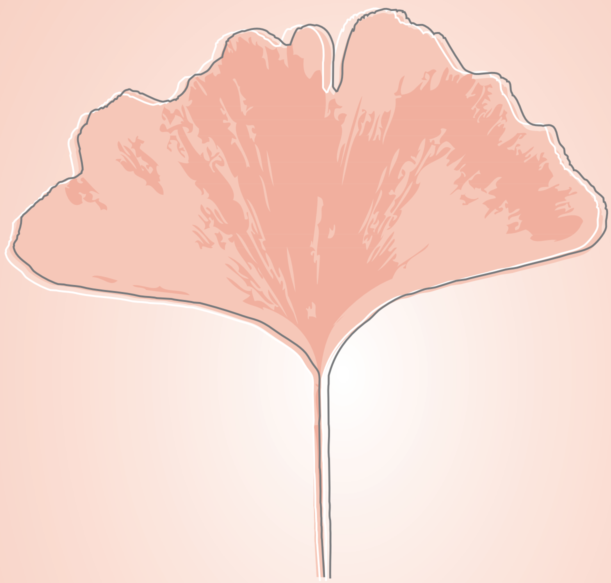
Interim Report, 1st to 3rd Quarter of 2008



celesio
the healthcare group

Contents

Celesio Group

Celesio in Brief

History

Founder	Franz Ludwig Gehe
Founded	1835 in Dresden, Germany
Listed on stock market	since 1903

Key financial figures, 1st to 3rd quarter of 2008

Revenue	16,285.5 million Euros
Revenue growth	– 2.2 per cent (+ 1.2 per cent*)
EBITDA	477.7 million Euros
EBITDA growth	– 23.9 per cent (– 18.7 per cent*)
Profit before tax	296.2 million Euros
Growth in profit before tax	– 34.4 per cent (– 29.9 per cent*)
Net profit	192.7 million Euros
Growth in net profit	– 39.8 per cent (– 35.3 per cent*)
Earnings per share	1.12 Euros
Employees**	37,811
Wholesale branches**	121
Pharmacies**	2,332

* In local currency
** As of 30 September 2008

Information about the Celesio share

ISIN Code	DE000CLS1001
WKN Code	CLS 100
SE Code	CLS1
Reuters Code	CLSGn
Bloomberg Code	CLS1 GR

www.celesio.com/KeyFigures

The 1st to 3rd Quarter of 2008 in Summary

- Business over the last three months of the reporting period was still affected very strongly by government measures and the effects of the only slowly abating price competition in the German pharmaceutical wholesale business. The negative effect on operating profit (EBITDA) from government measures in the first three quarters of 2008 was 139 million Euros higher than in the first three quarters of the previous year.
- EBITDA was also burdened by another 32.6 million Euros from unfavourable currency effects, particularly in relation to the the British pound.
- The investment in Andreae-Noris Zahn AG (ANZAG) had to be revalued. The decline in its share price led to a decline in the market valuation of the ANZAG investment for the first three quarters of 14.0 million Euros. In the first half year, the adjustment had still been minus 5.1 million Euros.
- The total operating profit in the reporting period was significantly below the corresponding period in the previous year. However, it should be noted that the comparable figures for 2007 were the best operating results in the company's history. In this reporting period, Celesio has continued its efforts to compensate for external burdens. Therefore, despite the burden from the impairment of the lower market valuation of ANZAG, it is very gratifying that in the 3rd quarter of the reporting period, the company was able to achieve an operating profit which was 4.7 per cent (increase of 5.2 per cent in local currency) higher than that of the 2nd quarter of 2008. Without the ANZAG impairment, the increase would have been 10.3 per cent. This shows that the predicted quarterly improvement for the current financial year also continued in the 3rd quarter.
- Celesio is making intensive preparations to play an active role in shaping market changes. This meant that initial costs and investments were incurred in the first three quarters of 2008.

The 1st to 3rd Quarter of 2008 in Summary

- The development of a new organisational structure in the Group was completed during the 3rd quarter. Celesio will begin implementation of the structure in the 4th quarter. The new structure is even more geared to the needs of Celesio's customers and to offer new services at both ends of the value-added chain. The costs associated with this are an investment into the future.
- Celesio Wholesale developed positively despite difficult market conditions. In Germany, GEHE Pharma Handel recovered lost market share. In the United Kingdom, the wholesale subsidiary AAH contributed to the implemention of alternative distribution models of various manufacturers. In France, OCP achieved a significant increase in productivity as a result of streamlining its branch structure.
- Celesio Pharmacies remain on target for growth: during this period, a total of 91 pharmacies were acquired or opened in seven European countries. As well as this, Celesio continued to press ahead with preparations for the possible further liberalisation in some European countries. After the successful hearing before the European Court of Justice on 3 September 2008, the final submission of the Advocate General to the European Court of Justice regarding possible liberalisation of pharmacy markets in Germany and Italy is expected on 16 December 2008.
- Celesio Solutions extended its presence in Europe, signed its first service contracts in Slovenia and secured new contracts.

Celesio Shares

Celesio shares in the 1st to 3rd quarter of 2008

		2007	**2008**	Change on a euro basis %	Change in local currency %
Earnings per share	€	1.87	**1.12**	–39.8	–35.3
EBITDA per share	€	3.69	**2.81**	–23.9	–18.7
EBIT per share	€	3.21	**2.32**	–27.6	–22.5
Cash flow per share	€	2.39	**1.92**	–19.6	–14.6
Share price (last trading day)	€	44.26	**30.71**	–30.6	–
Number of outstanding shares (last trading day)	m	170.1	**170.1**	–	–
Market value (last trading day)	m €	7,528.6	**5,223.8**	–30.6	–

Celesio shares outperformed the MDAX slightly

Trading on the international stock markets was dominated by negative headlines during this period, due to the unfavourable economic outlook and to the crisis in the financial markets. Together, both of these factors led to significant share price falls in all European indices. The announcement and implementation of government rescue packages has so far only been able to provide minimal relief in the stock markets.

The crisis in the financial markets and the economic downturn has had a strong effect on international stock markets. This is also reflected in the development of the German indices. Whilst the DAX lost over 27 per cent between January and September 2008, the MDAX fell by more than 29 per cent during the same period.

Celesio shares were not immune to these market developments and the share price closed at 30.71 Euros on 30 September 2008. This represents a decline over 27 per cent since the beginning of the year. However, Celesio's shares still outperformed the MDAX. The market capitalisation of Celesio at the end of this period was 5,223.8 million Euros. Based on the value of the free float at the end of the reporting period, Celesio was ranked in 38th position amongst all listed companies in Germany.

www.celesio.com/Shares

Celesio Shares

In the period from January to September 2008, an average of 741,020 shares were traded each trading day for an average total amount of 22.2 million Euros. In the prior-year period, the average daily turnover was 461,435 shares traded each day for an average amount of 21.5 million Euros.

Due to the turbulence in the international financial markets and the burden arising from unexpectedly drastic government measures since the 4th quarter of 2007, it has become even more important for Celesio to maintain close ties to the capital markets. In the first three quarters of 2008, the Management Board and members of the Corporate Investor Relations team made contact with current and potential investors during a total of 15 roadshows.

