Interim Report, 1st Quarter of 2011

Q1

Pressure increased on pharmaceutical prices in Europe

International DocMorris rebranding launched for our own pharmacies in Ireland

Non-regulated service business strengthened at Lloydspharmacy

Further convertible bond successfully placed

celesio

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Celesio at a glance

Key figures of the Celesio Group		1st quarter 2010	**1st quarter 2011**	Change on a euro basis %	Change adjusted for portfolio and currency effects[4] %
Revenue	EUR m	5,668.3	5,722.9	1.0	– 0.3
EBITDA	EUR m	153.2	141.5	– 7.6	– 7.1
Profit before tax	EUR m	91.2	82.5	– 9.6	–
Net profit/loss	EUR m	59.5	54.7	– 8.1	–
Earnings per share (basic)	EUR	0.34	0.31	– 8.8	–
Earnings per share (basic), adjusted[2]	EUR	0.38	0.31	– 18.4	–
Net cash flow from operating activities	EUR m	– 72.8	– 20.4	72.0	–
Net cash flow from investing activities	EUR m	– 18.0	– 26.9	– 49.4	–
Free cash flow	EUR m	– 111.9	– 65.8	41.2	–
Total assets[1] [3]	EUR m	8,262.2	8,241.4	– 0.3	–
Equity[1] [3]	EUR m	2,410.0	2,618.7	8.7	–
Equity ratio[1] [3]	%	29.2	31.8	–	–
Employees (full-time equivalents)[3]		36,433	36,424	–	–
Retail pharmacies[3]		2,301	2,287	–	–
Wholesale branches[3]		136	133	–	–

[1] Previous-year figures adjusted due to the completion of the purchase price allocation for the Panpharma acquisition.
[2] Adjusted for special effects in the financial result.
[3] Closing figures at the end of the reporting period.
[4] The change adjusted for portfolio and currency effects eliminates the effects of currency translation, consolidation changes, gains/losses on disposal and impairment of goodwill, brands and intangible assets. The figure is also adjusted for changes in the value of shares in ANZAG, which were held up to and including 2010.

Information on the Celesio share	
Share type	No-par value registered shares
Share capital in EUR on 31/03/2011	217,728,000.00
ISIN code	DE000CLS1001
German securities code	CLS 100
German stock exchange code	CLS1
Bloomberg	CLS1 GY
Reuters	CLSGn.DE
Stock exchanges	Xetra; Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart
Indices (selection)	MDAX, MSCI Germany Index, FTSE4Good, ECPI Ethical Index EMU

The Celesio Group

Celesio is one of the leading international service providers within the pharmaceutical and healthcare markets. We are active in 27 countries worldwide and employ approximately 47,000 employees in our three divisions Patient and Consumer Solutions, Pharmacy Solutions and Manufacturer Solutions[1]. Just under 2,300 of Celesio's own retail pharmacies, as part of Patient and Consumer Solutions, serve over 550,000 customers every day. In our wholesale activities, the core business of Pharmacy Solutions, more than 130 wholesale branches deliver to over 65,000 pharmacies – day in, day out. In the Manufacturer Solutions division, we offer pharmaceutical manufacturers logistics, marketing and sales solutions and operate in the area of Efficient Care Pharma.

[1] Total number of employees; equivalent to 36,424 full-time equivalents.

Highlights 2011

Q1

- Pressure increased on pharmaceutical prices in Europe
- International DocMorris rebranding launched for our own pharmacies in Ireland
- Non-regulated service business strengthened at Lloydspharmacy
- Further convertible bond successfully placed

Q2

Q3

Q4

Chairman's letter to the shareholders

Dr Fritz Oesterle
Chairman of the Management Board

Dear shareholders,

Two years ago, we got our growth programme Agenda 2015 underway with three pillars for growth: »increasing profitability«, »optimising portfolios« and »innovation«. From the outset, the most important strategic component of Agenda 2015 was to reduce our dependence on government compensation structures and develop our business in areas not subject to price regulation. As you will have read in our Q1 report for 2009, we set ourselves the target of reducing the significance of the pound sterling and the influence of government-regulated reimbursement structures on our business in the long term.
Developments since then have verified that we were absolutely right in taking this line. Government intervention affecting our profitability increased across Europe. In 2010, we faced government measures with an effect on earnings of about EUR 80m. Our concerted efforts to boost efficiency meant that we not only managed to compensate for this, but were actually able to generate organic growth on top.

For 2011 we anticipate government price measures in excess of EUR 100m. We are not yet in a position to assess whether this is truly an accurate figure for the total burden, or what the actual impact on our earnings development will be. But the first quarter already reveals that an efficiency drive alone is not sufficient to compensate these price measures immediately. As already announced at the end of last year, this means that we will have to accelerate our Agenda 2015 programme – and the transformation of our business in the process. We need to work flat out to expand our activities in markets and areas not subject to regulated margins and significantly increase the share of these in the total business. In the medium to long term, our aim is to achieve a balanced portfolio of business in areas with regulated and non-regulated prices.

In the Patient and Consumer Solutions (PCS) division, we are therefore increasingly turning our focus as part of Agenda 2015 to business that is not subject to regulated margins, such as services and the sale of over-the-counter (OTC) pharmaceuticals and healthcare products. Last year we also took the decision to play a leading role in the market with two brands in future: Lloydspharmacy in the UK and DocMorris in the rest of Europe. With this decision, we have laid the foundations to increase profitability and reduce dependency on regulated areas. Our strong brands enable us to attract new customer groups and realise further synergies in sales and purchasing. To reinforce this strategy we took on new members of management to support the PCS division with their wide knowledge and many years' experience in consumer business.
As a new member of the Management Board, Stephan Borchert will take over management of PCS on 1 September at the latest. He will be backed up by Tony Page, the new Managing Director of Lloydspharmacy since February 2011, and Markus Eckermann, CEO of DocMorris International Retail since August 2010. At DocMorris, we continue to focus on building up the first European pharmacy brand. Over recent months, Lloydspharmacy expanded its service business – where prices are not regulated – with institutions such as care homes for the elderly and prisons in the UK. Furthermore, Lloydspharmacy also needs to realign its pharmacies in the current environment to boost the appeal of its range.

Our development in the Pharmacy Solutions (PS) division was also mixed in the first quarter of this year. We managed to further consolidate our position in the UK. In Brazil, Panpharma performed well above the expectations we had when we decided to acquire it in 2009. In Germany, we had to deal with the challenges of new legislation (Gesetz zur Neuordnung des Arzneimittelmarktes (AMNOG, Act for the Restructuring of the Pharmaceutical Market in Statutory Health Insurance)), and competition in France was extremely fierce. But our efficiency initiatives have clearly taken hold, at least partially reducing competitive pressure on profitability, above all in France and Germany. The current situation highlights the fact that within PS we need to follow the example of Panpharma in Brazil and also expand in growth areas not subject to margin regulation.

As a direct partner of the pharmaceutical industry, the Manufacturer Solutions (MS) division is not directly affected by government regulation of prices or margins. Medco Celesio, our joint venture with Medco, spent several months dealing with the typical difficulties of a pioneer seeking approval from the authorities for a new business model in Germany. Approval has since been granted, albeit later than originally expected in the business plan, and patient care services were launched in Germany several weeks ago.

We are experiencing some delays in the implementation of the Evolve IT project owing to its complexity, the need for further coordination with our outsourcing partner and the simultaneous implementation of SAP, all of which means that we will probably not achieve the full savings potential of EUR 200m until 2018, and not 2015 as planned.

Only by optimising our portfolio will we be able to transform our company into a business offering innovative and in some cases interdisciplinary services with a balance of activities that are subject to price regulation and those which are not. This will also involve acquisitions. In light of the attractive market environment, we therefore diversified our financing base by issuing a new convertible bond at the end of the quarter.

As I am sure you are aware, with the approval of the Supervisory Board I will be stepping down as Chairman of the Management Board of Celesio AG as at 30 June this year. By then I will have spent twelve and a half exciting years at Celesio working with its wonderful employees. During this period everyone has given their all to contribute to the constant development of Celesio. I am therefore delighted that we have succeeded in setting up Agenda 2015, an ambitious and future-oriented programme to safeguard the company's growth. The company is thus well on the way to continuing its positive development in the long term.

Yours sincerely,

Dr Fritz Oesterle

The share

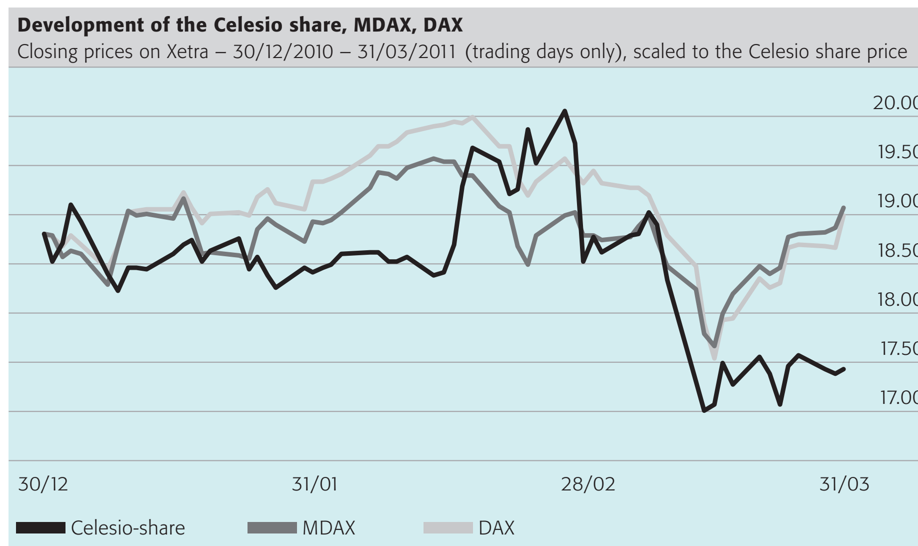
The stock markets

In a global environment characterised by crises, the DAX managed to continue the upward trend of last year in the first quarter of 2011. The German stock market index grew by 0.7% to 7,041 points in the first three months. The increase for the first quarter in this German market indicator is mainly due to a surge in January where it climbed to a three-year high of 7,441 points. The MDAX, which includes the Celesio share in its basket, exhibited a parallel development. In the same period, this midcap index grew by 1.1% as at 31 March 2011 and closed trading for the period at 10,310 points.

