



## Balance sheet as of 31 December 2008

	Notes	31/12/2007 € k	31/12/2008 € k
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	1	1,364	6,347
Property, plant and equipment	2	4,572	4,969
Financial assets	3	1,972,149	1,922,104
		<b>1,978,085</b>	<b>1,933,420</b>
<b>Current assets</b>			
Receivables and other assets	4	656,077	730,560
Cash and cash equivalents	5	12	150
		<b>656,089</b>	<b>730,710</b>
<b>Prepaid expenses</b>	6	<b>6,473</b>	<b>5,076</b>
		<b>2,640,647</b>	<b>2,669,206</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital*	7	217,728	217,728
Capital reserves	7	1,113,030	1,113,030
Revenue reserves	7	213,207	156,469
Profit available for distribution	8	130,977	81,648
		<b>1,674,942</b>	<b>1,568,875</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	9	11,122	16,221
Other provisions	10	24,790	26,353
		<b>35,912</b>	<b>42,574</b>
<b>Liabilities</b>	11	<b>927,120</b>	<b>1,055,507</b>
<b>Deferred income</b>		<b>2,673</b>	<b>2,250</b>
		<b>2,640,647</b>	<b>2,669,206</b>

\* On 30 April 2008, the annual general meeting passed a resolution to increase the capital stock conditionally by up to € 12,672 k

## Income statement for the 2008 fiscal year

	Notes	2007 € k	2008 € k
Net income from investments	12	107,053	92,026
Interest result	13	-21,245	-9,628
Own work capitalised		0	293
Other income	14	85,679	15,142
Personnel expenses	15	28,644	32,489
Amortisation of intangible assets and depreciation of property, plant and equipment		1,399	1,620
Other expenses	16	31,900	37,535
<b>Earnings before tax</b>		<b>109,544</b>	<b>26,189</b>
Income taxes	17	-1,170	1,279
<b>Net profit for the year</b>		<b>110,714</b>	<b>24,910</b>
Drawings from other revenue reserves		20,263	56,738
<b>Profit available for distribution</b>		<b>130,977</b>	<b>81,648</b>

## Notes to the financial statements

### General

The financial statements as of 31 December 2008 of Celesio AG, Stuttgart, have been prepared in euro in accordance with Secs. 242 et seq. and Secs. 264 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] as well as in accordance with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act]. The company is subject to the requirements for large corporations. The income statement has been prepared using the cost-summary method. The financial statements reflect the activities of a management holding and the order of items in the income statement therefore does not correspond to that given in Sec. 275 HGB.

In order to improve the clarity of the financial statements, we have summarised individual balance sheet and income statement items and have disclosed and commented on them separately in these notes to the financial statements. For the same reason, we have also indicated in the notes whether individual items are related to other balance sheet items and “thereof” items.

Celesio AG’s financial statements and management report for fiscal 2008 are published in the Bundesanzeiger [German Federal Gazette]. The management report of Celesio AG is combined with the management report of the group. This report is included in Celesio’s 2008 annual report.

### Accounting and valuation principles

The following accounting and valuation methods, which remained unchanged in comparison to the prior year, have been used to prepare the financial statements. The methods used to report and value assets and liabilities are disclosed in the notes to the individual balance sheet items. Foreign currencies have been translated accordingly.

## Notes to the balance sheet

### Analysis of non-current assets for 2008

	Intangible assets € k	Property, plant and equipment € k	Financial assets € k	<b>Total</b> € k
<b>Accumulated historical cost 1/1/2008</b>	<b>9,156</b>	<b>8,406</b>	<b>1,972,149</b>	<b>1,989,711</b>
Additions	5,850	1,150	189,403	196,403
Disposals	0	44	128,247	128,291
<b>Accumulated historical cost 31/12/2008</b>	<b>15,006</b>	<b>9,512</b>	<b>2,033,305</b>	<b>2,057,823</b>
<b>Accumulated amortisation, depreciation and write-downs 1/1/2008</b>	<b>7,792</b>	<b>3,834</b>	<b>0</b>	<b>11,626</b>
Additions	867	753	111,201	112,821
Disposals	0	44	0	44
<b>Accumulated amortisation, depreciation and write-downs 31/12/2008</b>	<b>8,659</b>	<b>4,543</b>	<b>111,201</b>	<b>124,403</b>
<b>Net carrying amounts 31/12/2008</b>	<b>6,347</b>	<b>4,969</b>	<b>1,922,104</b>	<b>1,933,420</b>
Net carrying amounts 31/12/2007	1,364	4,572	1,972,149	1,978,085

Intangible assets are composed entirely of software. Property, plant and equipment includes leasehold improvements (including land improvements), other plant and equipment as well as furniture and fixtures. The development of financial assets is detailed in note (3), Financial assets.