Management Report on Interim Period

Business Development

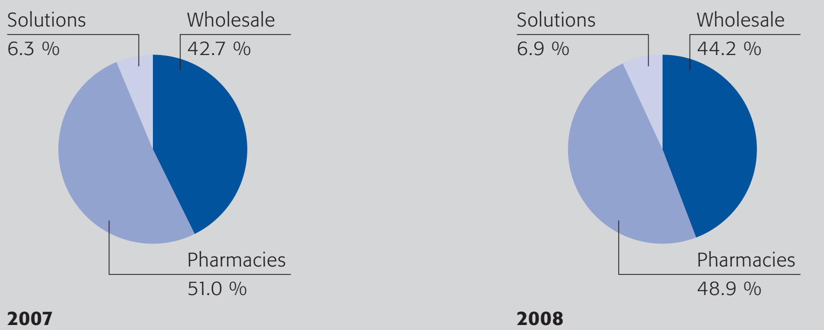
During the first nine months of 2008, the Group's revenues and earnings declined. Revenue fell by 2.2 per cent compared with the previous period, EBITDA by 23.9 per cent. This was caused in particular by the continuing effects of the drastic reductions in reimbursement prices for generic medicines in the United Kingdom as from 1 October 2007, which we already described in detail in the Annual Report 2007. At the same time, the price competition in the German wholesale market is waning less quickly than expected. There is also the continued weakness of the British pound, which has a significantly negative effect on the figures reported in Euros, and the negative development of the share price of ANZAG. Nevertheless, Celesio's performance in the 3rd quarter was in line with expectations. EBITDA rose by 4.7 per cent (10.3 per cent if adjusted for the negative development of the book value of the ANZAG investment) compared with the 2nd quarter of this year.

Key income statement figures

In the reporting period, **revenues** declined by 2.2 per cent compared with the prior-year period (increase of 1.2 per cent in local currency), primarily due to negative currency effects. When adjusted for exchange rate effects, acquisitions and divestments revenues were at the previous level, with a decline of 0.1 per cent. Negative exchange rate effects reduced growth by 3.4 per cent and thus clearly exceeded growth from acquisitions and sales of investments of 1.3 per cent.

Gross profit fell by 6.4 per cent (reduction by 0.4 per cent in local currency) to 1,768.4 million Euros, due particularly to government cost savings measures in the United Kingdom and to the price competition in Germany. The gross profit margin fell from 11.34 per cent to 10.86 per cent in comparison with the first nine months of the previous year.

Share of gross profit of business divisions in Group gross profit for the 1st to 3rd quarter of 2008



www.celesio.com/KeyFigures

Business Development

Net expenses from **other operating income and expenditure** rose by 3.2 per cent or 11.8 million Euros as against the figures from the corresponding prior-year period, to a total of 384.9 million Euros. This is due mainly to higher transportation costs, which rose by more than 13 per cent during the first three quarters as against the corresponding prior-year period. Advertising subsidies and income from the disposal of noncurrent assets were not able to fully compensate for these costs.

Personnel expenses were down by 0.3 per cent on the corresponding prior-year period. Adjusted for currency effects, however, personnel expenses increased by 5.8 per cent. This was due to general increases in salaries and to a larger extend to the pharmacies acquired in 2007 and in the first three quarters of 2008, and the first full-year consolidation of Apotheke DocMorris. The personnel expense ratio increased slightly, from 5.4 per cent to 5.5 per cent.

Income from investments was heavily burdened by the market valuation of the investment in ANZAG. The fall in the share price resulted in an impairment charge of 14.0 million Euros, of which 8.9 million Euros were incurred in the 3rd quarter. This was partly offset by dividend payments from ANZAG.

EBITDA (earnings before interest, taxes, depreciation and amortisation) fell by 23.9 per cent (a reduction by 18.7 per cent in local currency) to 477.7 million Euros, which is 149.7 million Euros below the corresponding prior-year period. The negative impact of government measures on EBITDA in the first three quarters of 2008 was approximately 139 million Euros higher than in the first three quarters of the previous year. Exchange rate movements had a further negative effect of 32.6 million Euros. Furthermore, a lower contribution than last year from Celesio's German wholesale business and significantly lower income from other investments contributed to the fall in EBITDA.

The EBITDA margin declined by 84 basis points to 2.93 per cent, compared to the same period last year.

The investments in new pharmacies and the first-time full-year inclusion of Apotheke DocMorris in particular led to a slight increase in **depreciation and amortisation** of 1.0 million Euros to 82.9 million Euros.

EBIT (earnings before interest and taxes) fell by 27.6 per cent (a reduction by 22.5 per cent in local currency) to 394.8 million Euros compared to the prior-year period.

Business Development

The **financial result**, which shows the balance of interest expense, interest income and other financial results, declined as against the prior-year period due to an increase in average debt from 93.7 million Euros to 98.6 million Euros. This was principally due to the financing of acquisitions of pharmacies and the acquisition of Apotheke DocMorris. Another cause to the fall in the financial result was the increase in interest rates in the eurozone.

Profit before tax fell by 34.4 per cent (reduction by 29.9 per cent in local currency) to 296.2 million Euros in comparison with the same nine-month period in the previous year.

Due to the fall in earnings, **tax expenses** declined by 28.1 million Euros to 103.5 million Euros (previous year: 131.6 million Euros). However, the effective tax rate of 34.9 per cent was significantly higher than the comparable previous year's level of 29.1 per cent. This is mainly due to the higher share of profit from companies operating in countries with high nominal tax rates in comparison with the prior-year period.

Net profit fell by 127.5 million Euros to 192.7 million Euros in comparison with the previous year. This represents a decline of 39.8 per cent (reduction by 35.3 per cent in local currency). **Earnings per share** fell by 0.75 Euros to 1.12 Euros.

Business Development

Celesio Group, 1st to 3rd quarter of 2008

	2007		**2008**		Change on a euro basis	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	16,647.5	100.00	**16,285.5**	**100.00**	–2.2	1.2
Gross profit	1,888.5	11.34	**1,768.4**	**10.86**	–6.4	–0.4
EBITDA	627.4	3.77	**477.7**	**2.93**	–23.9	–18.7
EBIT	545.5	3.28	**394.8**	**2.42**	–27.6	–22.5
Profit before tax	451.8	2.71	**296.2**	**1.82**	–34.4	–29.9
Net profit	320.2	1.92	**192.7**	**1.18**	–39.8	–35.3
Cash flow	406.0	–	**326.5**	**–**	–19.6	–14.6

Financial position

Cash flow in the reporting period amounted to 326.5 million Euros, which was 79.5 million Euros or 19.6 per cent below the corresponding prior-year period (a reduction by 14.6 per cent in local currency). The decline of cash flow was less marked than the fall in net profit, due to higher share of non-cash expenses, such as the impairment charge relating to the ANZAG investment.

Cash flow from operationg activities, i.e. the cash flow minus changes in operating assets and liabilities, fell only slightly by 5.3 million Euros to 223.6 million Euros. The cash outflow from the change in operating net assets was 74.2 million Euros less than in the prior-year period , due in particular to a significant reduction in inventories.

Free cash flow, calculated as cashflow from operating activities minus cashflow from investing activities minus dividends paid, improved significantly, by 240.1 million Euros to –141.4 million Euros, compared with the first three quarters of 2007. This was due to reduced payments for acquisitions. In the previous year, Apotheke DocMorris and a large number of pharmacies were acquired.

Business Development

In the following table, investments are classified into capital expenditure on existing assets and expenditure for acquisitions and new openings, as they are for internal reporting purposes. The investments shown represent additions to non-current assets. Non-cash investments are shown under "Other".

