Interim Report, 1st – 3rd Quarter of 2011

Q1-3

Celesio makes progress with strategic realignment

Joint venture with Medco terminated

Financial crises burden healthcare markets and business development

celesio

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Celesio at a glance

Key figures of the Celesio Group		1st – 3rd quarter 2010	**1st – 3rd quarter 2011**	Change on a euro basis %	Change adjusted for portfolio and currency effects[4] %
Revenue	EUR m	17,346.0	17,162.6	– 1.1	– 0.7
EBITDA	EUR m	508.8	413.6	– 18.7	– 14.4
Profit before tax	EUR m	299.3	106.5	– 64.4	–
adjusted[1) 3)]	EUR m	330.6	228.2	– 31.0	–
Net profit/loss	EUR m	193.4	29.7	– 84.7	–
adjusted[1) 3)]	EUR m	223.1	147.4	– 33.9	–
Earnings per share (basic)	EUR	1.11	0.15	– 86.0	–
Earnings per share (basic), adjusted[1) 3)]	EUR	1.29	0.84	– 34.9	–
Net cash flow from operating activities	EUR m	338.2	313.7	– 7.2	–
Net cash flow from investing activities	EUR m	– 112.5	– 129.0	14.7	–
Free cash flow	EUR m	155.7	92.0	– 40.9	–
Total assets[2)]	EUR m	8,342.0	8,332.0	– 0.1	–
Equity[2)]	EUR m	2,498.8	2,524.3	1.0	–
Equity ratio[2)]	%	30.0	30.3	–	–
Employees (full-time equivalents)[2)]		36,957	36,596	–	–
Retail pharmacies[2)]		2,323	2,299	–	–
Wholesale branches[2)]		134	133	–	–

1) Adjusted for special effects in the financial result.
2) Closing figures at the end of the reporting period.
3) Adjusted for impairment losses recognised on intangible assets consisting of impairment losses on goodwill and brand names. In the case of the net profit/loss, they relate to associated tax effects.
4) The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year), gains/losses on disposal and impairment of intangible assets. The figure is also adjusted for changes in the value of shares in ANZAG, which were held up to and including 2010.

Information on the Celesio share	
Share type	No-par value registered shares
Share capital in EUR on 30/09/2011	217,728,000.00
ISIN code	DE000CLS1001
German securities code	CLS 100
German stock exchange code	CLS1
Indices (selection)	MDAX, MSCI Germany Index, FTSE4Good, ECPI Ethical Index EMU

The Celesio Group

Celesio is one of the leading international service providers within the pharmaceutical and healthcare markets. We are active in 27 countries worldwide and employ approximately 47,000 employees[1)] in our three divisions Patient and Consumer Solutions, Pharmacy Solutions and Manufacturer Solutions. Just under 2,300 of Celesio's own retail pharmacies, as part of Patient and Consumer Solutions, serve around half a million customers every day. In our wholesale activities, the core business of Pharmacy Solutions, more than 130 wholesale branches deliver to over 65,000 pharmacies – day in, day out. In the Manufacturer Solutions division, we offer pharmaceutical manufacturers logistics, marketing and sales solutions and operate in the area of Efficient Care Pharma.

1) Total number of employees as of 30 September 2011; this corresponds to 36,596 full-time equivalents.

Key events 2011

Q1

- Pressure increased on pharmaceutical prices in Europe
- International DocMorris rebranding launched for our own pharmacies in Ireland
- Non-regulated service business strengthened at Lloydspharmacy
- Further convertible bond successfully placed

Q2

- Markus Pinger appointed new CEO
- Ongoing fierce competition and government burdens in Europe
- Investment in realignment of Lloydspharmacy
- Unscheduled impairment losses of EUR 116m

Q3

- Celesio makes progress with strategic realignment
- Joint venture with Medco terminated
- Financial crises burden healthcare markets and business development

Q4

Chairman's letter

Ladies and gentlemen,
Dear shareholders,

When I was asked to take over the position of CEO at Celesio, I did not hesitate for long. Celesio is a company with an impressive history and a tradition of success, serving society for over 175 years as an important healthcare supplier.

The truth is, however, that Celesio has not been able to continue this success story in recent years, a fact that is again reflected in the negative development of earnings in 2011. We want to stop this trend, which is particularly unwelcome for you as our shareholders, and turn things around back in the direction of positive development. We have therefore rapidly laid the foundations for the strategic and structural realignment of the company.

Our plan is to focus on developing the strengths and potential of our core business – the business on which our company's success is built and still the backbone of Celesio today. We have already taken steps in this direction by terminating the joint venture with Medco and purchasing Oncoprod, a Brazilian distributor of specialist medicines. We have also implemented an operational excellence programme to be realised over the next few years which will support our realignment by boosting the company's performance and competitive position.

With this strategic realignment, we aim to return to sustainable, profitable growth. The cornerstones are as follows:

- We will continue to develop the wholesale business as specialist international providers of logistics and other services, covering the entire distribution chain from manufacturer to pharmacy and offering solutions for optimisation. This will leverage considerable efficiency gains for all market participants. Furthermore, we want to extend our logistics competence in the wholesale business to include the distribution of specialist medicines. This is a challenging and rapidly growing market segment. In this way, the wholesale business will reposition itself as a provider of logistics and service solutions not only for pharmacies, but also manufacturers.
- With regard to the pharmacy and consumer business, we plan to expand and standardise our pharmacy partnerships across Europe, building on the cooperation models already in place in certain markets. Our partner pharmacies and our own pharmacies will benefit significantly from this as it will enable us to bundle purchasing, marketing and service activities.
- We consider the growth markets beyond Europe to offer particularly good opportunities for expansion for both the wholesale and pharmacy business. Having established our market position in Brazil, we will turn our attention to Latin America and the Middle East in particular. These markets are characterised by positive economic development and increasing spending on health.
- In light of our decision to concentrate on the core business and therefore focus resources in this area, we are currently examining the possibility of disposing of activities in the Manufacturer Solutions division. This strategy may well benefit Movianto and Pharmexx; the development prospects of both companies might be better outside the Celesio Group.

Markus Pinger
Chairman of the Management Board

Born in Leverkusen in 1963,
married with three children

2005 – 2011
Member of the Executive Board of Beiersdorf AG, responsible for supply chain: purchasing/production/logistics/quality management

2002 – 2005
General Manager Beiersdorf AB, Nordic/Baltic

Degree in business studies

- Our operational excellence programme will enable us to realise considerable potential for optimisation, specifically in the areas of cross-divisional purchasing and our international logistics network. As a result, our ability to compete will grow steadily and we will see major results as early as next year.

Celesio does not need to completely reinvent itself. It needs to reflect on its strengths and develop the core business through a strategy of innovation, cooperation and acquisition. Another important component is efficiency. We will do everything we can this year to ensure that we see a return to positive earnings development in 2012. I am confident that we will succeed, and that we can get back on track for reliable, sustainable and profitable growth. In the long term, our markets will vindicate this optimism as global pharmaceutical and healthcare markets continue to grow. We will occupy a leading position in "our" markets and create value for our shareholders.

I kindly ask you to join us as we make our way into the future, and hope that you will offer us your trust and support.

Best regards,

Markus Pinger

The share

The stock markets

The situation on the stock markets has been, and continues to be, extremely tense. Volatility has almost become the norm since mid-year and the prospect of matching the annual DAX high as of 2 May 2011 of 7,527.64 points was inconceivable in the third quarter. The German stock market index reached the lowest point of the year to date on 12 September, when it fell to 5,072.33 points. Overall, the last three months have seen the largest losses in the DAX for nine years. The index has lost around 25 percent due to heavy stock market turbulence – triggered by the euro zone and US debt crises. Not since 2002 has there been such a big drop in one quarter.

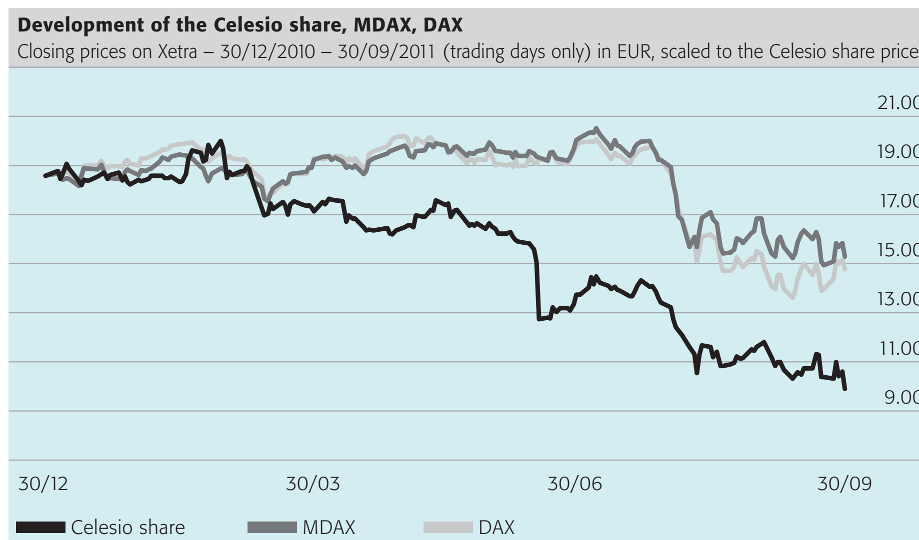
The DAX development was driven by growing fears of recession, the euro zone financial crisis and the continued poor performance of the US economy. There are no signs of a turnaround at present, although hopes that a long-term solution to the European debt crisis might be reached did buoy prices at times.

The MDAX, which includes the Celesio share in its basket, was similarly unstable, slipping below 7,700 on occasion. This midcap index fell by more than 20% on average for the year and closed trading on 30 September 2011 at 8,341 points.

The Celesio share

The Celesio share was hard hit by the development of the MDAX and the tough market conditions. After peaking in the first nine months at EUR 20.05, the price was to tumble in the coming months. It slipped below EUR 10 on 30 September, reaching a new annual low of EUR 9.89. The Celesio share was therefore unable to match the performance of the comparative indices DAX and MDAX; the share value has fallen by 46.8% since the beginning of the year. Market capitalisation at the end of the third quarter stood at EUR 1,682.3m (previous year EUR 3,055.0m). The trading volume of our share on the Xetra market in the reporting period averaged 605,533 shares per day, down slightly on the volume of the previous-year period.

Development of the Celesio share, MDAX, DAX
Closing prices on Xetra – 30/12/2010 – 30/09/2011 (trading days only) in EUR, scaled to the Celesio share price



Investor relations

Celesio's investor relations department stands for ongoing, timely, open and transparent dialogue with institutional and private investors as well as financial analysts. In the third quarter of the current fiscal year, we were again involved in numerous discussions with existing and potential investors and with analysts. We spoke to investors and analysts individually and also took part in conferences. In the reporting period, we presented Celesio at roadshows and conferences in Boston, New York, London, Munich and Frankfurt am Main, among others.

Further information on the company, the Celesio share, upcoming events and publications can be found in the investor relations section of our website at www.celesio.com.

Key share figures		1st – 3rd quarter 2010	**1st – 3rd quarter 2011**
Shares outstanding[1]	million	170.1	170.1
Market capitalisation[1]	EUR m	2,714.8	1,682.3
Closing price[1] [2]	EUR	15.96	9.89
High[2]	EUR	25.50	20.05
Low[2]	EUR	15.96	9.89
Average Xetra trading volume per day	shares	612,819	605,533

[1] Closing figures as of 30 September.
[2] Xetra closing rate, source: Bloomberg.

Interim management report

Economic environment

The economic optimism that created a relaxed mood on the stock exchanges and markets at the beginning of the year has evaporated. Above all, the high level of sovereign debt put the brake on the global economy which had begun to pick up speed. According to the September outlook published by the International Monetary Fund (IMF), the global economy is set to slow down from an original estimate of 4.4% to around 4.0%. The IMF forecasts growth of 4.0% for the coming year as well. With a development lag to make up, emerging economies stimulate demand and remain the most important prop for the global economy, although they too are less robust than they have been.