## Notes to the balance sheet

### (1) Intangible assets

Purchased intangible assets are capitalised at cost. Intangible assets are amortised using the straight-line method at rates of between 20 % and 33 %. The additions mainly concern software licenses.

### (2) Property, plant and equipment

Additions to property, plant and equipment have been recognised at cost. Furniture and fixtures are subject to straight-line depreciation using rates of between 5 % and 33 %. Leasehold improvements are depreciated over the term of the lease or in accordance with the highest depreciation rates for buildings permissible under tax law. Land improvements are depreciated at rates of between 3 % and 25 %. Additions comprise furniture and fixtures as well as leasehold improvements (including land improvements). Low-value assets with a net value of up to € 150.00 per item (up to € 410.00 until 31 December 2007) were fully written off and expensed in the year of acquisition with their immediate disposal being assumed. In the interest of simplification, fixed assets acquired after 31 December 2007 with a net value of more than € 150.00 but less than € 1,000.00 are summarised in a compound item in the commercial balance sheet in accordance with the item required to be set up annually for tax purposes. The total amount of the annual compound items is immaterial and subject to depreciation at a flat rate of 20 % per year in which it was set up for the additions and in the following four years pursuant to tax provisions. Otherwise depreciation on additions to property, plant and equipment is generally charged pro rata temporis.

### (3) Financial assets

	Shares in affiliated companies € k	Loans to affiliated companies € k	Other loans € k	<b>Total</b> € k
<b>Accumulated historical cost 1/1/2008</b>	<b>1,919,553</b>	<b>46,623</b>	<b>5,973</b>	<b>1,972,149</b>
Additions	157,335	31,765	303	189,403
Disposals	105,438	22,214	595	128,247
<b>Accumulated historical cost 31/12/2008</b>	<b>1,971,450</b>	<b>56,174</b>	<b>5,681</b>	<b>2,033,305</b>
<b>Accumulated write-downs 1/1/2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions	111,201	0	0	111,201
Disposals	0	0	0	0
<b>Accumulated write-downs 31/12/2008</b>	<b>111,201</b>	<b>0</b>	<b>0</b>	<b>111,201</b>
<b>Net carrying amounts 31/12/2008</b>	<b>1,860,249</b>	<b>56,174</b>	<b>5,681</b>	<b>1,922,104</b>
Net carrying amounts 31/12/2007	1,919,553	46,623	5,973	1,972,149

With regard to financial assets, investment holdings are recorded at the lower of cost or net realisable value. Loans are generally recognised at nominal value. Non-interest-bearing or below-market loans are discounted to their present value.

The list of Celesio AG's investment holdings is published in the Elektronischer Bundesanzeiger [Electronic German Federal Gazette].

#### (4) Receivables and other assets

	31/12/2007 € k	31/12/2008 € k
Receivables from affiliated companies	638,544	717,019
due in more than one year	(0)	(0)
Receivables from companies in which investments are held	9	7,026
due in more than one year	(0)	(0)
Other assets	17,524	6,515
due in more than one year	(3,949)	(3,628)
<b>Total</b>	<b>656,077</b>	<b>730,560</b>

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. Non-interest bearing receivables due in more than one year are discounted.

Receivables denominated in foreign currency are valued at the rate prevailing at the date of origin or the lower rate on the balance sheet date.

#### (5) Cash and cash equivalents

	31/12/2007 € k	31/12/2008 € k
Cash on hand	12	15
Bank balances	0	135
<b>Total</b>	<b>12</b>	<b>150</b>

#### (6) Prepaid expenses

Prepaid expenses mainly relate to accrued premiums and interest paid for currency and interest rate hedges.

