Financial Statements Celesio AG 2010

Balance sheet as at 31 December 2010

Assets	Note	31/12/2009 EUR k	**31/12/2010** EUR k
Non-current assets			
Intangible assets	1	17,805	30,491
Property, plant and equipment	2	5,115	4,772
Financial assets	3	1,672,226	1,698,663
		1,695,146	**1,733,926**
Current assets			
Receivables and other assets	4	1,121,890	1,122,227
Cash and cash equivalents	5	116	952
		1,122,006	**1,123,179**
Prepaid expenses	6	**9,748**	**3,981**
Total assets		**2,826,900**	**2,861,086**

Equity and liabilities	Note	31/12/2009 EUR k	**31/12/2010** EUR k
Equity			
Issued capital	7	217,728	217,728
Capital reserves	7	1,114,230	1,114,230
Revenue reserves	7	238,448	307,532
Profit available for distribution	8	85,050	85,050
Contingent capital		*(21,773)*	*(21,773)*
		1,655,456	**1,724,540**
Provisions			
Provisions for pensions and similar obligations	9	16,673	18,915
Other provisions	10	33,050	29,352
		49,723	**48,267**
Liabilities	11	**1,119,373**	**1,088,053**
Deferred income		**2,348**	**226**
Total equity and liabilities		**2,826,900**	**2,861,086**

Income statement for the 2010 fiscal year

	Note	2009 EUR k	**2010** EUR k
Investment result	15	233,097	252,112
Interest result	16	– 9,409	– 22,425
Own work capitalised		64	530
Other income	17	44,948	54,978
Personnel expenses	18	33,484	42,305
Amortisation of intangible assets and depreciation of property, plant and equipment		3,717	6,887
Other expenses	19	66,325	86,829
Earnings before tax		**165,174**	**149,174**
Extraordinary expenses	**20**	**0**	270
Income taxes	21	– 1,855	– 3,429
Net profit for the year		**167,029**	**152,333**
Transfer to other revenue reserves		– 81,979	– 67,283
Profit available for distribution		**85,050**	**85,050**

Notes

General disclosures

The financial statements as at 31 December 2010 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 provisions of the German Commercial Code introduced by Bilanzrechtsmodernisierungsgesetz (BilMoG, German Accounting Modernisation Act) on 25 May 2009 have been considered for the first time. The company has made use of the option provided by Sec. 67 (8) Sent. 2 Einführungsgesetz zum Handelsgesetzbuch (EGHGB, Introductory Law of the German Commercial Code), by which the previous year figures do not have to restated upon the first-time application of BilMoG.

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 2010 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 financial statements have been prepared pursuant to the provisions of the German Commercial Code after taking account of the legal changes introduced by BilMoG. 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 2010

	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 1/1/2010	**19,047**	**10,254**	**6,212**	**4,266**	**1,969,672**	**2,009,451**
Additions	11,810	6,970	294	156	68,100	87,330
Reclassifications	9,961	-9,961	0	0	0	0
Disposals	0	0	0	15	163,132	163,147
Accumulated historical cost 31/12/2010	**40,818**	**7,263**	**6,506**	**4,407**	**1,874,640**	**1,933,634**
Accumulated depreciation and amortisation 1/1/2010	**11,496**	**0**	**2,883**	**2,480**	**297,446**	**314,305**
Additions	6,094	0	419	374	16,059	22,946
Write-ups	0	0	0	0	38,828	38,828
Disposals	0	0	0	15	98,700	98,715
Accumulated depreciation and amortisation 31/12/2010	**17,590**	**0**	**3,302**	**2,839**	**175,977**	**199,708**
Net book value 31/12/2010	**23,228**	**7,263**	**3,204**	**1,568**	**1,698,663**	**1,733,926**
Net book value 31/12/2009	7,551	10,254	3,329	1,786	1,672,226	1,695,146

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% p.a. The additions mainly concern software licenses, including incidental acquisition costs for commissioning.

No internally generated intangible assets have been recognised.