The general economic environment, coupled with the poor performance of pharmaceutical markets in Europe, continued to have a negative impact on Celesio's business, too. This situation was compounded by the fact that due to fierce competition very little could be done to cushion cuts in the healthcare market. As a result, there has been a noticeable deterioration in the current earnings situation.

Revenue and earnings development

Between January and September 2011, our group revenue decreased by 1.1% on the previous period to EUR 17,162.6m. Celesio's revenue and earnings were particularly burdened by the cost cuts triggered by the financial crisis and the associated decline in healthcare markets. Adjusted for portfolio and currency effects, group revenue decreased by 0.7%.

Group revenue by country	1st – 3rd quarter 2010 EUR m	**1st – 3rd quarter 2011** EUR m	Change on a euro basis %	Change in local currency %
France	5,114.8	5,031.8	– 1.6	– 1.6
United Kingdom	3,607.0	3,546.0	– 1.7	0.0
Germany	3,246.3	3,277.3	1.0	1.0
Brazil	1,111.4	1,154.3	3.9	2.0
Austria	791.2	802.5	1.4	1.4
Norway	744.6	775.0	4.1	1.7
Other	2,730.7	2,575.7	– 5.7	– 6.2
Total	**17,346.0**	**17,162.6**	**– 1.1**	**– 1.0**

Gross profit came to EUR 2,043.2m at the end of the third quarter of 2011, down 3.8% on the previous year. In addition to the economic developments in Europe described above, the decrease was also caused by the knock-on effects that these had on the healthcare markets. Adjusted for portfolio and currency effects, the decrease came to 2.6%. Our gross profit margin also fell slightly by 0.3 percentage points to 11.9%.

Other income increased by 6.7% to EUR 160.0m. Adjusted for portfolio and currency effects, it was up 9.5% on the level of the previous year.

At EUR 693.0m, **other expenses** increased 1.1% compared to the previous year. Adjusted for portfolio and currency effects, this was a rise of 0.6%.

Personnel expenses amounted to EUR 1,099.3m in the reporting period, a rise of 1.2%. The higher personnel expenses are mainly the result of collectively bargained wage increases as well as the settlement of contractual claims linked to the early departure of the former CEO. Adjusted for portfolio and currency effects, personnel expenses increased by 2.6%.

The **investment result**, comprising the result from associates accounted for using the equity method as well as the result from other investments, came to EUR 2.7m, compared to EUR 6.7m in the previous year. With effect as of 1 December 2010, the investment result includes the Dutch investment Brocacef Holding, which is recognised as an associated company. The result of the joint venture Medco Celesio was also recognised in this item. Brocacef Holding made a positive contribution to earnings of EUR 4.7m. Medco Celesio incurred start-up losses for the last time; Celesio and Medco terminated the joint venture with effect as of 30 September 2011.

EBITDA (earnings before interest, taxes, depreciation and amortisation) decreased by 18.7% in a year-on-year comparison to EUR 413.6m. Celesio was heavily burdened during this reporting period by the repercussions of the global financial crisis, the large cuts that these triggered in the healthcare sector and that persists intense competition in some markets. In the third quarter alone, additional government measures squeezed Celesio’s earnings by EUR 32.2m. Adjusted for portfolio and currency effects, our EBITDA decreased by 14.4%. The group EBITDA margin came to 2.4% in the reporting period, compared to 2.9% in the previous year.

Amortisation of non-current intangible assets and **depreciation** of property, plant and equipment increased by 8.1% to EUR 105.1m, in particular due to investment in the standardisation and modernisation of our group-wide IT applications.

The **impairment losses**[1] already recognised on intangible assets in the first half of the year were based on an extraordinary impairment test of intangible assets, which revealed the need to adjust the carrying amount in three business units by a total of EUR 116.3m.

The **financial result**, the balance of the items interest expense, interest income and other financial result, came to EUR – 85.7m, compared to EUR – 111.7m in the previous year. In a year-on-year comparison, this is primarily due to a non-cash currency effect of EUR 22.5m (previous year EUR – 12.6m), which is included in the other financial result and stems from revaluing the purchase price liability for outstanding Panpharma shares with the period and exchange rate at the end of each reporting period. Also

[1] The impairment losses amounted to EUR 72.0m at Pharmexx and EUR 21.0m and EUR 23.3m, respectively, for the wholesale business in Denmark and Portugal. The extraordinary impairment test was triggered by the fact that the market value of Celesio AG had fallen below the carrying amount of group equity as of 30 June 2011. Impairment losses were only necessary for the three business units named above. These formal impairment losses were caused by the general economic uncertainty in Europe, which led to a weak economic environment for the pharmaceutical industry and heavy burdens from government measures. The higher discount rate on future payments also influenced the amount of the impairment losses.

included are further non-cash special effects within interest expense, such as the unwinding of the purchase price liability for the acquisition of the remaining Panpharma shares and the application of the effective interest rate method for the convertible bonds issued in October 2009 and April 2011. Adjusted for the special effects described here, the financial result came to EUR – 80.3m (previous year EUR – 80.4m).

Profit before tax came to EUR 106.5m and was thus down 64.4% on the previous year. Profit before tax adjusted for impairment losses and special effects came to EUR 228.2m at the end of the third quarter (previous year EUR 330.6m).

In light of the lower profit before tax, the **tax expense** decreased to EUR 76.8m (previous year EUR 105.9m), resulting in an effective **tax rate** of 72.1% (previous year 35.4%). The main reason for the higher tax rate was the impairment losses, which are not tax-deductible. Furthermore, the special effects described in the section on the financial result are not generally tax deductible. Adjusted for these special effects, the tax rate was 36.2% (previous year 32.3%). The adjusted tax rate rose due to an increase in the loss situation of the consolidated tax group in Germany for which no deferred taxes had been recognised.

Net profit came to EUR 29.7m compared to EUR 193.4m in the comparative previous-year period.

Our basic **earnings per share** fell to EUR 0.15 (previous year EUR 1.11).

Revenue and earnings development of the Celesio Group	1st – 3rd quarter 2010		**1st – 3rd quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects[3]
	EUR m	% of revenue	EUR m	% of revenue	%	%
Revenue	17,346.0	100.0	17,162.6	100.0	– 1.1	– 0.7
Gross profit	2,124.1	12.2	2,043.2	11.9	– 3.8	– 2.6
EBITDA	508.8	2.9	413.6	2.4	– 18.7	– 14.4
Profit before tax	299.3	1.7	106.5	0.6	– 64.4	–
adjusted[1) 2)]	330.6	1.9	228.2	1.3	– 31.0	–
Net profit/loss	193.4	1.1	29.7	0.2	– 84.7	–
adjusted[1) 2)]	223.1	1.3	147.4	0.9	– 33.9	–

[1)] Adjusted for impairment losses recognised on intangible assets consisting of impairment losses on goodwill and brand names. In the case of the net profit/loss, they relate to associated tax effects.
[2)] Adjusted for special effects in the financial result.
[3)] The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year), gains/losses on disposal and impairment of intangible assets. The figure is also adjusted for changes in the value of shares in ANZAG, which were held up to and including 2010.

Patient and Consumer Solutions division

Market environment and business development

Our Patient and Consumer Solutions division is geared towards addressing patients and consumers with our pharmacy brands. Our sales channels consist of our own retail and mail-order pharmacies. Where corporations are not permitted to operate their own pharmacies, as is currently the case in Germany, we also participate in brand partnerships with independent pharmacists within franchise models.

Celesio is represented in eight countries with a total of 2,299 retail pharmacies as of 30 September 2011. We had opened 33 new pharmacies (previous year 33) by the end of September 2011, including 28 in Sweden.

We managed to stabilise our OTC business in the UK, despite the poor consumer climate that continues to prevail in this market. Our earnings for the quarter were negatively affected by the realignment and streamlining the product range, however. Business subject to price regulation was also impacted by the effects of the current government measures. Our UK pharmacy business benefited from improved purchasing terms and, in particular, the effects of expanding the non-price-regulated service business.

Lloydspharmacy contributed 58.7% to revenue in the Pharmacies business area in the reporting period (previous year 58.3%). Business in the UK continued to be driven by the small but steady increase in the volume of prescriptions and the growing number of supply agreements with institutions such as hospitals, health centres or prisons. As a result, the non-price-regulated service business enjoyed considerable growth. The optimisation programme for Lloydspharmacy was implemented according to plan and results are positive. The programme is consumer-oriented and aims to better address customer needs in future. Measures included streamlining the product range, launching further price campaigns, a more customer-friendly website and longer opening hours. The realignment will burden the net profit for 2011 by around EUR 20m in total. Of this, approximately 50% are attributable to the overhaul of the OTC product mix.

The Swedish market failed to live up to forecasts, and development was weaker than expected. Furthermore, market entry proved more difficult than anticipated as competition picked up. DocMorris was affected by this development and fell well short of our expectations in terms of revenue and earnings. Some locations developed more slowly than planned. We have a total of 78 pharmacies in Sweden.

In contrast, our business in Italy developed positively. We officially launched the brand with a special campaign – two DocMorris Days – in Milan and Bologna; we are now represented by DocMorris at 19 locations. We continued the process of rebranding our Irish pharmacies. We operate 17 DocMorris pharmacies in Ireland as of 30 September 2011.

Our DocMorris mail-order pharmacy developed well in the reporting period. In total, DocMorris was able to increase mail-order revenue by 15.1%. This is mainly attributable to new customers, but also to a larger volume of individual orders.

Revenue and earnings development
Revenue in the Patient and Consumer Solutions division came to EUR 2,631.9m, a decrease of 2.2% compared to the same period of the previous year. Revenue at Lloydspharmacy decreased slightly to EUR 1,545.2m (previous year EUR 1,568.0m). DocMorris International Retail developed positively. Nevertheless, revenue fell to EUR 1,086.7m (previous year EUR 1,123.7m) as of 30 September 2011 due to the deconsolidation of the Dutch pharmacies in the fourth quarter of 2010. Adjusted for portfolio and currency effects, revenue increased by 0.2% in this division.

Based on the government measures described, the deconsolidation of the Dutch pharmacy chain and the realignment initiated in the UK, **gross profit** fell by 4.7% to EUR 871.9m in the reporting period. Adjusted for portfolio and currency effects, the decrease came to 2.3%. The gross profit margin came to 33.1% (previous year 34.0%).

EBITDA was also negatively affected and fell by 31.2% to EUR 160.0m. Start-up expenses for our pharmacy chain in Sweden also weighed heavily. Other business areas generated EBITDA of EUR 1.2m.

Revenue and earnings development Patient and Consumer Solutions		1st – 3rd quarter 2010[1]		**1st – 3rd quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects[2]
		EUR m	% of revenue	EUR m	% of revenue	%	%
Pharmacies	Revenue	2,691.7	100.0	2,631.9	100.0	– 2.2	0.2
	Gross profit	915.2	34.0	871.9	33.1	– 4.7	– 2.3
	EBITDA	232.3	8.6	158.8	6.0	– 31.6	– 26.7
Other business areas	Revenue	0.0	–	0.0	–	–	–
	Gross profit	0.0	–	0.0	–	–	–
	EBITDA	0.0	–	1.2	–	–	–
Total	Revenue	2,691.7	100.0	2,631.9	100.0	– 2.2	0.2
	Gross profit	915.2	34.0	871.9	33.1	– 4.7	– 2.3
	EBITDA	232.3	8.6	160.0	6.1	– 31.2	– 26.7

[1] The previous-year figures were restated to reflect the change in the reporting structure.
[2] The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year), gains/losses on disposal and impairment of intangible assets. The figure is also adjusted for changes in the value of shares in ANZAG, which were held up to and including 2010.

Pharmacy Solutions division

Market environment and business development

The Pharmacy Solutions division focuses on pharmaceutical wholesale and is represented by our subsidiaries with 133 branches (previous year 134) in twelve European countries and Brazil. The tense financial situation affecting European budgets and triggering austerity measures impinged on the wholesale business, albeit to a lesser extent than seen in our pharmacy business. In Germany, government intervention into regulatory matters triggered fierce discounting competition. This development came against a backdrop of stagnating healthcare and pharmaceutical markets in France, and contractions in both Portugal and Denmark.

