Celesio AG financial statements 2009

Balance sheet as at 31 December 2009

Assets	Note	31/12/2008 EUR k	**31/12/2009** EUR k
Fixed assets			
Intangible assets	1	6,347	17,805
Property, plant and equipment	2	4,969	5,115
Financial assets	3	1,922,104	1,672,226
		1,933,420	**1,695,146**
Current assets			
Receivables and other assets	4	730,560	1,121,890
Cash and cash equivalents	5	150	116
		730,710	**1,122,006**
Prepaid expenses	6	**5,076**	**9,748**
Total assets		**2,669,206**	**2,826,900**

Liabilities	Note	31/12/2008 EUR k	**31/12/2009** EUR k
Equity			
Issued capital	7	217,728	217,728
Capital reserves	7	1,113,030	1,114,230
Revenue reserves	7	156,469	238,448
Profit available for distribution	8	81,648	85,050
Conditional capital		*(0)*	*(21,773)*
		1,568,875	**1,655,456**
Provisions			
Provisions for pensions and similar obligations	9	16,221	16,673
Other provisions	10	26,353	33,050
		42,574	**49,723**
Liabilities	11	**1,055,507**	**1,119,373**
Deferred income		**2,250**	**2,348**
Total equity and liabilities		**2,669,206**	**2,826,900**

Income statement for the 2009 fiscal year

	Note	2008 EUR k	**2009** EUR k
Investment result	12	92,026	233,097
Interest result	13	– 9,628	– 9,409
Own work capitalised		293	64
Other income	14	15,142	44,948
Personnel expenses	15	32,489	33,484
Amortisation of intangible assets and depreciation of property, plant and equipment		1,620	3,717
Other expenses	16	37,535	66,325
Earnings before tax		**26,189**	**165,174**
Income taxes	17	1,279	– 1,855
Net profit for the year		**24,910**	**167,029**
Transfer to (previous year withdrawal from) other revenue reserves		56,738	– 81,979
Profit available for distribution		**81,648**	**85,050**

Notes

General disclosures

The financial statements as of 31 December 2009 of Celesio AG, Stuttgart, have been prepared in euro (EUR) in accordance with Sec. 242 et seq. and Sec. 264 et seq. Handelsgesetzbuch (HGB, German Commercial Code) as well as in accordance with the relevant provisions of Aktiengesetz (AktG, 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 annual financial statements reflect the activities of a management holding. Main sources of income of Celesio AG include income from investments or from profit transfer agreements. The financing of the Group remains a focus of business activities. For this reason, the income statement is not broken down as set out 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 “of which” items.

Celesio AG's financial statements and management report for the 2009 fiscal year are published in the Bundesanzeiger (German Federal Gazette). The management report of Celesio AG is combined with the management report of the group.

Accounting policies

The following accounting policies, which remained unchanged in comparison to the previous 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.

Notes to the balance sheet

Analysis of fixed assets for 2009

	Intangible assets		Property, plant and equipment		Financial assets	Total
	Concessions and industrial rights	Payments on account	Buildings on third-party land	Other equipment, furniture and fixtures		
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Accumulated historical cost 1/1/2009	**14,532**	**474**	**5,760**	**3,752**	**2,033,305**	**2,057,823**
Additions	6,208	9,972	452	544	93,298	110,474
Disposals	1,693	192	0	30	156,931	158,846
Accumulated historical cost 31/12/2009	**19,047**	**10,254**	**6,212**	**4,266**	**1,969,672**	**2,009,451**
Accumulated historical cost 1/1/2009	**8,659**	0	**2,383**	**2,160**	**111,201**	**124,403**
Additions	2,878	0	500	339	186,245	189,962
Disposals	41	0	0	19	0	60
Accumulated historical cost 31/12/2009	**11,496**	**0**	**2,883**	**2,480**	**297,446**	**314,305**
Net book value 31/12/2009	**7,551**	**10,254**	**3,329**	**1,786**	**1,672,226**	**1,695,146**
Net book value 31/12/2008	5,873	474	3,377	1,592	1,922,104	1,933,420

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.