Cash flow, 1st to 3rd quarter of 2008

	2007 € m	**2008** **€ m**
Net profit	**320.2**	**192.7**
Depreciation and amortisation of property/write-up of intangible assets of property, plant and equipment, and intangible assets	78.7	82.8
Net result from the disposal of non-current assets	– 14.8	– 8.6
Non-cash changes in net working capital	24.1	51.2
Other non-cash income and expenses	– 2.2	8.4
Cash flow	**406.0**	**326.5**
Dividends paid	– 128.7	– 133.0
Cash flow after dividends paid	**277.3**	**193.5**
Proceeds from the disposal of non-current assets	26.1	15.1
Investments in the operating business	– 100.0	– 91.5
Free cash flow before acquisitions and changes in net working capital	**203.4**	**117.1**
Change in net working capital	– 177.1	– 102.9
Acquisitions and new openings	– 473.0	– 155.8
Proceeds from disposals of subsidiaries	3.7	7.4
Other	61.5	– 7.2
Free cash flow	**– 381.5**	**– 141.4**

Capital expenditure on existing assets refers mainly to the refurbishing and relocation of pharmacies, improvements in the branch network for Wholesale, and to the modernisation of IT technology across the Group. Acquisitions and new openings refer almost entirely to Celesio Pharmacies, and most of the acquisitions took place in the United Kingdom.

Business Development

Assets

Celesio continued to have a very solid balance sheet at the end of this reporting period. The equity ratio fell slightly from 33.8 per cent on 31 December 2007 to 33.4 per cent on 30 September 2008. Gearing, the key indicator used to measure indebtedness, which is determined by dividing net financial debt by equity, increased slightly to 0.89.

Total assets fell by about 76 million Euros or 0.9 per cent to 8,267.2 million Euros, due in particular to exchange rate changes for the British pound in comparison with 31 December 2007.

Non-current assets of 3,866.6 million Euros were almost at the same level as on 31 December 2007. Additions to non-current assets in this period amounted to 247.3 million Euros. Changes in exchange rates and in depreciation and amortisation had the opposite effect. Of the depreciation and amortisation charge amounting to 82.9 million Euros, 12.0 million Euros was in respect of intangible assets and 70.9 million Euros was in respect of property, plant and equipment.

Compared with the end of 2007, **current assets** fell by 75.6 million Euros to 4,400.6 million Euros. Exchange rate and seasonal effects resulted in a reduction in inventories of 162.8 million Euros. Trade receivables increased by 157.2 million Euros despite exchange rate effects. This is due mainly to delayed receipts of the monthly payments from the British health authority (the National Health Service or NHS).

Shareholders' equity amounted to 2,760.9 million Euros at the end of the reporting period and was thus 58.7 million Euros below the level at the end of 2007, despite the net profit of 192.7 million Euros. This is due to a reduction in the foreign exchange reserve by 108.7 million Euros. In addition, equity level was reduced as a result of the dividend of 133.0 million Euros paid to Celesio shareholders for the year 2007. Shareholders' equity attributable to minority interests fell by 5.8 million Euros, principally due to the purchase of further shares in the Danish wholesaler K.V. Tjellesen.

Adjusted for exchange rate effects, **financial liabilities** as at 30 September 2008 rose in line with the negative free cash flow. Non-current financial liabilities fell slightly by 7.4 million Euros as against the end of 2007. During this period, 167,5 million Euros in promissory note bonds with a remaining term of less than one year were reclassified as current financial liabilities, thus causing an increase in this item.

Business Development

Trade payables of 2,180.1 million Euros were 55.2 million Euros above the level at the end of 2007. The balance of **income tax liabilities** and **income tax receivables** significantly declined in line with the profit before tax. **Other liabilities** were reduced due to lower income tax liabilities in particular as at the balance sheet date.

Net current assets showed a pleasing development, despite the balance sheet date effect on receivables. The balance of inventories, trade receivables and payables was reduced by a total of 20.8 million Euros at the balance sheet date, adjusted for currency effects.

Opportunity and risk report

The opportunities and risks of the probable development of the Group are set out in detail in the Annual Report 2007 (pp. 78 – 83). Comments on developments during the reporting period are set out in the forecast. There are no risks which could affect the stability of the Group and at the current time no such risks are anticipated.

Events after the balance sheet date

In line with disclosure agreements, there were no events after the balance sheet date to be reported.

Forecast

Government measures to reduce costs in the healthcare system taken in 2007, the decline in the British pound against the Euro and the impairment of the ANZAG investment are all having a significant negative impact on Celesio's earnings. As already reported, full-year profits for 2008 will be significantly lower than in the previous year, even excluding currency effects. The economic downturn and the crisis in the financial markets have also caused a significant dampening of economic conditions and general consumer sentiment. This will also affect the development of Celesio. Nevertheless, the quarterly results in 2008, adjusted for one-time effects, show that Celesio is on the right path and is in a position to remain relatively optimistic for 2009 within the framework of the general economy.

The **pharmaceutical market** is undergoing drastic change – but it remains a sustainable growth market. On the one hand, life expectancy is rising and therefore so is the demand for medication. Elderly people require much more medication than younger people: people who are older than 65 already receive 47 per cent of all prescription medicines. The ratio of over 65-year-olds in the population of the EU is already 15 per cent, and this proportion is growing. On the other hand, people are more likely to look after their own health and this is resulting in a greater willingness by individuals to purchase pharmaceutical products. Manufacturers are meeting this development with product innovations and are thus generating new revenue potential.

The importance and responsibilities of pharmaceutical wholesalers and the pharmacy market are changing across Europe. As a wide-ranging and experienced trading company and service provider for pharmaceuticals, Celesio is well positioned to take advantage of these dynamics to realise growth opportunities. Its wide range of services enables Celesio to develop customer-specific solutions and to thus generate additional growth. One example of this are customised service solutions for pharmaceutical manufacturers.

2008 – mastering challenges and gathering strength

The 2008 financial year is burdened by the following factors:

- government measures
- new reimbursement mechanisms for generics
- the effects of price competition in the German wholesale market
- the ongoing weakness of the British pound
- the start of an economic downturn in conjunction with the credit crunch
- the impairment of ANZAG

www.celesio.com/Forecast

Forecast

In the 4th quarter Celesio anticipates the following additional influences:

- a positive net impact from government measures in the United Kingdom
- price reductions for generics in Portugal
- lower acquisition levels and fewer new openings of pharmacies and health centres

In detail the Management Board currently recognises the following challenges and risks for future business performance:

- Price cuts for generics in the United Kingdom, Ireland and Norway. These risks are taken into account in the earnings forecast for 2008. This also applies to a further reduction in prices for generics in the United Kingdom effective on 1 October. This measure means an annual burden on the English market of 130 million pounds from 1 October 2008.
- Price regulations for generic pharmaceuticals in the Netherlands based on tenders (preference policy), similar to German discount contracts. These risks are already taken into account in the 2008 earnings forecast.
- The uncertainty arising from litigation in the Netherlands regarding payments by pharmacies to health insurance companies (the so-called clawback). This was raised from 6.82 per cent to over 11.30 per cent on 1 December 2007 and with a limit of seven months, but was reduced to zero by a court decision on 1 July 2008. On 3 November 2008, it was announced that the investigation of the economic situation of the pharmacies in the Netherlands had been completed on the basis of the business results for 2007. On this basis, it is expected in the Netherlands that new tariffs will be announced on 1 December 2008. Therefore, the risk of an impairment charge has increased and for Celesio, this is likely to be in the middle double-digit million Euros range. After the new tariffs are published on 1 December 2008, Celesio will undertake an impairment test of its Dutch pharmacies.
- Prices for generics were cut by 30 per cent in Portugal from 1 October 2008. These risks are already taken into account in the 2008 earnings forecast.