## Notes to the balance sheet

### (7) Issued capital and reserves

Issued capital amounts to € 217,728 k and is split as in the prior year into 170,100,000 no-par value shares (registered shares without a nominal amount).

By resolution of the annual general meeting on 26 April 2007, the capital of € 43,546 k authorised until 7 May 2007 was cancelled by elimination of Art. 3 Para. 2 of the articles of association. By resolution of the annual general meeting on 26 April 2007 and with the consent of the supervisory board, the management board was authorised until 25 April 2012 to increase the issued capital of the company once or several times by up to € 43,546 k in return for cash contributions, by issuing new registered no-par value shares. A new Art. 3 Para. 2 of the articles of association was drafted accordingly. Therefore, authorised capital of € 43,546 k is available until 25 April 2012.

### (8) Profit available for distribution

The profit of the prior year available for distribution of € 130,977 k was distributed in full as a dividend for the 2007 fiscal year. An amount of € 56,738 k was drawn from other revenue reserves. Together with the net profit for 2008 of € 24,910 k the profit available for distribution as of 31 December 2008 amounts to € 81,648 k.

Pursuant to the proposal for the appropriation of profits, the entire profit available for distribution of € 81,648 k is to be paid out as a dividend for the 2008 fiscal year.

### (9) Provisions for pensions and early retirement obligations

Pension provisions were calculated at present value as defined by Sec. 6a EStG [“Einkommensteuergesetz“: German Income Tax Act] using an interest rate of 6 % and the 2005G mortality tables issued by Dr Heubeck. Pension provisions are calculated at present value and accrued in full.

### (10) Other provisions

	31/12/2007 € k	31/12/2008 € k
Tax provisions	10,306	11,805
Other provisions	14,484	14,548
<b>Total</b>	<b>24,790</b>	<b>26,353</b>

Other provisions comprise tax provisions as well as other provisions. Other provisions are created on the basis of prudent commercial judgment at an amount necessary to cover all contingent liabilities and anticipated losses from pending transactions and as of the balance sheet date. To the extent that the underlying obligation includes interest, the provision is recognised at present value.



Tax provisions include provisions for deferred taxes totalling € 2,051 k (2007: € 3,402 k).

Other provisions mainly comprise provisions for personnel-related expenses, risks from equity investments, outstanding invoices, remuneration of the supervisory board, commitment fees, costs of preparing the annual report, costs of preparing the financial statements as well as outstanding contributions.

### (11) Liabilities, contingent liabilities and derivative financial instruments

The remaining terms of the liabilities are detailed in the schedule of liabilities.

Liabilities	31/12/2007				31/12/2008			
	less than one year € k	Due in more than one and less than five years € k	more than five years € k	Carrying amount € k	less than one year € k	Due in more than one and less than five years € k	more than five years € k	Carrying amount € k
Liabilities to banks	19,130	0	624,088	643,218	19,469	399,807	330,000	749,276
Trade payables	1,274	0	0	1,274	1,043	0	0	1,043
Liabilities to affiliated companies	270,868	0	0	270,868	298,496	0	0	298,496
Other liabilities	6,017	5,524	219	11,760	892	5,633	167	6,692
of which taxes	(696)	(0)	(0)	(696)	(426)	(0)	(0)	(426)
of which social security	(1)	(0)	(0)	(1)	(84)	(0)	(0)	(84)
<b>Total</b>	<b>297,289</b>	<b>5,524</b>	<b>624,307</b>	<b>927,120</b>	<b>319,900</b>	<b>405,440</b>	<b>330,167</b>	<b>1,055,507</b>

Liabilities are recognised at the amount repayable. Liabilities denominated in foreign currency are valued at the rate prevailing on the date of origin or the higher rate on the balance sheet date.

Contingent liabilities	31/12/2007 € k	31/12/2008 € k
From guarantees, notes and check guarantees	1,813,180	1,796,143
of which to affiliated companies	(1,769,137)	(1,750,573)
<b>Total</b>	<b>1,813,180</b>	<b>1,796,143</b>

Most of the guarantee obligations have been entered into towards creditor banks (of which € 1,276,110 k (2007: € 1,393,722 k) for Ceesio Finance B.V., Baarn, Netherlands).