(1) Intangible assets

Purchased intangible assets are recognised at acquisition cost. Intangible assets are amortised using the straight-line method at rates of between 20% and 33%. The additions mainly concern software licenses, including incidental acquisition costs for commissioning.

(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 EUR 150 per item were fully written off and expensed in the year of acquisition with their immediate disposal being assumed. In the interest of simplification, fixed assets with a net value of more than EUR 150 but less than EUR 1,000 are summarised in a catch-all item in the commercial balance sheet in accordance with the requirement for an item 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 the 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 affiliates EUR k	Loans to affiliates EUR k	Other loans EUR k	**Total** EUR k
Accumulated historical cost 1/1/2009	**1,971,450**	**56,174**	**5,681**	**2,033,305**
Additions	91,075	2,223	0	93,298
Disposals	151,250	0	5,681	156,931
Accumulated historical cost 31/12/2009	**1,911,275**	**58,397**	**0**	**1,969,672**
Accumulated historical cost 1/1/2009	**111,201**	**0**	**0**	**111,201**
Additions	186,245	0	0	186,245
Disposals	0	0	0	0
Accumulated historical cost 31/12/2009	**297,446**	**0**	**0**	**297,446**
Net book value 31/12/2009	**1,613,829**	**58,397**	**0**	**1,672,226**
Net book value 31/12/2008	1,860,249	56,174	5,681	1,922,104

Financial assets are recognised at the lower of cost or fair 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

	31/12/2008 EUR k	**31/12/2009** EUR k
Receivables from affiliates	717,019	1,113,456
of which due in more than one year	(0)	(0)
Receivables from other investors and investees	7,026	0
of which due in more than one year	(0)	(0)
Other assets	6,515	8,434
of which due in more than one year	(3,628)	(2,956)
Total	**730,560**	**1,121,890**

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 on the date of origin or the lower rate on the balance sheet date.

(5) Cash and cash equivalents

	31/12/2008 EUR k	**31/12/2009** EUR k
Cash on hand	15	12
Bank balances	135	104
Total	**150**	**116**

(6) Prepaid expenses

Prepaid expenses mainly relate to accrued interest and premiums and interest paid for currency and interest rate hedges as well as prepaid expenses for IT services.

(7) Issued capital and reserves

Issued capital amounts to EUR 217,728k and is split as in the previous 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 EUR 43,546k authorised until 7 May 2007 was cancelled by elimination of Art. 3 (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 on or before 25 April 2012 to increase the issued capital of the company once or several times by up to EUR 43,546k in return for cash contributions, by issuing new registered no par value shares. Art. 3 (2) of the articles of association was redrafted accordingly. Therefore, authorised capital of EUR 43,546k is available until 25 April 2012.

By resolution of the annual general meeting of 8 May 2009, the management board is authorised to increase the share capital of the company on or before 30 April 2014 with the consent of the supervisory board by issuing new no par registered shares in return for cash contributions and/or contributions in kind on one or more occasions by a maximum of EUR 65,318,400 (authorised capital 2009).

The annual general meeting on 8 May 2009 passed a resolution to increase the issued capital by up to EUR 21,772,800.

On 20 October 2009 Celesio Finance B.V. issued a convertible bond with a face value of EUR 350m guaranteed by Celesio AG. The proceeds from issuing the bond were paid out to Celesio Finance B.V. on 29 October 2009. The bond is split into EUR 50,000 tranches, has a coupon of 3.75% per year – based on the outstanding amount – and matures on 29 October 2014 (due date) 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 22.49, both on the date the bond was issued and at the end of the reporting period. 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 15.6 million shares to be issued from contingent capital. The conversion rights increase the capital reserves by EUR 1,199k in the reporting period.

(8) Profit available for distribution

The profit available for distribution of the previous year of EUR 81,648k was distributed in full as a dividend for the 2008 fiscal year. An amount of EUR 81,979k was contributed to other revenue reserves. The net profit for the year 2009 of EUR 167,029k less other revenue reserves yields profit available for distribution of EUR 85,050k as of 31 December 2009.