The French pharmaceutical market was still characterised by tough competition, leading once again to falling revenue and gross profit figures at our French wholesaler OCP. We also had to contend with small losses in the market share. Revenue came to EUR 4,933.3m in the first nine months of the year and was thus 1.6% lower than in the previous-year period.

In Germany, the mandatory rebate on the manufacturer price heightened competition on the market. This is one of the measures prescribed by Gesetz zur Neuordnung des Arzneimittelmarktes (AMNOG, Act for the Restructuring of the Pharmaceutical Market in Statutory Health Insurance). The price moratorium also hampered our earnings development. Nevertheless, revenue at GEHE increased slightly by 0.1% to EUR 2,971.3m in the reporting period. In preparation for the new compensation structure effective from 1 January 2012, GEHE managed to defend its market share, but continues to face a decline in earnings as a result.

Our British wholesaler AAH developed well by comparison. Despite a slight decrease in revenue, we were able to improve margins by introducing operating measures such as optimising purchasing terms. Revenue fell by 2.5% to EUR 1,911.5m in 2011, in part due to alternative distribution models.

Business at our Brazilian wholesaler Panpharma developed according to plan, although market growth exceeded that of the company. Nevertheless, compared to the previous year revenue was up 3.9% to EUR 1,154.3m due to price increases and currency effects.

The situation in Portugal was shaped by the extremely weak financial position of the country as a whole; the cuts in healthcare funding that were implemented as a result had a negative effect on the pharmaceutical wholesale business. OCP Portugal was unable to escape these effects, with revenue falling 16.2% to EUR 342.5m by the end of the third quarter.

The Danish market declined and was characterised by keener competition. Our Danish wholesaler Tjellesen Max Jenneled reported smaller margins and lower earnings as a result. Overall, the company had to contend with a drop in revenue of 6.7% to EUR 325.0m, although it was able to increase its market share by winning new customers in the third quarter.

Rudolf Spiegel Versand for pharmacy and laboratory equipment and Inten, the property developer for pharmacies, make up the **»other business areas«** in the Pharmacy Solutions division.

Revenue and earnings development

Revenue came to EUR 14,052.6m in the Pharmacy Solutions division in the reporting period, a slight decrease on the previous year (EUR 14,184.4m). The Wholesale business area alone contributed revenue of EUR 14,049.0m (previous year EUR 14,180.4). Other business areas contributed EUR 3.6m (previous year EUR 4.0m) to revenue in the Pharmacy Solutions division. Adjusted for portfolio and currency effects, revenue fell by 1.0%. Reasons for this mainly include the weaker markets in general, government measures (especially in Germany) and ongoing pressure from competition in France and Germany.

Gross profit of the division decreased by 2.3% to EUR 881.2m, mainly due to the stagnating pharmaceutical markets in Germany and France in general as well as the fiercer competition in these countries. The gross profit margin fell 0.1% to 6.3%. Adjusted for portfolio and currency effects, gross profit fell by 2.4%.

The division saw **EBITDA** decrease to EUR 318.0m, a drop of 5.7% compared to the previous year. This is particularly due to negative developments in Germany and France described above. Adjusted for portfolio and currency effects, the year-on-year decrease came to 5.1%. EBITDA of other business areas improved to EUR 0.1m (previous year EUR – 2.9m).

Revenue and earnings development Pharmacy Solutions		1st – 3rd quarter 2010		**1st – 3rd quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects[1]
		EUR m	% of revenue	EUR m	% of revenue	%	%
Wholesale	Revenue	14,180.4	100.0	14,049.0	100.0	– 0.9	– 1.0
	Gross profit	900.5	6.4	879.5	6.3	– 2.3	– 2.4
	EBITDA	340.3	2.4	317.9	2.3	– 6.6	– 5.9
Other business areas	Revenue	4.0	100.0	3.6	100.0	– 10.0	–
	Gross profit	1.8	43.6	1.7	46.2	– 4.7	–
	EBITDA	– 2.9	–	0.1	3.2	–	–
Total	Revenue	14,184.4	100.0	14,052.6	100.0	– 0.9	– 1.0
	Gross profit	902.3	6.4	881.2	6.3	– 2.3	– 2.4
	EBITDA	337.4	2.4	318.0	2.3	– 5.7	– 5.1

[1] The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year), gains/losses on disposal and impairment of intangible assets. The figure is also adjusted for changes in the value of shares in ANZAG, which were held up to and including 2010.

Manufacturer Solutions division

Market environment and business development

Growing competition and pressure on costs in the pharmaceutical industry are causing many manufacturers to call on external expertise to relieve their own cost situation while affording them greater flexibility to respond to market requirements. At the same time, margins in the traditional business segments are being squeezed, which in turn negatively impacts contract conditions and therefore business in the Manufacturer Solutions division. At EUR 290.1m in the reporting period, gross profit fell short of our expectations overall. The development of new business and organic growth from existing contracts did not progress as smoothly as expected.

Our **Logistics Solutions** business area, which comprises Movianto, was not able to increase business volume. Movianto continued to battle the effects of losing a large contract in the UK, which could not be compensated in 2011, start-up expenses in Portugal and a difficult Spanish market. As a result, earnings were down considerably compared to the comparative period.

Our **Marketing Solutions** business area, consisting of our Pharmexx Group subsidiaries, performed worse than expected. Although we succeeded in stabilising business in most countries, it proved more difficult than anticipated to conclude new contracts. On the other hand, the business was no longer burdened by non-recurring effects for integration and restructuring.

On 27 September 2011, Celesio AG and Medco Health Solutions, Inc. reached an agreement to discontinue their joint services for chronically ill patients with effect as of the end of the third quarter. We sold our 50% share in Medco Celesio B.V., the joint venture founded in 2010, to Medco Health Solutions, Inc.

Earnings development

Overall, the Manufacturer Solutions division generated **gross profit**[1] of EUR 290.1m, a decrease of 5.4%. Logistics Solutions generated gross profit of EUR 136.1m, an increase of EUR 1.3m compared to the same period of the previous year. Marketing Solutions saw gross profit fall to EUR 152.2m, however, down 10.7% on the comparative period 2010 (EUR 170.4m). »Efficient Care Pharma« generated gross profit of EUR 1.8m, an improvement on the previous-year figure (EUR 1.4m).

[1] The key performance indicator of relevance for the Manufacturer Solutions division is the absolute gross profit generated instead of revenue. This is because our customers normally pay fees for services; trading revenue is generated only in exceptional cases. In Logistics Solutions, the gross profit is calculated as the sum of fee income plus a retail margin; in Marketing Solutions, gross profit is essentially equivalent to revenue. The gross profit margin is not a meaningful figure for the Manufacturer Solutions division due to the specific structure of its revenue.

EBITDA of this division fell to EUR – 1.7m, due primarily to the high start-up expenses at Medco Celesio as well as falling earnings at Movianto.

Earnings development Manufacturer Solutions		1st – 3rd quarter 2010		**1st – 3rd quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects[1]
		EUR m	% of gross profit	EUR m	% of gross profit	%	%
Logistics Solutions	Gross profit	134.8	100.0	136.1	100.0	1.0	0.7
	EBITDA	12.2	9.0	7.2	5.3	– 40.5	– 41.3
Marketing Solutions	Gross profit	170.4	100.0	152.2	100.0	– 10.7	– 7.9
	EBITDA	0.9	0.5	1.2	0.8	37.3	48.5
Efficient Care Pharma	Gross profit	1.4	100.0	1.8	100.0	26.2	40.0
	EBITDA	– 2.5	–	– 10.1	–	> – 100.0	– 7.6
Total	Gross profit	306.6	100.0	290.1	100.0	– 5.4	– 3.9
	EBITDA	10.6	3.4	– 1.7	–	–	–

[1] The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year), gains/losses on disposal and impairment of intangible assets. The figure is also adjusted for changes in the value of shares in ANZAG, which were held up to and including 2010.

Financial position

Net cash flow from operating activities came to EUR 313.7m in the reporting period (previous year EUR 338.2m). The decrease can be explained by the EUR 95.2m fall in EBITDA, which was offset somewhat by the smaller decrease in cash and cash equivalents adjusted for consolidation and currency effects from the change in net working capital[2].

Net cash flow from investing activities increased from EUR 112.5m in the previous year to EUR 129.0m. In total, we spent EUR 133.9 (previous year EUR 105.7m), which included investment in our wholesale branch structure, the realignment of pharmacies and IT. Proceeds on the disposal of non-current assets came to EUR 10.5m in the reporting period, down EUR 15.0m on the previous year. Payments made for business combinations were EUR 23.3m lower than in the previous year.

Interest paid increased by EUR 22.7m compared to the previous-year period due to the fact that payment of the annual coupon for the bond we issued in April 2010 is due each April. Interest was paid for the first time in 2011.

[2] Net working capital is calculated as the difference between current operating assets (inventories, trade receivables and other assets) and current operating liabilities (trade payables, provisions and other liabilities).

Free cash flow amounted to EUR 92.0m as of 30 September of the reporting year, a fall of EUR 63.7m compared to the same period of the previous year. The development can be explained by the lower cash inflow from operating activities, the higher cash outflow from investing activities and an increase in interest paid compared to the previous-year period.

Financial liabilities increased on account of the convertible bond issued in the second quarter. This was because the funds generated could not be used in full to settle existing liabilities to banks.

Celesio Group statement of cash flows	1st – 3rd quarter 2010 EUR m	1st – 3rd quarter 2011 EUR m
Net cash flow from operating activities[1]	338.2	313.7
Net cash flow from investing activities	– 112.5	– 129.0
Interest paid[1]	– 70.0	– 92.7
Free cash flow	**155.7**	**92.0**
Payments made to shareholders	– 88.6	– 86.7
Net cash flow from change in borrowings	– 98.1	108.6
Change in ownership interests in subsidiaries that do not result in a loss of control	– 2.4	– 0.4
Net change in cash and cash equivalents	**– 33.4**	**113.5**
Net foreign exchange rate difference	10.5	– 5.2
Change in cash and cash equivalents	**– 22.9**	**108.3**

[1] Previous-year figures were restated to reflect the reclassification of the item "interest received" from "interest paid and received" to cash flow from operating activities.

Assets position

The Celesio Group had **total assets** of EUR 8,332.0m as of 30 September 2011, a decrease of EUR 70.7m compared to 31 December 2010. Exchange rate effects in particular reduced total assets by EUR 107.3m. The group's gearing, which expresses the ratio of net financial debt to equity, came to 0.68, virtually unchanged compared to the end of the previous year (0.66). Net financial debt decreased from EUR 1,722.5m to EUR 1,710.3m. Due to the termination of the joint venture Medco Celesio B.V. we did not contribute our DocMorris mail-order pharmacy. We do not disclose any assets or liabilities of disposal groups as of 30 September 2011. These assets and liabilities were reclassified to the original positions in the statement of financial position.

Compared to the end of 2010, Celesio's **non-current assets** fell by EUR 41.8m, down from EUR 3,450.8m to EUR 3,409.0m. Intangible assets decreased by EUR 55.2m to EUR 2,490.7m, in particular as a result of the impairment losses recognised in the first half of the year.

Current assets decreased by EUR 28.9m to EUR 4,923.0m compared to the end of 2010. Inventories fell by EUR 38.9m to EUR 1,649.2m due to seasonal effects. Trade receivables dropped to EUR 2,502.5m. In contrast, cash and cash equivalents increased by EUR 108.3m to EUR 309.1m. Other receivables and other assets also saw a rise, up EUR 61.6m to EUR 427.1m due to the reporting date.

At EUR 2,524.3m, **equity** was down EUR 76.8m on the end of the previous year. One reason for this was the negative impact of higher revaluation reserves, mainly as a result of the increase in negative translation reserve to EUR – 227.5m. In addition, revenue reserves fell to EUR 1,334.6m, above all as a result of the impairment of intangible assets and the dividend paid. The equity ratio fell slightly to 30.3%, remaining very close to the figure of 31.0% as of 31 December 2010.

