 interim report within first half of 2012
26/06/2012	Ordinary Annual General Meeting, Düsseldorf
31/08/2012	Publication of H1 2012 financial report
31/08/-05/09/2012	IFA international consumer electronics and home appliances trade fair 2012, Berlin
14/-17/11/2012	Medica trade fair, Düsseldorf
19/11/2012	Publication of Group 2012 interim report within second half of 2012

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