## Notes to the balance sheet

In addition to the contingent liabilities, there are other financial obligations amounting to € 11,391 k (thereof € 1,527 k to affiliated companies). These obligations relate to the following items:

<b>Other financial obligations</b>	31/12/2007 € k	<b>31/12/2008</b> € k
Obligations from rent and lease agreements	3,258	2,951
Purchase obligations from investment contracts	4,147	8,440
<b>Total</b>	<b>7,405</b>	<b>11,391</b>

Other financial obligations relate to rental agreements and future lease payments for company cars, company equipment as well as for consulting and service agreements. All expire in between one and five years.

<b>Derivative financial instruments</b>	Nominal volume		Market value		Carrying amount	
	31/12/2007 € k	<b>31/12/2008</b> € k	31/12/2007 € k	<b>31/12/2008</b> € k	31/12/2007 € k	<b>31/12/2008</b> € k
Interest instruments	1,550,000	1,232,424	14,228	- 18,201	2,957	2,123
Currency instruments	336,134	315,820	10,070	21,385	0	0
<b>Total</b>	<b>1,886,134</b>	<b>1,548,244</b>	<b>24,298</b>	<b>3,184</b>	<b>2,957</b>	<b>2,123</b>

The carrying amounts of the interest instruments are disclosed on the balance sheet under receivables and other assets and prepaid expenses.

The derivative financial instruments are valued using generally accepted valuation methods.

The derivative interest instruments concern interest swaps (€ - 20,109 k) and options (€ 1,908 k). The derivative currency instruments exclusively comprise forward exchange contracts in Pounds Sterling, Norwegian Kroner, Czech Koruny and Danish Kroner.

The assets, liabilities and forecast transactions of Celesio are exposed to changes in foreign exchange rates and interest rates, among other risks. Selected hedge instruments are used to mitigate these risks depending on the individual assessment of the risk.

The use of derivatives is subject to uniform group guidelines set by the management board, and compliance is monitored constantly. This includes a separation of functions between trading, settlement and accounting as well as only granting authorisation to a few, qualified employees to trade in derivative financial instruments. Derivatives are only used for hedging purposes and entered into with banks of excellent credit standing and, i.e. they are not used for trading or other speculative purposes.

Interest rate risks are understood as the negative impact of fluctuating interest rates on the profit of the group. A distinction must be made between fixed-interest and floating-rate financial instruments. For fixed-interest financial instruments, a fixed market interest rate is agreed on for the full term of the derivative. The risk is that when the market interest rates fluctuate, the market price of the financial instrument will change (price risk due to interest rates). The market price is based on the present value of future payments (interest payments plus repayment of principal) discounted using the market interest rate for the remaining term prevailing at the balance sheet date. The interest-related price risk will therefore lead to a profit or loss if the fixed-interest instrument is sold before maturity.

For financial instruments subject to floating interest rates, the interest rate is adjusted on a timely basis and thus approximates market interest rates. However, there is a risk here that there may be a short-term fluctuation in interest rates leading to changes in the interest due (cash flow risk due to interest rates).

Interest caps and swaps were used in the past fiscal year to hedge interest risks. An interest cap puts an upper limit on an interest rate. An interest swap involves swapping the fixed or floating interest rate of the hedged transaction for its entire term. The decision on whether to use derivative financial instruments is based on the projected interest rate risk and debt. The interest hedging strategy is reviewed at monthly intervals and new targets are defined. This involves securing interest rates for at least 50 % of the projected debt level.

Currency risks refer to the possible impairment of balance sheet items and any forward transactions due to fluctuations in exchange rates.

Forward exchange contracts and currency swaps were used in the 2008 fiscal year to hedge against exchange rate fluctuations.

The majority of the foreign exchange risks are a result of the development of the euro against pound Sterling.

Foreign exchange exposures are mainly secured by so-called micro-hedges. This involves a direct hedge of the relevant transaction by means of a foreign exchange derivative, generally a currency swap. In addition, currency derivatives are used to hedge forecast transactions in foreign currency. This involves selecting the currency derivative (or a combination of several derivatives) which best reflects the likelihood of occurrence and timing of the forecast transaction.