Non-current liabilities decreased by EUR 40.2m to EUR 2,252.4m as of 30 September 2011. Although financial liabilities increased by EUR 50.4m to EUR 1,840.0m, other liabilities fell by EUR 85.7m to EUR 68.6m, while other non-current provisions decreased by EUR 26.0m to EUR 94.3m. Portions of the purchase price liabilities for Panpharma were reclassified from non-current other liabilities to current other liabilities based on their maturities.

In the same period, **current liabilities** increased by 1.3% or EUR 46.3m to EUR 3,555.3m. The major factor in this was once again an increase in other liabilities, which rose by EUR 48.1m to EUR 633.0m. Current financial liabilities also increased by EUR 45.7m to EUR 179.4m. In contrast, other current provisions fell. At EUR 126.4m, they were down EUR 35.6m on the figure as of 31 December 2010, primarily due to the decrease in the provision for bonuses.

Employees[1)]

The Celesio Group had 36,596 employees as of the end of the reporting period 30 September 2011, a decrease of 361 compared to the previous year. Of these, 15,878 (previous year 16,085) employees worked in the Patient and Consumer Solutions division, 13,889 (previous year 14,163) in the Pharmacy Solutions division and 6,544 (previous year 6,426) in the Manufacturer Solutions division. The remaining employees worked at the group level.

Changes to the Management Board

The Supervisory Board of Celesio AG appointed Markus Pinger, former member of the Executive Board of Beiersdorf AG, as new CEO on 23 June 2011. Markus Pinger took up this position on 15 August 2011. Stephan Borchert is also new to the Management Board, having taken over responsibility for Patient and Consumer Solutions on 1 August. Stephan Borchert was appointed to the Management Board by the Supervisory Board on 23 March 2011.

[1)] Effective this fiscal year we now disclose the headcount as full-time equivalents; previous-year figures were restated accordingly.

Subsequent events

On 7 October 2011, Celesio acquired a majority interest of 60% in the Brazilian company MCM Medicines Holding S.A. São Paulo, the holding company of the Oncoprod Group. Oncoprod is the leading wholesaler for specialist medicines in Brazil. The takeover is intended to help us expand on our leading market position in Brazil. Unlike in Europe, specialist pharmaceuticals such as cancer medicines are almost only available from hospitals and specialist clinics, not from pharmacies. Due to the special storage and transport requirements for these medicines, distribution and supply is performed by specialist pharmaceutical wholesalers – such as Oncoprod. Founded in 1995, the company's seven locations and more than 300 employees will generate revenue of around EUR 350m in 2011 as a whole.

On 26 October 2011, Celesio presented its concept for strategic realignment and a programme to safeguard earnings in the short term. The Management Board has launched an operational excellence programme that will take effect over several years. This will have a positive impact on earnings in 2012 and is expected to give rise to one-off expenses of up to EUR 100m, most of which will be incurred in 2011. The operational excellence programme will help stabilise earnings in the coming year and save at least EUR 50m per year in subsequent periods. The Management Board has also decided to examine the possibility of selling the Manufacturer Solutions divisions – in particular Movianto and Pharmexx.

Dr Christian Holzherr, member of the Management Board of Celesio AG since 1 May 2008 and responsible for finance, will leave the company as of 30 November 2011.

Dr Michael Lonsert, member of the Management Board since 1 October 2010 and responsible for the Manufacturer Solutions division, will leave the company as of 31 December 2011.

Outlook

Economic development
Worldwide, the IMF forecasts GDP growth of 4%, driven, as this year, by the emerging economies. The international forecast is for growth of 6.1%, and as much as 9% in China. The biggest risk, experts agree, is the threat stemming from the debt crisis in the euro zone and the struggling US economy.

In light of this, and in view of the developments emerging on the national healthcare markets for 2012, we assume that pressure on costs will continue, triggering further government restrictions that will affect our business. As patents expire, generic pharmaceuticals will become increasingly significant in Europe and Brazil. The market for specialist medicines will also develop with plenty of opportunities and good growth. We believe that there are good opportunities for expansion in the growth regions outside of Europe – markets characterised by positive economic development and increasing spending on health and wellbeing. In particular Latin America but also certain markets in the Middle East promise further potential for growth.

Business development
We want to improve integration between our divisions as part of our strategic and structural realignment. We are committed to the further development of our core business and pharmacy partnerships across Europe. Alongside the implementation of our new strategy, we will also focus on an operational excellence programme to be realised over the next few years. This programme should secure a change in the development of earnings and will enable us to improve our competitive position in a sustainable way.

Patient and Consumer Solutions. In our traditional business area, pharmacies, we will concentrate on setting up a pan-European pharmacy partnership over the coming months in line with our strategic realignment. This means consolidating our country-specific partnership, cooperation and franchise models with pharmacies as well as our own pharmacies via a uniform brand and sales concept, and expanding this in ways acceptable under the laws applicable in the relevant markets. We will endeavour to improve marketing of OTC products and our own “Health & Beauty” brands. Furthermore, we are developing new shop concepts for pharmacies.

The DocMorris mail-order pharmacy will also form part of the new pharmacy partnership model. We are currently examining various options for combining the mail-order business with retail pharmacies; a solution will be developed into 2012.

In addition, we are currently working on an innovative service range for partner pharmacies and our own pharmacies. The offering is known as “Managed Care” and should help patients, open the door to new business prospects for pharmacies and relieve pressure on the healthcare system. Overall, the measures will have a negative impact on figures in the current fiscal year.

In general, the division will continue to suffer the effects of government intervention. Drastic cuts in reimbursement prices for generic medicines will continue to burden earnings. Based on information available to date, the additional price cuts effective as of 1 October 2011 will impact the UK pharmacy market with an overall burden of around GBP 39m for the year 2011. Our Lloydspharmacy business is proportionately affected in accordance with our market share.

Pharmacy Solutions. Pharmaceutical wholesale will develop into a central provider of logistics and services over the coming years, covering the entire distribution chain and acting as a one-stop-shop to meet the requirements of market participants in a more efficient way.

Key markets such as France and Germany continue to represent challenging market environments. In France, we have to assume that the project approved to finance social security payments will lead to extensive savings measures. Up to EUR 2.2bn have been earmarked for cuts in the healthcare system alone. The savings programme is to be financed by price cuts, the more widespread use of generic medicines, and an as yet undisclosed reduction in the wholesale margin. This could burden our earnings.

On the other hand, we predict significantly higher growth rates in the Brazilian pharmaceutical market and the related pharmaceutical wholesale market than in Europe, with considerably less government intervention. With Panpharma and our most recent acquisition Oncoprod, we are already among the market leaders in wholesale and trading with specialist pharmaceuticals and continue to expect our earnings in these areas to develop positively. We want to expand on this position and are currently examining further prospects in Latin America and the Middle East.

We expect a positive earnings development in the other business areas.

Manufacturer Solutions. This division is being examined as part of the strategic realignment to identify its future prospects within the group. Movianto and Pharmexx are well positioned and have good prospects for growth. The Management Board has decided to examine the possibility of selling activities in this division in line with our strategic decision to focus capital resources on the core business in future.

With business based on contracts, it is more difficult to predict the development of the »Logistics Solutions« business area than it is for wholesale, for instance. The effects of losing a contract with one of our larger customers in the UK will continue to be felt in 2011 and impact on earnings. However, a number of new contracts were concluded in the third quarter, although most of these are not expected to have a positive impact on business development until 2012.

Following completion of restructuring measures and recognition of impairment losses, we expect the »Marketing Solutions« business area to make a positive contribution to earnings.

The development of the new business area, »Efficient Care Pharma«, will be dominated by the costs of the joint venture, Medco Celesio for the last time as of 30 September 2011. Medco and Celesio terminated the joint venture as of 30 September 2011.

Investments and capital expenditures
For 2011, we expect to spend more on investment than in 2010. Investment projects include the majority takeover of Oncoprod, standardisation and modernisation of our group-wide IT applications as well as the expansion and realignment of our pharmacy chains.

Financial result and tax rate
The special effects described in the financial result section under revenue and earnings development will continue to impact the 2011 fiscal year. The group's tax rate may be influenced by a change in the earnings mix returned by the different countries in which the group operates or a change in the specific effective tax rates in each country. We expect the adjusted group tax rate to be above the previous-year level.

Employees
We expect the headcount to fall as a result of our operational excellence programme.

Risks and opportunities
We use high-performance systems to identify, measure and track opportunities and risks. The major opportunities and risks relevant to us are described in detail from page 100 onwards of the 2010 annual report. The risks presented there essentially remain unchanged. The following are some of the opportunities and risks that will be relevant for the development of our business and earnings:

- The number of days receivable and risk of customer default can be higher in individual countries if the economy develops negatively.
- With our core activities in the pharmacy business and pharmaceutical trade, we are active in markets in which the compensation structures are highly regulated. Any changes to these compensation structures could impact the development of our earnings.
- Our OTC revenue, which accounts for around 20% of revenue in the Patient and Consumer Solutions division, can be influenced by changes in the economic environment.
- Risks and opportunities linked to business combinations and disposals can have a significant effect on the assets position, financial position and development of earnings.
- As we have business activities in different currency areas, significant exchange rate fluctuations impact our earnings. Because a large proportion of our business is in the UK, the pound sterling is of most relevance, followed by the Brazilian real and the Norwegian krone.

Earnings forecast 2011

The previous forecast of group EBITDA in the region of EUR 600m has been adjusted for the current fiscal year. We now work on the assumption that we will generate EBITDA of at least EUR 575m before non-recurring effects. We have launched an operational excellence programme that will take effect over several years. This will have a positive impact on earnings in 2012 and is expected to bring about one-off expenses of up to EUR 100m, most of which will be incurred in 2011.

The downward adjustment of EBITDA before non-recurring effects is mainly due to further regulatory intervention in the UK and tougher competition in key markets such as France and Germany.

In 2011, Celesio intends to adhere to its long-term dividend policy of distributing a dividend that remains stable at around 30% of ordinary net profit of the group adjusted for impairment.

Based on the current earnings situation, the Management Board has already implemented a strategic turnaround. We aim to turn earnings development around from 2012 onwards and improve our competitive position in a sustainable way. To achieve this, we will rely on the further development of our core business and a focus on pharmacy partnerships across Europe. Celesio will strive to secure a successful position and generate sustainable and profitable growth by pursuing competitive and innovative activities.

Stuttgart, 7 November 2011

The Management Board

Interim condensed financial statements

Group income statement for the 1st to 3rd quarter 2011

	3rd quarter		1st – 3rd quarter	
	2010 EUR m	**2011** EUR m	2010 EUR m	**2011** EUR m
Revenue	**5,837.4**	**5,676.4**	**17,346.0**	**17,162.6**
Own work capitalised	0.0	0.0	0.1	0.1
Total operating performance	**5,837.4**	**5,676.4**	**17,346.1**	**17,162.7**
Cost of raw materials, consumables and supplies and of purchased goods	– 5,120.6	– 5,006.1	– 15,222.0	– 15,119.5
Gross profit	**716.8**	**670.3**	**2,124.1**	**2,043.2**
Other income	51.9	60.1	150.1	160.0
Other expenses	– 227.1	– 231.1	– 685.7	– 693.0
Personnel expenses	– 363.2	– 356.3	– 1,086.4	– 1,099.3
Result from associates accounted for using the equity method	0.1	– 3.0	0.4	– 3.9
Result from other investments	5.8	1.9	6.3	6.6
EBITDA	**184.3**	**141.9**	**508.8**	**413.6**
Impairment losses on intangible assets and property, plant and equipment	– 32.8	– 39.1	– 97.2	– 105.1
Impairment losses recorded on intangible assets	– 0.6	0.0	– 0.6	– 116.3
EBIT	**150.9**	**102.8**	**411.0**	**192.2**
Interest expense	– 36.5	– 42.9	– 110.5	– 117.5
Interest income	2.6	2.0	9.3	6.3
Other financial result	3.9	19.8	– 10.5	25.5
Profit before tax	**120.9**	**81.7**	**299.3**	**106.5**
Income taxes	– 40.3	– 21.8	– 105.9	– 76.8
Net profit//loss	**80.6**	**59.9**	**193.4**	**29.7**
Profit attributable to non-controlling interests	1.0	0.0	5.4	3.4
Profit attributable to shareholders of Celesio AG	**79.6**	**59.9**	**188.0**	**26.3**
Earnings per share – basic (EUR)	**0.47**	**0.35**	**1.11**	**0.15**
Earnings per share – diluted (EUR)[1]	**0.45**	**0.33**	**1.08**	**0.15**

[1] Due to the fact that including the potential ordinary shares from the convertible bond in the diluted earnings per share would increase earnings per share calculated in the reporting period, they are not disclosed in accordance with IAS 33.41.

