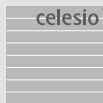




Committed to health

Interim Report 1st Quarter 2006

celesio
the healthcare group



Celesio Group

Key facts about Celesio

History

Founder _____ Franz Ludwig Gehe
 Founded _____ 1835 in Dresden
 Core business _____ Pharmaceutical distribution
 _____ Pharmaceutical services
 Head office _____ Stuttgart

Key financial figures 1st quarter 2006





Revenue _____ 5,306.6 million euros
 Revenue growth _____ 8.2 percent (7.7 percent*)
 EBIT _____ 163.6 million euros
 EBIT growth _____ 17.3 percent (16.6 percent*)
 Profit before tax _____ 139.2 million euros
 Growth in profit before tax _____ 21.4 percent (20.6 percent*)
 Net profit _____ 98.9 million euros
 Growth in net profit _____ 24.8 percent (24.0 percent*)
 Earnings per share _____ 1.15 euros

Employees** _____ 35,031
 Wholesale branches _____ 135
 Pharmacies _____ 2,050

* In local currency

** Head count

Contents

 Celesio Group	4	Highlights
	5	Letter to Shareholders
 Celesio Wholesale	18	Celesio Wholesale
 Celesio Pharmacies	24	Celesio Pharmacies
 Celesio Solutions	30	Celesio Solutions
	35	Interim statements
	42	Addresses and contacts
	42	Websites
	43	Information on Celesio shares
	43	Investors calendar



Celesio Group

Highlights

Successful start to 2006

- Substantial growth in revenue and profit. Seasonal effects, as anticipated, brought about extra growth spurt.
- Successful integration process of the 110 British pharmacies purchased in the 4th quarter of 2005.
- The first business unit of the Celesio Solutions division with its range of logistics and distribution services for the pharmaceutical industry is given a new name: Movianto.



Letter to Shareholders

Dear Shareholders

We gave an optimistic forecast for 2006 – and the development in the 1st quarter of 2006 has proved us right. Celesio increased its revenue by 8.2 percent in the first three months of 2006. Profit before tax showed a disproportionate increase of 21.4 percent over the previous year. These significant increases reflect the successful positioning of Celesio in the high-growth pharmaceutical market and seasonal effects. Even without seasonal effects, revenue and profit would have shown considerable growth.

Celesio's success also continued in the 1st quarter of 2006. In the first three months of the fiscal year the company increased revenue, with growth overall being ahead of the European market. Celesio benefited from its good positioning in the pharmaceutical market. With a higher gross profit, consistent cost control and improved operational work processes Celesio increased profit more strongly than revenue.

Seasonal effects accelerated growth as expected. In the 1st quarter of 2006 there were more working days than in the previous year and Easter fell in April in 2006 instead of in the 1st quarter as in the previous year. An increase in the number of working days had a direct positive impact on revenue and profit: Revenue rises with the number of working days, whilst there is virtually no increase in costs. As Easter is to a large extent also a holiday period, the period around Easter tends to weaken revenue.

Growth in the European pharmaceutical market was also more stable than the economy as a whole in the 1st quarter of 2006. Due to demographic development and the associated increase in the demand for medicines, growth in the pharmaceutical market will also continue to be stable and sustainable in future.

"Celesio's success also continued in the 1st quarter of 2006. Celesio benefited from its good positioning in the pharmaceutical market."



Celesio Group

"Growth in revenue in the first three months of the 2006 fiscal year was dynamic."

Positive revenue and profit dynamics unwavering

Growth in revenue in the first three months of the 2006 fiscal year was dynamic. Due to the increase in demand for medicines and seasonal effects, revenue increased by 8.2 percent (7.7 percent in local currency) to 5,306.6 million euros. Celesio's growth in organic terms was 7.1 percent (6.6 percent in local currency).

EBIT improved significantly in the 1st quarter: Compared with the previous year it rose by 17.3 percent (16.6 percent in local currency) to 163.6 million euros. In addition to the seasonal effects mentioned earlier, an improved gross profit and further economy measures contributed to this substantial growth in profit. The share of the high-margin Pharmacies division in the overall profit also increased further. Growth in profit before tax was even stronger than EBIT, rising in the first three months of this year by 21.4 percent (20.6 percent in local currency) to 139.2 million euros.

A steep fall in the tax ratio brought about an increase in earnings per share of 25.8 percent (25.0 percent in local currency) to 1.15 euros.

Further substantial improvement in profitability

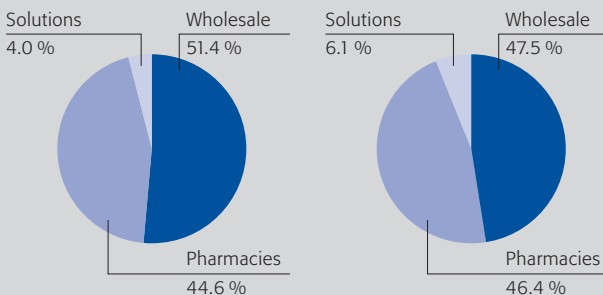
The disproportionate growth in profit is illustrated in the improved profitability. In the 1st quarter Celesio increased the return on sales based on EBIT over the previous year from 2.84 percent by 24 basis points to 3.08 percent. Based on profit before tax, Celesio improved its return on sales compared with the previous year by 28 basis points to currently 2.62 percent. The improved returns are attributable to the improvement in efficiency, the increased share of the profitable Pharmacies division and the seasonal effects mentioned earlier.

“The improved returns are attributable to the improvement in efficiency, the increased share of the profitable Pharmacies division and the seasonal effects mentioned earlier.”