## Notes to the income statement

### (12) Net income from investments

	2007 € k	2008 € k
Income from profit and loss transfer agreements with affiliated companies	11,825	14,958
Income from investments (affiliated companies)	99,543	207,471
Expenses from profit and loss transfer agreements with affiliated companies	-4,315	-19,202
Write-downs of financial assets	0	-111,201
<b>Total</b>	<b>107,053</b>	<b>92,026</b>

The write-downs of financial assets relate to impairment losses on shares in affiliated companies in Belgium, the Netherlands, Ireland and Italy.

### (13) Interest result

	2007 € k	2008 € k
Other interest and similar income	38,342	35,316
of which from affiliated companies	(35,568)	(34,805)
Interest and similar expenses	-59,587	-44,944
of which to affiliated companies	(-21,738)	(-7,988)
<b>Total</b>	<b>-21,245</b>	<b>-9,628</b>

### (14) Other income

	2007 € k	2008 € k
Group tax allocations	9,258	6,907
of which corporate income tax	(5,394)	(3,724)
of which trade tax	(3,864)	(3,183)
Other income	76,421	8,235
<b>Total</b>	<b>85,679</b>	<b>15,142</b>

Other income mainly consists of income from services rendered to affiliated companies and tax allocations. Income from the disposal of a subsidiary and from the sale of a minority interest was included in the prior year.

### (15) Personnel expenses/Employees

	2007 € k	2008 € k
Wages and salaries	24,808	24,195
Social security and pension cost	3,836	8,294
thereof pension cost	(1,405)	(5,868)
<b>Total</b>	<b>28,644</b>	<b>32,489</b>

The average headcount in the year 2008 was 220 (2007: 217).

### (16) Other expenses

	2007 € k	2008 € k
Other taxes	99	111
Other expenses	31,801	37,424
<b>Total</b>	<b>31,900</b>	<b>37,535</b>

Other expenses mainly consist of legal and consulting fees, costs for services rendered by affiliated companies, IT costs, travel expenses, recruiting expenses, remuneration of the supervisory board, the cost of preparing financial statements and annual general meeting expenses and other rent and incidental costs.

### (17) Income taxes

	2007 € k	2008 € k
<b>Income taxes</b>		
Corporate income tax	24	0
Deferred taxes	- 396	- 1,351
	<b>- 372</b>	<b>- 1,351</b>
<b>Income taxes for prior years</b>		
Corporate income tax	- 798	2,630
<b>Total</b>	<b>- 1,170</b>	<b>1,279</b>

Other taxes are reported under (16), Other expenses.

## Other notes

### **Statutory audit**

The annual financial statements of Celesio AG, the main German subsidiaries and the consolidated financial statements were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Ernst & Young Germany), Stuttgart. In the fiscal year, expenses for services rendered by Ernst & Young Germany totalled € 538 k. Of this amount € 421 k related to statutory audits while € 117 k was spent on other services.

### **Exemption pursuant to Section 264 (3) and Section 264b HGB**

Pursuant to Sec. 264 (3) HGB [“Handelsgesetzbuch”: German Commercial Code], the following companies are exempted from the duty to publish their financial statements: ABG Apotheken-Beratungsgesellschaft mbH, Stuttgart, Admenta Deutschland GmbH, Stuttgart, Admenta Deutschland Beteiligungs GmbH, Stuttgart, Alliance Apotheken Management GmbH, Stuttgart, Apo Interim Personalservice GmbH, Stuttgart, GEHE Pharma Handel GmbH, Stuttgart, Inten GmbH, Stuttgart, Movianto GmbH, Stuttgart, and Movianto Deutschland GmbH, Kist.

GEHE Immobilien GmbH & Co. KG, Stuttgart, GEHE Informatik Services GmbH & Co. KG, Stuttgart, and Ancavion GmbH & Co. KG, Weiterstadt are exempted from the duty to publish their financial statements pursuant to Sections 264b and 264a HGB.

### **Notices from shareholders**

According to a notice dated 2 April 2002 pursuant to Sec. 41 (2) Sentence 1 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] Franz Haniel & Cie. GmbH, Duisburg, Germany, held a total of 60 % of the voting rights in Celesio on 1 April 2002. Franz Haniel & Cie. GmbH prepares consolidated financial statements which include Celesio AG and its subsidiaries. These consolidated financial statements are published in the Elektronischer Bundesanzeiger [Electronic German Federal Gazette].