Group statement of comprehensive income for the 1st to 3rd quarter 2011

	3rd quarter		1st – 3rd quarter	
	2010 EUR m	**2011** EUR m	2010 EUR m	**2011** EUR m
Net profit/loss	**80.6**	**59.9**	**193.4**	**29.7**
Other comprehensive income				
Revaluation in the course of business combinations achieved in stages	– 1.3	0.0	– 1.3	0.0
Gains/losses from marking available-for-sale financial assets to market	0.3	0.0	0.6	0.0
Of which income taxes	*– 0.2*	*0.0*	*0.0*	*0.0*
Gains/losses from derivative financial instruments to hedge cash flows	– 0.6	– 7.0	– 14.0	– 6.6
Of which income taxes	*– 0.1*	*0.8*	*5.2*	*– 5.5*
Exchange rate differences	– 75.3	8.5	60.6	– 53.6
Of which non-controlling interests	*– 0.1*	*– 0.1*	*0.0*	*– 0.1*
Other comprehensive income	**– 76.9**	**1.5**	**45.9**	**– 60.2**
Comprehensive income	**3.7**	**61.4**	**239.3**	**– 30.5**
Share of comprehensive income attributable to non-controlling interests	0.9	– 0.1	5.4	3.3
Share of comprehensive income attributable to shareholders of Celesio AG	**2.8**	**61.5**	**233.9**	**– 33.8**

Group statement of financial position as of 30 September 2011

Assets	31/12/2010 EUR m	**30/09/2011** EUR m
Non-current assets		
Intangible assets	2,545.9	2,490.7
Property, plant and equipment	592.3	592.6
Associates accounted for using the equity method	80.6	83.7
Other financial assets	107.6	125.7
Income tax receivables	3.1	3.2
Deferred tax assets	121.3	113.1
	3,450.8	**3,409.0**
Current assets		
Inventories	1,688.1	1,649.2
Trade receivables	2,522.0	2,502.5
Income tax receivables	28.9	35.1
Other receivables and other assets	365.5	427.1
Cash and cash equivalents	200.8	309.1
Non-current assets held for sale	2.5	0.0
Assets of a disposal group classified as held for sale	144.1	0.0
	4,951.9	**4,923.0**
Total assets	**8,402.7**	**8,332.0**

Equity and liabilities	31/12/2010 EUR m	**30/09/2011** EUR m
Equity		
Issued capital	217.7	217.7
Capital reserves	1,145.2	1,186.0
Revenue reserves	1,393.7	1,334.6
Revaluation reserves	– 167.4	– 227.5
Equity attributable to shareholders of Celesio AG	**2,589.2**	**2,510.8**
Non-controlling interests	11.9	13.5
	2,601.1	**2,524.3**
Liabilities		
Non-current liabilities		
Financial liabilities	1,789.6	1,840.0
Pension provisions	142.1	154.1
Other non-current provisions	120.3	94.3
Other liabilities	154.3	68.6
Deferred tax liabilities	86.3	95.4
	2,292.6	**2,252.4**
Current liabilities		
Financial liabilities	133.7	179.4
Trade payables	2,514.6	2,558.0
Other current provisions	162.0	126.4
Income tax liabilities	72.3	58.5
Other liabilities	584.9	633.0
Liabilities of a disposal group classified as held for sale	41.5	0.0
	3,509.0	**3,555.3**
Total liabilities	**5,801.6**	**5,807.7**
Total equity and liabilities	**8,402.7**	**8,332.0**

Group statement of cash flows for the 1st to 3rd quarter 2011

	2010 EUR m	**2011** EUR m
Profit before tax	299.3	106.5
Financial result	– 111.7	– 85.7
EBIT	411.0	192.2
Impairment losses on intangible assets and property, plant and equipment	– 97.2	– 105.1
Impairment losses recorded on intangible assets	– 0.6	– 116.3
EBITDA	**508.8**	**413.6**
Result from associates accounted for using the equity method and other equity investments	– 6.7	– 2.7
Net result from the disposal of non-current assets and subsidiaries	– 6.9	– 5.5
Impairment of operating assets	40.6	36.9
Non-cash change in pension provisions	16.0	20.3
Other non-cash income and expenses	– 1.3	– 8.7
Income taxes paid	– 108.4	– 105.6
Dividends received	8.0	5.5
Interest received	9.4	6.7
Change in operating assets	– 124.9	– 79.4
Change in operating liabilities	3.6	32.6
Net cash flow from operating activities	**338.2**	**313.7**
Proceeds from the disposal of non-current assets	25.5	10.5
Capital expenditure on non-current assets	– 105.7	– 133.9
Proceeds from the sale of subsidiaries	0.4	3.8
Cash paid for business combinations	– 32.7	– 9.4
Net cash flow from investing activities	**– 112.5**	**– 129.0**
Payments made to shareholders	– 88.6	– 86.7
Changes in ownership interests in subsidiaries that do not result in a loss of control	– 2.4	– 0.4
Proceeds from borrowings	612.5	652.8
Repayment of borrowings	– 710.6	– 544.2
Interest paid	– 70.0	– 92.7
Net cash flow from financing activities	**– 259.1**	**– 71.2**
Net change in cash and cash equivalents	**– 33.4**	**113.5**
Net foreign exchange difference	10.5	– 5.2
Cash and cash equivalents at the beginning of the period	127.7	200.8
Cash and cash equivalents at the end of the period	**104.8**	**309.1**

The presentation of cash flows from operating activities was changed effective 1 January 2011. Since this date, dividends received have been reported separately under cash flows from operating activities. This made it necessary to report the net result from associates accounted for using the equity method and other equity investments separately. For this reason, investment income which was previously included under other non-cash income and expenses is no longer reported under this item. Likewise, the line item interest received has been reclassified from the cash flow from financing activities to the cash flow from operating activities. The previous-year figures were restated accordingly to match the current presentation.

Group statement of changes in equity for the 1st to 3rd quarter 2011

	Issued capital	Capital reserves	Revenue reserves	Revaluation reserves				Equity attributable to shareholders of Celesio AG	Non-controlling interests	Equity
				Translation reserves	Asset revaluation reserves	Available-for-sale financial assets	Cash flow hedges			
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
As of 01/01/2011	**217.7**	**1,145.2**	**1,393.7**	**– 151.5**	**– 0.4**	**– 0.6**	**– 14.9**	**2,589.2**	**11.9**	**2,601.1**
Change in capital	0.0	40.8	0.0	0.0	0.0	0.0	0.0	40.8	0.0	40.8
Dividends	0.0	0.0	– 85.1	0.0	0.0	0.0	0.0	– 85.1	– 1.7	– 86.8
Changes in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0	– 0.3	0.0	0.0	0.0	0.0	– 0.3	0.0	– 0.3
Changes to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0	– 53.5	0.0	0.0	– 6.6	– 60.1	– 0.1	– 60.2
Net profit/loss	0.0	0.0	26.3	0.0	0.0	0.0	0.0	26.3	3.4	29.7
Comprehensive income	0.0	0.0	26.3	– 53.5	0.0	0.0	– 6.6	– 33.8	3.3	– 30.5
As of 30/09/2011	**217.7**	**1,186.0**	**1,334.6**	**– 205.0**	**– 0.4**	**– 0.6**	**– 21.5**	**2,510.8**	**13.5**	**2,524.3**
As of 01/01/2010[1]	**217.7**	**1,145.2**	**1,221.7**	**– 232.6**	**0.9**	**– 0.6**	**– 13.3**	**2,339.0**	**13.1**	**2,352.1**
Change in capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	– 85.1	0.0	0.0	0.0	0.0	– 85.1	– 3.5	– 88.6
Changes in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0	– 2.0	0.0	0.0	0.0	0.0	– 2.0	– 0.5	– 2.5
Changes to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	– 1.5	– 1.5
Other comprehensive income	0.0	0.0	0.0	60.6	– 1.3	0.6	– 14.0	45.9	0.0	45.9
Net profit/loss	0.0	0.0	188.0	0.0	0.0	0.0	0.0	188.0	5.4	193.4
Comprehensive income	0.0	0.0	188.0	60.6	– 1.3	0.6	– 14.0	233.9	5.4	239.3
As of 30/09/2010	**217.7**	**1,145.2**	**1,322.6**	**– 172.0**	**– 0.4**	**0.0**	**– 27.3**	**2,485.8**	**13.0**	**2,498.8**

[1] Previous-year figures restated due to the completion of purchase price allocation for the Panpharma acquisition.

Selected explanatory notes to the consolidated financial statements

Group segment reporting by business area for the 1st to 3rd quarter 2011

2011	**Patient and Consumer Solutions**			**Pharmacy Solutions**			**Manufacturer Solutions**				Others	Consolidation	**Group**
	Pharmacies	Other business areas	Total Patient and Consumer Solutions	Wholesale	Other business areas	Total Pharmacy Solutions	Logistics Solutions	Marketing Solutions	Efficient Care Pharma	Total Manufacturer Solutions			
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Income statement													
Revenue	**2,631.9**	**0.0**	**2,631.9**	**14,049.0**	**3.6**	**14,052.6**	**337.1**	**157.2**	**41.6**	**535.9**	**0.0**	**– 57.8**	**17,162.6**
External revenue	2,631.9	0.0	2,631.9	14,049.0	3.6	14,052.6	283.3	156.3	38.5	478.1	0.0	0.0	17,162.6
Inter-segment revenue	0.0	0.0	0.0	0.0	0.0	0.0	53.8	0.9	3.1	57.8	0.0	– 57.8	0.0
Gross profit	**871.9**	**0.0**	**871.9**	**879.5**	**1.7**	**881.2**	**136.1**	**152.2**	**1.8**	**290.1**	**0.0**	**0.0**	**2,043.2**
EBITDA	**158.8**	**1.2**	**160.0**	**317.9**	**0.1**	**318.0**	**7.2**	**1.2**	**– 10.1**	**– 1.7**	**– 62.7**	**0.0**	**413.6**
Impairment losses recorded on intangible assets	0.0	0.0	0.0	– 44.3	0.0	– 44.3	0.0	– 72.0	0.0	– 72.0	0.0	0.0	– 116.3
EBIT	111.2	1.2	112.4	232.1	0.0	232.1	0.9	– 73.9	– 10.3	– 83.3	– 69.0	0.0	192.2
Segment assets	**1,986.3**	**72.8**	**2,059.1**	**2,130.0**	**12.0**	**2,142.0**	**190.3**	**69.4**	**6.6**	**266.3**	**– 0.5**	**– 3.0**	**4,463.9**

Group segment reporting by business area for the 1st to 3rd quarter 2010

2010	**Patient and Consumer Solutions**			**Pharmacy Solutions**			**Manufacturer Solutions**				Others[1]	Consolidation[1]	**Group**
	Pharmacies[1]	Other business areas[1]	Total Patient and Consumer Solutions[1]	Wholesale	Other business areas	Total Pharmacy Solutions	Logistics Solutions	Marketing Solutions	Efficient Care Pharma	Total Manufacturer Solutions			
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Income statement													
Revenue	**2,691.7**	**0.0**	**2,691.7**	**14,180.4**	**4.0**	**14,184.4**	**320.9**	**176.4**	**27.0**	**524.3**	**0.0**	**– 54.4**	**17,346.0**
External revenue	2,691.7	0.0	2,691.7	14,180.4	4.0	14,184.4	270.2	175.2	24.5	469.9	0.0	0.0	17,346.0
Inter-segment revenue	0.0	0.0	0.0	0.0	0.0	0.0	50.7	1.2	2.5	54.4	0.0	– 54.4	0.0
Gross profit	**915.2**	**0.0**	**915.2**	**900.5**	**1.8**	**902.3**	**134.8**	**170.4**	**1.4**	**306.6**	**0.0**	**0.0**	**2,124.1**
EBITDA	**232.3**	**0.0**	**232.3**	**340.3**	**– 2.9**	**337.4**	**12.2**	**0.9**	**– 2.5**	**10.6**	**– 71.5**	**0.0**	**508.8**
Impairment losses recorded on intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	– 0.6	0.0	– 0.6	0.0	0.0	– 0.6
EBIT	189.4	0.0	189.4	298.5	– 3.1	295.4	6.5	– 3.0	– 2.6	0.9	– 74.7	0.0	411.0
Segment assets	**2,166.9**	**0.0**	**2,166.9**	**2,286.5**	**10.8**	**2,297.3**	**174.1**	**143.1**	**3.3**	**320.5**	**51.5**	**– 21.0**	**4,815.2**

[1] Previous-year figures restated to reflect new reporting structure.