(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. 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% in the year of initial recognition and the following four years pursuant to the 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	Loans to associates EUR k	Other loans EUR k	**Total** EUR k
Accumulated historical cost 1/1/2010	**1,911,275**	**58,397**	**0**	**0**	**1,969,672**
Additions	0	2,318	65,263	519	68,100
Disposals	163,132	0	0	0	163,132
Accumulated historical cost 31/12/2010	**1,748,143**	**60,715**	**65,263**	**519**	**1,874,640**
Accumulated depreciation and amortisation 1/1/2010	**297,446**	**0**	**0**	**0**	**297,446**
Additions	16,059	0	0	0	16,059
Write-ups	38,828	0	0	0	38,828
Disposals	98,700	0	0	0	98,700
Accumulated amortisation 31/12/2010	**175,977**	**0**	**0**	**0**	**175,977**
Net book value 31/12/2010	**1,572,166**	**60,715**	**65,263**	**519**	**1,698,663**
Net book value 31/12/2009	1,613,829	58,397	0	0	1,672,226

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

	31/12/2009 EUR k	**31/12/2010 EUR k**
Receivables from affiliates	1,113,456	1,112,847
of which due in more than one year	(0)	(0)
Receivables from other investors and investees	0	16
of which due in more than one year	(0)	(0)
Other assets	8,434	9,364
of which due in more than one year	(2,956)	(2,590)
Total	**1,121,890**	**1,122,227**

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 from affiliates mainly relate to receivables from loans extended to them, cash pooling and day-to-day clearing activities.

Receivables denominated in foreign currency are translated using the mean spot rate on closing date. The realisation principle (Sec. 252 (1) No. 4 clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sent. 1 HGB) were observed for receivables with a remaining term of more than one year.

(5) Cash and cash equivalents

	31/12/2009 EUR k	**31/12/2010 EUR k**
Cash on hand	12	9
Bank balances	104	943
Total	**116**	**952**

(6) Prepaid expenses

Prepaid expenses mainly relate to 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 revocation 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.

The annual general meeting on 8 May 2009 passed a resolution to increase the issued capital by up to EUR 21,772,800. The Management Board made use of most of this authorisation in issuing the convertible bond on 29 October 2009. To the extent that the authorisation continued to exist thereafter, it was withdrawn by resolution of the annual general meeting on 6 May 2010.

By resolution dated 6 May 2010, the annual general meeting passed a resolution to increase the issued capital contingently by up to EUR 21,772,800.

By resolution of the annual general meeting of 6 May 2010, the Management Board was authorised, with the consent of the Supervisory Board, to issue registered option bonds and/or convertible bonds (together: bonds) on one or more occasions with a total nominal value of up to EUR 500m on or before 5 May 2015 and to grant the holders of convertible bond options and conversion rights, respectively, for registered shares in the company representing a share in the share capital of the company of up to EUR 21,772,800 in accordance with the precise conditions of the options or convertible bonds, and to exclude shareholders' subscription rights in accordance with the resolution of the annual general meeting. In accordance with Art. 3 (5) of the articles of association, the share capital can be contingently increased by up to EUR 21,772,800, split into 17,010,000 no-par registered shares (contingent capital 2010).

Due to the first-time adoption of the BilMoG version of Sec. 274 HGB, deferred tax liabilities of EUR 1,802k were offset directly against the revenue reserves.

(8) Profit available for distribution

The profit available for distribution from the previous year of EUR 85,050k was distributed in full as a dividend for the 2009 fiscal year. Deducting the profit reclassified to revenue reserves from the net profit for the year 2010 of EUR 152,333k results in a profit available for distribution of EUR 85,050k as at 31 December 2010. An amount of EUR 67,283k was contributed to other revenue reserves.

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 2010 fiscal year.

(9) Provisions for pensions and early retirement obligations

Pension provisions have been calculated using the projected unit credit method and the 2005G mortality tables issued by Prof. Dr. Klaus Heubeck. Pursuant to the alternative treatment allowed by Sec. 253 (2) Sent. 2 HGB, the discount rate used in the calculation is based on the average market interest rate for instruments with a term of 15 years of 5.15%, as required by the regulation on discounting provisions issued on 18 November 2009. Anticipated wage and salary increases were considered at an annual trend of 2.75% and 1.90% for pension increases. Employee churn has been considered using assumptions that vary depending on the age, length of service and gender of the employees.