The Celesio share

The development of the Celesio share returned to its previous volatility in the first three months of 2011. By the end of February it had climbed to a price of EUR 20.05. In an environment plagued by uncertainty, the share was however unable to maintain the level of the reference indices DAX and MDAX and at the end of March fell to below its opening value for the year. The Celesio share closed at EUR 17.33 on 31 March, a fall of 7.8% in comparison to the beginning of the year. Market capitalisation at the end of the first quarter amounted to EUR 2,947.8m (previous year EUR 4,026.3m). The trading volume of our share on the Xetra market in the reporting period came to 552,934 shares per day, down around 15% on the volume of the comparable period in the previous year.

Development of the Celesio share, MDAX, DAX
Closing prices on Xetra – 30/12/2010 – 31/03/2011 (trading days only), scaled to the Celesio share price



Investor relations

Our company places great value on intensive dialogue with the capital market. In the first three months of the current fiscal year, we were involved in numerous discussions with existing and potential investors and with analysts. Our annual analyst and investor conference was held in Stuttgart on 23 March and provided an opportunity to report on the development of Celesio in the 2010 fiscal year, our Agenda 2015 strategic growth programme as well as the outlook for 2011. We also held presentations on our DocMorris pharmacies and the Pharmacy Solutions und Manufacturer Solutions divisions.

Further information on the company, the Celesio share, upcoming events and publications can be found in the investor relations section of our website at www.celesio.com.

Key share figures		1st quarter 2010	**1st quarter 2011**
Number of shares outstanding[1]	million	170.1	170.1
Market capitalisation[1]	EUR m	4,026.3	2,947.8
Closing price[1] [2]	EUR	23.67	17.33
High[2]	EUR	24.40	20.05
Low[2]	EUR	17.51	16.99
Average Xetra trading volume per day	shares	653,205	552,934

[1] Closing figures as at 31 March 2011.
[2] Xetra closing rate, source: Bloomberg.

Interim management report

Economic environment

The global economic upturn continued in the first three months of 2011. Emerging economies exhibited a particularly dynamic development. The earthquake and nuclear disaster in Japan and the political unrest in northern Africa have not yet dampened growth.

Government intervention in prices and margins, however, did have major repercussions for our business, especially in Germany and the UK, even though the pharmaceutical markets themselves were actually stable. The overall burden in the first quarter of 2011 amounted to some EUR 29m.

Revenue and earnings development

Between January and March 2011, our **group revenue** increased by 1.0% on the previous period to EUR 5,722.9m. The development of exchange rates had a positive effect on growth, particularly the pound sterling, Brazilian real and Norwegian kroner, while government intervention had a negative effect. Adjusted for portfolio and currency effects, group revenue decreased slightly by 0.3%.

Group revenue by country	1st quarter 2010 EUR m	**1st quarter 2011** EUR m	Change on a euro basis %	Change in local currency %
France	1,706.7	1,701.0	– 0.3	– 0.3
United Kingdom	1,138.5	1,178.1	3.5	– 0.5
Germany	1,075.0	1,071.8	– 0.3	– 0.3
Brazil	326.0	392.2	20.3	10.1
Austria	259.9	262.4	1.0	1.0
Norway	242.6	249.4	2.8	– 0.7
Other	919.7	868.0	– 5.6	– 6.6
Total	**5,668.3**	**5,722.9**	**1.0**	**– 0.7**

We increased our **gross profit** by 2.1% to EUR 692.5m in the first quarter of 2011 compared to the previous year. Adjusted for portfolio and currency effects, the gross profit increased by 0.9%. The gross profit margin also increased slightly to 12.1% (previous year 12.0%).

Other income increased by 0.9% to EUR 45.2m. Adjusted for portfolio and currency effects, this represents a rise of 0.4%.

Other expenses were up 2.7% on the previous year at EUR 226.9m. The main reasons for this development were higher transport costs, which reflected a larger volume, the increase in IT expenses related to the SAP roll-out and a delay of several years in the implementation of the Evolve IT project. Adjusted for portfolio and currency effects, other expenses increased by just 0.8%.

Personnel expenses amounted to EUR 371.5m in the reporting period. The 4.8% increase is above all attributable to higher wage costs and settling contractual claims arising from the premature exit of the Chairman of the Management Board. Adjusted for portfolio and currency effects, personnel expenses increased by 3.9%.

The **investment result**, comprising the result from associates accounted for using the equity method as well as the result from other investments, came to EUR 2.2m, compared to EUR 5.5m in the previous year. The decrease is mainly the result of selling the investment in Andreae-Noris Zahn AG (ANZAG) as at 18 October 2010. Primarily thanks to the dividends paid out in the first quarter of 2010, the ANZAG investment made a positive contribution to earnings in this period. With effect as at 1 December 2010, the investment result includes the Dutch investment Brocacef Holding, which is recognised under associates, as well as the joint venture Medco Celesio.

EBITDA (earnings before interest, taxes, depreciation and amortisation) decreased by 7.6% in a year-on-year comparison to EUR 141.5m. The EUR 11.7m drop is mainly attributable to additional government burdens of EUR 28.9m. We have already compensated for more than half of this amount. Adjusted for portfolio and currency effects, the decrease came to 7.1%. Currency effects were positive. Structural measures already implemented in the previous year also had an impact. These measures include the contribution of our Dutch pharmacies to Brocacef Holding and the sale of our investment in ANZAG. These were accompanied by strategic investments such as start-up expenses for the joint venture Medco Celesio and our pharmacy chain in Sweden. The Group's EBITDA margin was 2.5% in the reporting period (previous year 2.7%).

Amortisation of intangible assets and **depreciation** of property, plant and equipment increased by 5.2% to EUR 32.7m, mainly as a result of the increase in software investments as part of optimisation and restructuring processes. Adjusted for portfolio and currency effects, amortisation and depreciation increased by 3.3%.

The **financial result** – the balance of the items interest expense, interest income and other financial result – came to EUR – 26.3m, compared to EUR – 31.0m in the previous year. This is primarily due to non-cash currency effect of EUR 6.6m (previous year EUR – 4.8m), which is included in the other financial result and stem from revaluing the purchase price liability for outstanding Panpharma shares with the period-and exchange rate. Also included under interest expense are further special effects such as the unwinding of the purchase price liability for the acquisition of the remaining Panpharma shares and the application of the effective interest rate method for the convertible bond issued in October 2009. Adjusted for these special effects of EUR 0.3m (previous year EUR – 4.9m), the financial result came to EUR – 26.6m (previous year EUR – 26.1m). The new convertible bond was placed in March 2011 but the value date was 7 April 2011 and therefore has no effect on the financial statements in the first quarter.

Profit before tax came to EUR 82.5m and was thus down 9.6% on the previous year.

Based on the lower profit before tax, the **tax expense** decreased to EUR 27.8m (previous year EUR 31.7m), resulting in a **tax rate** of 33.7% (previous year 34.8%). The tax rate went down mainly because the special effects described in the section on the financial result are not tax deductible. Adjusted for these special effects, the tax rate would have been 34.5% (previous year 32.4%).

Net profit came to EUR 54.7m compared to EUR 59.5m in the comparative previous-year period.

Our basic **earnings per share** fell to EUR 0.31 (previous year EUR 0.34).

Revenue and earnings development of the Celesio Group	1st quarter 2010		**1st quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects
	EUR m	% of revenue	EUR m	% of revenue	%	%
Revenue	5,668.3	100.0	5,722.9	100.0	1.0	– 0.3
Gross profit	678.4	12.0	692.5	12.1	2.1	0.9
EBITDA	153.2	2.7	141.5	2.5	– 7.6	– 7.1
Profit before tax	91.2	1.6	82.5	1.4	– 9.6	–
Net profit	59.5	1.0	54.7	1.0	– 8.1	–

Patient and Consumer Solutions division

Market environment and business development

In the first quarter of 2011 we began to implement our plan to realign the brand strategy in the Patient and Consumer Solutions division. In future, we will focus on two pharmacy brands: Lloydspharmacy in the UK and DocMorris elsewhere. The European-wide DocMorris business is managed by the DocMorris International Retail unit. We have already launched our rebranding efforts for pharmacies in Ireland.

As announced, our reporting structure in the Patient and Consumer Solutions division was adjusted to the new alignment and organisation of our pharmacy business with effect as at 1 January 2011. From this date onwards, our disclosures for this division relate to the »Pharmacies« business area and »Other business areas«. In the »Pharmacies« business area a distinction is made between DocMorris and Lloydspharmacy. These each consist of the retail pharmacies and mail-order pharmacies. DocMorris additionally includes the brand partnership business. We report our investment in Brocacef Holding in the Netherlands under »Other business areas«. We contributed our Dutch pharmacies to Brocacef Holding last year.

As at 31 March 2011, we operated a total of 2,287 pharmacies, 14 fewer than as at 31 March 2010. The 63 Dutch pharmacies that we contributed to Brocacef Holding are no longer included in these figures. In addition, since 31 March 2010 we have opened 63 new pharmacies, acquired five and closed or sold 19. As in 2010, we optimise our market position in a way that conserves capital by opening new pharmacies rather than making acquisitions. In the first quarter of 2011, we opened ten pharmacies (previous year seven), of which eight were in Sweden.