Throughout the group gross profit increased significantly compared with the same period last year. In the 1st quarter of 2006 it rose by 13.1 percent (12.3 percent in local currency) to 583.2 million euros. The gross profit margin grew significantly by 48 basis points to 10.99 percent. The increases in gross profit are attributed firstly to the increased significance of the Pharmacies division with its further increased gross profit margin. Secondly, the third business division, Solutions, which increased its absolute gross profit by 70.6 percent (69.5 percent in local currency), continued to gain in importance.

Gross profit according to business divisions in the 1st quarter Celesio Group

%



2005

2006



Celesio Group

With an optimised product mix, in particular as the result of the increase in generic products, and improved purchase conditions Celesio Pharmacies was again able to improve its gross profit margin. In contrast, a reduction in the gross profit margin in Wholesale had a dampening effect. It was not possible to fully offset the effects of government measures and more intense competition in Wholesale.

Other income and expenses showed a disproportionate increase by comparison with revenue in the first three months of this year. A major factor in the increase in net expenses from this item is the expense incurred by the acquisitions such as Healthcare Logistics or the 110 British pharmacies not yet included in the previous year and the increased transportation and building expense of the group companies. Other income showed a slight increase, due amongst others to advertising subsidies.

Personnel expenses in the Celesio Group rose comparatively more strongly than revenue in the 1st quarter of 2006. This is principally due to a further increase in the personnel-intensive pharmacy business, primarily as the result of the acquisition of the 110 British pharmacies.

Income from investments was chiefly characterised by the dividend from the holding in Andreae-Noris Zahn AG.

The interest result showed a slight improvement compared with the 1st quarter of 2005. The acquisitions of 2005 were largely financed from cash flow. The interest coverage (EBIT in relation to the interest result) rose significantly to 6.71 as a result of the sharp increase in EBIT.

Tax expenses rose less strongly than profit before tax by 4.8 million euros to a total of 40.3 million euros. The tax ratio showed a correspondingly sharp decrease from 30.9 percent to 29.0 percent as a result of increase in share of profit from abroad, tax cuts in several countries and higher tax effects unrelated to the accounting period.

Net profit showed a correspondingly disproportionate rise of 24.8 percent (24.0 percent in local currency) to a total of 98.9 million euros. Earnings per share were therefore also significantly up on the previous year: 1.15 euros per share in comparison with the 0.92 euros per share in the 1st quarter of 2005.

Celesio Group in the 1st quarter

	2005		2006		Change in € in %	Change in local currency in %
	in € m	in % of revenue	in € m	in % of revenue		
Revenue	4,906.2	100.00	5,306.6	100.00	8.2	7.7
Gross profit	515.8	10.51	583.2	10.99	13.1	12.3
EBIT	139.4	2.84	163.6	3.08	17.3	16.6
Profit before tax	114.7	2.34	139.2	2.62	21.4	20.6
Net profit	79.2	1.61	98.9	1.86	24.8	24.0
Cash flow	107.2	–	131.6	–	22.8	22.0



Celesio Group

“Twenty of Celesio’s banking partners have participated in the credit line. This underlines the confidence of the banks in Celesio.”

Further improvement in shareholders equity ratio and gearing

As at 31 March 2006 the balance sheet structure was slightly strengthened. The equity ratio rose to 32.0 percent following 30.4 percent at the end of December 2005. Gearing improved further to 0.91. Payment of the dividend for 2005 in the 2nd quarter will, however, as usual have a dampening effect on the improvement in the equity ratio and gearing. However this does not alter the fact that the balance sheet ratios are very stable and Celesio is optimally placed to finance further growth.

The successful entry to the syndicated credit market in mid February 2006 is also testimony to the solid financial structure. The new syndicated revolving credit line with multiple currency option has a volume totalling 600 million euros. The credit has a maturity of five years and can be extended for a further year at the end of the first or second year. Twenty of Celesio’s banking partners have participated in the credit line. This underlines the confidence of the banks in Celesio. The credit line will in part replace existing bilateral credit lines. In this way Celesio can improve its costs and diversify its financing.

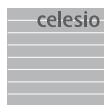
Total assets reduced in comparison with the end of 2005 by 86.3 million euros to 7,425.4 million euros. In addition to the fall in the currency spot rates of the British pound sterling (GBP), it was the decrease in inventories that was the principal reason for this. Effects from acquisitions were less significant.

With 3,212.6 million euros, non-current assets remained roughly in line with the level at the end of 2005. The depreciation and amortisation totalled 24.3 million euros of which 2.3 million euros were intangible assets, 22.0 million euros property, plant and equipment. This was offset by investments including acquisitions totalling 47.6 million euros. Investment in existing business was financed entirely from cash flow.

Net current assets (current assets less liabilities excluding financial liabilities) as at 31 March 2006 showed an increase of 162.7 million euros compared with the end of last year to 1,499.6 million euros. For seasonal reasons inventories fell significantly by 182.3 million euros. Previously they had been deliberately built up so as to guarantee delivery at the year end. By contrast, trade receivables showed a rise in comparison with the end of 2005. This is the result of later payment made by the NHS (National Health Service) to Celesio's British pharmacies. The current operating liabilities fell by 227.9 million euros at the end of the 1st quarter of 2006. Trade payables reduced parallel to the reduction in inventories.

Tax liabilities rose slightly at 31 March 2006. Other current provisions and other operating liabilities remained at the level of the previous year.

Pension provisions and other non-current provisions remained largely unchanged from the end of 2005. Pension provisions decreased slightly by 0.3 million euros. Their share of the total assets was 1.9 percent just as the year before. Pension expenditure including interest expense amounted to 2.6 percent of personnel costs.



Celesio Group

The positive equity development is principally characterised by the net profit totalling 98.9 million euros. Added to this, there was also an increase in revaluation reserves. In particular the market value of derivative financial instruments changed, these being used exclusively to hedge interest and currency risks. Contrary to that, the effects of currency conversion reduced shareholders' equity by a total of 14.6 million euros. The increase in minority interests is mainly due to the net profit attributable to minority interests.