According to Celesio AG, the shareholding of Franz Haniel & Cie. GmbH, Duisburg, amounted to 55.8 % (2007: 52.9 %) at the end of the reporting period.

### **Corporate governance**

The management board and supervisory board last issued a declaration of compliance with the recommendations of the German Corporate Governance Codex pursuant to Sec. 161 AktG [“Aktengesetz”: German Stock Corporations Act] on 19 December 2008 and published this on their website at [www.celesio.com](http://www.celesio.com).

## **Total remuneration and remuneration structure of the management board**

By resolution of the annual general meeting on 27 April 2006, the management board was exempted from the requirement to disclose the remuneration of individual board members. Therefore, Celesio has opted to disclose the remuneration of the management board on aggregate total but broken down into individual remuneration components.

Total remuneration of management board members comprises a fixed monthly salary and a performance-based variable component. In determining the remuneration of Celesio's management board, the size, economic and financial position of the company are taken into account as well as the amount and structure of remuneration at comparable companies. The structure of the remuneration system for the management board is discussed regularly and checked for appropriateness by the supervisory board at the instigation of the personnel committee. In 2008, a new regulation relating to certain elements of the remuneration came into force with effect as of 1 January 2008. The main changes are presented in the notes that follow.

### **Non performance-related remuneration components**

The non performance-related components are made up of a fixed basic component, other benefits and a pension contribution. Celesio pays the fixed basic component to management board members as a monthly salary. Other benefits received by the management board comprise the use of a company car as well as accident insurance, international health insurance, legal protection insurance and D&O insurance. Management board members are individually liable to pay tax on the use of a company car.

Management board members benefit from a defined contributions plan. An annual contribution of 16 % of the fixed basic component plus the standard bonus is made during the period of office as management board member. The standard bonus corresponds to target attainment of 100 %. The contributions bear a minimum interest rate. Pension commitments to date have been replaced by the defined contributions plan. Pensions can be claimed after leaving the company, at the earliest from the age of 60 years. In the case of disability or death, the contributions that would have been due until the age of 63 are credited to the pension account to be paid out.

### **Performance-related remuneration components**

The performance-related components consist of bonuses which are paid out annually depending on performance as well as a rolling remuneration component as a long-term incentive, currently in the form of the "performance cash scheme". The bonus scheme was revised with effect as of 1 January 2008, mainly with respect to the basis for assessment, and replaces the profit bonus. The performance cash scheme was set up for the first time with effect as of 1 January 2008 for the period from 2008 to 2010 and replaces the strategy bonus paid in the past. The second performance cash scheme was set up with effect as of 1 January 2009 for the years 2009 to 2011.

## Other notes

The EBITDA of the Celesio group was used as the basis for assessment of the bonus. The bonus amount is determined as a percentage share of the EBITDA generated in the fiscal year and an additional payment due if the year-on-year EBITDA growth exceeds a pre-defined threshold. There is an upper limit to the bonus amount possible.

If, in its best judgment, the supervisory board deems the extraordinary service or success of a management board member to be worthy of special benefits including special remuneration, it is entitled to award these. The same applies in the case of mutual agreement to terminate a contract.

If targets are reached, the performance cash schemes are paid out in cash upon maturity after a term of three years. The cash amount paid for the 2008 to 2010 scheme will depend on the target value set for each management board member as well as the attainment of two performance targets: a rise in the share price compared to a fixed reference price and the accumulated Celesio value added over the corresponding period. The share price based component is classified as a cash-settled share-based payment transaction as defined by IFRS 2, and is assessed using a binominal option pricing model. The expense for payments received and liability for settling these payments are recognised over the expected vesting period. The liability is revalued as of each reporting date and on the settlement date. Changes in fair value are recognised in the income statement through profit or loss. The Celesio value added is an indicator used as part of the value-based corporate management. Earnings before interest and taxes (EBIT) are set in relation to the capital employed and compared to the weighted average capital cost. Remuneration is thus linked to improving the value of the business in the long term. The performance cash schemes also have an upper limit for the amount that can be paid out.