Making use of the alternative treatment allowed by Sec. 67 (1) Sent. 1 EGHGB, the additions to the provision required by the change in the law governing the accounting of provisions pursuant to Sec. 249 (1) Sent. 1 and Sec. 253 (1) Sent. 2 (2) HGB introduced by BilMoG have been spread over the maximum permissible term of 15 years. The addition was calculated as at 1 January 2010 using the projected unit credit method. An interest rate of 5.25% was applied as at 1 January 2010. Anticipated wage and salary increases were also considered at an annual trend of 2.75% and 1.90% for pension increases. Employee churn has been considered using assumptions that vary depending on the age, length of service and gender of the employees. The deficit in the pension provisions still to be accrued in the coming periods pursuant to Sec. 67 (2) EGHGB comes to EUR 3,457k.

(10) Other provisions

	31/12/2009 EUR k	**31/12/2010** EUR k
Tax provisions	13,407	7,770
Sundry other provisions	19,643	21,582
Total	**33,050**	**29,352**

Other provisions comprise tax provisions as well as sundry other provisions. Sundry other provisions are created to cover all contingent liabilities and anticipated losses from pending transactions as at the balance sheet date. These are measured on the basis of prudent commercial judgment at the amount considered necessary to settle the liability (i.e. including any future cost or price increases). Provisions with a term of more than twelve months were discounted.

Deferred taxes are calculated on the basis of the differences between the commercial financial statements and tax balance sheet of Celesio AG. In addition, the deferred taxes carried by the dependent companies in the consolidated fiscal unity led by Celesio AG are also considered. A tax rate of 30.7% has been used to calculate deferred taxes. This rate includes corporate income tax, the solidarity surcharge and trade tax.

Deferred taxes result in particular from the different measurement bases of equity investments, the ban on recognising provisions for potential losses from pending transactions in the tax balance sheet, the discounting of shareholder loans, and the measurement of provisions for pensions, phased retirement and long-service bonuses. Furthermore, there are also losses carried forward and interest carried forward.

Deferred tax liabilities originate primarily from the different measurement bases used by partnerships.

A decision was made not to recognise the surplus deferred tax assets remaining after deducting deferred tax liabilities in accordance with the alternative treatment allowed by Sec. 274 HGB.

Other provisions mainly comprise provisions for personnel-related expenses, potential losses, interest swaps not designated as hedging instruments, 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 premiums and 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) Liabilities

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

Liabilities	31/12/2009 Due in				**31/12/2010** 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	12,771	224,530	145,000	382,301	19	0	0	19
Trade payables	2,198	0	0	2,198	1,335	0	0	1,335
Liabilities to affiliates	330,224	397,031	0	727,255	726,678	350,000	0	1,076,678
Other liabilities	1,631	5,873	115	7,619	9,785	236	0	10,021
of which taxes	(909)	(0)	(0)	(909)	(648)	(0)	(0)	(648)
of which social security	(0)	(0)	(0)	(0)	(6)	(0)	(0)	(6)
Total	**346,824**	**627,434**	**145,115**	**1,119,373**	**737,817**	**350,236**	**0**	**1,088,053**

Liabilities to affiliates include liabilities of EUR 350m which can be converted into equity instruments. The other liabilities to affiliates principally consist of loans and trade payables.

Liabilities are measured at the settlement amount. Liabilities denominated in foreign currency are translated using the spot rate on closing date. The realisation principle (Sec. 252 (1) No. 4 clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sent. 1 HGB) were observed for instruments with a remaining term of more than one year.