The financial liabilities increased slightly compared with 31 December 2005 by a total of 55.2 million euros to 2,124.1 million euros. Overall the structure of financial liabilities remained comparable to this reporting date.

Cash flow finances investments in operating business

Cash flow rose in the first three months of the current fiscal year by 22.8 percent (22.0 percent in local currency) to 131.6 million euros.

Investments in the operating business were financed entirely from cash flow. After financing the increase in net working capital and acquisitions, free cash flow totalled minus 64.9 million euros compared to minus 116.5 million euros last year. Adjusted to take account of the increase in trade receivables associated with the reporting date in the case of the British pharmacies, largely attributable to later payment from the NHS (National Health Service), growth in free cash flow in the 1st quarter of 2006 was positive.

The proportion of investments and acquisitions which were not yet cash effective on the balance sheet dates are included under Others.

"Investments in the operating business were financed entirely from cash flow."



Celesio Group

Cash flow in the 1st quarter

	2005 in € m	2006 in € m
Cash flow	107.2	131.6
Dividends paid	0.0	0.0
Cash flow after dividends paid	107.2	131.6
Income from the disposal of non-current assets	4.1	8.0
Investments in the operating business	- 33.2	- 28.1
Free cash flow before acquisitions and change in net working capital	78.1	111.5
Change in net working capital	- 89.4	- 159.1
Acquisitions and new openings	- 104.1	- 19.5
Proceeds from the disposal of subsidiaries	0.7	2.2
Others	- 1.8	0.0
Free cash flow	- 116.5	- 64.9

Grounds for optimism for 2006

The Celesio management board views the remainder of this fiscal year 2006 optimistically for all three divisions. The board anticipates growth in the European pharmaceutical market in 2006 to be of the same order as the previous year – in other words around 5 percent.

Organic growth in Celesio Wholesale should be in line with the comparable market. However it is as yet impossible to predict what impact current and announced government economy measures in France and Germany may ultimately have. The effects of the discussion on a "large-scale health reform" and the associated uncertainty among market participants on the development of the German pharmaceutical market are equally unclear. Celesio's wholesale business will be strengthened by the two acquisitions Max Jenne and K. V. Tjellesen in Denmark as soon as the competition authorities give their approval. Growth in the pharmacy business is likely to be ahead of the market development.

The Celesio management board can see great growth potential in the medium-term for the relatively young division Solutions. There is an increasing trend among pharmaceutical manufacturers to outsource their services. Movianto – AVS Health Distribution until March 2006 – the first business unit of Celesio Solutions, will benefit from this trend. There is to be a second business unit with pharmexx, in which Celesio acquired a 30 percent holding at the end of April 2006. Pharmexx offers field service support for pharmaceutical manufacturers. Further business units providing innovative services relating to medicines are to follow, offering further growth potential.

"Despite a market environment that is anticipated to be difficult in parts, the Celesio management board expects that in 2006 profit before tax in local currency will grow more strongly than revenue."



Celesio Group

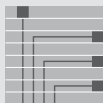
For the entire fiscal year 2006 the management board anticipates that the group gross profit margin will rise over the previous year.

As the significant increase in profit in the 1st quarter of 2006 was partly attributable to seasonal effects, this development cannot be projected onto the rest of the year: Growth in revenue and hence also profit in the rest of the year 2006 will not be as strong. The low number of working days and Easter will slow down revenue growth particularly in the 2nd quarter. Also, from today's perspective it is impossible to predict the effect of government measures particularly in France and Germany and also intensified competition. Despite a market environment that is anticipated to be difficult in parts, the Celesio management board expects that in 2006 profit before tax in local currency will grow more strongly than revenue.

Celesio share in the 1st quarter

	2005	2006	Change in €	Change in local currency
	in € per share	in € per share	in %	in %
Earnings	0.92	1.15	25.8	25.0
EBIT	1.64	1.92	17.3	16.6
Cash flow	1.26	1.55	22.8	22.0
Share price (31/03/ in €)	63.07	78.09	23.8	–
Number of shares outstanding (31/03/ in m)	85.05	85.05	–	–
Market capitalisation (31/03/ in € m)	5,364.1	6,641.6	23.8	–

Growth market healthcare



Celesio Wholesale

1st quarter

Countries	Revenue 2005	Revenue 2006	Revenue change in €	Revenue change in local currency	Number of branches 2006
	in € m	in € m	in %	in %	
France	1,786.4	1,818.6	1.8	1.8	53
Germany	864.4	919.3	6.4	6.4	19
United Kingdom	725.2	852.2	17.5	16.3	19
Austria	207.9	227.8	9.6	9.6	7
Portugal	129.6	122.6	-5.4	-5.4	12
Norway	93.1	106.6	14.5	11.5	4
Belgium	101.5	98.4	-3.0	-3.0	5
Slovenia*	72.2	76.0	5.3	4.6	9
Ireland	59.1	71.5	20.8	20.8	3
Czech Republic	39.1	44.1	12.7	7.4	3
Italy	31.4	33.7	7.5	7.5	1
Total	4,109.9	4,370.8	6.3	6.0	135

* Including the subsidiaries in Croatia and Romania

Fast, safe, reliable:
Supplying pharmacies everywhere
with everything pharmacies need

Celesio Wholesale

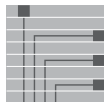
In the 1st quarter of 2006 Celesio Wholesale increased its revenue by 6.3 percent. Profit before tax showed a disproportionate rise of 9.8 percent. Wholesale benefited from an increase in demand and also seasonal effects. Government regulations slowed down growth in various individual markets.