Management board members are entitled to take part in the performance cash scheme only if they were employed during that performance period. Members that reach retirement age or leave the company are entitled to payment pro rata temporis.

### **Remuneration amount**

Total remuneration paid to the management board in 2008 pursuant to DRS 17 amounted to € 6,286 k (2007: € 7,201 k). Of this amount, € 2,202 k pertained to the basic annual salary including other benefits (2007: € 1,567 k), € 3,620 k to bonuses (2007: € 4,633 k) and € 464 k to the value of the performance cash scheme on the grant date (for comparative purposes: strategy bonus of € 1,001 k awarded in 2007). Of the bonuses, € 656 k related to guaranteed amounts.

### **Former management board members**

Former management board members and their surviving dependents received remuneration totalling € 286 k in the reporting year (2007: € 280 k). Celesio AG set up pension provisions of € 2,857 k (2007: € 3,740 k) for this group of persons.



## **Total remuneration and remuneration structure of the supervisory board**

The remuneration paid to the supervisory board is defined in Art. 5 of the articles of association of Celesio AG. In addition to reimbursement of their out-of-pocket expenses, the members of the supervisory board receive fixed remuneration of € 5,000 annually and an additional payment of € 800 for each half percentage point of dividends distributed to shareholders in the past fiscal year that is in excess of 4% of issued capital. These payments are net of VAT which must be added as applicable. The chairman receives twice the standard amount paid to the other members of the supervisory board and the deputy receives one and a half times the standard. Each member of a committee – with the exception of the committee founded to satisfy Sec. 27 (3) MitbestG [“Mitbestimmungsgesetz”: German Co-determination Act] – receives € 2,000, with the chairman of a committee receiving € 4,000.

Total remuneration paid to the supervisory board in 2008 amounted to € 794 k (2007: € 1,259 k). Of the total amount, € 68 k (2007: € 68 k) related to fixed remuneration paid for membership of the supervisory board. An amount of € 702 k (2007: € 1,177 k) was paid for variable components pegged to dividend payouts for membership of the supervisory board. Remuneration for committee activities amounted to € 24 k (2007: € 14 k).

In the past fiscal year, Celesio AG neither granted credit to management and supervisory board members nor did it enter into any contingencies in favour of these persons.

## **Proposal from the management board for the appropriation of profits**

The profit of Celesio AG available for distribution amounts to € 81,648,000.00 (2007: € 130,977,000.00).

The management board proposes distributing this amount of € 81,648,000.00 in full (2007: € 130,977,000.00) as a dividend for the 2008 fiscal year.

Based on this proposal for the appropriation of profits, the dividend per non-par share amounts to € 0.48 (2007: ordinary dividend of € 0.77).

Stuttgart, 16 February 2009

The management board

## Members of the Management Board

	<b>Membership in other management boards and comparable bodies:</b>	<b>Membership in other supervisory boards and comparable bodies:</b>
<b>Dr Fritz Oesterle</b> Chairman and Chief Executive Officer	Management board, Franz Haniel & Cie. GmbH	– Herba Chemosan Apotheker-AG, deputy chairman – Untertürkheimer Volksbank eG
<b>Stefan Meister</b> Deputy Chairman		
<b>Dr Christian Holzherr</b> (since 1 May 2008)		
<b>Wolfgang Mähr</b>		– GEHE Pharma Handel GmbH, chairman – OCP S.A., chairman – Herba Chemosan Apotheker-AG
<b>Dr Felix A. Zimmermann</b> (until 30 April 2008)		