(12) Contingent liabilities

Contingent liabilities	31/12/2009 EUR k	**31/12/2010** EUR k
From guarantees, notes and cheque guarantees	2,390,709	2,545,202
of which to affiliates	(2,388,854)	(2,542,828)
Total	**2,390,709**	**2,545,202**

Most of the guarantee obligations have been entered into towards creditor banks (of which EUR 1,770,042k (previous year EUR 1,607,110k) for Celesio Finance B.V., Baarn, Netherlands).

(13) Other financial obligations and off-balance sheet transactions

In addition to the contingent liabilities, there are other financial obligations amounting to EUR 142.6m (of which EUR 1,005k 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 outsourcing forms 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 130.3m over the next six years (previous year EUR 164.4m), 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 1.5m (previous year EUR 1.8m) and data services agreements amounting to EUR 6.0m (previous year EUR 7.3m). Here too, the agreements have been concluded for seven years (since October 2009).

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 2,082k (previous year EUR 2,305k). All of these expire in between one and five years. There are also purchase obligations from investment projects of EUR 2,656k (previous year EUR 8,060k).

(14) Derivative financial instruments and hedge accounting

Derivative financial instruments	Nominal value		Market value		Carrying amount	
	31/12/2009	**31/12/2010**	31/12/2009	**31/12/2010**	31/12/2009	**31/12/2010**
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Interest instruments	1,295,543	574,082	– 29,204	– 22,829	– 3,557	– 2,518
Currency instruments	257,440	575,580	1,907	5,043	– 59	0
Total	**1,552,983**	**1,149,662**	**– 27,297**	**– 17,786**	**– 3,616**	**– 2,518**

The carrying amounts of derivative financial instruments are recognised in the balance sheet under liabilities at EUR 418k (previous year EUR 600k), prepaid expenses, at EUR 0k (previous year EUR 3,432k), deferred income, at EUR 0k (previous year EUR 2,348k) and other provisions at EUR 2,100k (previous year EUR 4,100k).

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 techniques 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. The derivative interest instruments are interest swaps. The derivative currency instruments exclusively comprise forward exchange contracts and currency swaps 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 in the underlying transaction for the entire term of the underlying instrument. Only interest swaps were still carried as at the reporting date. 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 2010 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.

Where hedges have been recognised pursuant to Sec. 254 HGB, the following recognition and measurement principles apply:

Hedges are reflected in the accounting by recognition of hedge relationships. If the positive and negative changes in the values of the underlying and the hedging instrument completely cancel each other out for the hedged risk during the period, they are offset and not recognised in either the underlying or the hedging instrument or in the income statement (compensatory valuation). If, the negative changes in value from the hedged risk outweigh the positive changes (an ineffective hedge), the difference is expensed as an unrealised loss in keeping with the imparity principle by recognising a provision for the hedge relationship.

The risk management strategy is formalised and documented at the beginning of a hedge relationship in terms of the hedged risk, the planned term of the hedge, the hedging instrument, the underlying transaction and the method used to measure the effectiveness of the hedge.

The following hedges have been recognised:

	Underlying / Hedging instrument	Risk / Type of hedge	Amount covered	Amount of hedged risk	Term of the hedge
(1)	Group loan / interest derivative	Interest risk / micro hedge	EUR 10,589k	EUR 230,000k	12-45 months
(2)	Interest derivative / interest derivative	Interest risk / micro hedge	EUR 289k	CZK 1,055,000k	3 months
(3)	Interest derivative / interest derivative	Interest risk / micro hedge	EUR 864k	DKK 120,000k	27 months
(4)	Interest derivative / interest derivative	Interest risk / micro hedge	EUR 8,986k	GBP 160,000k	3-27 months

(1): According to the group's risk policy, risk exposures (in this case liabilities to bank subject to floating rates) are hedged immediately when they arise by entering into interest swaps for the same amount, in the same currency and on the same terms. Hedge effectiveness is measured using the critical term match method and calculating the amount of the ineffective portion of the hedge using the hypothetical derivative method. The diametrically opposed cash flows between the underlying and the hedging instrument will offset each other completely over the term of the hedge by the closing date. Generally, the underlyings have shorter terms than those stated in the above table because the interest swap is entered into for projected floating rate interest expenses in the current year and future accounting periods. Anticipatory hedges are recognised for these as the scope and timing can be reliably measured.