The UK remains Celesio's most important country for pharmacies. Our British pharmacy chain Lloydspharmacy contributed 59.4% to revenue of the Pharmacies business unit in the first three months of the current fiscal year (previous year 57.3% on a comparative basis). Despite the burden of government intervention as at 1 October 2010 and continuing poor consumer confidence in the UK, which negatively affected the OTC business in particular, Lloydspharmacy was able to keep revenue at about the previous-year level in the first three months. We managed this thanks to the increase in the volume of prescriptions as well as double-digit growth in the service business with institutions, which is not subject to price regulation. This business includes supply agreements for care homes for the elderly, prisons and similar institutions.

In the Netherlands we combined our Dutch pharmacy activities with those of Phoenix in Brocacef Holding at the end of 2010. This step has strengthened both companies' position on the Dutch pharmacy market by leveraging volume and synergy effects. At present we hold a 45% interest in Brocacef Holding. With a total of 113 of its own pharmacies and around 30 run by franchise partners, Brocacef occupies second place on the Dutch pharmacy market. Starting from 1 December 2010, the investment in Brocacef is included in Celesio's consolidated financial statements as an associate under other business areas. Brocacef Holding contributed EUR 0.5 million to the division's EBITDA in the first quarter.

Characterised by start-up expenses in Sweden, operations of DocMorris International are going well despite government measures.

We have already launched our rebranding efforts for pharmacies in Ireland. Before the end of 2012, all of our Irish pharmacies are to be captured under the DocMorris brand. Over the coming years, we will operate all of our 600 pharmacies outside the UK under the DocMorris brand. Rebranding in Ireland is the first strategic step in setting up the strongest pharmacy chain in Europe.

Following our successful entry to the Swedish market in 2010 with 50 new pharmacies, we built on this positive development by opening eight new pharmacies in the first quarter of 2011. With better service, longer opening times, fair prices and a modern look, our pharmacy chain is well established among patients and consumers in Sweden. Our aim is to be represented in Sweden with at least 100 of our own DocMorris pharmacies, if possible by the end of this year. The one-off expenses and start-up losses associated with market entry in Sweden is of course still impacting on the earnings development of the Patient and Consumer Solutions division.

Revenue and earnings development

Revenue increased slightly by 1.0% to EUR 862.7m in the Patient and Consumer Solutions division. Adjusted for portfolio and currency effects, the increase came to 0.5%.

Gross profit also increased slightly by 2.3% to EUR 289.2m. Adjusted for portfolio and currency effects, gross profit rose by 1.5%. The gross profit margin improved to 33.5% (previous year 33.1%), largely on account of the changed product mix at DocMorris and new service agreements with Lloydspharmacy.

EBITDA fell by 16.3% to EUR 49.8m. The key contributory factors were the deconsolidation of our Dutch pharmacies in return for the investment in Brocacef Holding recognised using the equity method, start-up expenses for our pharmacy chain in Sweden, government measures (above all in the UK) as well as operating and organisational expenses for the new management organisation DocMorris International Retail. Other business areas generated EBITDA of EUR 0.5m. This includes the investment result from Brocacef whose business was once again affected by government measures. The previous-year figures were adjusted to reflect the change in the reporting structure.

Revenue and earnings development Patient and Consumer Solutions		1st quarter 2010[1]		**1st quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects
		EUR m	% of revenue	EUR m	% of revenue	%	%
Pharmacies	Revenue	854.4	100.0	862.7	100.0	1.0	0.5
	Gross profit	282.8	33.1	289.2	33.5	2.3	1.5
	EBITDA	59.5	7.0	49.3	5.7	– 17.1	– 15.8
Other business areas	Revenue	–	–	–	–	–	–
	Gross profit	–	–	–	–	–	–
	EBITDA	–	–	0.5	–	–	–
Total	Revenue	854.4	100.0	862.7	100.0	1.0	0.5
	Gross profit	282.8	33.1	289.2	33.5	2.3	1.5
	EBITDA	59.5	7.0	49.8	5.8	– 16.3	– 15.8

[1] Figures adjusted to reflect new reporting structure.

Pharmacy Solutions division

Market environment and business development

The **pharmaceutical wholesale** business is generally solid and, if at all, only indirectly affected by economic cycles, which is anchored in a relatively stable market environment. However, at present even the pharmacy wholesale business is more affected than usual by government spending cuts in response to the strained public purses across Europe. Prices for medicines and wholesale margins were reduced.

The number of wholesalers came to 133 as at the end of the first quarter. This is three fewer than in the previous-year period. In the course of ongoing efforts to optimise our branch structure, we decreased the total number of branches in our network by two in France (six closures, four new openings) and by one in Norway.

Based on the weak market development and persistently fierce competition, our French wholesaler OCP also failed to develop as well as in the previous-year period. However, we did meet our target of stabilising OCP's market share.

We were burdened by the higher manufacturer discount introduced in August 2010 and the price moratorium effective 1 August 2010 to 31 December 2013 that was imposed by the federal government on reimbursable medicines. These were the result of Gesetz zur Änderung krankenversicherungsrechtlicher und anderer Vorschriften (GKV-Änderungsgesetz, German Act Introducing Changes to the Law governing Statutory Health Insurers and Other Provisions). In Germany, AMNOG came into force on 1 January 2011, introducing a mandatory rebate for wholesalers of 0.85% on the manufacturer selling price and negatively affecting GEHE's earnings. We were not yet able to pass on these burdens by reducing discounts in the first quarter of 2011. This, coupled with tougher competition, cut margins.

As in the previous year, our British wholesaler AAH enjoyed positive earnings development. Although revenue fell, we were able to significantly raise margins thanks to improved operating processes.

Business at our wholesaler Panpharma remains on course for success. In addition to excellent revenue growth of 20.3% in the first quarter of 2011, earnings also developed very well.

Other business areas of the Pharmacy Solutions division incorporate Rudolf Spiegel Versand for pharmacy and laboratory equipment and Inten, the property developer for pharmacies. Rudolf Spiegel Versand is currently active in seven European countries. Despite a slight decrease in revenue, the business area made a significantly positive contribution to earnings thanks to good cost management.

Revenue and earnings development

The Pharmacy Solutions division generated revenue of EUR 4,703.6m in the reporting period, equivalent to an increase of 0.9%. For the most part, this is attributable to the Wholesale business area where revenue was up 0.9% to EUR 4,702.4m. Other business areas contributed EUR 1.2m (previous year EUR 1.3m) to revenue in the division. Adjusted for portfolio and currency effects, revenue fell by 0.5%, mainly as a result of government measures in Germany as well as the poor market development and ongoing pressure from competition in France.

The **gross profit** in the Pharmacy Solutions division increased by 2.6%, while the gross profit margin increased by 0.1 percentage points to 6.5% in the comparative period. Adjusted for portfolio and currency effects, the gross profit increased by 0.7%.

We managed to increase **EBITDA** by 3.3% to EUR 111.5m. However, adjusted for portfolio and currency effects, this was equivalent to an increase of 0.3% compared to the previous year. The good development in Brazil and the UK was not sufficient to fully make up for the burdens in France and Germany. In the Wholesale business area, EBITDA came to EUR 111.3m, and thus exceeded the previous-year figure by 2.9%. EBITDA of other business areas improved to EUR 0.2m (previous year EUR – 0.4m).

Revenue and earnings development Pharmacy Solutions		1st quarter 2010		**1st quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects
		EUR m	% of revenue	EUR m	% of revenue	%	%
Wholesale	Revenue	4,658.5	100.0	4,702.4	100.0	0.9	– 0.1
	Gross profit	295.6	6.3	303.3	6.4	2.6	14.4
	EBITDA	108.3	2.3	111.3	2.4	2.9	39.5
Other business areas	Revenue	1.3	100.0	1.2	100.0	– 2.3	–
	Gross profit	0.6	45.3	0.6	51.9	11.8	–
	EBITDA	– 0.4	– 28.2	0.2	13.3	–	–
Total	Revenue	4,659.8	100.0	4,703.6	100.0	0.9	– 0.5
	Gross profit	296.2	6.4	303.9	6.5	2.6	0.7
	EBITDA	107.9	2.3	111.5	2.4	3.3	0.3

Manufacturer Solutions division

Market environment and business development

With its service offering, the Manufacturer Solutions division is mainly geared towards the pharmaceutical industry. Unlike our pharmacy and wholesale activities, it is therefore essentially only indirectly affected by government intervention in pricing, a reason why it is one of our areas of growth for the future.

As announced, the business areas of the Manufacturer Solutions division were renamed »Logistics Solutions«, »Marketing Solutions« and »Efficient Care Pharma« upon conversion to the new reporting structure in the first quarter of 2011.

The **Logistics Solutions** business area, including Movianto, saw its business volume grow significantly. Some contracts were lost in the UK and we were not able to make up for these, which led to a significantly lower result compared to the same quarter of the previous year. Contract business is typically volatile with changes at short notice. We welcomed the strategically important direct-to-pharmacy agreement that Movianto concluded with a leading international pharmaceutical manufacturer in Ireland in the first quarter.

We are on target in the **Marketing Solutions** business area, which Pharmexx is part of. Despite the effects of losing contracts from the previous year, earnings improved significantly, mainly because non-recurring expenses for integration and restructuring were no longer included.

In the **Efficient Care Pharma** business area, which includes the joint venture Medco Celesio as well as Evolution Homecare, start-up losses and start-up expenses were incurred according to plan. It was not yet possible to contribute the mail-order pharmacy DocMorris to the joint venture Medco Celesio due to outstanding procedural issues. As a result, it continues to be disclosed under the Pharmacies business area.