Please see the notes to the segment reporting for further information.

Reconciliation of segment revenues for the 1st to 3rd quarter 2011	2010 EUR m	2011 EUR m
Revenue of the reportable segments	**17,400.4**	**17,220.4**
Consolidation	– 54.4	– 57.8
Group revenue	**17,346.0**	**17,162.6**

Reconciliation of segment results for the 1st to 3rd quarter 2011	2010 EUR m	2011 EUR m
EBITDA of the reportable segments	**508.8**	**413.6**
EBITDA of the group	**508.8**	**413.6**
Impairment losses on intangible assets and property, plant and equipment	– 97.2	– 105.1
Impairment losses recorded on intangible assets	– 0.6	– 116.3
EBIT	**411.0**	**192.2**
Interest expense	– 110.5	– 117.5
Interest income	9.3	6.3
Other financial result	– 10.5	25.5
Profit before tax	**299.3**	**106.5**

Reconciliation of segment assets as of 30/09/11	30/09/2010 EUR m	30/09/2011 EUR m
Segment assets of the reportable segments[1)]	**4,836.2**	**4,466.9**
Consolidation[1)]	– 21.0	– 3.0
Segment assets of the group	**4,815.2**	**4,463.9**
+ Interest-bearing other financial assets	49.0	67.0
+ Non-current and current income tax receivables	33.2	38.3
+ Deferred tax assets	125.6	113.1
+ Other assets	2.1	9.6
+ Cash and cash equivalents	104.8	309.1
– Other current provisions	138.8	126.4
– Trade payables	2,359.9	2,558.0
– Sundry liabilities	713.4	646.6
Total assets	**8,342.0**	**8,332.0**

1) Previous-year figures restated to reflect new reporting structure.

Accounting policies

The interim condensed consolidated report of Celesio AG for the first to third quarter of 2011, comprising the group statement of financial position, group income statement, group statement of comprehensive income, group statement of cash flows, group statement of changes in equity and selected explanatory notes to the consolidated financial statements, is based on »International Accounting Standard (IAS) 34 – Interim Financial Reporting«. All International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and endorsed by the European Union as of 30 September 2011 and all Interpretations (IFRIC) of the International Financial Reporting Standards Interpretation Committee were observed in the process of preparing the interim report. The accounting principles applied in the preparation of the interim report generally correspond to those applied in the annual report as of 31 December 2010. Changes in the accounting policies are explained below and in the comments on the statement of cash flows and segment reporting. The condensed interim report should therefore be read in conjunction with the consolidated financial statements of Celesio AG for the 2010 fiscal year.

The impact on the interim report of the Standards and Interpretations, whose application was mandatory for the first time from 1 January 2011, is as follows:

- In November 2009, the IASB issued a revised version of »**IAS 24** – Related Party Disclosures«. The impact on the Celesio Group from the revised version relates to the new definition of a related party. As a result, disclosures are required for the first time on associates and joint ventures in the wider group held by the majority shareholder of Celesio.

- IASB issued a further **omnibus of amendments** in May 2010, »Improvements to International Financial Reporting Standards«. These consist primarily of clarifications and simplifications in the application of IFRSs. First-time application did not have any material impact on the interim report of Celesio.

Furthermore, the following standards and interpretations have become mandatory since 1 January 2011 but did not have any impact on the consolidated financial statements of Celesio: »**IFRS 1** – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters«, »**IAS 32** – Classification of Rights Issues«, »**IFRIC 14** – Prepayments of a Minimum Funding Requirement« and »**IFRIC 19** – Extinguishing Financial Liabilities with Equity Instruments«.

Consolidated group

Business combinations and disposals in the first to third quarter of 2011

Business combinations. In the first three quarters of 2011, in the course of optimising the portfolio in the Patient and Consumer Solutions division three retail pharmacies in the Czech Republic and one retail pharmacy each in Norway, the UK and in Belgium were acquired and consolidated.

Moreover, the Patient and Consumer Solutions division consolidated the entity 28 CVR Ltd. for the first time after increasing its shareholding from 33% to 100% as of 26 March 2011. 28 CVR Ltd. offers patients consulting services online under the Dr Thom brand.

First-time consolidation was performed on the basis of a preliminary purchase price allocation as it was not possible to finish the allocation of fair value by the end of the reporting period. The purchase price allocation will be concluded within twelve months of the acquisition date in each case.

The consideration transferred amounted to EUR 11.2m. At the time control was obtained, the entities acquired in the combination carried cash and cash equivalents of EUR 1.5m. The consideration transferred consists of a purchase price payment of EUR 7.7m and a purchase price liability of EUR 0.1m. Moreover, it includes the fair values of the investments formerly recognised using the equity method of EUR 3.4m in the course of business combinations achieved in stages mentioned above. Incidental acquisition-related costs of EUR 0.1m were expensed through profit or loss. No equity instruments were issued to settle purchase price liabilities. Due to the fact that the fair value of the investment measured using the equity method, which was already held by the Celesio Group prior to the date on which control was obtained by the group, corresponds to its carrying amount, there is no impact on profit or loss from revaluing the shares in the income statement.

The fair value of the identifiable assets and liabilities of the entities acquired in the business combinations as of the date of acquisition in the first three quarters of 2011 are presented below:

	Fair value EUR m
Intangible assets	0.4
Property, plant and equipment	0.2
Inventories	0.2
Trade receivables	0.1
Cash and cash equivalents	1.5
Other assets	0.2
	2.6
Financial liabilities	1.2
Trade payables	0.1
Other liabilities	0.6
	1.9

The fair value of the receivables acquired in the business combinations amounts to EUR 0.3m. This includes trade receivables of EUR 0.1m. No valuation allowances were recognised on these receivables. Thus the fair value corresponds to the amount agreed on in the contracts.

The resulting goodwill totalled EUR 10.5m. The goodwill generally reflects the expected future cash flows that will be generated by each business combination and the expertise of the employees. There were no non-controlling interests on the date of first-time consolidation.

Revenue attributable to the entities acquired in the first three quarters of 2011 amounts to EUR 7.9m and the net profit to EUR 0.4m. Had these entities been acquired at the beginning of the fiscal year, the entities would have contributed EUR 12.0m to group revenue and EUR 0.9m to the group's net profit.

Disposals. Eight retail pharmacies in the UK were disposed of in the first three quarters of 2011 in the course of optimising the portfolio. In addition, the Italian company, Deltafarm s.r.l., was deconsolidated. This entity was previously reported under the Others segment because it was a legal entity for leasing a warehouse.

The proceeds from the disposals totalled EUR 2.0m. There were no non-cash components in the sales. In the process, assets (mainly property, plant and equipment) of EUR 3.4m and liabilities of EUR 2.5m were disposed of.

These discontinued entities generated revenue of EUR 2.6m in the reporting period.

Business combinations after reporting date but prior to release of the interim report for publication

On 7 October 2011, Celesio acquired a 60% interest in the Brazilian company MCM Medicines Holding S.A. São Paulo, the holding company of the Oncoprod Group. Oncoprod is Brazil's leading wholesaler for specialist pharmaceuticals such as medicines used in cancer treatments. The customer groups and product segments served by Panpharma and the Oncoprod Group complement each other without overlapping. With this acquisition, Celesio is able to build on its market position in the Brazilian market, which remains highly attractive.

The consideration transferred totals EUR 48.5m and comprises a purchase price payment of EUR 45.9m and the fair value of a contingent consideration of EUR 2.6m. The contingent consideration is based on an earnings indicator in combination with the net financial debt of the company. The liability is in line with assumptions derived for future planning. There is no cap on the contingent payment.

When this interim report as of 30 September 2011 was approved, there was no detailed information available on the fair value as of the date of purchase of the assets and liabilities acquired in the business combination due to the short space of time between the assumption of control and the reporting on it.

Business combinations and disposals in the first to third quarter of 2010

Business combinations. In the first three quarters of 2010 the Patient and Consumer Solutions division consolidated four retail pharmacies in Norway and one each in the UK and the Czech Republic for the first time. In three of these cases the group had put and call options with the remaining owners to purchase all the shares not already held by Celesio. These have since been exercised. Moreover, Gesellschaft für Versorgungskonzepte in der Wundbehandlung mbH, a chain of outpatient wound treatment centres, was consolidated in the Pharmacy Solutions division for the first time in the first three quarters of 2010. In addition, the French company, RepscoPharmexx SAS, and its subsidiaries, in which Celesio holds a 40% interest, were fully consolidated as of 1 January 2010 in the Marketing Solutions business area. Full consolidation was based on call options that were exercisable at the end of the reporting period even though Celesio did not hold the majority of voting rights.

Preliminary purchase price allocations were used as the basis for consolidation in 2010, and were concluded within twelve months of the acquisition date in each case. There were no significant effects on the comparable period from the finalisation of the purchase price allocation. The final figures are presented below.

The consideration transferred totalled EUR 20.1m. At the time control was obtained, the entities acquired in the business combinations carried cash and cash equivalents of EUR 5.0m. The costs of the combination consisted of a purchase price payment of EUR 3.7m and a purchase price liability of EUR 1.4m, relating primarily to put and call options. Moreover, the costs included the carrying amounts of the investments formerly recognised using the equity method of EUR 14.6m that were acquired in stages. Acquisition-related costs were expensed through profit or loss in accordance with the revised IFRS 3. No equity instruments were issued to settle purchase price liabilities. In accordance with IFRS 3, additional acquisitions of equity interests were not included in this. Income of EUR 0.4m from the revaluation of shares in associates accounted for using the equity method was recognised under other income.

The fair value of the identifiable assets and liabilities of the entities acquired in the business combinations as of the date of acquisition in the first three quarters of 2010 are presented below:

	Fair value EUR m
Intangible assets	0.1
Property, plant and equipment	0.6
Inventories	0.9
Trade receivables	12.0
Cash and cash equivalents	5.0
Other assets	2.9
	21.5
Financial liabilities	2.9
Trade payables	3.4
Other liabilities	15.1
	21.4

The fair value of the receivables acquired in the business combinations amount to EUR 14.9m. This included trade receivables of EUR 12.0m. No valuation allowances were recognised on these receivables. Thus the fair value corresponded to the amount agreed on in the contracts.

The resulting goodwill totalled EUR 19.9m. The goodwill generally reflected the expected future cash flows that will be generated by the business combinations and the expertise of the employees. The full goodwill method was not applied. Consequently, non-controlling interests were measured at their share in the fair value of the identifiable net assets. Non-controlling interests of EUR – 0.1m were recognised on the date of first-time consolidation.

Revenue attributable to the entities acquired in the first three quarters of 2010 amounts to EUR 51.3m and the net profit to EUR 2.5m. Had these entities been acquired at the beginning of the fiscal year, the entities would have contributed EUR 56.0m to group revenue and EUR 2.7m to the group's net profit.