Revenue and gross profit increased

In the first three months of 2006 Celesio Wholesale increased its revenue in comparison with the previous year by 6.3 percent (6.0 percent in local currency) to 4,370.8 million euros. The reasons for this were a stronger demand for medicines, the higher number of working days compared with the previous year and the fact that this year Easter fell in the 2nd quarter. However, unlike previous years, in the first three months of 2006 there was a considerably lower incidence of influenza. Government measures in some markets, among them France particularly, slowed down market growth. In the United Kingdom and Norway, on the other hand, Celesio Wholesale developed particularly well. All in all growth in Celesio Wholesale was in line with the comparable market.

Celesio Wholesale in the 1st quarter

	2005		2006		Change in € in %	Change in local currency in %
	in € m	in % of revenue	in € m	in % of revenue		
Revenue	4,109.9	100.00	4,370.8	100.00	6.3	6.0
Gross profit	264.7	6.44	277.0	6.34	4.6	4.3
EBIT	87.9	2.14	94.6	2.16	7.6	7.2
Profit before tax	80.3	1.95	88.1	2.02	9.8	9.4



Celesio Wholesale

In the Celesio French wholesale business revenue only showed small growth. Government measures introduced since the beginning of the year reduced revenue with prescription medicines significantly. In Germany revenue, including seasonal effects, increased over the previous year.

In the United Kingdom growth in revenue was significantly better than in the previous year, the main reason being the underlying effect, i.e. the very weak growth in the 1st quarter of 2005. AAH also benefited from its intensified sales activities and the expansion of large customers who had acquired further pharmacies.

The revenue of Celesio Wholesale in Austria increased in the 1st quarter of 2006 by comparison with the same period last year, which had been characterised by government measures.

Gross profit in Wholesale rose by 12.3 million euros, i.e. by 4.6 percent (4.3 percent in local currency), just behind growth in revenue. Therefore the gross profit margin was 10 basis points down on the 1st quarter of 2005.

Improvement in profit and profitability despite difficult market environment

In the 1st quarter of 2006 Celesio Wholesale increased EBIT by 7.6 percent (7.2 percent in local currency) by comparison with the previous year to 94.6 million euros. Profit before tax rose 9.8 percent (9.4 percent in local currency) to 88.1 million euros. Based on profit before tax the return on sales grew by 7 basis points to 2.02 percent. Celesio countered the partially difficult market environment by attractive purchase conditions and consistent cost management.

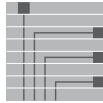
France saw the first of the price cuts announced for 2006 with the result that for some groups of active ingredients of reimbursable products the prices were reduced by between 15 and 25 percent. In addition, the amounts reimbursed for some medicines were reduced or abolished.

Competition in the German wholesale market intensified in anticipation of the AVWG (Arzneimittelversorgungs-Wirtschaftlichkeitsgesetz: Act on the cost-effectiveness of the supply of medicines) which came into force on 1 May 2006. The AVWG sets out to abolish rebates in kind, establish afresh the ceilings for the reimbursement of medicines, curb price increases for medicines and introduce a merit pricing system for doctors to regulate their prescribing behaviour more stringently.

15 January 2006 saw price cuts in Italy. Amongst others, the price of all reimbursable medicines was reduced on average by 2.6 percent.

In the Czech Republic the margins for wholesale and retail were significantly reduced in early January this year.

The excellent positioning of Celesio Wholesale is highlighted in that despite all the state intervention and its negative effects, Celesio was successful in yet again improving its profitability in the 1st quarter of 2006.



Celesio Wholesale

Success criterion customer loyalty

For Celesio high customer orientation means putting the needs of the customer centre-stage, supporting customers and making them fit for the future. Wide-ranging customer loyalty models are continually being developed to this end. In Germany the quality mark live healthily [gesund leben] was developed, helping the pharmacies to strengthen their image. Over 2,700 German pharmacies are now participating in the GEHE Pharma Handel customer loyalty model. In other countries also the Celesio customer loyalty models are firmly established in the market. The Norwegian Celesio Wholesale business has been training all participating pharmacies in new product ranges as part of the Ditt Apotek cooperation model, thus ensuring that the pharmacists are in possession of the necessary expertise.

Celesio Wholesale customers know: Their wholesaler is committed to meeting their requirements; and they are happy to take on board innovative solutions. Take France for example: With the Exostiv service, pharmacies which are customers of the French Celesio Wholesaler OCP are guaranteed quick and comprehensive delivery of medicines which are less common and less in demand. In this way pharmacies do not need to keep these medicines in stock themselves but can nevertheless deliver quickly. It is customer-oriented solutions such as these that explain the high level of customer loyalty to Celesio Wholesale.

Ongoing optimisation of the branch network

Celesio Wholesale improves its capacity and operational processes on a continual basis. In the 1st quarter of 2006 the warehouse logistics were improved in the Austrian Graz and Klagenfurt branches for example. In the British Warrington branch the warehouse was modernised and refitted, in Germany the call system in the call centres was optimised. By improving the processes, the French wholesaler has now been able to start reducing the number of delivery trips from three to two trips per day. These are only some of the examples. Yet such modernisation and improvements in operational processes not only improve operational efficiency but also competitiveness and customer satisfaction, and hence ultimately the customers' loyalty to their Celesio Wholesale. This has a positive impact on Celesio's profit.



Celesio Pharmacies

1st quarter

Countries	Revenue 2005	Revenue 2006	Revenue change in €	Revenue change in local currency	Number of pharmacies 2006
	in € m	in € m	in %	in %	
United Kingdom	464.0	545.1	17.5	16.3	1,527
Norway	77.9	85.3	9.6	6.7	122
Italy	52.8	53.8	1.9	1.9	162
Netherlands	25.9	29.6	14.2	14.2	53
Ireland	26.7	28.2	5.5	5.5	59
Belgium	19.9	23.4	17.4	17.4	84
Czech Republic	9.9	9.0	-9.0	-13.3	43
Total	677.1	774.4	14.4	13.1	2,050

**Our pharmacies:
Optimum care in everything
to do with health**

Celesio Pharmacies

At 14.4 percent, 1st quarter growth in revenue for Celesio Pharmacies was ahead of the market. Profit before tax grew even more strongly: By 36.5 percent. The sharp increases are attributed to a stronger demand particularly in the United Kingdom, renewed improvement in the gross profit margin and also seasonal effects. The 110 British pharmacies acquired in the 4th quarter of 2005 also contributed to growth.