Earnings development

The Manufacturer Solutions division earned **gross profit**[1)] of EUR 99.4m and is therefore on the previous-year level. In the Logistics Solutions business area gross profit was up 7.9% to EUR 46.0m in the period from January to March 2011. In contrast, the Marketing Solutions business area saw it fall 6.3% to EUR 52.9m. Efficient Care Pharma generated gross profit of EUR 0.5m (previous year EUR 0.4m).

The division's lower **EBITDA** of EUR 2.8m (previous year EUR 3.9m; decrease of 29.7%) is attributable to the start-up costs at Medco Celesio as well as contract losses in the UK in the Logistics Solutions business area, which we were not yet able to make up for. This was compensated by the higher contribution to earnings made by the Marketing Solutions business area, which was burdened by non-recurring effects in the previous year. EBITDA in this business area increased by 28.0% to EUR 2.1m (previous year EUR 1.7m).

Earnings development Manufacturer Solutions		1st quarter 2010		**1st quarter 2011**		Change on a euro basis	Change adjusted for portfolio and currency effects
		EUR m	% of gross profit	EUR m	% of gross profit	%	%
Logistics Solutions	Gross profit	42.6	100.0	46.0	100.0	7.9	6.2
	EBITDA	3.1	7.4	2.4	5.1	– 25.5	– 24.6
Marketing Solutions	Gross profit	56.4	100.0	52.9	100.0	– 6.3	– 5.3
	EBITDA	1.7	2.9	2.1	4.0	28.0	34.5
Efficient Care Pharma	Gross profit	0.4	100.0	0.5	100.0	43.3	40.9
	EBITDA	– 0.9	–	– 1.7	–	– 93.8	– 4.7
Total	Gross profit	99.4	100.0	99.4	100.0	0.0	– 0.2
	EBITDA	3.9	3.9	2.8	2.8	– 29.7	– 6.5

1) The key performance indicator of relevance for the Manufacturer Solutions division is the absolute gross profit generated instead of revenue. This is because our customers normally pay fees for services; trading revenue is generated only in exceptional cases. In the Logistics Solutions business area, the gross profit is calculated as the sum of fee income plus a retail margin; in the Marketing Solutions business area, gross profit is essentially equivalent to revenue. The gross profit margin is not a meaningful figure for the Manufacturer Solutions division due to the specific structure of its revenue.

Financial position

Net cash flow from operating activities came to EUR – 20.4m, in the previous year of EUR – 72.8m. A positive impact came from the higher group EBITDA and the lower decrease in cash and cash equivalents adjusted for consolidation and currency effects from the change in net working capital[1]. Compared to the figure as at 31 March 2010, we were again able to slightly improve our net working capital in days, a measurement of how long capital is tied up.

Net cash flow from investing activities increased from EUR – 18.0m in the previous year to EUR – 26.9m. The higher outflow primarily stems from the cash paid for business combinations, amounting to EUR 4.0m (previous year EUR 3.4m). Capital expenditures increased from EUR – 3.3m to EUR – 29.2m. These mainly include investment in our wholesale branch network, realignment of pharmacies, setting up our Swedish pharmacy chain and investment in IT. Proceeds on the disposal of non-current assets increased by EUR 0.8m to EUR 5.5m.

Free cash flow improved to EUR – 65.8m based on the lower cash outflow from operating activities compared to EUR – 111.9m in the first quarter of 2010.

Celesio Group statement of cash flows	1st quarter 2010 EUR m	**1st quarter 2011** EUR m
Net cash flow from operating activities	– 72.8	– 20.4
Net cash flow from investing activities	– 18.0	– 26.9
Interest paid	– 21.1	– 18.5
Free cash flow	**– 111.9**	**– 65.8**
Payments made to shareholders	0.0	– 0.1
Net cash flow from change in borrowings	78.7	– 51.9
Net change in cash and cash equivalents	**– 33.2**	**– 117.8**
Net foreign exchange difference	5.7	– 5.6
Change in cash and cash equivalents	**– 27.5**	**– 123.4**

Assets position

The Celesio Group had **total assets** of EUR 8,241.4m as at 31 March 2011, a decrease of EUR 161.3m compared to total assets as at 31 December 2010. The decrease largely attributable to exchange rate differences of EUR 98.1m. Inventories and cash and cash equivalents also dropped significantly. The group's gearing, which expresses the ratio of net financial debt to equity, came to 0.68 compared to 0.66 as at the reporting date of the previous year.

[1] Net working capital is calculated as the difference between current operating assets (inventories, trade receivables and other assets) and current operating liabilities (trade payables, provisions and other liabilities).

Non-current assets decreased by a total of EUR 49.9m to EUR 3,400.9m compared to the end of 2010. Intangible assets decreased by EUR 31.2m to EUR 2,514.7m, while property, plant and equipment fell by EUR 8.2m to EUR 584.1m. This development was mainly due to currency effects.

Compared to the end of 2010, **current assets** decreased by EUR 111.4m to EUR 4,840.5m. Inventories were a significant driver in this development, falling EUR 121.7m to EUR 1,566.4m, as were cash and cash equivalents which were down EUR 123.4m to EUR 77.4m. On the other hand, trade receivables increased by EUR 113.0m to EUR 2,635.0m, above all due to the increase of one day in the payment term for the monthly reimbursement from the National Health Service (NHS) in the UK compared to the year-end 2010.

At EUR 2,618.7m, **equity** was up EUR 17.6m compared to the end of the previous year. This is mainly due to the EUR 53.3m increase in revenue reserves based on the net profit for the period. This was offset by the decrease of EUR 36.9m in the revaluation reserves, which reflects the development in the translation reserves. The equity ratio rose slightly to 31.8% compared to 31.0% as at 31 December 2010.

Non-current liabilities came to EUR 2,192.4m, a decrease of EUR 100.2m. This development is almost solely attributable to the EUR 94.3m fall in financial liabilities to EUR 1,695.3. In addition, other non-current provisions were down by EUR 11.8m to EUR 108.5m. Pension provisions and other liabilities increased on the other hand, up EUR 3.7m to EUR 145.8m and EUR 1.3m to EUR 155.6m, respectively. The increase in other liabilities was mainly due to unwinding the discount on the purchase price liability for Panpharma.

Current liabilities decreased by EUR 78.7m to EUR 3,430.3m. The major factor in this was the fall of EUR 89.6m in trade payables to EUR 2,425.0m. Income tax liabilities also saw a fall in the eight-digit range, down EUR 10.4m to EUR 61.9m. Other current provisions decreased by EUR 9.4m to EUR 152.6m. This was partially offset by the EUR 36.2m increase in financial liabilities to EUR 169.9m.

Employees

As at 31 March 2011 the Celesio Group had 36,424 employees (previous year 36,433 employees).[1] This represents a stable development, although there were small changes within the divisions. At the end of the reporting period, Celesio had 15,371 employees (previous year 15,852) in the Patient and Consumer Solutions division, 13,789 (previous year 13,995) in the Pharmacy Solutions division and 6,986 (previous year 6,297) in the Manufacturer Solutions division. The remaining employees worked at the holding.

[1] Effective this fiscal year we now disclose the headcount as full-time equivalents and adjusted the previous-year figures accordingly.

Changes to the Management Board

Following more than twelve years as Chairman of the Management Board of Celesio AG, Fritz Oesterle and the Supervisory Board came to an amicable agreement that he will leave the company as at 30 June 2011. The Supervisory Board has officially approved the premature termination of Dr Oesterle's appointment as Chairman of the Management Board.

The Supervisory Board of Celesio AG has appointed Stephan Borchert to the Management Board. He joins us from his previous role as Managing Director and General Manager International at Parfümerie Douglas GmbH. From 1 September 2011 at the latest, the 41 year-old will assume overall responsibility for the Patient and Consumer Solutions division, which combines Celesio's international pharmacy business at 2,300 locations.

Subsequent events

Convertible bond

With the approval of the Supervisory Board, the Management Board of Celesio AG passed a resolution on 29 March to issue a non-subordinated guaranteed convertible bond. The convertible bond was issued by Celesio Finance B.V. (the Issuer), a wholly owned subsidiary of Celesio AG, and guaranteed by Celesio AG.

The convertible bond has a volume of EUR 350m and a term of seven years. It has a coupon of 2.50% and the initial conversion price has been set at EUR 22.48.

The value date was 7 April 2011.

Issuing the convertible bond takes advantage of the good market conditions for long-term financing of the group while also diversifying the sources of financing and our investor base.

Celesio AG will use the cash flow generated from the bond issue for general purposes at the company, such as expanding DocMorris to be the first international chain of pharmacies in Europe.

Outlook

Economic development

After recovering noticeably in 2010, the growth rate of the global economy is expected to slow slightly in 2011. The International Monetary Fund (IMF) forecasts global gross domestic product (GDP) growth of 4.4% for 2011, compared to growth of 5.0% in 2010. This growth will primarily be driven by domestic demand in emerging economies. While GDP is expected to rise by 1.6% in the euro zone in 2011, the IMF anticipates growth of 4.5% in Brazil, for example.

Nevertheless, the extraordinarily high sovereign debt of a number of European states and the USA, in particular, coupled with the future monetary policies of the central banks pose risks to the general economic upturn. For this reason, we are working on the assumption that public budgets will remain extremely tight in 2011, at least within Europe. We therefore expect continued pressure on government healthcare systems to contain their costs, which will go hand in hand with restrictions on the healthcare costs borne by the government, i.e. on what is referred to as the primary healthcare market. Generic medicines will become increasingly popular in Europe and in Brazil as patents for a large number of top-selling pharmaceuticals expire. In light of the value placed on health, in the secondary healthcare market, in which patients and consumers pay for the products and services themselves, demand is less dependent on economic cycles than other consumer goods markets.