Pursuant to the proposal for the appropriation of profits, the entire profit available for distribution of EUR 85,050k is to be paid out as a dividend for the 2009 fiscal year.

(9) Provisions for pensions and early retirement obligations

Pension provisions were calculated at present value as defined by Sec. 6a Einkommensteuergesetz (EStG, 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

	31/12/2008 EUR k	**31/12/2009** EUR k
Tax provisions	11,805	13,407
Sundry provisions	14,548	19,643
Total	**26,353**	**33,050**

Other provisions comprise tax provisions as well as other provisions. Sundry 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 EUR 1,802k (previous year EUR 2,051k).

Other provisions mainly comprise provisions for personnel-related expenses, potential losses, interest swaps, outstanding invoices, commitment fees, remuneration of the supervisory board, costs of preparing the annual report, costs of preparing the financial statements as well as outstanding contributions. Celesio AG issued a letter of comfort in favour of a subsidiary, in which it undertakes to supply the subsidiary with the capital required to meet its financial obligations.

(11) Contingent liabilities and other financial obligations, off-balance sheet transactions and derivative financial instruments

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

Liabilities	31/12/2008 Due in				**31/12/2009** Due in			
	less than one year	more than one and less than five years	more than five years	Carrying amount	less than one year	more than one and less than five years	more than five years	**Carrying amount**
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Liabilities to banks	19,469	399,807	330,000	749,276	12,771	224,530	145,000	382,301
Trade payables	1,043	0	0	1,043	2,198	0	0	2,198
Liabilities to affiliates	298,496	0	0	298,496	330,224	397,031	0	727,255
Other liabilities	892	5,633	167	6,692	1,631	5,873	115	7,619
of which taxes	(426)	(0)	(0)	(426)	(909)	(0)	(0)	(909)
of which social security	(84)	(0)	(0)	(84)	(0)	(0)	(0)	(0)
Total	**319,900**	**405,440**	**330,167**	**1,055,507**	**346,824**	**627,434**	**145,115**	**1,119,373**

Liabilities to affiliates include liabilities of EUR 350m which can be converted into equity instruments.

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	31/12/2008	**31/12/2009**
	EUR k	EUR k
From guarantees, notes and cheque guarantees	1,796,143	2,390,709
of which to affiliates	(1,750,573)	(2,388,854)
Total	**1,796,143**	**2,390,709**

Most of the guarantee obligations have been entered into towards creditor banks (of which EUR 1,607,110k (previous year EUR 1,276,110k) for Celesio Finance B.V., Baarn, Netherlands).

In addition to the contingent liabilities, there are other financial obligations amounting to EUR 183.9k (of which EUR 1,172k to affiliates). These obligations relate to the following items:

Celesio AG outsourced of all the group's IT infrastructure by virtue of an agreement concluded in February 2009 and effective 1 April 2009. The aim is to reduce operating costs across the Group by boosting the efficiency of work processes and to free up cash for capital expenditures. The outsourcing will also form the basis for future standardisation of applications and processes. As a result of the agreement, the company has a financial obligation to pay service fees and lease instalments expected to amount to EUR 164.4m over the next seven years, most of which can be cross charged to subsidiaries. The amount of the obligation can change depending on the services availed of under the agreement.

In addition, there are other financial obligations from communication services agreements amounting to EUR 1.8m and data services agreements amounting to EUR 7.3m. Here too, the agreements have been concluded for seven years.

Other financial obligations relate to rental agreements and future lease payments for company cars, company equipment as well as for consulting and service agreements of EUR 2,305k (previous year EUR 2,951k). All of these expire in between one and five years. There are also purchase obligations from investment projects of EUR 8,060k (previous year EUR 8,440k).