Forecast

- No patents expiring for blockbusters in 2008 and therefore no new generics with attractive margins. These risks are already taken into account in the 2008 earnings forecast.
- Premature termination of the Pharmaceutical Pricing Regulatory Scheme (PPRS) by the British Department of Health. Celesio expects that the effects of this measure will not be felt until 2009.
- Highly volatile energy costs lead to increasing transportation and operating costs. These risks are already taken into account to a large extent in the 2008 earnings forecast.
- A potential share price decline relating to the investment in ANZAG shares has a direct effect on the Celesio investment result. Due to the volatility of the equity markets, this risk for Celesio cannot be reliably estimated.
- The situation in the financial markets remains unstable. Long-term bilateral contracts secure Celesio's liquidity and access to a broad banking portfolio. Negative effects on earnings from price volatilities for interest rates, currency and energy costs cannot be excluded, despite careful risk management such as hedging by interest swaps. Celesio also anticipates rising interest rates and, as a result, an increase in the cost of financing corporate growth.
- Lower share prices as well as rising long-term interest rates also have a negative effect on pension assets. Therefore, higher personnel and interest expenses associated with the vesting of pension entitlements are to be expected next year.
- An increasing and sustained fall in consumer confidence will also have an effect on Celesio's growth for non-medical products. However, this will hit Celesio less hard than manufacturers of consumer goods and other retailers. This confirms that the strategy of Celesio Pharmacies to focus on pharmaceuticals is the right one.
- Due to uncertain economic circumstances, Celesio has significantly scaled down its acquisition and development of pharmacies and health centres. The loss of income from these pharmacies will begin to have an effect on earnings from the 4th quarter of 2008.

www.celesio.com/Forecast

Forecast

The Management Board currently recognises the following opportunities for further business growth:

- The liberalisation of European pharmaceutical markets as promoted by the European Union offers Celesio new opportunities for growth. After the hearing at the European Court of Justice on 3 September 2008, experts anticipate that a decision of the European Court of Justice regarding liberalisation in Germany and Italy will be made in the 1st quarter of 2009.
- In the United Kingdom, the National Health Service (NHS) has partially increased pharmacy dispensing fees from 1 October 2008. The positive net effect of this measure and the anticipated reduction in prices for generics from 1 October 2008 is about 150 million Pounds for the entire English market for the period from October 2008 to September 2009. This is taken into account in the forecast.
- The demand from pharmaceutical manufacturers for alternative distribution models offers Celesio new opportunities as a service provider due to its broad European base and many years of experience.
- The new, customer-oriented Group structure provides the basis for new target group-specific business models. It also promotes the realisation of further synergy potential beyond existing business segments.

In light of the detailed opportunities and risks, it has become much more difficult to make reliable forecasts. Without taking into account possible further share price falls of the ANZAG share, and subject to there being no further external burdens from government measures not yet taken into account, Celesio confirms and substantiates its annual forecast for 2008:

- Revenue adjusted for exchange rate effects will rise slightly by about 2 per cent.
- Gross profit adjusted for exchange rate effects will be at the same level as in the previous year.
- EBITDA will be significantly lower than in the previous year, even when adjusted for exchange rate effects.
- However, EBITDA will increase in the 4th quarter as against the 3rd quarter, thereby confirming the trend indicated at the half-year point.

Forecast

Relative optimistic forecast for 2009

The 2009 forecast was presented in the Half-Year Report 2008 under the headline "Optimism", subject to there being no further negative government measures, no further share price falls of the ANZAG investment and no further burdens from exchange rates.

In the meantime, the crisis in the financial markets and the beginning of an economic downturn have abruptly caused a change in circumstances. Although Celesio is relatively independent of economic cycles the company is not totally immune to this environment. Falling sales of non-medical products and reduced financing opportunities for further growth could pressure on profits. On the whole, Celesio is relatively optimistic about prospects for 2009 and will focus all its resources on generating further growth in a customer-orientated and systematic manner, in line with the strategy previously communicated.

www.celesio.com/Forecast

Celesio Wholesale

1st to 3rd quarter of 2008

Country	Revenue 2007 € m	**Revenue 2008 € m**	Revenue change on a euro basis %	Revenue change in local currency %	Number of branches 2008
France	5,328.5	**5,303.5**	–0.5	–0.5	48
Germany	2,649.0	**2,610.4**	–1.5	–1.5	20
United Kingdom	2,484.0	**2,149.8**	–13.5	0.0	19
Austria	707.5	**736.4**	4.1	4.1	7
Portugal	370.3	**398.3**	7.5	7.5	7
Norway	353.6	**342.7**	–3.1	–4.0	3
Denmark	300.0	**294.2**	–1.9	–1.8	4
Belgium	287.1	**290.7**	1.3	1.3	5
Ireland	243.9	**238.3**	–2.3	–2.3	3
Czech Republic	167.4	**210.2**	25.6	10.9	3
Slovenia	252.7	***204.3**	–19.1	–19.1	1
Italy	99.7	**108.7**	9.1	9.1	1
Total	**13,243.7**	**12,887.5**	**–2.7**	**–0.4**	**121**

* Excluding subsidiaries in Croatia and Romania (deconsolidated in December 2007)

Safe, fast and reliable:
Supplying pharmacies everywhere
with everything they need

Celesio Wholesale

In this reporting period, the traditional value chain for pharmaceuticals continued to transform itself. The manufactuer and product-led changes in pharmaceutical distribution continue. The possible liberalisation of European pharmacy markets is also having a growing impact on the wholesaling business. At the same time, price competition is diminishing slowly in Germany due to existing overcapacity and continues to depress earnings across the entire German wholesale industry, including Celesio Wholesale.

The transformation of distribution systems for medicines by manufacturers in some countries, which started last year, continued in the 3rd quarter of 2008. In the United Kingdom approximately half of the branded ethical sales are delivered through new distribution models. The British Celesio companies AAH and Movianto are both leading the way in changing to these new innovative distribution models.

Traditional wholesaling is adapting to the possible liberalisation of European pharmacy markets. Owner-managed pharmacies are acknowledging the benefits of collaboration in these markets. Collaborations initiated and supported by wholesalers gain the highest acceptance levels. This was the conclusion of a report by the Institut für Handel & Internationales Marketing (H.I.Ma.) titled "Vertikale Kooperationen im vom Wandel begriffenen Gesundheitsmarkt – Strategische Option für inhabergeführte Apotheken" [Vertical Cooperation in Changing Health Markets – Strategic Options for Owner-managed Pharmacies]. Collaborations are marked by pan-regional or national communication with a standardised market image. This also applies to standardised trading brands or customer loyalty programmes.

Celesio Wholesale

The German subsidiary of Celesio Wholesale, GEHE Pharma Handel, believes that the report confirms the direction of its co-branding collaboration concept "gesund leben". It currently consists of a core partnership of 40 manufacturers of health products and services and about 2,600 owner-managed pharmacies across Germany. An increasing concentration on the needs of pharmacy customers has established a brand which positions the partner pharmacies as a place for increased quality of life. As well as traditional distribution services, the "gesund leben" partner pharmacies receive marketing and training support from GEHE along with the offering of its own branded products. This includes the participation in the national multi-partner bonus programme DeutschlandCard, which serves to raise awareness and attractiveness of the partnership. The "gesund leben" partner pharmacies are thus well-placed to take advantage of pending changes in pharmacy markets. Celesio also continues this trend in other pharmacy markets with close and comprehensive collaboration with individual pharmacies – such as the cooperation in "Pharmactiv" with the wholesale subsidiary OCP in France; "Frag nach", an initiative of the Austrian subsidiary Herba Chemosan; and "Connect", the pharmacy partner model of the Irish subsidiary Cahill May Roberts. All these partnerships feature a customised portfolio tailored to the needs of the respective national pharmacy market. The orientation towards the needs of pharmacies is at the heart of Celesio Wholesale's relationship with customers and is supported by the new Group structure.

Celesio Wholesale exercises strict cost controls and is continuously optimising its branch structure. A new warehouse was opened in the Czech Republic to replace an older warehouse, an existing warehouse was completely renovated in the United Kingdom, and in France preparatory work has been carried out to further improve business processes. This allows improvements to business processes and generates extra capacity.