Business development

Patient and Consumer Solutions

In the coming years, we will successively implement our new brand strategy to concentrate our pharmacy business activities on two brands: Lloydspharmacy in the UK and DocMorris elsewhere. After opening the first 50 pharmacies in Sweden in 2010, we intend to drive forward the expansion at a similar rate and with the same dedication in 2011. Our focus when setting up new pharmacies is on selecting attractive locations. The start-up expenses associated with setting up our pharmacy chain in Sweden will burden the result of the business area in 2011; we have planned for this in our budget. We also began rebranding our 72 Irish pharmacies under the DocMorris umbrella in the first quarter of 2011. The process is scheduled for completion in Ireland in the course of 2012. We expect a clear rise in the number of brand and franchise partners in Germany in 2011 after having completely revised and extended the brand partnership concept in 2010. We expect the spread of our DocMorris brand to have a positive impact on earnings from 2012 onwards.

It is already foreseeable that government intervention will dampen profitability in the Patient and Consumer Solutions division in a whole range of countries in 2011. This particularly applies to pharmacies in the UK, Ireland and the Netherlands. A drastic reduction in the prices paid for generic medicines was introduced last October and, compared to the previous year, will burden the total UK pharmacy market by approximately GBP 225m on a full-year basis plus an additional EUR 50m from April 2011. This will affect the Lloydspharmacy business accordingly. In Ireland, reimbursement prices for generic medicines were also cut by a significant 40%. Further price cuts were implemented as at 1 January 2011.

It is not possible at this stage to make any reliable forecast as to whether there will be any further government intervention in the compensation paid to pharmacies.

Pharmacy Solutions
In the Pharmacy Solutions division, we expect the European pharmaceutical wholesale business to develop solidly. In France, we need to be prepared once again for an extremely challenging market environment and do not expect any short-term improvement in the discount-driven price war. In Germany, the Gesetz zur Neuordnung des Arzneimittelmarktes (AMNOG, Act for the Restructuring of the Pharmaceutical Market in Statutory Health Insurance), came into force on 1 January 2011 and, among other things, introduces a mandatory rebate for wholesalers of 0.85% on the manufacturer price. On the other hand, we predict significantly higher growth rates in the Brazilian pharmaceutical market and the related pharmaceutical wholesale market than in Europe, with considerably less government intervention. We expect the earnings of the other business areas to continue developing positively.

Manufacturer Solutions
The contract-based business of the Logistics Solutions business area is naturally more volatile and therefore more difficult to predict than the wholesale business, for example. The loss of a contract with one of our larger customers in the UK will be noticed in 2011. We expect there to be a stable business development in 2011 based on the reorganisation measures already completed in 2010 as well as the fact that our customer base is fairly wide for the contract business.

Following the full acquisition of Pharmexx in the previous year, we defined restructuring measures more closely. We expect positive contributions to earnings and significant growth over the course of 2011.

The development of the new business area, Efficient Care Pharma, will be dominated by the start-up costs of the joint venture, Medco Celesio. Consequently, we have planned for this business area to burden the division’s result in 2011.

Investments and capital expenditures
We expect our investments and capital expenditures to rise in 2011 in comparison to 2010. This is primarily a result of additional investments in standardising and modernising our group-wide IT applications and implementing our brand strategy in the Patient and Consumer Solutions division, and the associated redesign of our pharmacies outside of the UK. We therefore also expect to make further capital expenditures on our Lloydspharmacy chain to prepare it for current developments on the UK pharmacy market. We expect to invest a similar amount in our chain of pharmacies in Sweden as in 2010. Investments in possible acquisitions have not been considered because they cannot be planned with sufficient certainty.

Financial result and tax rate
The special effects described in the financial result section under revenue and earnings development will continue to have an impact throughout the 2011 fiscal year. The group's tax rate may be influenced by a change in the mix of earnings returned by the different countries in which the group operates or a change in the specific effective tax rates in each country. It may fluctuate over the year. However, we do not expect any material variances as at the end of the fiscal year compared to the previous year.

Employees
Based on the current situation, we do not expect the number of employees to change significantly in 2011.

Risks and opportunities
We use high-performance systems to identify, measure and track opportunities and risks. The major opportunities and risks relevant to us are described in detail from page 100 onwards of the annual report 2010. The risks presented there essentially remain unchanged. The following opportunities and risks are relevant for the development of our business and earnings in the 2011 fiscal year:

- With our core activities in the pharmacy business and pharmaceutical trade, we are active in markets in which the compensation structures are highly regulated. Any changes to these compensation structures could impact the development of our earnings.
- As we have business activities in different currency areas, significant exchange rate fluctuations impacted our earnings. Because a large proportion of our business is in the UK, the pound sterling is of greatest relevance, followed by the Brazilian real and the Norwegian krone.
- Our OTC revenue, which accounts for around 20% of group revenue, can be influenced by changes in the economic environment.

Earnings forecast 2011
Further government intervention will have a significant impact on our earnings in the 2011 fiscal year, particularly in the pharmacies business in the UK and the pharmaceutical wholesale business in Germany. The effects currently foreseeable will reduce group EBITDA by more than EUR 100m. We expect to be able to compensate for these effects to a large extent based on the development in other divisions and our initiatives to improve profitability as part of Agenda 2015. We have assumed here that exchange rates will remain stable in comparison to the end of March 2011.

In addition the further government measures already mentioned, our income statement is also expected to reflect the structural changes from streamlining the portfolio in 2010. These were the sale of our investment in ANZAG and the deconsolidation of our Dutch pharmacies. These were replaced by our investment in Brocacef Holding which is recognised using the equity method.

The foundation of the Medco Celesio joint venture and expansion of our chain of pharmacies in Sweden are associated with start-up expenses. We consider these investments to be a way to add value and a strategic investment in Celesio's future. Unlike the government measures, we will not be able to completely make up for these structural effects in the short term.

In spite of government intervention in our core business, our initiatives in all of the pillars for growth of Agenda 2015 are proving to be the right tools and levers to attain both the strategic goals and growth targets of Agenda 2015. Action taken in the »optimising the portfolio« and »innovation« pillars could prove decisive for the development of the 2011 fiscal year.

Stuttgart, 6 May 2011

The Management Board

Interim condensed financial statements

Group income statement for the 1st quarter of 2011

	1st quarter of 2010 EUR m	**1st quarter of 2011** EUR m
Revenue	**5,668.3**	**5,722.9**
Own work capitalised	0.1	0.1
Total operating performance	**5,668.4**	**5,723.0**
Cost of raw materials, consumables and supplies and of purchased goods	– 4,990.0	– 5,030.5
Gross profit	**678.4**	**692.5**
Other income	44.8	45.2
Other expenses	– 221.0	– 226.9
Personnel expenses	– 354.5	– 371.5
Result from associates accounted for using the equity method	0.2	– 0.2
Result from other investments	5.3	2.4
EBITDA	**153.2**	**141.5**
Amortisation, depreciation and impairment	– 31.0	– 32.7
EBIT	**122.2**	**108.8**
Interest expense	– 29.3	– 36.0
Interest income	3.6	2.1
Other financial result	– 5.3	7.6
Profit before tax	**91.2**	**82.5**
Income taxes	– 31.7	– 27.8
Net profit	**59.5**	**54.7**
Profit attributable to non-controlling interests	1.4	1.4
Profit attributable to shareholders of Celesio AG	**58.1**	**53.3**
Earnings per share – basic (EUR)	**0.34**	**0.31**
Earnings per share – diluted (EUR)	**0.34**	**0.31**

Group statement of comprehensive income for the 1st quarter of 2011

	1st quarter of 2010 EUR m	**1st quarter of 2011** EUR m
Net profit	**59.5**	**54.7**
Other comprehensive income		
Gains/losses from marking available-for-sale financial assets to market	– 0.9	0.0
Of which income taxes	*0.5*	*0.0*
Gains/losses from derivative financial instruments to hedge cash flows	– 15.0	7.3
Of which income taxes	*0.9*	*– 3.9*
Exchange differences	16.2	– 44.3
Of which non-controlling interests	*0.0*	*– 0.1*
Other comprehensive income	**0.3**	**– 37.0**
Comprehensive income	**59.8**	**17.7**
Share of comprehensive income attributable to non-controlling interests	1.4	1.3
Share of comprehensive income attributable to shareholders of Celesio AG	**58.4**	**16.4**

Group statement of financial position as at 31 March 2011

Assets	31/12/2010 EUR m	**31/03/2011 EUR m**
Non-current assets		
Intangible assets	2,545.9	2,514.7
Property, plant and equipment	592.3	584.1
Associates accounted for using the equity method	80.6	77.9
Other financial assets	107.6	105.1
Income tax receivables	3.1	2.9
Deferred tax assets	121.3	116.2
	3,450.8	**3,400.9**
Current assets		
Inventories	1,688.1	1,566.4
Trade receivables	2,522.0	2,635.0
Income tax receivables	28.9	28.5
Other receivables and other assets	365.5	387.4
Cash and cash equivalents	200.8	77.4
Non-current assets held for sale	2.5	2.5
Assets of a disposal group classified as held for sale	144.1	143.3
	4,951.9	**4,840.5**
Total assets	**8,402.7**	**8,241.4**