Disposals. In the first three quarters of 2010 in the Patient and Consumer Solutions division two retail pharmacies in the UK and three in the Netherlands were sold. In the Marketing Solutions business area, one entity in Germany (Synergos GmbH), one in Chile (Etika y Compania Limitada) together with its parent in Luxembourg (New Star Company S.A.), and two entities in Brazil (Rent Power do Brasil Represetacoes Ltda. and pharmexx Brasil Ltda.) were deconsolidated. The two Brazilian entities were previously consolidated on the basis of exercisable call options. These call options were not exercised and have expired in the meantime. They were deconsolidated in the comparative period accordingly. These disposals entities generated revenue of EUR 1.7m in the comparative period. The proceeds from the disposals amounted to EUR 3.2m. In the process, assets of EUR 4.6m (mainly inventories and other receivables) and liabilities of EUR 1.9m were disposed of. The non-cash components of the proceeds from the disposal amounted to EUR 1.8m.

Impairment losses recorded on intangible assets

In accordance with »**IAS 36** – Impairment of Assets« an entity must assess at each reporting date whether there is any indication of impairment (triggering event), and if so, it must determine the recoverable amount of the assets or cash-generating unit. As of 30 September 2011, the market capitalisation of Celesio AG, i.e. the value of all shares issued by the company, had fallen below the carrying amount of equity as was already the case on 30 June 2011. An impairment test was carried out for all assets that fall within the scope of IAS 36. It did not reveal any need for additional impairment.

It is assumed that goodwill has an indefinite useful life. This also applies to brands acquired by the group provided that there is an intention to use them for an indefinite period. They are reviewed at least once annually in accordance with IAS 36 and, if there is any indication of impairment, subjected to an impairment test. Celesio conducts its annual impairment tests on goodwill in the third quarter of each year as a matter of course.

Impairment testing is carried out by allocating goodwill or brands at the level of the cash-generating units. The cash-generating units in the Wholesale business area correspond, as in the previous year, to the business area of the respective country (e.g. Wholesale Germany). Within the Manufacturer Solutions division, the Movianto and the Pharmexx Group business areas are each considered separate cash-generating units as in the previous year. Effective as of 1 January 2011, Celesio reports the »Pharmacies« business area and »Other business areas« under the Patient and Consumer Solutions division. In the »Pharmacies« business area a distinction is made between the DocMorris and Lloydspharmacy cash-generating units. As a consequence of the realignment and reorganisation of our pharmacy business adopted by management resolution in 2010 to match the logic of the brand, the internal reporting structure of the Patient and Consumer Solutions division was adjusted accordingly from 1 January 2011. The European-wide DocMorris business is managed by the DocMorris International Retail unit. In the comparative period, the Patient and Consumer Solutions division contained the three distinct business areas “Retail Pharmacies”, “Mail-order Pharmacies” and “Other business areas”. The cash-generating units within the “Retail Pharmacies” and “Mail-order Pharmacies” business areas corresponded to the business areas by country (e.g. Retail Pharmacies UK). The mail-order pharmacy DocMorris is included as a component of the DocMorris cash-generating unit with effect as of the third quarter of 2011 due to the fact that the disposal group was reversed.

Impairment losses are recognised at the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's value in use and its fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from the asset or cash-generating unit concerned and is determined using the discounted cash flow method. In each case, this relies on the latest business planning approved by management for the next five years (detailed planning period).

The 2011 medium-term planning approved by the Management Board for the detailed planning horizon 2012 to 2016 was updated to reflect the latest understanding and used for the impairment test as of 30 September 2011. The planning projections were rolled forward to the following years using a constant growth rate. The growth rates after the detailed planning period are based on historical growth rates, external studies on future market developments for the mid-term taking account of the development of Celesio in comparison to the market and the expectation for long-term market growth, for instance, in light of demographic developments. Significant planning assumptions relate to revenue growth, the development of gross margins and operating margins, the discount rate and the growth rate in the period after the detailed planning period. Other significant assumptions include the expected impact of government measures on the healthcare sector for the pharmacy and wholesale business, the development in the number of brand partnerships for franchise systems and the international standardisation in the services portfolio at Pharmexx. Government measures are incorporated in the planning as soon as they have been agreed or their agreement is foreseeable. No portfolio optimisation measures are taken into account in the planning assumptions. Cash flows are discounted using the weighted average cost of capital (before tax) which is determined for each cash-generating unit. The cost of capital is composed of borrowing costs, which are based on the interest rates obtainable on the capital markets, and the costs of equity, which are calculated from a risk-free basic rate of return, a premium for the industry risk and a country-specific risk premium.

The following overview summarises the parameters used to determine the value in use for each division and selected cash-generating units as of 30 September 2011:

	Goodwill		**WACC**		**Growth rate after the detailed planning period**	
	31/12/2010 EUR m	**30/09/2011** EUR m	2010 %	**2011** %	2010 %	**2011** %
Patient and Consumer Solutions	1,556.9	1,626.7	8.5 – 10.7	9.5 – 10.2	1.5 – 3.0	1.9 – 2.0
Of which Lloydspharmacy	*1,191.6*	*1,190.6*	*9.3*	*9.5*	*2.0*	*2.0*
Of which DocMorris	*365.3*	*436.1*	*8.5 – 10.7*	*10.2*	*1.5 – 3.0*	*1.9*
Pharmacy Solutions	528.3	449.9	8.7 – 12.8	9.1 – 16.7	2.0	1.5 – 3.0
Of which Wholesale France	*134.1*	*134.1*	*10.1*	*10.5*	*2.0*	*2.0*
Of which Wholesale UK	*145.1*	*144.1*	*9.4*	*9.8*	*2.0*	*2.0*
Of which Wholesale Austria	*101.3*	*101.3*	*9.1*	*9.7*	*2.0*	*2.0*
Manufacturer Solutions	233.0	160.7	9.3 – 10.0	10.0 – 11.6	2.0	2.0
Of which Pharmexx	*136.1*	*64.0*	*10.0*	*11.6*	*2.0*	*2.0*
Of which Movianto	*96.9*	*96.7*	*9.3*	*10.0*	*2.0*	*2.0*

Impairment losses of EUR 116.3m had already been recognised on goodwill and other intangible assets with indefinite useful lives as of 30 June 2011. The impairment test in the third quarter did not reveal any further need for impairment.

Scenarios for critical calculation parameters such as the weighted average cost of capital and the growth rate after the detailed planning period were carried out to validate the values in use. Management considered an increase of 1.0 percentage point in the weighted average cost of capital and a decrease in the growth rate of 0.5 percentage points after the detailed planning period to be possible as of 30 September 2011. Based on the assumptions actually used in planning, the value in use of the cash-generating unit Wholesale Austria exceeds the carrying amount by EUR 33.8m. If the weighted average cost of capital were to increase by 0.77 percentage points, the carrying amount of the cash-generating unit would correspond to its value in use. Based on the assumptions actually used in planning, the value in use of the cash-generating unit Movianto exceeds the carrying amount by EUR 9.7m. If the weighted average cost of capital were to increase by 0.35 percentage points, the carrying amount of the cash-generating unit would correspond to its value in use. Based on the assumptions actually used in planning, the value in use of the cash-generating unit Pharmexx exceeds the carrying amount by EUR 2.9m. If the weighted average cost of capital were to increase by 0.30 percentage points, the carrying amount of the cash-generating unit would correspond to its value in use.

The impairment losses break already recognised as of 30 June 2011 break down by cash-generating unit as set out in the table below. The parameters are presented as of 30 June 2011 as this reflects the basis for the impairment losses as of this date.

	Impairment of goodwill	Impairment of other intangible assets	WACC	Growth rate after the detailed planning period	WACC	Growth rate after the detailed planning period
	30/09/2011	**30/09/2011**	2010	2010	**2011**	**2011**
	EUR m	EUR m	%	%	%	%
Wholesale Portugal	23.3	0.0	10.0	2.0	14.0	1.5
Wholesale Denmark	13.6	7.4	8.7	2.0	9.1	2.0
Pharmexx	72.0	0.0	10.0	2.0	11.4	2.0

Following the negative developments on the European pharmaceutical markets and the increase in interest rates used for discounting the projected cash flows, goodwill already had to be adjusted in these three cash-generating units on account of the extraordinary impairment test as of 30 June 2011. Negative developments were primarily the result of higher burdens from government austerity measures in the healthcare sector in Europe, the rise in interest rates and the slow development of the pharmaceutical markets, especially in Portugal and Denmark.

– The pharmaceutical market in Portugal is contracting and the overall economic situation remains difficult. A range of government measures have therefore been planned. These will negatively affect OCP Portugal, the Portuguese wholesaler. In the first half year of 2011, revenue at OCP Portugal had fallen by 16.3%. An impairment loss of EUR 23.3m had to be recognised on goodwill to reflect these developments, the expected decrease in the operating result and the increased cost of capital, which is primarily due to the rise in the country-specific risk premium and the risk-free base interest rate. There is no need to recognise any other impairment losses on assets at present because their market values are higher.

- The Danish market is also in decline, with fierce competition set to negatively impact the operating result of the Danish wholesale business – a trend that will continue in the future. Against this background, the Danish wholesaler Tjellesen Max Jenne reported a 9.1% drop in revenue in the first half year of 2011. The tougher competition has squeezed our margins and profits for the long term. This development, coupled with higher cost of capital (especially the risk-free base interest rate), led to impairment losses of EUR 13.6m and EUR 7.4m being recognised on goodwill and the brand, respectively.
- Business at Pharmexx could not be expanded as rapidly as expected despite the restructuring measures implemented over the past two years. Although the company succeeded in stabilising business in most countries, the volume of new contracts and realignment of the product and service range failed to meet expectations. An impairment loss of EUR 72.0m had to be recognised on goodwill to reflect lower expectations of business prospects and the increased cost of capital, which is primarily due to the rise in the country-specific risk premium and the risk-free base interest rate. The lower expectations are due to negative developments in the European pharmaceutical markets. This situation increased pressure on pharmaceutical manufacturers, which in turn led to delays in incoming orders at Pharmexx.

The impairment required as of 30 June 2011 was determined on the basis of the value in use for all three cash-generating units. The weighted average cost of capital based on specific current data from the capital market was used to discount cash flows.

Disposal groups classified as held for sale

On 21 June 2010, Celesio agreed to set up a Europe-wide joint venture with the US healthcare group, Medco Health Solutions, Inc., in which each of the parent companies held a 50% interest. Official approval from the antitrust authorities was issued on 2 August 2010, with Medco Celesio B.V. being founded in the third quarter of 2010. Celesio was to contribute the Apotheke DocMorris mail-order pharmacy and Medco was to contribute the Europa Apotheek Venlo mail-order pharmacy to the joint venture. The mail-order pharmacy, DocMorris, is disclosed in the »Pharmacies« business area. In the statement of financial position as of 30 June 2010, all assets and liabilities under disposal groups classified as held for sale were reclassified to current assets or current liabilities for the first time.

On 27 September 2011, Celesio and Medco Health Solutions, Inc. reached an agreement to discontinue their joint services for chronically ill patients with effect as of 30 September 2011. Celesio sold its 50% share in the joint venture founded in 2010, Medco Celesio B.V., to Medco Health Solutions, Inc., US. The disposal groups were reversed in the statement of financial position as of 30 September 2011 and all assets and liabilities were reclassified to their original positions.