Attention is increasingly being focused on the economic consequences of fuel price increases and the ecological effect of CO_2 emissions from transportation. In cooperation with pharmacies in Austria, Herba Chemosan has been able to achieve a positive reduction in CO_2 emissions by reducing deliveries to two per day.

Celesio Wholesale

Revenue, gross profit and EBITDA

Revenues from Celesio Wholesale fell to 12,887.5 million Euros, which represents a reduction of 2.7 per cent (a reduction by 0.4 per cent in local currency) compared with the prior-year period. This reduction was partly due to the sale of Unipharm in Croatia and PharmaFarm in Romania in the 4th quarter of 2007. There was a slight revenue growth in wholesale in Germany, as irresponsible price competition levels began to wane and market share was recovered.

Gross profit during the period reached 782.0 million Euros, which was 3.1 per cent (a reduction by 0.3 per cent in local currency) compared with the previous year's level. Despite continuing price competition in Germany and government cuts in wholesale margins in France, the gross profit margin fell by only 2 basis points as against the prior-year period to 6.07 per cent. This shows that the Europe-wide presence of Celesio Wholesale is important also with regard to risk management.

The **EBITDA** of Celesio Wholesale amounted to 294 million Euros – a fall of 6.9 per cent (a reduction by 3.9 per cent in local currency).

Celesio Wholesale, 1st to 3rd quarter of 2008

	2007		**2008**		Change on a euro basis	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	13,243.7	100.00	**12,887.5**	**100.00**	−2.7	−0.4
Gross profit	807.0	6.09	**782.0**	**6.07**	−3.1	−0.3
EBITDA	315.9	2.38	**294.0**	**2.28**	−6.9	−3.9
EBIT	277.1	2.09	**257.8**	**2.00**	−7.0	−3.7

Celesio Pharmacies

1st to 3rd quarter of 2008

Country	Revenue 2007 € m	**Revenue 2008 € m**	Revenue change on a euro basis %	Revenue change in local currency %	Number of pharmacies 2008
United Kingdom	1,815.3	**1,589.8**	– 12.4	1.2	1,717
Norway	309.8	**349.3**	12.8	11.7	162
Netherlands*	190.0	**288.8**	52.0	52.0	66
Italy	153.5	**151.2**	– 1.5	– 1.5	162
Ireland	93.0	**111.2**	19.5	19.5	72
Belgium	79.0	**94.9**	20.1	20.1	106
Czech Republic	27.9	**35.3**	26.5	11.7	47
Total	**2,668.5**	**2,620.5**	**– 1.8**	**7.2**	**2,332**

* Incl. Apotheke DocMorris

Our pharmacies:
Individual advice and care
for your health

Celesio Pharmacies

The development of Celesio Pharmacies has been marked in this period mainly by the government measures introduced in October 2007 in the United Kingdom. These have had a massive and sustained negative effect on the earnings of Celesio Pharmacies. Adjusted for the effects of these government measures and other burdens, the business division made good progress. For 2009, experts anticipate that the expected liberalisation of at least the German and Italian pharmacy markets will offer new opportunities for growth for Celesio Pharmacies.

Price reductions in the United Kingdom have had a massive impact on Celesio Pharmacies, but other countries have also introduced government measures which have affected the pharmacy business. In Norway the existing reimbursement model for generic medicines was expanded. In Ireland, reimbursement prices for medicines fell, the last reduction taking place on 1 March 2008. As expected, in the Netherlands, prices of generic medicines were reduced by an average of ten per cent at the beginning of the year. Moreover, Dutch health insurance companies began to put to tender their generic medicine requirements – similar to the German discount contracts. This so called preference policy had a strong negative impact on the profits of the Celesio pharmacies in the Netherlands at the end of the reporting period and will continue to have an effect during the rest of the year. Additional uncertainty resulted from litigation in the Netherlands regarding payments by pharmacies to health insurance companies, the so-called clawback.

The performance of Celesio Pharmacies in prescription medicines is mainly unaffected from general economic conditions. Non-medical products have been showing an unexpected slowdown in growth since the 3rd quarter. Overall, the consistent strategic direction of the company towards prescription medicines is proving to be the right one, especially in these difficult economic circumstances.

A total of 91 pharmacies were acquired or opened during the reporting period and 32 were closed or sold. On 30 September 2008, Celesio operated 2,332 pharmacies in seven European countries.

Celesio Pharmacies

Efficient pharmacies

The efficiency of Celesio pharmacies is illustrated by the numerous awards it has received. Lloydspharmacy in the United Kingdom has been named ″OTC Multiple Retailer of the Year″ for the second year running. The cholesterol and heart tests offered to customers in the British Celesio pharmacies were awarded first place in the ″Pharmaceutical Care Award″. The publication of information about medicines earned Lloydspharmacy a top ″Ask About Medicines Award″ this year. This award shows the high level of consulting services offered by Celesio pharmacies. Celesio Pharmacies also received awards in other countries. The Irish Celesio pharmacies won the ″Best company to work for in Ireland 2008″ award in the category of under 1,000 employees. In the Netherlands, a Celesio pharmacy won the ″Pharmacy of the Year 2008″ award and three others were placed amongst the top six in the country.

Apotheke DocMorris

The mail-order pharmacy business of Apotheke DocMorris continued to grow. Advisory and consultancy services offered to customers were extended, as were customer loyalty and bonus systems. The new customer-friendly website offers an improved product overview and easier ordering.

Apotheke DocMorris also offers brand partnerships for independent German pharmacies. This concept continued to develop positively in the reporting period and there are now brand partner pharmacies in all German federal states. Both Stiftung Warentest and the Saarland Apothekerkammer (chamber of pharmacists) have tested the quality of many pharmacies, including DocMorris brand partners, which received the quality certification ″good″. Regardless of the outcome of the legal case currently at the European Court of Justice these two businesses have excellent prospects.

By the end of the year, Apotheke DocMorris plans to introduce its first attractive own branded products to mail-order customers and in the DocMorris brand partner pharmacies. Increased advertising levels featuring the ″twins″ famous from TV commercials will continue to strengthen the Apotheke DocMorris brand. Apotheke DocMorris will also launch its own monthly customer magazine in the 4th quarter featuring a wide range of health issues, which will be made available in DocMorris brand partner pharmacies.

Celesio Pharmacies

Revenue, gross profit and EBITDA

Celesio Pharmacies offers attractive products and services, and focuses consistently on patients and consumers. Despite the negative effects of government measures and adjusted for exchange rate effects, **revenues** in this business division rose by 7.2 per cent, compared to the previous year, to 2,620.5 million Euros. The negative currency effects of the British pound as against the euro changed this positive result into a revenue reduction of 1.8 per cent. It was only in Italy that Celesio Pharmacies was not able to avoid negative market trends due to lowering prices of branded pharmaceuticals.

Gross profit during the period reached 865.1 million Euros, down 10.2 per cent compared to the comparable value last year (reduction by 1.6 per cent in local currency). The gross profit margin declined to 33.01 per cent, down 308 basis points from 36.09 per cent, due to government measures and the comparable low gross profit margin of the mail-order business of Apotheke DocMorris.

As a result of government measures in the United Kingdom and currency effects, **EBITDA** fell by 30.7 per cent (reduction by 23.8 per cent in local currency) to 226.1 million Euros.