Derivative financial instruments	Nominal value		Market value		Carrying amount	
	31/12/2008 EUR k	**31/12/2009** EUR k	31/12/2008 EUR k	**31/12/2009** EUR k	31/12/2008 EUR k	**31/12/2009** EUR k
Interest instruments	1,232,424	1,295,543	– 18,201	– 29,204	2,123	– 3,557
Currency instruments	315,820	257,440	21,385	1,907	0	– 59
Total	**1,548,244**	**1,552,983**	**3,184**	**– 27,297**	**2,123**	**– 3,616**

The carrying amounts of derivative financial instruments are recognised in the balance sheet under receivables of EUR 0k (previous year EUR 90k) and liabilities of EUR 600k (previous year EUR 0k), prepaid expenses of EUR 3,432k (previous year EUR 4,283k) and deferred income of EUR 2,348k (previous year EUR 2,250k) as well as other provisions of EUR 4,100k (previous year EUR 0k).

The market values of derivative financial instruments are determined by reference to capital market data at the end of the reporting period and use of suitable valuation methods such as the discounted cash flow method as well as other generally accepted option pricing models. If interest rates are needed for the valuation, the market interest rates for the respective residual term of the derivatives are taken.

Any transaction costs incurred for financial assets are included in the measurement and posted to profit or loss upon being recorded. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to listed market bid prices at the close of business at the end of the reporting period. For financial instruments for which there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions between knowledgeable, willing and independent parties, referring to the current fair value of another instrument that is substantially the same or discounted cash flow methods.

The derivative interest instruments concern interest swaps (EUR -29,991k) and options (EUR 787k). The derivative currency instruments exclusively comprise forward exchange contracts in pound sterling, Czech crown and Danish krone.

As regards assets, liabilities and forecast transactions, Celesio is exposed – among other things – to risks resulting from changes in exchange rates and interest rates. Based on a risk appraisal, selected hedging instruments are used to limit these risks.

The use of derivatives is subject to uniform group guidelines set by the management board, compliance of which is monitored constantly. These include functional segregation of trading, handling and posting and the authorisation of a few qualified employees to enter into derivative financial instruments. All derivatives are entered into exclusively for hedging purposes and are entered into only with banks with top credit ratings. In other words, derivatives are not used for trading or other speculative purposes.

Interest rate risks are understood as the negative impact of fluctuating interest rates on the net 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 market interest rates fluctuate, the market price of the financial instrument will change (fair value risk due to changes in 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 prevailing at the end of the reporting period. The fair value risk due to changes in interest rates will therefore lead to a gain or loss if the fixed-interest instrument is sold before maturity.

For floating-rate financial instruments the interest rate is adjusted in line with respective 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 a floating 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 items in the statement of financial position and any forward transactions due to fluctuations in exchange rates.

Forward exchange contracts and currency swaps were used in the 2009 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 the pound sterling (GBP).

Foreign exchange exposures are mainly secured by micro-hedges. This involves a direct hedge of the underlying 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) Investment result

	2008 EUR k	**2009** EUR k
Income from profit transfer agreements	14,958	30,442
Income from investments (affiliates)	207,471	410,843
Expenses from loss absorption	– 19,202	– 21,943
Impairment of financial assets	– 111,201	– 186,245
Total	**92,026**	**233,097**

Impairment losses recognised on financial assets mainly relate to shares in affiliates in the Netherlands, Ireland and Italy (affiliates in Belgium, the Netherlands, Ireland and Italy in the previous year).

(13) Interest result

	2008 EUR k	**2009** EUR k
Income from long-term loans	0	2,223
of which received from affiliates	(0)	(2,223)
Other interest and similar income	35,316	30,386
of which received from affiliates	(34,805)	(26,849)
Interest and similar expenses	– 44,944	– 42,018
of which to affiliates	(– 7,988)	(– 5,618)
Total	**– 9,628**	**– 9,409**

(14) Other income

	2008 EUR k	**2009** EUR k
Group tax allocations	6,907	14,920
of which corporate income tax	(3,724)	(7,711)
of which trade tax	(3,183)	(7,209)
Other income	8,235	30,028
Total	**15,142**	**44,948**

Other income mainly consists of income from services rendered to affiliates and tax allocations.