## Members of the Supervisory Board

	<b>Occupation held:</b>	<b>Membership in other supervisory boards and comparable bodies:</b>
<b>Dr Eckhard Cordes</b> Chairman	Chairman of the management board Franz Haniel & Cie. GmbH  Chairman of the management board METRO AG	<ul style="list-style-type: none"> <li>– Galeria Kaufhof GmbH, chairman</li> <li>– Real Holding GmbH, chairman</li> <li>– Tertia Handelsbeteiligungsgesellschaft mbH, chairman (since 6 May 2008)</li> <li>– TAKKT AG, deputy chairman (since 24 September 2008, previously member)</li> <li>– Air Berlin PLC, non-executive director on the board of directors (until 31 March 2008)</li> <li>– SKF Aktiebolaget, member of the board of directors (until 16 April 2008)</li> </ul>
<b>Ihno Goldenstein</b> Deputy chairman	Employee, goods-in department GEHE Pharma Handel GmbH	
<b>Klaus Borowicz</b>	Regional head and head of branch office GEHE Pharma Handel GmbH	
<b>Professor Dr Julius Michael Curtius</b>	Cardiologist with own practise	
<b>Dr Hubertus Erlen</b>	Deputy chairman of the supervisory board of Bayer Schering Pharma AG	<ul style="list-style-type: none"> <li>– Bayer Schering Pharma AG, deputy chairman</li> <li>– Invest in Germany GmbH</li> </ul>
<b>Dirk-Uwe Kerrmann</b>	Commercial employee GEHE Pharma Handel GmbH	
<b>Susan Naumann</b> (since 30 April 2008)	Trade union secretary of ver.di – Vereinte Dienstleistungsgewerkschaft	– GEHE Pharma Handel GmbH
<b>Ulrich Neumeister</b>	Logistics employee GEHE Pharma Handel GmbH	
<b>Hanspeter Spek</b> (since 30 April 2008)	Member of the management board Sanofi-aventis S.A.	<ul style="list-style-type: none"> <li>– ZENTIVA N.V.</li> <li>– Sanofi-aventis Deutschland GmbH</li> </ul>
<b>Professor Dr Klaus Trützschler</b>	Member of the management board Franz Haniel & Cie. GmbH	<ul style="list-style-type: none"> <li>– TAKKT AG, chairman (since 24 September 2008), deputy chairman (until 23 September 2008)</li> <li>– Allianz Versicherungs-AG (until 24 April 2008)</li> <li>– Bilfinger Berger AG</li> <li>– Advisory Board of Wilh. Werhahn KG</li> </ul>
<b>Professor Dr Erich Zahn</b>	Professor emeritus of business studies University of Stuttgart	– Board of trustees of the Fraunhofer Institute for Production Technology and Automation (IPA), member of the board of trustees
<b>Regina Zimmerling</b> (since 30 April 2008)	Trade union secretary of ver.di – Vereinte Dienstleistungsgewerkschaft	
<b>Jörg Lauenroth-Mago</b> (until 30 April 2008)	Regional head of division for trade for Saxony, Saxony-Anhalt, Thuringia ver.di – Vereinte Dienstleistungsgewerkschaft	– GEHE Pharma Handel GmbH
<b>Hans-Martin Poschmann</b> (until 30 April 2008)	Trade union secretary of ver.di – Vereinte Dienstleistungsgewerkschaft	
<b>Dr Ihno Schneevoigt</b> (until 30 April 2008)	Member of the management board (ret.) Allianz Versicherungs-AG Allianz Lebensversicherungs-AG	<ul style="list-style-type: none"> <li>– Korn/Ferry International Corp., board of directors</li> <li>– Ströer Out-of-Home Media AG</li> </ul>

## Responsibility statement

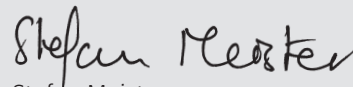
We confirm that, to the best of our knowledge, the financial statements give a true and fair view of the net assets, financial position and results of operations of Celesio AG, Stuttgart, and the management report gives a true and fair view of the business performance including the results of operations and the situation of Celesio AG, Stuttgart, and describes the main opportunities and risks relating to the future development of Celesio AG, Stuttgart, for the remaining months of the fiscal year in accordance with the applicable financial reporting framework.

Stuttgart, 16 February 2009

The management board



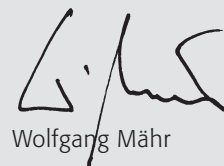
Dr Fritz Oesterle



Stefan Meister



Dr Christian Holzherr



Wolfgang Mähr

## Auditor's report

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Celesio AG, Stuttgart, which has been combined with the group management report, for the fiscal year from 1 January 2008 to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

## Auditor's report

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development."

Stuttgart, 17 February 2009

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



Professor Dr Pfitzer  
Wirtschaftsprüfer  
(German public auditor)



Matischiok  
Wirtschaftsprüfer  
(German public auditor)



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