Equity and liabilities	31/12/2010 EUR m	**31/03/2011 EUR m**
Equity		
Issued capital	217.7	217.7
Capital reserves	1,145.2	1,145.2
Revenue reserves	1,393.7	1,447.0
Revaluation reserves	– 167.4	– 204.3
Equity attributable to shareholders of Celesio AG	**2,589.2**	**2,605.6**
Non-controlling interests	11.9	13.1
	2,601.1	**2,618.7**
Liabilities		
Non-current liabilities		
Financial liabilities	1,789.6	1,695.3
Pension provisions	142.1	145.8
Other non-current provisions	120.3	108.5
Other liabilities	154.3	155.6
Deferred tax liabilities	86.3	87.2
	2,292.6	**2,192.4**
Current liabilities		
Financial liabilities	133.7	169.9
Trade payables	2,514.6	2,425.0
Other current provisions	162.0	152.6
Income tax liabilities	72.3	61.9
Other liabilities	584.9	585.4
Liabilities of a disposal group classified as held for sale	41.5	35.5
	3,509.0	**3,430.3**
Total liabilities	**5,801.6**	**5,622.7**
Total equity and liabilities	**8,402.7**	**8,241.4**

Group statement of cash flows for the 1st quarter of 2011

	2010 EUR m	**2011** EUR m
Profit before tax	91.2	82.5
Financial result	– 31.0	– 26.3
EBIT	122.2	108.8
Amortisation, depreciation and impairment	– 31.0	– 32.7
EBITDA	**153.2**	**141.5**
Result from associates accounted for using the equity method and other equity investments	– 5.5	– 2.2
Net result from the disposal of non-current assets and subsidiaries	– 0.9	– 2.8
Impairment of operating assets	10.5	7.9
Non-cash change in pension provisions	5.5	6.7
Other non-cash income and expenses	0.6	– 1.0
Income taxes paid	– 38.6	– 38.4
Dividends received	3.4	1.7
Interest received	3.7	2.1
Change in operating assets	– 173.2	– 64.2
Change in operating liabilities	– 31.5	– 71.7
Net cash flow from operating activities	**– 72.8**	**– 20.4**
Proceeds from the disposal of non-current assets	4.7	5.5
Capital expenditure on non-current assets	– 25.9	– 29.2
Proceeds from the sale of subsidiaries (less cash and cash equivalents disposed of)	– 0.2	0.8
Cash paid for business combinations (less cash and cash equivalents acquired)	3.4	– 4.0
Net cash flow from investing activities	**– 18.0**	**– 26.9**
Payments made to shareholders	0.0	– 0.1
Proceeds from borrowings	112.7	147.0
Repayment of borrowings	– 34.0	– 198.9
Interest paid	– 21.1	– 18.5
Net cash flow from financing activities	**57.6**	**– 70.5**
Net change in cash and cash equivalents	**– 33.2**	**– 117.8**
Net foreign exchange difference	5.7	– 5.6
Cash and cash equivalents at the beginning of the period	127.7	200.8
Cash and cash equivalents at the end of the period	**100.2**	**77.4**

The presentation of cash flows from operating activities was changed effective 1 January 2011. Since this date, dividends received have been reported separately under cash flows from operating activities. Correspondingly, it became necessary to report the net result from associates accounted for using the equity method and other equity investments separately. For this reason, investment income which was previously included under other non-cash income and expenses is no longer reported under this item. Likewise, the line item interest received has been reclassified from the cash flow from financing activities to the cash flow for operating activities. The previous-year figures were restated accordingly to match the current presentation.

Group statement of changes in equity for the 1st quarter of 2011

	Issued capital	Capital reserves	Revenue reserves	Revaluation reserves				**Equity attributable to shareholders of Celesio AG**	**Non-controlling interests**	**Equity**
				Translation reserves	Asset revaluation reserves	Available-for-sale financial assets	Cash flow hedges			
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
As at 01/01/2011	**217.7**	**1,145.2**	**1,393.7**	**– 151.5**	**– 0.4**	**– 0.6**	**– 14.9**	**2,589.2**	**11.9**	**2,601.1**
Change in capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	– 0.1	– 0.1
Changes in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0	– 44.2	0.0	0.0	7.3	– 36.9	– 0.1	– 37.0
Net profit/loss	0.0	0.0	53.3	0.0	0.0	0.0	0.0	53.3	1.4	54.7
Comprehensive income	0.0	0.0	53.3	– 44.2	0.0	0.0	7.3	16.4	1.3	17.7
As at 31/03/2011	**217.7**	**1,145.2**	**1,447.0**	**– 195.7**	**– 0.4**	**– 0.6**	**– 7.6**	**2,605.6**	**13.1**	**2,618.7**
As at 01/01/2010	**217.7**	**1,145.2**	**1,221.7**	**– 232.6**	**0.9**	**– 0.6**	**– 13.3**	**2,339.0**	**13.1**	**2,352.1**
Change in capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	– 1.9	– 1.9
Other comprehensive income	0.0	0.0	0.0	16.2	0.0	– 0.9	– 15.0	0.3	0.0	0.3
Net profit/loss	0.0	0.0	58.1	0.0	0.0	0.0	0.0	58.1	1.4	59.5
Comprehensive income	0.0	0.0	58.1	16.2	0.0	– 0.9	– 15.0	58.4	1.4	59.8
As at 31/03/2010	**217.7**	**1,145.2**	**1,279.8**	**– 216.4**	**0.9**	**– 1.5**	**– 28.3**	**2,397.4**	**12.6**	**2,410.0**

Selected explanatory notes to the consolidated financial statements

Group segment reporting by business area for the 1st quarter of 2011

2011	Patient and Consumer Solutions			Pharmacy Solutions			Manufacturer Solutions				Others	Consoli-dation	Group
	Pharmacies	Other business areas	Total Patient and Consumer Solutions	Wholesale	Other business areas	Total Pharmacy Solutions	Logistics Solutions	Marketing Solutions	Efficient Care Pharma	Total Manu-facturer Solutions			
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Income statement													
Revenue	**862.7**	**0.0**	**862.7**	**4,702.4**	**1.2**	**4,703.6**	**105.3**	**54.1**	**13.4**	**172.8**	**0.0**	**– 16.2**	**5,722.9**
External revenue	862.7	0.0	862.7	4,702.4	1.2	4,703.6	90.3	53.8	12.5	156.6	0.0	0.0	5,722.9
Inter-segment revenue	0.0	0.0	0.0	0.0	0.0	0.0	15.0	0.3	0.9	16.2	0.0	– 16.2	0.0
Gross profit	**289.2**	**0.0**	**289.2**	**303.3**	**0.6**	**303.9**	**46.0**	**52.9**	**0.5**	**99.4**	**0.0**	**0.0**	**692.5**
EBITDA	**49.3**	**0.5**	**49.8**	**111.3**	**0.2**	**111.5**	**2.4**	**2.1**	**– 1.7**	**2.8**	**– 22.6**	**0.0**	**141.5**
EBIT	35.4	0.5	35.9	97.7	0.1	97.8	0.3	1.1	– 1.7	– 0.3	– 24.6	0.0	108.8
Segment assets	**2,084.0**	**71.2**	**2,155.2**	**2,209.4**	**11.4**	**2,220.8**	**157.2**	**143.7**	**6.4**	**307.3**	**– 23.4**	**– 8.3**	**4,651.6**

Group segment reporting by business area for the 1st quarter of 2010

2010	Patient and Consumer Solutions			Pharmacy Solutions			Manufacturer Solutions				Others[1]	Consoli-dation[1]	Group
	Pharma-cies[1]	Other business areas[1]	Total Patient and Consumer Solutions[1]	Wholesale	Other business areas	Total Pharmacy Solutions	Logistics Solutions	Marketing Solutions	Efficient Care Pharma	Total Manu-facturer Solutions			
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Income statement													
Revenue	**854.4**	**0.0**	**854.4**	**4,658.5**	**1.3**	**4,659.8**	**107.5**	**59.0**	**7.4**	**173.9**	**– 0.1**	**– 19.7**	**5,668.3**
External revenue	854.4	0.0	854.4	4,658.5	1.3	4,659.8	88.6	59.0	6.6	154.2	– 0.1	0.0	5,668.3
Inter-segment revenue	0.0	0.0	0.0	0.0	0.0	0.0	18.9	0.0	0.8	19.7	0.0	– 19.7	0.0
Gross profit	**282.8**	**0.0**	**282.8**	**295.6**	**0.6**	**296.2**	**42.6**	**56.4**	**0.4**	**99.4**	**0.0**	**0.0**	**678.4**
EBITDA	**59.5**	**0.0**	**59.5**	**108.3**	**– 0.4**	**107.9**	**3.1**	**1.7**	**– 0.9**	**3.9**	**– 18.1**	**0.0**	**153.2**
EBIT	45.8	0.0	45.8	94.9	– 0.4	94.5	1.4	0.6	– 0.9	1.1	– 19.2	0.0	122.2
Segment assets[2]	**2,129.0**	**0.0**	**2,129.0**	**2,444.3**	**0.5**	**2,444.8**	**124.7**	**146.0**	**1.7**	**272.4**	**57.1**	**– 1.7**	**4,901.6**

[1] Previous-year figures adjusted to reflect new reporting structure.
[2] Previous-year figures adjusted due to the completion of purchase price allocation for the Panpharma acquisition.

Please see the notes to the segment reporting for further information.