Celesio Pharmacies division grows ahead of the market

In the 1st quarter of 2006 Celesio significantly increased the revenue of its pharmacies by 14.4 percent (13.1 percent in local currency) to 774.4 million euros. The rise in the number of prescriptions, seasonal effects and consolidation of the pharmacies acquired in 2005 contributed to this positive development. Adjusted for acquisitions, new openings and disposal of pharmacies the increase in revenue would have been 6.4 percent (5.1 percent in local currency). Celesio Pharmacies therefore grew more strongly than the market.

Celesio Pharmacies in the 1st quarter

	2005		2006		Change in € in %	Change in local currency in %
	in € m	in % of revenue	in € m	in % of revenue		
Revenue	677.1	100.00	774.4	100.00	14.4	13.1
Gross profit	229.7	33.93	270.7	34.96	17.8	16.6
EBIT	56.0	8.27	74.4	9.60	32.8	31.5
Profit before tax	40.8	6.03	55.8	7.20	36.5	35.2



Celesio Pharmacies

In the United Kingdom revenue with prescription medicines in particular showed significant growth. The 110 pharmacies purchased in the 4th quarter have now been integrated into the Lloydspharmacy network and strengthen the portfolio as a whole. The agreement of the British pharmacies with the NHS (National Health Service) in force in England and Wales since April 2005 offers new opportunities particularly in the services field, which Lloydspharmacy used to its advantage in the 1st quarter of 2006 in particular for Medicines Use Review (M.U.R), i.e. for consultative talks between pharmacist and patient about his overall medical needs. Lloydspharmacy already leads the market in M.U.Rs: By the end of March 2006 Lloydspharmacy conducted over 50,000 M.U.Rs.

In Norway Vitusapotek grew ahead of the market. In January 2005 the Norwegian government had introduced a graduated price model which is also being continued in 2006 and that has led to a shift in revenue to generic products. Vitusapotek is well placed in this field, and was therefore able to benefit from this development. Celesio Pharmacies in Italy also outperformed the market in a very weak environment, as did the Netherlands and Belgium. Growth also improved in Ireland after suffering the effects of a large number of pharmacies opening in the prior periods.

Celesio Pharmacies significantly improved the gross profit margin in the first three months of 2006 with an optimised product mix, in particular due to the increase in generic products, and improved purchase conditions: An increase of 103 basis points to 34.96 percent compared to 33.93 percent in the 1st quarter of 2005. EBIT rose in this period by 32.8 percent (31.5 percent in local currency) to 74.4 million euros. Profit before tax showed even stronger growth: It reached 55.8 million euros, corresponding to a rise of 36.5 percent (35.2 percent in local currency). This positive development is due in part to the higher revenue and significantly improved gross profit margin. Strict cost management and improved efficiency in the operating business also contributed to this good development. In addition the increased number of working days and the fact that Easter fell in the 2nd quarter in 2006 also positively impacted on profit before tax.

Return on sales grew significantly from 6.03 percent to 7.20 percent in relation to profit before tax.

Good development despite government measures

In the United Kingdom negotiations are continuing as regards also extending to Scotland the pharmacy contract in force since 1 April 2005 between the NHS (National Health Service) and pharmacies in England and Wales. The contract deals with the remuneration and scope of services of pharmacies and encourages comprehensive patient care in pharmacies. The level of remuneration is not only linked to the quantity of processed prescriptions, but also to the quality and range of services. Introduction in England and Wales went largely according to plan. As the United Kingdom's leading pharmacy chain in the community provision of medicines and services, Lloydspharmacy had already made intensive preparations in the past to meet the requirements of the new pharmacy contract. Its employees were given the appropriate training and the scope of advisory services was and will continue to be expanded in the spirit of the contract.

In the Netherlands the government, pharmacy association, pharmaceutical manufacturers and health insurers are committed to reducing the rise in the cost of medicines. For example, a price reduction has been agreed for generic products. Market growth is expected to slow down markedly as a result. At the beginning of 2006 the Dutch health insurance system underwent fundamental changes. The division between private and statutory health insurance was abolished and a standardised market created with profit-oriented insurance companies offering basic rates and additional insurance.

The Belgian government has established official prescription quotas for low-priced medicines which is causing an increase in prescriptions for generic products.



Celesio Pharmacies

The focal point: The customer

Also in the first three months of 2006 Celesio Pharmacies further intensified their customer orientation with even more and even better service. Lloydspharmacy carried out an information campaign on the Medicine Use Review programme. Also, Lloydspharmacy has meanwhile performed more than 1 million health checks free of charge. Vitusapotek, Celesio's Norwegian pharmacies, set the national standard for the technical handling of prescriptions in their pharmacies and will also continue to develop this field in future. Celesio's Italian pharmacies have extended their commitment to the disabled with barrier-free entrances, signs in Braille and special training for their staff.

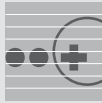
Celesio, together with doctors and health authorities, is deeply involved in the development of health centres in the United Kingdom, Norway and the Netherlands. Health centres accommodate pharmacies, doctors' practices and other healthcare providers under one roof. This means the patients have only a short distance to travel. In the 1st quarter a total of nine health centres were in the process of being built – aided by Celesio.