(15) Personnel expenses/employees

	2008 EUR k	**2009** EUR k
Wages and salaries	24,195	29,346
Social security and pension cost	8,294	4,138
of which post-employment benefits	(5,868)	(1,211)
Total	**32,489**	**33,484**

The average headcount in the 2009 fiscal year was 263 (previous year 220).

(16) Other expenses

	2008 EUR k	**2009** EUR k
Other taxes	111	81
Other expenses	37,424	66,245
Total	**37,535**	**66,326**

Other expenses mainly consist of legal and consulting fees, costs for services rendered by affiliates, 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

	2008 EUR k	**2009** EUR k
Income taxes		
Corporate income tax	0	0
Deferred tax	– 1,351	– 249
	– 1,351	**– 249**
Income taxes for previous years		
Corporate income tax/trade tax for previous years	2,630	– 1,606
Total	**1,279**	**– 1,855**

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

Other notes

Statutory audit

The annual financial statements of Celesio AG, the German subsidiaries and the consolidated financial statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Ernst & Young Germany), Stuttgart. The company has opted not to disclose the auditor's fee pursuant to the option of Sec. 285 (1) No. 17 HGB. The total fees of Ernst & Young Germany are disclosed in the consolidated financial statements of Celesio AG.

Exemption pursuant to Sec. 264 (3) and Sec. 264b HGB

The following entities are exempted under Sec. 264 (3) HGB 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, Apotheke DocMorris Holding BmH, Stuttgart, CentroPharm GmbH, Aachen, DocMorris Apotheken Management GmbH, Stuttgart, DocMorris Kooperationen GmbH, Stuttgart, DocMorris Pharma GmbH, Aachen, Celesio Manufacturer Solutions Deutschland Vertriebs-GmbH, Stuttgart, Celesio Manufacturer Solutions Europe Distributors GmbH, Stuttgart, Rudolf Spiegel GmbH, Grafschaft-Gelsdorf.

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 Secs. 264b, 264a HGB.

Celesio AG is the general partner of GEHE Immobilien GmbH & Co. KG, Stuttgart.

Group relationships

Franz Haniel & Cie. GmbH prepares consolidated financial statements containing Celesio AG and its subsidiaries. These consolidated financial statements are published in the elektronischer Bundesanzeiger.

Notices from shareholders

According to a notice pursuant to Sec. 41 (2) Sentence 1 Wertpapierhandelsgesetz (WpHG, Securities Trading Act) Franz Haniel & Cie. GmbH, Duisburg on 2 April 2002, held a total of 60% of the voting rights in Celesio on 1 April 2002. Franz Haniel & Cie. GmbH prepares consolidated financial statements containing Celesio AG and its subsidiaries. These consolidated financial statements are published in the elektronischer Bundesanzeiger.

According to Celesio AG, the shareholding of Franz Haniel & Cie. GmbH, Duisburg, came to 54.6% (previous year 55.8%) at the end of the reporting period.

On 13 May 2009 AXA S.A., Paris, France, AXA Financial, Inc., New York, NY, USA, AXA Equitable Financial Services, LLC, New York, NY, USA, AXA Equitable Life Insurance Company, New York, NY, USA, Equitable Holdings LLC, New York, NY, USA, AllianceBernstein L.P., New York, NY, USA and AllianceBernstein Corporation, New York, NY, USA informed us by notice in accordance with Sec. 21 (1) WpHG of the following:

1. The voting share of AllianceBernstein L.P., New York, NY, USA in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.08% (5,230,640 voting rights). This 3.08% (5,230,640) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

2. The voting share of AllianceBernstein Corporation, New York, NY, USA in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.08% (5,230,640 voting rights). This 3.08% (5,230,640) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

3. The voting share of Equitable Holdings LLC, New York, NY, USA in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.08% (5,230,640 voting rights). This 3.08% (5,230,640) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

4. The voting share of AXA Equitable Life Insurance Company, New York, NY, USA in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.08% (5,230,640 voting rights). This 3.08% (5,230,640) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

5. The voting share of AXA Equitable Financial Services, LLC, New York, NY, USA in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.08% (5,230,640 voting rights). This 3.08% (5,230,640) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