(2-4): Celesio AG enters into interest hedges on behalf of its subsidiaries and passes these on to its subsidiaries on identical terms and conditions. In these cases there is a hedge relationship between the external and internal transactions with the cash flows completely offsetting each other by the closing date.

Notes to the income statement

(15) Investment result

	2009 EUR k	**2010** EUR k
Income from profit transfer agreements	30,442	37,531
Income from investments (affiliates)	410,843	224,211
Expenses from loss absorption	– 21,943	– 32,400
Write-ups of financial assets	0	38,829
Impairment of financial assets	– 186,245	– 16,059
Total	**233,097**	**252,112**

The impairment loss recognised on financial assets relates to shares held in affiliates in the Netherlands (previous year shares in affiliates in the Netherlands, Ireland and Italy).

The write-ups of financial assets relate to the reversal of an impairment loss previously recorded on shares in affiliates in Belgium.

(16) Interest result

	2009 EUR k	**2010** EUR k
Income from long-term loans	2,223	2,318
of which received from affiliates	(2,223)	(2,318)
Other interest and similar income	30,386	36,324
of which received from affiliates	(26,849)	(35,529)
Interest and similar expenses	– 42,018	– 61,067
of which to affiliates	(– 5,618)	(– 29,473)
Total	**– 9,409**	**– 22,425**

(17) Other income

	2009 EUR k	**2010** EUR k
Group tax allocations	14,920	16,924
of which corporate income tax	(7,711)	(8,804)
of which trade tax	(7,209)	(8,120)
Other income	30,028	38,054
Total	**44,948**	**54,978**

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

(18) Personnel expenses/employees

	2009 EUR k	**2010** EUR k
Wages and salaries	29,346	36,415
Social security and pension cost	4,138	5,890
Of which post-employment benefits	(1,211)	(2,487)
Total	**33,484**	**42,305**

The average headcount in the 2010 fiscal year was 324 (previous year 263).

(19) Other expenses

	2009 EUR k	**2010** EUR k
Other taxes	81	20
Other expenses	66,245	86,809
Total	**66,326**	**86,829**

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.

(20) Extraordinary expenses

The application of Sec. 66 and Sec. 67 (1) to (5) EGHGB (transitional provisions of BilMoG) results in extraordinary expenses of EUR 247k related to the measurement of pension provisions and provisions for phased retirement of EUR 23k.

(21) Income taxes

	2009 EUR k	**2010** EUR k
Income taxes		
Corporate income tax	0	0
Deferred tax	– 249	0
	– 249	**0**
Income taxes for previous years		
Corporate income tax/trade tax for previous years	– 1,606	– 3,429
Total	**– 1,855**	**– 3,429**

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), Sec. 264a 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 GmbH, Stuttgart, DocMorris Apotheken Management GmbH, Stuttgart, DocMorris Kooperationen GmbH, Stuttgart, DocMorris Pharma GmbH, Aachen, Celesio Manufacturer Solutions Deutschland Vertriebsgesellschaft mbH, Stuttgart, Celesio Manufacturer Solutions Europe Distributors GmbH, Stuttgart, and 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. 264a, 264b 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 dated 2 April 2002 issued pursuant to Sec. 41 (2) Sentence 1 Wertpapierhandelsgesetz (WpHG, Securities Trading Act) Franz Haniel & Cie. GmbH, Duisburg on 1 April 2002, held a total of 60% of the voting rights in Celesio. 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 54.6%) 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:

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.

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.

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.

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.

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.

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.