Pharmacy portfolio goes from strength to strength

On 31 March 2006 Celesio was operating a total of 2,050 pharmacies in seven European countries. In the 1st quarter eleven pharmacies were purchased and five new pharmacies opened. Eleven pharmacies were sold or closed.

Celesio is continually improving and strengthening its location and pharmacy portfolio. Existing pharmacies are being modernised, others are being relocated to more attractive sites and new pharmacies are being opened. If the location and purchase price are right, Celesio also looks to acquire existing pharmacies. In Ireland, the Netherlands and Belgium particularly, where the pharmacy chain has not yet reached an optimum size, Celesio intends to forge ahead in expanding its pharmacy presence.

There is still no final decision as regards the further privatisation of Italian pharmacies. On 8 February 2006 the Italian competition authorities advised the Italian government to abandon the position they held hitherto and instead, as the European Commission also requires, to liberalise the Italian pharmacy market. The government is thus far refusing any change. The discussion regarding liberalisation of the pharmaceutical market and pharmacies intensified in the run-up to the parliamentary elections on 9 April. It is impossible to say at present what changes result after the elections.



Celesio Solutions

1st quarter

Business unit	Gross profit 2005	Gross profit 2006	Gross profit change in €	Gross profit change in local currency
	in € m	in € m	in %	in %
Movianto* (healthcare logistics) (healthcare logistics)	20.8	35.5	70.6	69.5

* Until March 2006 AVS Health Distribution

**Growth driver:
Innovative services for
the healthcare market**

Celesio Solutions

Solutions, Celesio's youngest division is developing well with its first business unit Movianto. The demand for innovative services for the pharmaceutical industry is on the increase. Movianto increased gross profit in the 1st quarter of 2006 in comparison with the previous year by 70.6 percent. The acquisitions in the past year contributed particularly to this good development. The operating profit (EBIT) improved by 24.7 percent. The costs for the intended construction of a European business model led as anticipated to a slight fall in profit before tax.

Contribution to gross profit for the group shows further increase

Solutions, Celesio's youngest and third division is developing well with its first business unit Movianto. In the 1st quarter of 2006 gross profit* rose in comparison with the same period last year by 70.6 percent (69.5 percent in local currency) to 35.5 million euros. The acquisition of the British market leader Healthcare Logistics in particular, which was consolidated for the first time in the 2nd quarter of 2005, contributed to the positive growth in gross profit. On a comparable basis growth in gross profit would have been 5.7 percent (5.3 percent in local currency). The contribution of Celesio Solutions to gross profit for the group rose from 4.0 percent in the previous year to the current 6.1 percent.

*For Movianto it is absolute gross profit that is the measure of success rather than revenue, as customers generally pay on the basis of services rendered. Only in isolated cases is trading revenue involved. Gross profit is derived from total remuneration for services rendered and margins from trading revenue. Due to the particular structure of revenue, the gross profit ratio is not significant for the business unit Movianto.



Celesio Solutions

In the first three months of 2006 EBIT rose, principally due to acquisitions, by 24.7 percent (24.1 percent in local currency). Profit before tax sank slightly as expected by 0.2 million euros, thus by 5.2 percent (5.6 percent in local currency). The costs for the construction of the young business division, higher depreciation and amortisation and the cost of financing the acquisitions had a crucial impact on this trend in profit before tax.

Celesio Solutions in the 1st quarter

	2005		2006		Change in € in %	Change in local currency in %
	in € m	in % of gross profit	in € m	in % of gross profit		
Gross profit	20.8	100.00	35.5	100.00	70.6	69.5
EBIT	3.5	17.06	4.4	12.48	24.7	24.1
Profit before tax	3.9	18.71	3.7	10.40	-5.2	-5.6

Worthwhile investment in new growth market

Further progress was made in building up central functions and ensuring quality management for Movianto. Celesio thus ensures that synergies between the European companies of Movianto can be optimised and the same high quality standards apply throughout Europe.

These structural costs are a good investment. The new Solutions division profits from the trend among pharmaceutical manufacturers to focus on their core business. Non-core areas are gradually being outsourced to service partners. Today Movianto already offers the pharmaceutical industry basic logistic services such as transportation and storage. However, customer- and product-specific services are also offered. Movianto handles orders, monitors product and goods flow or ensures product-specific distribution on behalf of the customer. With its cross-national network in eight European countries Movianto offers the entire spectrum of services at local, national or multinational level.

Development of Celesio Solutions making good progress

In early March 2006 the former AVS Health Distribution was renamed Movianto. The name Movianto embodies the local expertise of the individual companies under one European umbrella brand. The new catchy name, that will be included in the name of all the national companies, gives the first business unit of Celesio Solutions a uniform image. The development of Movianto with its range of logistics and distribution services for the pharmaceutical industry is pointing in the right direction. Movianto has the world's ten largest pharmaceutical manufacturers as customers.

At the end of the 1st quarter of 2006 Movianto had storage capacity of more than 150,000 square metres, all well placed strategically within Europe. At 31 March 2006 Movianto employees numbered 1,418.



Celesio Solutions

Foundation laid for further growth

With Solutions Celesio is diversifying its business portfolio substantially in the long-term and this in a still immature growth market. The attractiveness of this market for services relating to medicines lies not only in the growth of the pharmaceutical market as a whole but is also due to the fact that so far only part of its existing potential has been realised. For structural reasons the business contributions of the Solutions division will be substantially more volatile than the traditional Wholesale and Pharmacies businesses. This is due to the nature of the project and contract business with larger customers: The number of customers is significantly lower, but the individual order volumes are very much larger than in the two other divisions.