The main asset and liability groups that were classified as held for sale are presented below:

	31/12/2010 EUR m	**30/09/2011** EUR m
Intangible assets	91.4	0.0
Property, plant and equipment	4.3	0.0
Deferred tax assets	2.6	0.0
Inventories	11.5	0.0
Trade receivables	27.7	0.0
Cash and cash equivalents	0.2	0.0
Other assets	6.4	0.0
	144.1	**0.0**
Deferred tax liabilities	3.9	0.0
Trade payables	15.2	0.0
Other liabilities	22.4	0.0
	41.5	**0.0**

Convertible bond

On 29 March 2011, Celesio Finance B.V. issued a convertible bond with a nominal value of EUR 350.0m guaranteed by Celesio AG. The proceeds from issuing the bond were paid out to Celesio Finance B.V. on 7 April 2011. The bond is split into denominations of EUR 100,000, has a coupon of 2.50% per year – based on the outstanding value – and matures on 7 April 2018 if not repaid, converted or repurchased in the meantime. The convertible bond grants the investor a right to convert the bond into no-par shares in Celesio AG. The conversion price stood at EUR 22.48, both on the date the bond was issued and as of 30 September 2011. According to the terms of the bond, the conversion price will be adjusted during the term of the bond to account for extraordinary events (capital increase, stock splits, etc.). The conversion rights granted by the bond correspond to approximately 15.6m shares. The conversion rights less the proportionate transaction costs and the related deferred tax expense increased capital reserves in the reporting period by EUR 40.8m.

Issuing the convertible bond took advantage of the good market conditions for long-term financing of the group while also diversifying the sources of financing and our investor base.

Celesio AG will use the cash flow generated from the bond issue for general purposes at the company, such as optimising the portfolio and expanding our pharmacy chains.

Contingent liabilities and other financial obligations

The contingent liabilities and other financial liabilities presented in the consolidated financial statements as of 31 December 2010 did not change materially in the first three quarters of 2011.

Contingent liabilities recognised for legal and tax risks in connection with the business combination with Panpharma amounted to EUR 74.5m as of 30 September 2011 (EUR 105.9m as of 31 December 2010). The reduction is primarily attributable to legal and tax risks becoming statute-barred and arrangements reached with the tax authorities. To cover these legal and tax risks, an agreement has been entered into with the former owners limiting reimbursement claims to a maximum amount; the reimbursements can possibly be offset against future purchase price instalments. For this reason, the reduction in contingent liabilities does not have any direct impact on profit or loss. These recognised contingent liabilities have been divided into current and non-current provisions based on their maturity. The contingent liabilities include income tax liabilities of EUR 4.2m (EUR 6.1m as of 31 December 2010).

Components of other comprehensive income

Other comprehensive income – presented in the statement of comprehensive income – consists of the following components:

	3rd quarter 2010 EUR m	**3rd quarter 2011** EUR m	1st – 3rd quarter 2010 EUR m	**1st – 3rd quarter 2011** EUR m
Available-for-sale financial assets				
Gains/losses from the current year	– 0.1	0.0	– 3.0	– 0.8
Less reclassification to profit and loss	– 0.4	0.0	– 3.6	– 0.8
	0.3	**0.0**	**0.6**	**0.0**
Derivative financial instruments to hedge cash flows				
Gains/losses from the current year	– 6.7	– 14.3	– 34.4	– 21.8
Less reclassification to profit and loss	– 6.1	– 7.3	– 20.4	– 15.2
	– 0.6	**– 7.0**	**– 14.0**	**– 6.6**

Notes to the segment reporting

Segmentation mirrors the internal reporting structure of Celesio and has changed in comparison to the previous year. As a consequence of the realignment and reorganisation of our pharmacy business adopted by management resolution in 2010 to match the logic of the brand, the internal reporting structure of the Patient and Consumer Solutions division was adjusted accordingly from 1 January 2011. The European-wide DocMorris business is managed by the DocMorris International Retail unit. Moreover, the Manufacturer Solutions division was reorganised upon foundation of the Medco Celesio joint venture, with the business areas making up the division being renamed.

Celesio's internal reporting structure is based on the subdivision of the Patient and Consumer Solutions, Pharmacy Solutions and Manufacturer Solutions divisions into several business areas each. These business areas form the basis for internal controlling by the Management Board and thus correspond to the reportable segments. The Management Board of Celesio AG is the chief operating decision maker referred to in IFRS 8.7. In addition to separate information for each business area, the Management Board also receives condensed information for each division. Therefore, these subtotals are also disclosed in the segment reporting.

- The Patient and Consumer Solutions division is aimed at patients and consumers. This covers the entire logistics chain, from purchasing merchandise through to selling to end consumers. We report the »Pharmacies« business area and »Other business areas« under the Patient and Consumer Solutions division. In the Pharmacies business area a distinction is made between the segments DocMorris and Lloydspharmacy which are combined for segment reporting. These each consist of the retail pharmacies and mail-order pharmacies. DocMorris additionally includes brand partnerships. We report our investment in Brocacef Holding N.V. in the Netherlands as an associate under »Other business areas«.

- The Pharmacy Solutions division, which has retained the same structure as in the previous year, offers solutions tailored to the pharmacy market. Its focus is on the wholesale business with external customers, which is a separate segment. The Other business areas segment of the Pharmacy Solutions division includes Rudolf Spiegel Versand for pharmacy and laboratory equipment and Inten, the property developer for pharmacies.

- With its service offering, the Manufacturer Solutions division is geared towards the pharmaceutical industry. Upon conversion to the new reporting structure as of 1 January 2011, the business areas of the Manufacturer Solutions division were renamed »Logistics Solutions«, »Marketing Solutions« and »Efficient Care Pharma«. The »Logistics Solutions« business area, which includes Movianto, offers pharmaceutical logistics and related services such as storage, transport and packaging and represents a separate reporting segment. The »Marketing Solutions« business area, which includes Pharmexx, offers innovative marketing and sales solutions and likewise constitutes a separate reporting segment. In the »Efficient Care Pharma« business area, Evolution Homecare coordinates the supply of pharmaceuticals to patients at home. This business area also included the joint venture Medco Celesio B.V. until the third quarter of 2011. It had been intended to offer cross-sector solutions to improve the quality of healthcare provided to patients over the long-term and reduce the financial burden on payers in the health care market in Europe. Celesio sold its 50% share in the joint venture founded in 2010 to Medco Health Solutions, Inc. in September 2011. Its earnings for the first to third quarter of 2011 are included in the »Efficient Care Pharma« business area.

The Others segment is primarily used to report the activities of the group's parent, Celesio AG, and other non-operating companies. Celesio AG holds investments in the major operating national companies and national holdings. In addition, the operating entities of the Celesio Group are primarily financed via Celesio AG and Celesio Finance B.V., Netherlands (Amsterdam). Moreover, Celesio AG bundles essential group functions, primarily in the fields of accounting, controlling, treasury and IT. Since 1 January 2011 Alliance Apotheken Management GmbH and Apotheke DocMorris Holding GmbH, two units which were previously reported under the Retail Pharmacies segment, have been reported under Others. In addition, DocMorris Pharma GmbH has also been reported under Others since 1 January 2011. This was previously reported in the »Mail-order Pharmacies« segment. The previous-year figures were restated accordingly.

Consolidation of inter-division activities is shown separately.

The Management Board takes EBITDA as a measure of the success of the segments. EBITDA stands for earnings before interest, taxes, depreciation and amortisation. In addition, information on the gross profit and EBIT is disclosed voluntarily.

Segment assets pursuant to IFRS 8 correspond with the tied capital, which is calculated as the sum of the carrying amount of all non-interest-bearing assets (except for income tax assets) less non-interest-bearing liabilities (except for income tax liabilities).

The same accounting standards as for the Celesio Group have been used in segment reporting. Intercompany transactions are measured at market prices.

Related party transactions

Related parties as defined by IAS 24 (Related Party Disclosures) are legal entities and natural persons who can exercise significant influence or control over Celesio AG and its subsidiaries or, alternatively, are subject to the control or significant influence of Celesio AG or its subsidiaries. In particular, related parties include the majority shareholder, Franz Haniel & Cie., Duisburg, and its subsidiaries and associates, as well as the joint ventures, associates and members of the boards of Celesio AG.

All transactions with related parties are conducted at arm's length.

There are contracts for management and other services in place with Franz Haniel & Cie. GmbH and its subsidiaries and associates. In the comparative period, the German companies of the Celesio Group were also included in the consolidated tax group for VAT, of which Franz Haniel & Cie. GmbH is the parent, until 31 December 2010.

There are ongoing business relationships with joint ventures and associates for the supply of merchandise.

The goods and services received from or supplied to related parties are summarised below:

	Franz Haniel & Cie. GmbH, Duisburg		**Subsidiaries of Franz Haniel & Cie. GmbH**		**Joint ventures and associates of Franz Haniel & Cie. GmbH**		**Joint ventures and associates of Celesio AG**	
	31/12/2010 EUR m	**30/09/2011** EUR m	31/12/2010 EUR m	**30/09/2011** EUR m	31/12/2010 EUR m	**30/09/2011** EUR m	31/12/2010 EUR m	**30/09/2011** EUR m
Loans and receivables	4.5	0.0	4.3	3.6	0.0	0.0	0.1	0.8
Liabilities	1.5	0.0	2.5	0.0	0.2	0.2	0.0	0.1

1st – 3rd quarter 2011	**Franz Haniel & Cie. GmbH, Duisburg**		**Subsidiaries of Franz Haniel & Cie. GmbH**		**Joint ventures and associates of Franz Haniel & Cie. GmbH**		**Joint ventures and associates of Celesio AG**	
	2010 EUR m	**2011** EUR m	2010 EUR m	**2011** EUR m	2010 EUR m	**2011** EUR m	2010 EUR m	**2011** EUR m
Income	0.0	0.0	0.2	0.0	0.0	0.0	8.9	17.5
Expenses	0.0	0.2	0.5	0.2	1.2	1.1	0.0	0.0

Employees

At the end of the third quarter of 2011, Celesio employed 36,596 full-time equivalents compared to 36,957 full-time equivalents in the previous year.

Other notes

An amount of EUR 9.1m was recorded in personnel expenses in 2011 to cover contractual claims as defined by IAS 24.17(d) in connection with the termination of an employment contract. Of this amount, EUR 1.1m is attributable to pension commitments.

The line item other financial result relates to changes in the fair value of derivatives used to hedge financial liabilities. Changes in market values of derivative exchange rate hedges in the reporting period gave rise to income of EUR 1.9m (previous year EUR 1.0m). Changes in the market values of derivative exchange rate hedges gave rise to expenses of EUR 3.8m (previous year income of EUR 0.6m). Moreover, the other financial result contains exchange rate gains of EUR 177.0m (previous year EUR 167.2m) and exchange rate losses of EUR 149.6m (previous year EUR 179.3m).

In accordance with the proposal for the appropriation of profits for 2010, a dividend of EUR 85.1m or EUR 0.50 per share (previous year EUR 85.1m or EUR 0.50 per share) was distributed to the shareholders of Celesio AG in 2011.

There were no other issues requiring reporting in the interim reporting period.

Stuttgart, 7 November 2011

The Management Board

Review report

To Celesio AG, Stuttgart

We have reviewed the interim condensed consolidated financial statements, comprising the group statement of financial position, the group income statement, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and selected explanatory notes, and the interim group management report of Celesio AG, Stuttgart, for the period from 1 January 2011 to 30 September 2011, which are part of the quarterly financial report pursuant to Sec. 37x (3) WpHG (Wertpapierhandelsgesetz, German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we could obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, 8 November 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof Dr Pfitzer	Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial calendar

(excerpt)	
Annual report 2011	27 March 2012
Interim report, 1st quarter of 2012	14 May 2012
Annual general meeting 2012	16 May 2012

Subject to amendment. Other dates and updates can be found at www.celesio.com under Investor Relations/Financial Calendar.

Imprint

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This interim report was published on 10 November 2011 and is available in German and English. It can be downloaded or ordered from the investor relations section at www.celesio.com. The German version of the annual report is legally binding.

Forward-looking statements
This interim report contains forward-looking statements that are based on the latest estimates made by the management of future developments. Such statements are subject to inherent risks and uncertainties. It lies beyond the powers of Celesio to control or precisely estimate these risks and uncertainties which can include future market conditions and economic environment, state intervention, the behaviour of other market players or the successful integration of corporate acquisitions and realisation of expected synergies. Should one of these or another uncertainty or risk factor eventuate or should the assumptions on which these forward-looking statements are made prove to be incorrect, then the actual events could diverge significantly from the explicit or implied events contained in the statements. Celesio does not intend, nor does it assume any special obligation, to update forward-looking statements to reflect events or developments occurring after this report went to press.