6. The voting share of AXA Financial, Inc., New York, NY (USA) in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.08% (5,230,640 voting rights). This 3.08% (5,230,640) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

7. The voting share of AXA S.A., Paris, France, in Celesio AG exceeded the threshold of 3% on 11 May 2009 and now amounts to 3.09% (5,253,997 voting rights). This 3.09% (5,253,997) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 26 January 2010 BlackRock Financial Management, Inc., New York, USA, BlackRock Holdco 2, Inc., Delaware, USA, and BlackRock, Inc., New York, NY, USA, informed us by notice in accordance with Sec. 21 (1) WpHG in conjunction with Sec. 24 WpHG of the following:

1. The voting share of BlackRock Financial Management, Inc. in Celesio AG exceeded the threshold of 3% on 20 January 2010 and amounted to 3.01% on that date (5,116,420 voting rights). These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

2. The voting share of BlackRock Holdco 2, Inc. in Celesio AG exceeded the threshold of 3% on 20 January 2010 and amounted to 3.01% on that date (5,116,420 voting rights). These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

3. The voting share of BlackRock, Inc. in Celesio AG exceeded the threshold of 3% on 20 January 2010 and amounted to 3.10% on that date (5,274,461 voting rights). These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

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 on 21 December 2009 and published this on their website at www.celesio.com.

Total remuneration and compensation structure of the management board

Since the entry into force of the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG, German Act on the Appropriateness of Executive Board Compensation) on 5 August 2009, the legislator set new requirements regarding the determination of management board remuneration. The aim of the legislator is that remuneration of executive boards be conducive to sustainable and long-term corporate governance. This aim is consistent with the principles on which the remuneration system for Celesio’s management board is based. In determining management board remuneration the provisions of Aktiengesetz (AktG, German Stock Corporation Act) and the German Corporate Governance Code were observed. By resolution of the annual general meeting on 27 April 2006, the management board was exempted from disclosing the remuneration of its individual members. Celesio therefore discloses the remuneration of the management board in total, broken down by individual component.

The total remuneration of the members of the management board comprises both performance-related and non-performance-related components. The compensation structure is conducive to the sustainable development of the company on account of remuneration components with a long-term incentive. In determining the remuneration of members of the management board, we take into account the size and complexity of the company, its economic and financial position and the amount and structure of remuneration of management boards of comparable companies, as well as the compensation structure in place otherwise at the company. We also consider the responsibilities and performance of each member of the management board. The supervisory board regularly reviews the structure of the remuneration system at the instigation of the personnel committee, including the appropriateness of remuneration amounts for the management board.

Non performance-related remuneration components

The non-performance-related components consist of a fixed basic component, additional benefits and pension contributions. The fixed basic component is paid as a monthly salary. The additional benefits received by the management board comprise the use of company cars, accident insurance, health insurance abroad, legal protection 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 standard bonus is made. The contribution is made for the period of office as management board member. The contributions bear minimum interest. Pensions can be claimed after leaving the company and from the age of 60 years. In the case of invalidity or death, the contributions that would have been due until the age of 63 are credited to the pension account which is then paid out.

Performance-related remuneration components

The performance-related components consist of bonuses which are paid out annually as well as a rolling remuneration component as a long-term incentive, currently in the form of the performance cash scheme. The performance cash scheme was set up for the first time with effect as at 1 January 2008 for the period from 2008 to 2010 (2008 tranche). The second performance cash scheme was set up with effect as at 1 January 2009 for the period from 2009 to 2011 (2009 tranche).

The basis for assessment of the bonus in the Celesio Group is EBITDA. 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. Bonuses are capped. If, in its best judgement, the supervisory board deems the extraordinary service or success of a management board member to be worthy of special payments including special remuneration, it is entitled to award these. The same applies in the case of mutual agreement to terminate contracts.