Yours sincerely
Celesio AG

The management board

Vorstand:
Dr. Fritz Oesterle, Vorsitzender
Jacques Ambonville, Stefan Meister, Dr. Felix A. Zimmermann

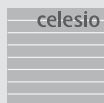
Vorsitzender des Aufsichtsrates:
Dr. Eckhard Cordes

Sitz:
Stuttgart, AG Stuttgart, HRB 9517

Interim statements

Income statement 1st quarter

	2005 € m	2006 € m
Revenue	4,906.2	5,306.6
Own work capitalised	0.5	0.5
Total operating performance	4,906.7	5,307.1
Cost of raw materials, consumables and supplies, and of purchased goods	4,390.9	4,723.9
Gross profit	515.8	583.2
Other income and expenses	- 103.5	- 120.2
Personnel expenses	252.6	279.0
Net income from investments	3.0	3.9
EBITDA	162.7	187.9
Amortisation of intangible assets and depreciation of property, plant and equipment	23.3	24.3
EBIT	139.4	163.6
Interest result	- 24.7	- 24.4
Profit before tax	114.7	139.2
Income taxes	35.5	40.3
Net profit	79.2	98.9
Profit attributable to minority interests	1.4	1.0
Consolidated net profit	77.8	97.9
Earnings per share – basic (€)	0.92	1.15
Earnings per share – diluted (€)	0.92	1.15



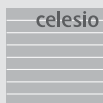
Celesio Group

Balance sheet

	31/12/2005 € m	31/03/2006 € m	
Assets	Non-current assets		
	Intangible assets	2,407.7	2,402.7
	Property, plant and equipment	598.2	594.1
	Financial assets	133.9	142.2
	Deferred tax assets	85.3	73.6
		3,225.1	3,212.6
	Current assets		
	Inventories	1,639.4	1,457.1
	Trade receivables	2,382.1	2,466.0
	Income tax receivables	45.1	50.5
	Other receivables and other assets	211.9	234.6
	Cash and cash equivalents	8.1	4.6
		4,286.6	4,212.8
Total assets	7,511.7	7,425.4	
Equity and liabilities	Shareholders' equity		
	Issued capital and reserves	2,276.1	2,367.0
	Minority interests	8.1	9.1
		2,284.2	2,376.1
	Liabilities		
	Non-current liabilities		
	Financial liabilities	1,901.1	1,943.5
	Pension provisions	140.2	139.9
	Other non-current provisions	34.2	34.6
	Deferred tax liabilities	34.5	37.5
		2,110.0	2,155.5
	Current liabilities		
	Financial liabilities	167.8	180.6
Trade payables	2,189.4	1,929.6	
Other current provisions	151.1	150.8	
Income tax liabilities	142.2	147.5	
Other liabilities	467.0	485.3	
	3,117.5	2,893.8	
Total equity and liabilities	7,511.7	7,425.4	

Cash flow statement 1st quarter

	2005 € m	2006 € m
Net profit	79.2	98.9
Depreciation and amortisation/write-up of property, plant and equipment and intangible assets	23.3	24.3
Net result from disposals of non-current assets	- 0.7	- 2.6
Non-cash changes in net working capital	3.7	12.4
Other non-cash income and expenses	1.7	- 1.4
Cash flow	107.2	131.6
Change in operating assets	54.2	44.8
Change in operating liabilities	- 143.6	- 203.9
Net cash flow from operating activities	17.8	-27.5
Proceeds from the disposal of non-current assets	4.1	8.0
Investment in non-current assets	- 32.9	- 30.1
Proceeds from the disposals of subsidiaries	0.7	2.2
Cash paid for acquisitions of subsidiaries	- 106.2	- 17.5
Net cash flow from investing activities	- 134.3	-37.4
Proceeds from borrowings	232.5	182.4
Repayment of borrowings	- 118.9	- 121.0
Net cash flow from financing activities	113.6	61.4
Net change in cash and cash equivalents	-2.9	-3.5
Net foreign exchange difference	0.3	0.0
Cash and cash equivalents at the beginning of the period	15.2	8.1
Cash and cash equivalents at the end of the period	12.6	4.6



Celesio Group

Statement of shareholders' equity

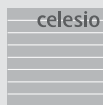
	Issued capital	Capital reserves	Revenue reserves
	€ m	€ m	€ m
01/01/2006	217.7	1,113.0	845.5
Currency adjustments	0.0	0.0	0.0
Net profit	0.0	0.0	97.9
Revaluation of financial instruments	0.0	0.0	0.0
Changes to consolidated group/others	0.0	0.0	0.0
31/03/2006	217.7	1,113.0	943.4
01/01/2005	217.7	1,113.0	525.8
Currency adjustments	0.0	0.0	0.0
Net profit	0.0	0.0	77.8
Revaluation of financial instruments	0.0	0.0	0.0
Changes to consolidated group/others	0.0	0.0	- 1.1
31/03/2005	217.7	1,113.0	602.5

Segment reporting 1st quarter

	Wholesale		Pharmacies	
	2005 € m	2006 € m	2005 € m	2006 € m
Revenue	4,110.1	4,373.2	677.2	774.4
External revenue	4,109.9	4,370.8	677.1	774.4
Inter-segment revenue	0.2	2.4	0.1	0.0
Segment profit from operations	87.9	94.1	56.0	74.4
Income from associates accounted for using the equity method	0.0	0.5	0.0	0.0
EBIT	87.9	94.6	56.0	74.4

	Revaluation reserves		Shareholders of Celesio AG	Minority interests	Shareholders' equity
	Translation reserves	Other comprehensive income			
	€ m	€ m	€ m	€ m	€ m
	88.5	11.4	2,276.1	8.1	2,284.2
	- 14.4	- 0.2	- 14.6	0.0	- 14.6
	0.0	0.0	97.9	1.0	98.9
	0.0	7.6	7.6	0.0	7.6
	0.0	0.0	0.0	0.0	0.0
	74.1	18.8	2,367.0	9.1	2,376.1
	73.2	16.5	1,946.2	5.7	1,951.9
	13.7	0.4	14.1	0.0	14.1
	0.0	0.0	77.8	1.4	79.2
	0.0	3.7	3.7	0.0	3.7
	0.0	0.0	- 1.1	12.9	11.8
	86.9	20.6	2,040.7	20.0	2,060.7