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 23 February 2010 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 Corporation, New York, NY, USA and AllianceBernstein L.P., New York, NY, USA, informed us by notice in accordance with Sec. 21 (1) WpHG of the following:

The voting share of AllianceBernstein L.P., New York, NY, USA in Celesio AG fell below the threshold of 3% on 17 February 2010 and now amounts to 2.98% (5,064,542 voting rights). This 2.98% (5,064,542) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

The voting share of AllianceBernstein Corporation, New York, NY, USA in Celesio AG fell below the threshold of 3% on 17 February 2010 and now amounts to 2.98% (5,064,542 voting rights). This 2.98% (5,064,542) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

The voting share of Equitable Holdings LLC, New York, NY, USA in Celesio AG fell below the threshold of 3% on 17 February 2010 and now amounts to 2.98% (5,064,542 voting rights). This 2.98% (5,064,542) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

The voting share of AXA Equitable Life Insurance Company, New York, NY, USA in Celesio AG fell above the threshold of 3% on 17 February 2010 and now amounts to 2.98% (5,064,542 voting rights). This 2.98% (5,064,542) share in the voting rights is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 29 March 2010, BlackRock Financial Management, Inc., New York, USA, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, and BlackRock, Inc., New York, NY, USA, informed us by notice in accordance with Sec. 21 (1) WpHG of the following:

The voting share of BlackRock Financial Management, Inc. in Celesio AG fell below the threshold of 3% on 24 March 2010 and amounted to 2.62% on that date (4,462,320 voting rights). These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

The voting share of BlackRock Holdco 2, Inc. in Celesio AG fell below the threshold of 3% on 24 March 2010 and amounted to 2.62% on that date (4,462,320 voting rights). These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

The voting share of BlackRock, Inc. in Celesio AG fell below the threshold of 3% on 24 March 2010 and amounted to 2.94% on that date (4,993,196 voting rights). These voting rights are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 3 May 2010, AXA S.A., informed us by notice in accordance with Sec. 21 (1) WpHG of the following:

The voting share of AXA S.A., Paris, France, in Celesio AG exceeded the threshold of 3% on 30 April 2010 and amounted to 3.09% on that date (5,252,250 voting rights). These voting rights are allocable to AXA S.A. pursuant to Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

On 2 August 2010, AXA S.A., Paris, France, informed us by notice in accordance with Sec. 21 (1) WpHG that its voting rights in Celesio AG, Stuttgart, Germany, ISIN: DE000CLS1001, WKN:CLS100, fell below the 3% threshold on 30 July 2010 and amounted to 2.76% on this date (corresponding to 4,700,945 voting rights). This 2.76% share in the voting rights (corresponding to 4,700,945 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

On 10 February 2011, BlackRock, Inc. , New York, U.S.A., informed us by notice in accordance with Sec. 21 (1) WpHG that its voting rights in Celesio AG, Stuttgart, Germany, ISIN: DE000CLS1001, WKN:CLS100, exceeded the 3% threshold on 4 February 2011 and amounted to 3.03% on this date (corresponding to 5,149,968 voting rights). This 3.03% share in the voting rights (corresponding to 5,149,968 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 in conjunction with 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 2010 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 General 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 then, the full standard 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 7,513k in 2010 (previous year EUR 5,493k). This breaks down into EUR 1,884k for the annual basic component including additional benefits (previous year EUR 2,251k), EUR 5,394k for bonuses (previous year EUR 2,969k) and EUR 235k 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 273k). Of the bonuses, an amount of EUR 968k (previous year EUR 781k) was guaranteed.

Other disclosures

Former members of the Management Board and their surviving dependents received remuneration of EUR 294k in the reporting period (previous year EUR 1,749k). Celesio has set up pension provisions of EUR 6,251k (previous year EUR 4,796k) for this group of persons.

In the 2010 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 848k in 2010 (previous year EUR 761k). Of this, EUR 68k (previous year EUR 68k) pertained to fixed remuneration for membership of the Supervisory Board. The variable components pegged to dividend payouts for membership of the Supervisory Board came to EUR 756k (previous year EUR 669k). The variable components pegged to dividend payouts for serving on committees came to EUR 24k (previous year EUR 24k).

In the 2010 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 85,050,000.00 (previous year EUR 85,050,000.00).

The Management Board proposes distributing this amount of EUR 85,050,000.00 in full (previous year EUR 85,050,000.00) as a dividend for the 2010 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 0.50).