Celesio Pharmacies, 1st to 3rd quarter of 2008

	2007		**2008**		Change on a euro basis	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	2,668.5	100.00	**2,620.5**	**100.00**	– 1.8	7.2
Gross profit	963.0	36.09	**865.1**	**33.01**	– 10.2	– 1.6
EBITDA	326.1	12.22	**226.1**	**8.63**	– 30.7	– 23.8
EBIT	288.8	10.82	**185.2**	**7.07**	– 35.9	– 29.4

Celesio Solutions

Celesio Solutions

Growth drivers:
Innovative services
for pharmaceutical manufacturers

Celesio Solutions

The Movianto and pharmexx businesses of Celesio Solutions offer distribution, logistics, storage, sales, marketing and personnel services to pharmaceutical manufacturers.

The business unit Movianto showed good growth during the period. In September 2008, a new warehouse for controlled drugs was completed in Neunkirchen, Germany. The storage and distribution of controlled drugs is relatively complex and requires high standards of security and logistics. The new warehouse offers a storage capacity of 430 pallet spaces for controlled drugs.

In Germany, Movianto took over the storage and distribution to pharmacies, hospitals and wholesalers of 200 different medicines for a leading global generics manufacturer. This manufacturer is already cooperating successfully with Movianto in the Czech Republic and in France

Gross profit and EBITDA

The Movianto business unit increased **gross profit*** during the period by 2.4 per cent (increase of 7.7 per cent in local currency) to 121.3 million Euros.

EBITDA for Celesio Solutions fell by 18.8 per cent (reduction by 15.7 per cent in local currency) to 13.2 million Euros. The reduction was caused by unexpectedly strong increases in transport costs, the expiry of contracts and currency effects. The strategic investment in pharmexx generated a positive contribution in this period.

Cooperation with pharmexx

Since spring 2006, Celesio has held a strategic 30 per cent stake in pharmexx. The company is one of the world's leading sales and marketing service providers for the pharmaceutical industry. At the end of the reporting period, pharmexx was active in 26 markets around the world. The cooperation between pharmexx and the other Celesio divisions is to be extended gradually.

* For Movianto, absolute gross profit rather than revenue indicates its performance, 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 representative for the Movianto business unit.

Celesio Solutions

Celesio Solutions, 1st to 3rd quarter of 2008

	2007		**2008**		Change on a euro basis	Change in local currency
	€ m	% of gross profit	**€ m**	**% of gross profit**	%	%
Gross profit	118.5	100.00	**121.3**	**100.00**	2.4	7.7
EBITDA	16.3	13.74	**13.2**	**10.89**	– 18.8	– 15.7
EBIT	11.7	9.90	**8.7**	**7.14**	– 26.2	– 23.3

Condensed Interim Financial Statements

Group Income Statement, 1st to 3rd Quarter of 2008

		3rd quarter		1st to 3rd quarter	
		2007 € m	**2008** **€ m**	2007 € m	**2008** **€ m**
Revenue		**5,433.3**	**5,355.7**	**16,647.5**	**16,285.5**
Own work capitalised		0.2	0.7	0.4	1.0
Total operating performance		**5,433.5**	**5,356.4**	**16,647.9**	**16,286.5**
Cost of raw materials, consumables and supplies, and of purchased goods		4,807.2	4,767.4	14,759.4	14,518.1
Gross profit		**626.3**	**589.0**	**1,888.5**	**1,768.4**
Other expenses and income		–120.6	–122.2	–373.1	–384.9
Personnel expenses		301.5	293.1	902.1	899.3
Income from associates accounted for using the equity method		0.4	–0.1	1.4	0.5
Net income from other investments		1.2	–5.9	12.7	–7.0
EBITDA		**205.8**	**167.7**	**627.4**	**477.7**
Amortisation of intangible assets and depreciation of property, plant and equipment		28.5	27.7	81.9	82.9
EBIT		**177.3**	**140.0**	**545.5**	**394.8**
Interest expenses		–34.9	–37.2	–100.2	–110.4
Interest income		3.6	3.9	10.2	12.2
Other financial results		–2.3	–1.2	–3.7	–0.4
Profit before tax		**143.7**	**105.5**	**451.8**	**296.2**
Income taxes		40.9	36.3	131.6	103.5
Net profit		**102.8**	**69.2**	**320.2**	**192.7**
Profit attributable to minority interests		0.4	0.8	2.5	2.4
Profit attributable to shareholders of Celesio AG		102.4	68.4	317.7	190.3
Earnings per share – basic	**€**	**0.60**	**0.40**	**1.87**	**1.12**
Earnings per share – diluted	**€**	**0.60**	**0.40**	**1.87**	**1.12**

www.celesio.com/Glossary

Group Balance Sheet as at 30 September 2008

Assets

	31/12/2007 € m	**30/09/2008 € m**
Non-current assets		
Intangible assets	2,966.5	2,989.5
Property, plant and equipment	646.2	631.9
Investments accounted for using the equity method	54.9	52.5
Other financial assets	147.0	148.1
Income tax receivables	4.1	4.3
Deferred tax assets	48.2	40.3
	3,866.9	**3,866.6**
Current assets		
Inventories	1,640.8	1,478.0
Trade receivables	2,504.0	2,661.2
Income tax receivables	55.1	4.7
Other receivables and other assets	269.2	246.2
Cash and cash equivalents	7.1	10.5
	4,476.2	**4,400.6**
Total assets	**8,343.1**	**8,267.2**

Equity and liabilities

	31/12/2007 € m	**30/09/2008 € m**
Shareholders' equity		
Issued capital	217.7	217.7
Capital reserves	1,113.0	1,113.0
Revenue reserves	1,452.0	1,511.3
Revaluation reserves	20.7	−91.5
Shareholders of Celesio AG	**2,803.4**	**2,750.5**
Minority interests	16.2	10.4
	2,819.6	**2,760.9**
Liabilities		
Non-current liabilities		
Financial liabilities	2,049.3	2,041.9
Pension provisions	136.4	137.0
Other non-current provisions	35.1	34.9
Other liabilities	18.6	19.3
Deferred tax liabilities	85.6	87.5
	2,325.0	**2,320.6**
Current liabilities		
Financial liabilities	312.5	407.8
Trade payables	2,124.9	2,180.1
Other current provisions	128.5	101.2
Income tax liabilities	145.4	61.4
Other liabilities	487.2	435.2
	3,198.5	**3,185.7**
Total equity and liabilities	**8,343.1**	**8,267.2**

Group Cash Flow Statement, 1st to 3rd Quarter of 2008

	2007 € m	**2008** **€ m**
Net profit	**320.2**	**192.7**
Depreciation and amortisation less write-up of property, plant and equipment, and intangible assets	78.7	82.8
Net result from the disposal of non-current assets	–14.8	–8.6
Non-cash changes in net working capital	24.1	51.2
Other non-cash expenses and income	–2.2	8.4
Cash flow	**406.0**	**326.5**
Change in operating assets	–127.0	–56.5
Change in operating liabilities	–50.1	–46.4
Net cash flow from operating activities	**228.9**	**223.6**
Proceeds from the disposal of non-current assets	26.1	15.1
Investment in non-current assets	–110.5	–111.7
Proceeds from disposal of subsidiaries	3.7	7.4
Cash paid for acquisition of subsidiaries	–401.0	–142.8
Net cash flow from investing activities	**–481.7**	**–232.0**
Payments to shareholders	–128.7	–133.0
Proceeds from borrowings	638.4	303.1
Repayment of borrowings	–259.5	–158.1
Net cash flow from financing activities	**250.2**	**12.0**
Net change in cash and cash equivalents	**–2.6**	**3.6**
Net foreign exchange difference	0.0	–0.2
Cash and cash equivalents at the beginning of the period	9.6	7.1
Cash and cash equivalents at the end of the period	**7.0**	**10.5**