Reconciliation of segment revenue for the 1st quarter of 2011	2010 EUR m	**2011** EUR m
Revenue of the reportable segments	**5,688.0**	**5,739.1**
Consolidation	– 19.7	– 16.2
Group revenue	**5,668.3**	**5,722.9**

Reconciliation of segment results for the 1st quarter of 2011	2010 EUR m	**2011** EUR m
EBITDA of the reportable segments	**153.2**	**141.5**
EBITDA of the group	**153.2**	**141.5**
Amortisation of intangible assets and depreciation of property, plant and equipment	– 31.0	– 32.7
EBIT	**122.2**	**108.8**
Interest expense	– 29.3	– 36.0
Interest income	3.6	2.1
Other financial result	– 5.3	7.6
Profit before tax	**91.2**	**82.5**

Reconciliation of segment assets as at 31 March 2011	31/03/2010 EUR m	**31/03/2011** EUR m
Segment assets of the reportable segments[1) 2)]	**4,903.3**	**4,659.9**
Consolidation[2)]	– 1.7	– 8.3
Segment assets of the group[1)]	**4,901.6**	**4,651.6**
+ Interest-bearing other financial assets	53.7	49.9
+ Non-current and current income tax receivables	35.5	31.4
+ Deferred tax assets[1)]	128.3	116.2
+ Other assets	0.4	12.7
+ Cash and cash equivalents	100.2	77.4
– Other current provisions[1) 3)]	155.1	152.6
– Trade payables	2,313.1	2,425.0
– Other liabilities[3)]	574.4	724.6
Total assets[1)]	**8,262.3**	**8,241.4**

1) Previous-year figures adjusted due to the completion of purchase price allocation for the Panpharma acquisition.
2) Previous-year figures adjusted to reflect new reporting structure.
3) Deferred liabilities have been reclassified to other liabilities. The previous-year figures were restated accordingly.

Accounting policies

The interim condensed consolidated report of Celesio AG for the first quarter of 2011, comprising the group statement of financial position, group income statement, group statement of comprehensive income, group statement of cash flows, group statement of changes in equity and selected explanatory notes to the consolidated financial statements, is based on »International Accounting Standard (IAS) 34 – Interim Financial Reporting«. All International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and endorsed by the European Union as at 31 March 2011 and all Interpretations (IFRIC) of the International Financial Reporting Standards Interpretation Committee were observed in the process of preparing the interim report. The accounting principles applied in the preparation of the interim report generally correspond to those applied in the annual report as at 31 December 2010. Changes in the accounting policies are explained below and in the comments on the cash flow statement and segment reporting. The condensed interim report should therefore be read in conjunction with the consolidated financial statements of Celesio AG for the 2010 fiscal year.

The impact on the interim report of the Standards and Interpretations, whose application was mandatory for the first time from 1 January 2011, is as follows:

- In November 2009, the IASB issued a revised version of »**IAS 24** – Related Party Disclosures«. The impact on the Celesio Group from the revised version relates to the new definition of a related party. As a result, disclosures are required for the first time on associates and joint ventures in the wider group held by the majority shareholder of Celesio.

- IASB issued a further **omnibus of amendments** in May 2010, »Improvements to International Financial Reporting Standards«. These consist primarily of clarifications and simplifications in the application of IFRSs. First-time application has not resulted in any material impact on the interim report of Celesio.

Furthermore, the following standards and interpretations have become mandatory since 1 January 2011 which did not, however, have any impact on the group finacial statement of Celesio: »**IFRS 1** – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters«, »**IAS 32** – Classification of Rights Issues«, »**IFRIC 14** – Prepayments of a Minimum Funding Requirement« und »**IFRIC 19** – Extinguishing Financial Liabilities with Equity Instruments«.

Consolidated group

Business combinations and disposals in the first quarter of 2011

In the first quarter of 2011, in the Patient and Consumer Solutions division in the course of a retail pharmacy in the Czech Republic was acquired and fully consolidated.

Moreover, the Patient and Consumer Solutions division consolidated »28 CVR Ltd.« for the first time after increasing its shareholding from 33% to 100% as at 26 March 2011. 28 CVR Ltd. offers patients consulting services online under the Dr Thom brand.

First-time consolidation has been made on the basis of a preliminary purchase price allocation as it was not possible to finish the allocation of fair value by the end of the reporting period. The purchase price allocations will be concluded no later than within twelve months of the acquisition date in each case.

The consideration transferred amounted to EUR 7.6m. At the time control was obtain, the entities acquired in the combination carried cash and cash equivalents of EUR 1.3m. The consideration transferred consists of the instalments paid of EUR 4.2m. Moreover, it includes the fair value of the investment formerly recognised using the equity method of EUR 3.4m in the course of business combinati ons achieved in stages mentioned above. Incidental acquisition-related costs of EUR 0.1m were expensed through profit or loss. No equity instruments were issued to settle purchase price liabilities. Due to the fact that the fair value of the investment measured using the equity method that was already held by the Celesio Group prior to the date on which control was obtain to the group corresponds to its carrying amount, there is no impact on profit or loss from revaluing the shares in the income statement.

The fair value of the identifiable assets and liabilities of the entities acquired in the business combinations as at the date of acquisition in the first quarter of 2011 are presented below:

	Fair value EUR m
Intangible assets	0.3
Property, plant and equipment	0.1
Trade receivables	0.1
Cash and cash equivalents	1.3
	1.8
Trade payables	1.1
Other liabilities	0.8
	1.9

The fair value of the receivables acquired in the combination amount to EUR 0.1m. This includes trade receivables of EUR 0.1m. No valuation allowances were recognised on these receivables. Thus the fair value corresponds to the amount agreed on in the contracts.

The resulting goodwill totalled EUR 7.7m. The goodwill generally reflects the expected future cash flows that will be generated by the combination and the expertise of the employees. There were no non-controlling interests on the date of first-time consolidation.

Revenue attributable to the entities acquired in the first quarter of 2011 amounts to EUR 0.2m and the net profit to EUR 0.0m. Had these entities been acquired at the beginning of the fiscal year, the entities would have contributed EUR 1.9m to group revenue and EUR 0.0m to the group's net profit.

Disposals
The Italian company, Deltafarm s.r.l. was deconsolidated in the first quarter of 2011. This entity was previously reported under the Others segment because it was a legal entity for leasing a warehouse.

The proceeds from the disposal amounted to EUR 0.9m. There were no non-cash components in the sale. In the process, assets (mainly property, plant and equipment) of EUR 3.3m and liabilities of EUR 2.5m were disposed of.

The disposed entity generated revenue of EUR 0.0m in the reporting period.

Business combinations and disposals in the first quarter of 2010

Business combinations
In the first quarter of 2010, the Patient and Consumer Solutions division consolidated two retail pharmacies in Norway for the first time. In one of these cases put and call options existed with the remaining owners concerning all shares not already held by Celesio. Consequently, these pharmacies were fully consolidated in the consolidated financial statements of Celesio with a corresponding liability recognised for the outstanding purchase price. In addition, the French company, RepscoPharmexx SAS and its subsidiaries, in which Celesio holds a 40% interest, were fully consolidated in the first quarter of 2010 in the Marketing Solutions business area. Full consolidation was based on call options that were exercisable at the end of the reporting period even though Celesio did not hold the majority of voting rights.

Preliminary purchase price allocations were used as the basis for consolidation, and were concluded within twelve months of the acquisition date in each case. There were no significant effects on the comparable period from the finalisation of the purchase price allocation. The final figures are presented below.

The aggregate costs of the business combinations total EUR 15.7m. At the time control was obtain, the entities acquired in the combination carried cash and cash equivalents of EUR 4.9m. The costs of the combination consisted of a purchase price payment of EUR 0.8m and a purchase price liability of EUR 2.2m which related primarily to call and put options. Moreover, the costs included the carrying amounts of the investments formerly recognised using the equity method of EUR 12.7m that were acquired in stages. Acquisition-related costs were expensed through profit or loss in accordance with the revised IFRS 3. No equity instruments were issued to settle purchase price liabilities. In accordance with IFRS 3, additional acquisitions of equity interests were not included in this. Due to the fact that the fair value of investments measured using the equity method that were held by the Celesio Group prior to the acquisition date corresponded to their carrying amount, there is no impact on profit or loss from revaluing the shares in the income statement.

The fair value of the identifiable assets and liabilities of the entities acquired in the business combinations as at the date of acquisition in the first quarter of 2010 are presented below:

	Fair value EUR m
Property, plant and equipment	0.4
Inventories	0.3
Trade receivables	11.8
Cash and cash equivalents	4.9
Other assets	2.7
	20.1
Financial liabilities	2.0
Trade payables	2.8
Other liabilities	15.1
	19.9

The fair value of the receivables acquired in the combination amount to EUR 14.5m. This included trade receivables of EUR 11.8m. No valuation allowances were recognised on these receivables. Thus the fair value corresponded to the amount agreed on in the contracts.

The resulting goodwill totalled EUR 15.4m. The goodwill generally reflected the expected future cash flows that will be generated by the combination and the expertise of the employees. The full goodwill method was not applied. Consequently, non-controlling interests were measured at their share in the fair value of the identifiable net assets. Non-controlling interests of EUR 0.1m were recognised on the date of first-time consolidation.

Revenue attributable to the entities acquired in the first quarter of 2010 amounts to EUR 17.4m and the net profit to EUR 1.2m. Had these entities been acquired at the beginning of the fiscal year, the entities would have contributed EUR 17.8m to group revenue and EUR 1.2m to the group's net profit.

Disposals

In the first quarter of 2010 two retail pharmacies in the UK as well as one German entity (Synergos GmbH) and two Brazilian entities (Rent Power do Brasil Represetacoes Ltda. and pharmexx Brasil Ltda.) in the Marketing Solutions business area were deconsolidated. The two Brazilian entities were previously consolidated on the basis of exercisable call options. These call options were not exercised and have expired in the meantime. They were deconsolidated in the comparative period accordingly. These discontinued entities generated revenue of EUR 0.3m in the comparative period. The proceeds from the disposals amounted to EUR 2.3m. In the process, assets (mainly inventories and other receivables) of EUR 2.8m and liabilities of EUR 0.9m were disposed of. The non-cash components of the proceeds from the disposal amounted to EUR 1.2m.