The performance cash schemes are each payable in cash after three years upon achievement of targets. The amount of cash payment for each of the two schemes started so far depends on the target set for each member of the management board as well as fulfilment of several performance targets. These include an increase in the share price compared to a defined reference share price, the accumulated Celesio value-added and, in the case of the 2009 tranche, the implementation of operating measures to improve profitability over the term of the scheme. The share-based component is classified as a cash-settled share-based payment transaction in the meaning of IFRS 2 and is measured using a binominal option pricing model. The expenses for the benefits received or the debt to settle these benefits are recognised over the vesting period. The debt is remeasured at each reporting date and on the settlement date. Changes in fair value are recognised in the income statement. The Celesio value-added is a key performance indicator which serves our value-based corporate management. The ratio of earnings before interest and taxes (EBIT) to capital employed and compared with the weighted average costs of capital. The remuneration is thus conducive to a sustainable increase in the company value. The implementation of operating measures to improve profitability relates to the effect on earnings of cost-cutting measures and growth initiatives. The performance cash schemes are also capped at a maximum payout.

The claim for payout from the performance cash scheme is valid only if the claimant held office in the performance period. A payment is made pro rata temporis upon reaching retirement age or stepping down from the management board. A transitional arrangement is in place until the date that the rolling system is fully in force, i.e., three tranches have been granted. If a member of the management board leaves before 2010, the full target value will be granted for all tranches set up by then.

Total remuneration

The total remuneration of the management board pursuant to German Accounting Standard 17 stood at EUR 5,493k in 2009 (previous year EUR 6,286k). This breaks down into EUR 2,251k for the annual basic component including additional benefits (previous year EUR 2,202k), EUR 2,969k for bonuses (previous year EUR 3,620k) and EUR 273k for the value of the performance cash plan for the years 2009 to 2011 (2009 tranche) as at the date of issue (previous year EUR 464k). Of the bonuses, an amount of EUR 781k (previous year EUR 656k) was guaranteed.

Other disclosures

Former members of the management board and their surviving dependents received remuneration of EUR 1,749k in the reporting period (previous year EUR 286k). Celesio AG has set up pension provisions of EUR 4,796k (previous year EUR 3,853k) for this group of persons.

In the 2009 fiscal year, no loans were granted to members of the management board, nor did the company enter into any contingent liabilities in favour of these persons.

Total remuneration and compensation 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 EUR 5,000 annually and an additional payment of EUR 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 entitled to dividends. These payments are net of VAT. The chairman receives twice the standard amount paid to the other members of the supervisory board and the deputy chairman 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) Mitbestimmungsgesetz (MitbestG, Codetermination Act) – receives EUR 2,000, with the chairman of a committee receiving EUR 4,000.

The total remuneration of the supervisory board came to EUR 761k in 2009 (previous year EUR 794k). Of this, EUR 68k (previous year EUR 68k) pertained to fixed remuneration for membership of the supervisory board. The variable components pegged to dividend pay-outs for membership of the supervisory board came to EUR 669k (previous year EUR 702k). The variable components pegged to dividend payouts for serving on committees came to EUR 24k (previous year EUR 24k).

In the 2009 fiscal year, no loans were granted to members of the supervisory board, nor did the company enter into any contingent liabilities in favour of these persons.

Proposal from the management board for the appropriation of profits

The profit available for distribution of Celesio AG amounts to EUR 85,050,000 (previous year EUR 81,648,000).

The management board proposes distributing this amount of EUR 85,050,000 in full (previous year EUR 81,648,000) as a dividend for the 2009 fiscal year.

On the basis of this proposal for the appropriation of profits the dividend for a no par share will be EUR 0.50 (previous year an ordinary dividend of EUR 0.48).