Group Statement of Shareholders' Equity, 1st to 3rd Quarter of 2008

	Issued capital	Capital reserves	Revenue reserves	Revaluation reserves		**Share-holders of Celesio AG**	**Minority interests**	**Equity**
				Foreign exchange reserve	Other comprehensive income			
	€ m	€ m	€ m	€ m	€ m	**€ m**	**€ m**	**€ m**
01/01/2008	**217.7**	**1,113.0**	**1,452.0**	**–5.0**	**25.7**	**2,803.4**	**16.2**	**2,819.6**
Market valuation financial instruments	0.0	0.0	0.0	0.0	–2.5	–2.5	0.0	–2.5
Currency adjustments	0.0	0.0	0.0	–108.7	–1.0	–109.7	0.0	–109.7
Change in consolidated group/others	0.0	0.0	0.0	0.0	0.0	0.0	–6.2	–6.2
Gains or losses recognised directly in equity	**0.0**	**0.0**	**0.0**	**–108.7**	**–3.5**	**–112.2**	**–6.2**	**–118.4**
Effective utilisation of financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.0	190.3	0.0	0.0	190.3	2.4	192.7
Gains or losses posted to profit and loss	**0.0**	**0.0**	**190.3**	**0.0**	**0.0**	**190.3**	**2.4**	**192.7**
Sum of gains and losses recognised directly in equity and posted to profit and loss	**0.0**	**0.0**	**190.3**	**–108.7**	**–3.5**	**78.1**	**–3.8**	**74.3**
Dividends	0.0	0.0	–131.0	0.0	0.0	–131.0	–2.0	–133.0
30/09/2008	**217.7**	**1,113.0**	**1,511.3**	**–113.7**	**22.2**	**2,750.5**	**10.4**	**2,760.9**
01/01/2007	**217.7**	**1,113.0**	**1,148.9**	**104.4**	**24.9**	**2,608.9**	**19.1**	**2,628.0**
Market valuation financial instruments	0.0	0.0	0.0	0.0	13.5	13.5	0.0	13.5
Currency adjustments	0.0	0.0	0.0	–36.2	–0.8	–37.0	0.0	–37.0
Change in consolidated group/others	0.0	0.0	0.0	0.0	0.0	0.0	–6.2	–6.2
Gains or losses recognised directly in equity	**0.0**	**0.0**	**0.0**	**–36.2**	**12.7**	**–23.5**	**–6.2**	**–29.7**
Effective utilisation of financial instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	0.0	0.0	317.8	0.0	0.0	317.8	2.5	320.3
Gains or losses posted to profit and loss	**0.0**	**0.0**	**317.8**	**0.0**	**0.0**	**317.8**	**2.5**	**320.3**
Sum of gains and losses recognised directly in equity and posted to profit and loss	**0.0**	**0.0**	**317.8**	**–36.2**	**12.7**	**294.3**	**–3.7**	**290.6**
Dividends	0.0	0.0	–127.6	0.0	0.0	–127.6	–1.1	–128.7
30/09/2007	**217.7**	**1,113.0**	**1,339.1**	**68.2**	**37.6**	**2,775.6**	**14.3**	**2,789.9**

www.celesio.com/Glossary

Condensed Notes

Group segment report by business division, 1st to 3rd quarter of 2008

	Celesio Wholesale		Celesio Pharmacies		Celesio Solutions		Other		Consolidation		Group	
	2007 € m	**2008 € m**	2007 € m	**2008 € m**	2007 € m	**2008 € m**	2007 € m	**2008 € m**	2007 € m	**2008 € m**	2007 € m	**2008 € m**
Revenue	**13,243.7**	**12,887.5**	**2,668.5**	**2,620.5**	**976.6**	**1,030.5**	**0**	**0**	**−241.3**	**−253.0**	**16,647.5**	**16,285.5**
External revenue	13,243.7	12,887.5	2,668.5	2,620.5	735.3	777.5	0	0	0	0	16,647.5	16,285.5
Intersegment revenue	0.0	0.0	0.0	0.0	241.3	253.0	0	0	−241.3	−253.0	0	0
EBITDA	**315.9**	**294.0**	**326.1**	**226.1**	**16.3**	**13.2**	**−30.9**	**−55.6**	**0**	**0**	**627.4**	**477.7**
Segment profit from operations	**276.2**	**257.5**	**288.7**	**185.1**	**11.3**	**8.6**	**−32.1**	**−56.9**	**0**	**0**	**544.1**	**394.3**
Income from associates accounted for using the equity method	0.9	0.3	0.1	0.1	0.4	0.1	0	0	0	0	1.4	0.5
EBIT	**277.1**	**257.8**	**288.8**	**185.2**	**11.7**	**8.7**	**−32.1**	**−56.9**	**0**	**0**	**545.5**	**394.8**
Segment assets	**4,396.2**	**4,215.2**	**3,505.7**	**3,475.7**	**397.4**	**432.3**	**92.2**	**95.2**	**−8.9**	**−14.2**	**8,382.6**	**8,204.2**

Condensed Notes

Accounting principles and valuation policies

The condensed consolidated interim financial statements for Celesio AG for the first three quarters of 2008 have been drawn up on the basis of International Accounting Standard (IAS) 34. In so doing, all the 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) applicable in the European Union as of 30 September 2008 have been taken into account. The accounting standards applied to prepare the condensed interim statements largely correspond to those that were applied for the consolidated financial statements for the year ended 31 December 2007. The condensed interim statements are therefore to be read in conjunction with the group consolidated financial statements of Celesio AG for the 2007 financial year. The standards and interpretations that were legally required to be applied for the first time as of 1 January 2008 did not have an effect on the interim statements.

Consolidated Group

Business combinations and disposals in the 1st to 3rd quarter of 2008

In the first three quarters of 2008, a total of 76 pharmacies in the Celesio Pharmacies business division, mainly in the United Kingdom, were included in the consolidation for the first time. In each case, all shares were taken over. The first-time consolidation was carried out on the basis of provisional opening balance sheets. For some of the acquisitions, a provisional purchase price allocation had already been made. The purchase price allocation in each case is undertaken within twelve months after the date of acquisition. Acquisition costs, including payments of purchase price which are dependent on future events, amounted to € 151.1 m. Acquisition costs include € 4.6 m for cash and cash equivalents acquired. Pursuant to IFRS 3, additional investments in companies already fully consolidated are not included here. The purchase price obligations were paid in full in cash; in other words, it did not involve the issue of the company’s own shares.

Condensed Notes

The fair value of the identifiable assets and liabilities at the time of acquisition of the companies acquired in the first three quarters of 2008 and the corresponding book values immediately before the date of acquisition are as follows:

	Book value before acquisition € m	Fair value € m
Intangible assets	4.1	0.0
Property, plant and equipment	3.8	3.7
Deferred tax assets	0.0	0.0
Inventories	6.3	6.3
Trade receivables	10.9	10.9
Cash and cash equivalents	4.6	4.6
Other assets	3.7	3.7
	33.4	**29.2**
Financial liabilities	8.2	8.2
Deferred tax liabilities	0.3	0.3
Trade payables	5.5	5.5
Other liabilities	2.5	3.2
	16.5	**17.2**

This results in goodwill amounting to € 139.7 m , which represents the future prospects of the respective acquisitions and the valuable experience of the acquired employees.

The companies acquired in the first three quarters of 2008 generated revenues of € 53.3 m and net profits of € 3.6 m. If these companies had already been owned by the Group from the start of the financial year, they would have contributed revenues of € 74.7 m and net profit of € 4.7 m.

In the first three quarters of 2008, the Group sold pharmacies in the United Kingdom and a Norwegian Celesio wholesaling company, generating cash proceeds of € 7.4 m. Assets amounting to € 4.3 m and liabilities of € 3.0 m were sold. During the reporting period, the companies generated revenues of € 3.1 m.

The changes in the consolidation Group do not impair comparability with the previous year.