Disposal groups classified as held for sale

On 21 June 2010, Celesio agreed to set up a Europe-wide joint venture with the US healthcare group, Medco Health Solutions, Inc. Official approval from the antitrust authorities was issued on 2 August 2010, with Medco Celesio B.V. being founded in the third quarter of 2010. Each partner in the joint venture, which is based in Amsterdam, holds 50% of the shares. Celesio will contribute the Apotheke DocMorris mail-order pharmacy and Medco the Europa Apotheek Venlo mail-order pharmacy to the joint venture. The mail-order pharmacy, DocMorris, was previously disclosed in the Pharmacies business area. In the statement of financial position as at 30 June 2010, all assets and liabilities under disposal groups classified as held for sale were reclassified to current assets or current liabilities for the first time. The contribution could not be completed on account of outstanding procedural issues. However, these are expected to be resolved in the course of the 2011 fiscal year.

The main asset and liability groups classified as held for sale are presented below:

	31/03/2011 EUR m
Intangible assets	93.3
Property, plant and equipment	1.4
Deferred tax assets	2.6
Inventories	11.5
Trade receivables	29.4
Cash and cash equivalents	0.1
Other assets	5.0
	143.3
Deferred tax liabilities	3.9
Trade payables	17.2
Other liabilities	14.4
	35.5

In addition, a property in the Wholesale business area with a carrying amount of EUR 2.3m has been classified as held for sale. The disposal is expected to occur in the 2011 fiscal year.

Contingent liabilities and other financial obligations

The contingent liabilities and other financial obligations presented in the consolidated financial statements as at 31 December 2010 did not change materially in the first quarter of 2011.

Contingent liabilities recognised for legal and tax risks in connection with the business combination with Panpharma amounted to EUR 92.1m as at 31 March 2011 (EUR 105.9m as at 31 December 2010). The reduction is primarily attributable to legal and tax risks becoming statute-barred and arrangements reached with the tax authorities. To cover these legal and tax risks, an agreement has been entered into with the former owners for reimbursements that are limited to a maximum amount; the reimbursements can possibly be offset against future purchase price instalments. For this reason, the reduction in contingent liabilities does not have any direct impact on profit or loss. Based on their maturity, these recognised contingent liabilities have been divided into current and non-current provisions. The contingent liabilities include income tax liabilities of EUR 4.6m (EUR 6.1m as at 31 December 2010).

Components of other comprehensive income

Other comprehensive income – presented in the statement of comprehensive income – consists of the following components:

	1st quarter 2010 EUR m	**1st quarter 2011 EUR m**
Available-for-sale financial assets		
Gains/losses from the current year	– 0.9	0.0
Less reclassification to profit and loss	0.0	0.0
	– 0.9	**0.0**
Derivative financial instruments to hedge cash flows		
Gains/losses from the current year	– 16.2	1.5
Less reclassification to profit and loss	– 1.2	– 5.8
	– 15.0	**7.3**

Notes to the segment reporting

Segmentation mirrors the internal reporting structure of Celesio and has changed in comparison to the previous year. As a consequence of the realignment and reorganisation of our pharmacy business passed by management resolution in 2010 to match the logic of the brand, the internal reporting structure of the Patient and Consumer Solutions division was adjusted accordingly from 1 January 2011. The European-wide DocMorris business is managed by the DocMorris International Retail unit. Moreover, the Manufacturer Solutions division was reorganised upon foundation of the Medco Celesio joint venture, with the business areas making up the division being renamed.

Celesio's internal reporting structure is based on the subdivision of the Patient and Consumer Solutions, Pharmacy Solutions and Manufacturer Solutions divisions into several business areas each. These business areas form the basis for internal controlling by the Management Board and thus correspond to the reportable segments. The Management Board of Celesio AG is the chief operating decision maker referred to in IFRS 8.7. In addition to separate information for each business area, the Management Board also receives condensed information for each division. Therefore, these subtotals are also disclosed in the segment reporting.

– The Patient and Consumer Solutions division covers the entire logistics chain, from purchasing merchandise through to selling to consumers. We report the Pharmacies business area and Other business areas under the Patient and Consumer Solutions division. In the Pharmacies business area a distinction is made between the segments DocMorris and Lloydspharmacy which are combined for segment reporting. These each comprise activities of the retail pharmacies and mail-order pharmacies. DocMorris additionally includes brand partnerships. We report our investment in Brocacef Holding N.V. in the Netherlands as an associate under Other business areas.

– The Pharmacy Solutions division, which has retained the same structure as in the previous year, offers solutions tailored to the pharmacy market. Its focus is on the wholesale business with external customers, which is a separate segment. The Other business areas segment of the Pharmacy Solutions division includes Rudolf Spiegel Versand for pharmacy and laboratory equipment and Inten, the property developer for pharmacies.

– With its service offering, the Manufacturer Solutions division is geared towards the pharmaceutical industry. Upon conversion to the new reporting structure in the first quarter of 2011, the business areas of the Manufacturer Solutions division were renamed Logistics Solutions, Marketing Solutions and Efficient Care Pharma. The Logistics Solutions business area, which includes Movianto, offers pharmaceutical logistics and related services such as storage, transport and packaging and represents a separate reporting segment. The Marketing Solutions business area, which includes Pharmexx, offers innovative marketing and sales solutions and likewise constitutes a separate reporting segment. In the Efficient Care Pharma business area, Evolution Homecare coordinates the supply of pharmaceuticals to patients at home. This business area also includes our joint venture, Medco Celesio which offers cross-sector solutions to improve the quality of healthcare provided to patients over the long-term and reduce the financial burden on payers in the Health Care market in Europe.

The Others segment is primarily used to report the activities of the group's parent, Celesio AG, and other non-operating companies. Celesio AG holds investments in the major operating national companies and national holdings. In addition, the operating entities of the Celesio Group are primarily financed via Celesio AG and Celesio Finance B.V., Netherlands (Amsterdam). Moreover, Celesio AG bundles essential group functions, primarily in the fields of accounting, controlling, treasury and IT. Since 1 January 2011 Alliance Apotheken

Management GmbH and Apotheke DocMorris Holding GmbH, two units which were previously reported under the Retail Pharmacies segment, are now reported under the Others. In addition, DocMorris Pharma GmbH has also been reported under Others since 1 January 2011. This was previously reported in the Mail-order Pharmacies segment. The previous-year figures were restated accordingly.

Consolidation of inter-division activities is shown separately.

The Management Board takes EBITDA as a measure of the success of the segments. EBITDA stands for earnings before interest, taxes, depreciation and amortisation. In addition, information on the gross profit and EBIT is disclosed voluntarily.

Segment assets pursuant to IFRS 8 correspond with the tied capital, which is calculated as the sum of the carrying amount of all non-interest-bearing assets (except for income tax assets) less non-interesting-bearing liabilities (except for income tax liabilities).

The same accounting standards as for the Celesio Group have been used in segment reporting. Intercompany transactions are measured at market prices.

Employees

At the end of the first quarter of 2011, Celesio employed 36,424 full-time equivalents compared to 36,433 full-time equivalents in the previous year.

Other notes

In connection with termination benefits, an amount of EUR 9.1m was recorded in personnel expenses in the first quarter of 2011 to cover contractual claims as defined by IAS 24 17d. Of this amount, EUR 1.1m is attributable to pension commitments.

The line item other financial result relates to changes in the fair value of derivatives used to hedge financial liabilities. Changes in market values of derivative exchange rate hedges in the reporting period gave rise to income of EUR 1.2m (previous year expenses of EUR 0.8m). Changes in the market values of derivative exchange rate hedges gave rise to income of EUR 4.9m (previous year expenses of EUR 1.8m). Moreover, the other financial result contains exchange rate gains of EUR 44.3m (previous year EUR 45.5m) and exchange rate losses of EUR 42.8m (previous year EUR 48.1m).

As at 31 March 2011 there was no need to impair goodwill.

There were no other issues requiring reporting in the reporting period.

Stuttgart, 6 May 2011

The Management Board

Review report

To Celesio AG, Stuttgart

We have reviewed the interim condensed consolidated financial statements, comprising the group statement of financial position, the group income statement, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and selected explanatory notes, and the interim group management report of Celesio AG, Stuttgart, for the period from 1 January 2011 to 31 March 2011, which are part of the quarterly financial report pursuant to Sec. 37x (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 interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report 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 (IDW, Institute of Public Auditors in Germany). 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 have not been 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 could 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.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been 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, 9 May 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof Dr Pfitzer
Wirtschaftsprüfer
(German Public Auditor)

Matischiok
Wirtschaftsprüfer
(German Public Auditor)

Financial calendar

(excerpt)	
Annual general meeting 2011	17 May 2011
Interim report, 1st half year of 2011	11 August 2011
Interim report, 1st to 3rd quarter of 2011	10 November 2011
Annual report 2012	27 March 2012

Subject to amendment. Other dates and updates can be found at www.celesio.com under Investor Relations/Financial Calendar.

Imprint

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This interim report was published on 12 May 2011 and is available in German and English. It can be downloaded or ordered from the investor relations section at www.celesio.com. The German version of the annual report is legally binding.

Forward-looking statements
This interim report contains forward-looking statements that are based on the latest estimates made by the management of future developments. Such statements are subject to inherent risks and uncertainties. It lies beyond the powers of Celesio to control or precisely estimate these risks and uncertainties which can include future market conditions and economic environment, state intervention, the behaviour of other market players or the successful integration of corporate acquisitions and realisation of expected synergies. Should one of these or another uncertainty or risk factor eventuate or should the assumptions on which these forward-looking statements are made prove to be incorrect, then the actual events could diverge significantly from the explicit or implied events contained in the statements. Celesio does not intend, nor does it assume any special obligation, to update forward-looking statements to reflect events or developments occurring after this report went to press.