Stuttgart, 22 February 2010

The management board

Members of the management board in the 2009 fiscal year

	Membership in other management boards and comparable bodies	Membership in other supervisory boards and comparable bodies
Dr Fritz Oesterle Chairman	Member of the management board, Franz Haniel & Cie. GmbH (until 31 December 2009)	▪ Herba Chemosan Apotheker-AG, Deputy Chairman of the supervisory board ▪ Untertürkheimer Volksbank eG, Member of the supervisory board
Dr Christian Holzherr		▪ none
Wolfgang Mähr		▪ GEHE Pharma Handel GmbH, Chairman of the supervisory board ▪ Herba Chemosan Apotheker-AG, Member of the supervisory board ▪ OCP S.A., Chairman of the supervisory board
Stefan Meister (until 15 August 2009)		▪ none

Members of the supervisory board in the 2009 fiscal year

	Occupation	Membership in other supervisory boards and comparable bodies
Dr Eckhard Cordes Chairman (until 31 December 2009)	Chairman of the management board, METRO AG Chairman of the management board, Franz Haniel & Cie. GmbH (until 31 December 2009)	▪ Galeria Kaufhof GmbH, Chairman of the supervisory board ▪ Real Holding GmbH, Chairman of the supervisory board ▪ TAKKT AG, Deputy Chairman of the supervisory board ▪ Tertia Handelsbeteiligungsgesellschaft mbH, Chairman of the supervisory board
Ihno Goldenstein [1)] Deputy chairman	Employee in goods-in department, GEHE Pharma Handel GmbH	▪ none
Klaus Borowicz [1)]	Head of Branch, GEHE Pharma Handel GmbH	▪ none
Prof Dr Julius Michael Curtius	Cardiologist with his own practice	▪ none
Dr Hubertus Erlen	Deputy Chairman of the supervisory board, Bayer Schering Pharma AG	▪ Bayer Schering Pharma AG, Deputy Chairman of the supervisory board
Dirk-Uwe Kerrmann [1)]	Commercial employee, GEHE Pharma Handel GmbH	▪ none
Jörg Lauenroth-Mago [1)] (since 19 June 2009)	Trade Union Secretary responsible for the trade division in Saxony, Saxony-Anhalt and Thuringia, ver.di - Vereinte Dienstleistungsgewerkschaft e.V.	▪ GEHE Pharma Handel GmbH, Member of the supervisory board
Susan Naumann [1)]	Trade Union Secretary, ver.di - Vereinte Dienstleistungsgewerkschaft e. V.	▪ GEHE Pharma Handel GmbH, Member of the supervisory board
Ulrich Neumeister [1)]	Logistics employee, GEHE Pharma Handel GmbH	▪ none
W.M. Henning Rehder (since 8 May 2009)	Senior Vice President of Category Finance, Unilever UK Central Resources Limited	▪ none
Hanspeter Spek	Member of the management board, Sanofi-aventis S.A.	▪ Merial Ltd., Member of the supervisory board ▪ Sanofi-Aventis Deutschland GmbH, Chairman of the supervisory board ▪ Sanofi-aventis S.A. (Switzerland), Member of the management board ▪ Sanofi-aventis S.A. (Spain), President ▪ ZENTIVA N.V., Member of the supervisory board
Prof Dr Klaus Trützschler	Member of the management board, Franz Haniel & Cie. GmbH	▪ Bilfinger Berger AG, Member of the supervisory board ▪ TAKKT AG, Chairman of the supervisory board ▪ Wilh. Werhahn KG, Member of the management board
Prof Dr Erich Zahn **(until 8 May 2009)**	Professor emeritus of business studies, Stuttgart University	▪ Fraunhofer Institute for Production Technology and Automation (IPA), Member of the board of trustees
Regina Zimmerling [1)] (until 22 June 2009)	Trade Union Secretary, ver.di Vereinte Dienstleistungsgewerkschaft e.V.	▪ none

[1)] Employee representative.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, we confirm that the financial statements give a true and fair view of the assets position, 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.

Stuttgart, 22 February 2010

The management board

Dr Fritz Oesterle

Dr Christian Holzherr

Wolfgang Mähr

Audit 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, which was combined with the group management report, of Celesio AG, Stuttgart, for the fiscal year from 1 January 2009 to 31 December 2009. 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.

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 relating to future development.”

Stuttgart, 23 February 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Pfitzer
Wirtschaftsprüfer
[German Public Auditor]

Matischiok
Wirtschaftsprüfer
[German Public Auditor]

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