Condensed Notes

Business combinations in the 1st to 3rd quarter of 2007

Full ownership of a total of 117 pharmacies, mainly in the United Kingdom, was acquired in the first three quarters of 2007. The DocMorris Group in the Celesio Pharmacies business division was also included in the consolidated statements as from 31 May 2007. At the balance sheet date, Celesio held 90.44 % of the shares in the DocMorris Group. As there were call and put options in place for the shares not held by Celesio, it was presumed that the basis for the purchase was 100 % of the shares in determining the purchase price for the acquisition of the company. Acquired companies were initially consolidated on the basis of provisional opening balance sheets and adjusted within twelve months with respect to final values in accordance with IFRS 3.62. Purchase price allocations for acquisitions in the first three quarters of 2007 have now been made, after completion of expert reports. The final values are shown below. There is no effect on profits for the comparable period.

Acquisition costs, including purchase price payments dependent on future events, amounted to € 420.3 m on 30 September 2007. Of this, € 182.9 m was for the purchase of the DocMorris Group. Acquisition costs included € 14.1 m for acquired cash and cash equivalents, of which € 1.4 m applied to the DocMorris Group. Pursuant to IFRS 3, additional investments in companies already fully consolidated are not included here. The purchase price obligations were paid in full in cash; in other words, it did not involve the issue of the company's own shares. With regard to the purchase of the DocMorris Group, at the acquisition date, there were existing obligations arising from purchase contracts amounting to € 28.5 m.

The companies acquired in the first three quarters of 2007 generated revenue of € 143.8 m and net profit of € 11.7 m. If these companies had already been owned by the Group from the start of the financial year, they would have contributed revenue of € 284.8 m and net profit of € 15.2 m. Of the acquired companies, the DocMorris Group contributed revenue of € 78.2 m and a net profit of € 3.9 m in the 1st to 3rd quarter. If the companies had already been owned by the Group from 1 January 2007, they would have contributed revenue of € 163.4 m and net profit of € 1.4 m.

Condensed Notes

The fair value of identifiable assets and liabilities at the acquisition date of the companies acquired in the first three quarters of 2007 and the relevant book values directly before acquisitions were as follows:

	Book value before acquisition			Fair value		
	Total	DocMorris Group	Other acquisitions	**Total**	DocMorris Group	Other acquisitions
	€ m	€ m	€ m	**€ m**	€ m	€ m
Intangible assets	**27.3**	1.6	25.7	**100.5**	100.5	0.0
Property, plant and equipment	**3.2**	1.1	2.1	**3.2**	1.1	2.1
Deferred tax assets	**6.1**	6.1	0.0	**8.8**	8.8	0.0
Inventories	**18.8**	7.5	11.3	**18.8**	7.5	11.3
Trade receivables	**48.6**	21.7	26.9	**48.4**	21.5	26.9
Cash and cash equivalents	**14.1**	1.4	12.7	**14.1**	1.4	12.7
Other assets	**1.7**	0.4	1.3	**3.0**	1.7	1.3
	119.8	**39.8**	**80.0**	**196.8**	**142.5**	**54.3**
Financial liabilities	**42.1**	14.3	27.8	**42.1**	14.3	27.8
Deferred tax liabilities	**0.3**	0.0	0.3	**36.4**	36.1	0.3
Trade payables	**45.9**	27.7	18.2	**45.9**	27.7	18.2
Other liabilities	**16.9**	7.4	9.5	**30.2**	20.7	9.5
	105.2	**49.4**	**55.8**	**154.6**	**98.8**	**55.8**

As part of the purchase price allocation of the DocMorris Group, which was concluded on 30 September 2007, a part of the excess of acquisition cost over acquired net assets (taking into account deferred taxes) was allocated to purchased customer lists (€ 25.1 m) and brand names (€ 73.9 m) and recognised as intangible assets. In addition, contingent liabilities amounting to € 13.4 m were recognised. Changes to the provisional purchase price allocation resulted mainly from valuation of the brand name (provisional value € 117.0 m) and contingent liabilities (provisional value € 6.6 m). In total, deferred tax liabilities were reduced by € 19.1 m and goodwill increased by € 34.8 m.

There was goodwill in the amount of € 362.3 m arising from the acquisition of the DocMorris Group (€ 123.6 m) and acquisitions of the Pharmacies business division (€ 238.7 m). Recognised goodwill arose mainly from anticipated future positive benefits from the relevant acquisitions and the experience of employees acquired.

Condensed Notes

Employees

At the end of the first three quarters of 2008, Celesio had 37,811 employees (head-count), compared with 37,486 in the previous year.

Contingencies and other financial liabilities

During the first three quarters of 2008, there has been no significant change in the contingencies and other financial liabilities shown in the annual financial statements from 31 December 2007.

Notes to segment reporting

Segmentation at Celesio has been carried out in accordance 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 Other. 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 consumer. The Solutions division comprises the provision of logistics services for pharmaceutical manufacturers within the Movianto business unit as well as a strategic cooperation with pharmexx. The activities of the Group's parent company Celesio AG and other non-operational companies are shown under Other. Consolidation measures between 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.

Related party disclosures

Debt-guarantee obligations to associated companies amounted to € 40 m.

Condensed Notes

Other notes

Other expenses and income which is summarised in the group income statement is composed of expenses of € 511.3 m (2007: € 496.8 m) and income of € 126.4 m (2007: € 123.7 m). Of this amount, expenses of € 164.6 m (2007: € 167.5 m) and income of € 42.4 m (2007: € 46.9 m) fell in the 3rd quarter.

In line with the proposal for the distribution of profits for 2007, in this period a dividend of € 131.0 m (€ 0.77 per share) was paid out to shareholders of Celesio AG.

There were no further circumstances to report in the period covered by the interim report.

Stuttgart, 7 November 2008

The Management Board

Review Report

To Celesio AG, Stuttgart,

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and selected explanatory notes, and the interim group management report of Celesio AG, Stuttgart, for the period from January 1, 2008, to September 30, 2008, which are part of the half-year financial report pursuant to Sec. 37w (3) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue an attestation on the interim condensed consolidated financial statements and the interim group management report based on our review.

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

Review Report

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

Stuttgart, 7 November 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

Contacts

Websites

Celesio AG and companies in the Celesio Group

www.celesio.com

Celesio Wholesale

Austria	www.herba-chemosan.at
Belgium	www.pharmabelgium.be
Czech Republic	www.gehe.cz
Denmark	www.maxjenne.dk
	www.tjellesen.dk
France	www.ocp.fr
Germany	www.gehe.de
Norway	www.nmd.no
Slovenia	www.kemofarmacija.si
United Kingdom	www.aah.com

Celesio Wholesale offers pharmacies secure business-to-business solutions

Austria	www.herba-point.at
Germany	www.gehe-point.de
Italy	www.afmpoint.it
United Kingdom	www.aah-point.com

Celesio Pharmacies

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

Celesio Solutions

Movianto	www.movianto.com
Pharmexx	www.pharmexx.com

Contact details and address

Investor Relations

Bernhard Wolf
Corporate Investor Relations
Telephone +49(0)711.5001-735
Telefax +49(0)711.5001-736
investor@celesio.com

Media Relations and Publication Requests

Rainer Berghausen
Corporate Communications
Telephone +49(0)711.5001-549
Telefax +49(0)711.5001-1260
media@celesio.com

General information

This interim report is available in German and English. The German version of the interim report is legally binding.

Celesio AG
Neckartalstrasse 155
70376 Stuttgart
Germany
Telephone +49(0)711.5001-00 (switchboard)
Telefax +49(0)711.5001-1260
service@celesio.com
www.celesio.com

celesio
the healthcare group

www.celesio.com/Contacts