	Solutions		Others		Consolidation		Group	
	2005 € m	2006 € m	2005 € m	2006 € m	2005 € m	2006 € m	2005 € m	2006 € m
	159.8	221.4	0.0	0.0	-40.9	-62.4	4,906.2	5,306.6
	119.2	161.4	0.0	0.0	0.0	0.0	4,906.2	5,306.6
	40.6	60.0	0.0	0.0	-40.9	-62.4	0.0	0.0
	3.5	4.4	-8.0	-9.8	0.0	0.0	139.4	163.1
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
	3.5	4.4	-8.0	-9.8	0.0	0.0	139.4	163.6



Celesio Group

Notes

Accounting principles and valuation policies

The consolidated interim statements for Celesio AG for the 1st quarter of 2006 have been drawn up on the basis of the International Accounting Standard (IAS) 34. In doing so, all relevant International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and all interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as of 31 March 2006 were taken into account. The accounting standards applied to prepare the interim statements largely correspond to those that were applied for the consolidated financial statements for the year ended 31 December 2005. The interim statements are therefore to be read in conjunction with the consolidated financial statements of Celesio AG for the 2005 fiscal year. The standards and interpretations that were legally required to be applied as of 1 January 2006 did not have any significant effect on the interim statements.

Consolidated group

In the 1st quarter 2006 numerous pharmacies – mainly in the United Kingdom – were consolidated for the first time in the Celesio Pharmacies division.

The inclusion of these companies for the first time does not affect comparability with the prior year.

Employees

At the end of the 1st quarter of 2006 Celesio employed 35,031 members of staff (head count) compared with 32,973 in the prior year.

Notes to the segment reporting

Segmentation at Celesio has been made in line with IAS 14. It is based on the internal organisational and reporting structures of the company. The same accounting standards are used as those employed for the group.

The internal organisation and reporting structure of Celesio is based on the business divisions Wholesale, Pharmacies, Solutions and Others. The Wholesale division includes the wholesale activities of Celesio with third-party customers. The Pharmacies division represents all activities related to the provision of services in Celesio's pharmacies. This covers the entire logistics chain from purchasing goods from the manufacturer to their delivery to the end consumer. The Solutions division comprises the provision of logistics services for pharmaceutical manufacturers. The activities of the group's parent company Celesio AG and other non-operational companies are posted to Others. The consolidation measures between the business divisions are shown separately. The operational segment profit in accordance with IAS 14 corresponds to the EBIT without taking into account the income from associates accounted for using the equity method.

As of 1 January 2006, the activities of the holding of the business unit Movianto are shown in the Solutions division. Previously the relevant segment profit, assets and liabilities were included under Others. The previous year's figures have been adjusted accordingly.



Celesio Group

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 E-mail investor@celesio.com

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Websites

Celesio AG and companies in the Celesio Group:

www.celesio.com

Celesio Wholesale:

France	www.ocp.fr
Germany	www.gehe.de
Austria	www.herba-chemosan.at
Belgium	www.pharmabelgium.be
Norway	www.nmd.no
Slovenia	www.kemfarm.si
Czech Republic	www.gehe.cz

Celesio Pharmacies:

United Kingdom	www.lloydspharmacy.co.uk
	www.johnbellcroyden.co.uk
Norway	www.vitusapotek.no
Italy	www.admentaitalia.it
Ireland	www.unicarepharmacy.ie
Netherlands	www.lloydsapotheek.nl
Belgium	www.lloydspharma.be
Czech Republic	www.lekarnylloyds.cz

Celesio Solutions:

Movianto	www.movianto.com
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Celesio Wholesale offers access-protected business-to-business solutions for pharmacies:

France	www.ocp.fr
Germany	www.gehe-point.de
United Kingdom	www.aah-point.com
Austria	www.herba-point.at
Norway	FarmaLink (cannot be accessed by the public)
Italy	www.afmpoint.it

Information on Celesio shares

ISIN Code _____ DE0005858005
 Securities ID No. _____ 585 800
 German Stock Exchange Code _____ CLS
 Reuters Code _____ CLSG
 Bloomberg Code _____ CLS GR

Investors calendar*

Investment conference (DrKW),
 New York _____ 9 – 11 January 2006
 Investment conference (Cheuvreux),
 Frankfurt _____ 16 – 18 January 2006
 Investment conference (Merrill Lynch),
 New York _____ 7 – 9 February 2006
 Investment conference (UBS), New York _____ 13 – 15 February 2006
 Information event for private shareholders,
 Baden-Baden _____ 15 March 2006
 Balance sheet press conference, Stuttgart _____ 16 March 2006
 Celesio analysts and investors conference,
 Amsterdam _____ 20 March 2006
 International bankers day, Amsterdam _____ 21 March 2006
 Roadshow Europe _____ March/April 2006
 Annual general meeting, Stuttgart _____ 27 April 2006
 Dividend payment _____ 28 April 2006
 Interim report, 1st quarter 2006 _____ 10 May 2006
 Stuttgarter Aktienforum, Stuttgart _____ 18 May 2006
 Investment conference (Deutsche Bank), Frankfurt _____ 31 May 2006
 Roadshow Scandinavia _____ May 2006
 Roadshow Europe _____ June 2006
 Interim report, 1st half-year 2006 _____ 9 August 2006
 Roadshow Europe _____ September 2006
 Roadshow USA _____ October 2006
 Interim report, 1st – 3rd quarter 2006 _____ 13 November 2006

* Subject to change

The latest information on the investors calendar
 can be found on www.celesio.com.

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