Stuttgart, 21 February 2011

The Management Board

Other appointments held by members of the Management Board in the 2010 fiscal year

	Membership in other Management Boards and comparable bodies	Membership in other Supervisory Boards and comparable bodies
Dr Fritz Oesterle Chairman	▪ none	▪ Herba Chemosan Apotheker-AG, Deputy Chairman of the Supervisory Board ▪ Landesbank Baden-Württemberg, Member of the Supervisory Board ▪ Untertürkheimer Volksbank eG, Member of the Supervisory Board
Dr Christian Holzherr	▪ none	▪ Gruppe Boerse Stuttgart, Member of the Supervisory Board - Boerse Stuttgart Holding GmbH - Boerse Stuttgart AG - EUWAX AG ▪ Medco Celesio B.V., Member of the Supervisory Board
Dr Michael Lonsert (since 1 October 2010)	▪ none	▪ Medco Celesio B.V., Chairman of the Supervisory Board
Wolfgang Mähr	▪ none	▪ 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

Other appointments held by members of the Supervisory Board in the 2010 fiscal year

	Occupation	Membership in other Supervisory Boards and comparable bodies
Prof Dr Jürgen Kluge Chairman (since 3 January 2010)	Franz Haniel & Cie. GmbH, Chairman of the Management Board	■ METRO AG, Chairman of the Supervisory Board ■ Takkt AG, Deputy Chairman of the Supervisory Board ■ SMS GmbH, Member of the Supervisory Board
Ihno Goldenstein[1)] Deputy chairman	GEHE Pharma Handel GmbH, Employee in the goods-in department, Chairman of the Combined Works Council	■ none
Klaus Borowicz[1)]	GEHE Pharma Handel GmbH, Head of Hamburg Branch	■ none
Prof Dr med. Julius Michael Curtius	Cardiologist with his own practice	■ none
Dr Hubertus Erlen	Bayer Schering Pharma AG, Deputy Chairman of the Supervisory Board	■ Bayer Schering Pharma AG, Deputy Chairman of the Supervisory Board ■ Schaeffler GmbH, member of the Supervisory Board
Dirk-Uwe Kerrmann[1)]	GEHE Pharma Handel GmbH, Employee in the commercial department	■ none
Jörg Lauenroth-Mago[1)]	ver.di - Vereinte Dienstleistungs-gewerkschaft e.V. Trade Union Secretary responsible for the trade division in Saxony, Saxony-Anhalt and Thuringia	■ GEHE Pharma Handel GmbH, Member of the Supervisory Board
Susan Naumann[1)]	ver.di Vereinte Dienstleistungs-gewerkschaft e. V. Trade Union Secretary	■ GEHE Pharma Handel GmbH, Member of the Supervisory Board
Ulrich Neumeister[1)]	GEHE Pharma Handel GmbH, Logistics employee	■ none
W.M. Henning Rehder	SEN Group, CFO	■ none
Hanspeter Spek	Sanofi-aventis S.A. Member of the Management Board	■ Merial Ltd., Member of the Supervisory Board ■ Sanofi-Aventis Deutschland GmbH, Chairman of the Supervisory Board ■ Sanofi-aventis S.A. (Switzerland), Member of the Supervisory Board ■ Sanofi-aventis S.A. (Spain), President of the Supervisory Board
Prof Dr Klaus Trützschler	Franz Haniel & Cie. GmbH, Member of the Management Board	■ Bilfinger Berger AG, Member of the Supervisory Board ■ TAKKT AG, Chairman of the Supervisory Board ■ Wilh. Werhahn KG, Member of the Advisory Board ■ Wuppermann AG, Chairman of the Supervisory Board ■ Zwiesel Kristallglas AG, Chairman of the Supervisory Board

[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, 21 February 2011

The Management Board

Dr Fritz Oesterle

Dr Christian Holzherr

Dr Michael Lonsert

Wolfgang Mähr

Audit opinion

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 2010 to 31 December 2010. 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 of future development.

Stuttgart, 22 February 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Pfitzer	Martin Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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