

Celesio Annual General Meeting 2009

8 May 2009

Speech by Dr Fritz Oesterle

Chairman of the Management Board and Chief Executive Officer

The spoken word shall apply

Esteemed shareholders,

Honourable guests,

Esteemed Ladies and Gentlemen,

I would like to welcome you – also on behalf of my fellow board members – to the annual general meeting of Celesio. I also wish to extend my greetings to those following my presentation online.

As holding the annual general meeting here in the Porsche Arena was very successful last year, we decided to return for this year's meeting.

Today I will present to you a report for a year that was exceptional for Celesio. 2008 not only presented us with a host of challenges, it was also the first time in 21 years – as had been anticipated and announced – that we did not have positive growth. After 21 years of success this was a bitter pill to swallow and very hard to digest for many people both internally and externally.

Celesio shares reacted particularly negatively to the unusual situation where revenue and income actually decreased instead of increasing. The capital market's extreme reaction has two causes: First, it was clearly a consequence of more than two decades of uninterrupted success. The longer such a period marked by success lasts, the more prominent any interruption will appear. Second: The financial crisis, which began to take hold in the middle of last year, was followed by sizable drops in the share prices of corporations across the board.

I believe in my speech at last year's annual general meeting I was able to prepare you so you could hopefully brace yourselves for 2008 being a disappointing year. 2008 then proceeded to not only bring us a veritable financial crisis, it also threw in an economic crisis into the bargain. We simply could not have seen this coming at the beginning of last year. In view of these unexpected developments we will not simply be able to jump-start this year and continue on the path of increasing profits every year which has become somewhat of a habit for Celesio. I will come back to the current year and our expectations for 2009 a bit later.

Please allow me, then, to begin with the fiscal year 2008.

Esteemed ladies and gentleman,

If I had to sum up the year 2008 in one sentence, I would have to say:

“Group profit drops disproportionately to group revenue.”

In previous years I have always been able to report that our group profit had increased disproportionately to group revenue. How do we explain that – did we do a bad job last year? Did we somehow lose our ability to consistently increase efficiency and profitability by improving Celesio's operations?

I can assure you, ladies and gentlemen, that is not the case and will do my best to substantiate that claim. I believe you will see that Celesio has indeed not lost any of the talents that have been at the heart of our success to date. I can assure you these skills will continue to be the bedrock of our future success.

In 2008, at €21.83 bn, our corporate revenue was down 2.3 % over 2007. This was largely due to the major devaluation of the pound Sterling. More than 23 % of our revenue is generated in United Kingdom. However, a basis effect from 2007 was also partially responsible for the drop in revenue: As reported earlier, in 2007 we sold our small wholesale activities in Croatia and Rumania. Their revenue totalling €72 m was therefore not included in 2008. Therefore the “minus 2.3 %” figure does not reveal the entire operating truth.

If you were to examine our performance in local currency without currency effects, you would see that our group revenue actually increased 1.3 %.

This increase is for the most part down to the performance of the Pharmacies division. Revenue performance in the Wholesale division was also influenced last year by a technical effect that always arises when a manufacturer begins using a so-called DTP model, or “direct to pharmacy”, for its sales. In this kind of model manufacturers no longer use wholesalers as trading partners, but purely for logistical purposes. Hence the pharmaceutical products of this sort of manufacturer no longer generate trade revenue. This simply means that revenues derived from the sale of these pharmaceutical products are no longer part of the wholesalers’ revenues. This must not necessarily have a negative effects on us, as profits have remained stable after the switch to DTP. In the European market so far only United Kingdom and Poland have introduced DTP models. In United Kingdom, Pfizer has been joined by other pharmaceutical companies in implementing DTP sales models.

Our main earnings variable, the EBITDA, or earnings before interest and taxes, depreciation and amortisation, dropped 22 % in 2008. It went from € 842.5 m to € 657.3 m – a drop of € 185 m. There are two factors over which we had no control that explain this drop. First, government measures placed a burden on our EBITDA that increased in 2008 to nearly € 135 m over the previous year. Nearly € 84 m of that is accounted for by the reduction of reimbursement prices for generics in United Kingdom. Second: Currency affects burdened our EBITDA with an additional € 50 m, as the pound Sterling lost nearly 30 % of its value vis-à-vis the euro over the course of 2008 as at reporting date. The effects of the pound Sterling’s devaluation were carried over one to one in our annual financial statement which uses euros. Without the currency effect our EBITDA would have only dropped somewhat less than 16 %.

If you consider that our EBITDA had to shoulder market value losses on our stake in ANZAG amounting to € 25 m and that in 2007 we had nearly € 52 m in higher one-off effects from the sale of non-current assets, such as the sale of pharmacies in the context of changes in our portfolio, then I believe you will truly appreciate just what we have managed on an operating level despite a drop of 22 % in EBITDA.

If you disregard the exogenous factors and the one-off revenues, you will see that as far as EBITDA is concerned we actually performed better in 2008 by €74 m over 2007. A quite respectable operating performance in 2008 was more than offset by the exogenous burdens.

In line with our EBITDA performance, EBIT, or earnings before interest and taxes – before goodwill impairment – dropped 25.4 % to €543.2 m. This amounts to a drop of 19.3 % when calculated in local currency.

Amortisation expenses of intangible assets and depreciation of property, plant and equipment totalled €401.1 m in 2008. Unplanned, ad-hoc reported goodwill value adjustments in four of our pharmacy markets account for €287 m of this. Without these value adjustments, depreciation and amortisation would have remained unchanged over the previous year. I will say a bit more about this later on. If we also include impairment of goodwill, EBIT was at €256.2 m in 2008.

Earnings before tax amounted to €412.2 m without the goodwill impairments I just mentioned – this is a drop of 32.3 %. When the goodwill impairments are included, earnings before tax reached €125.2 m.

Despite the fact that – when adjusted for goodwill impairments –our tax rate increased from 28.5 % to 34.9 %, our tax expenses dropped 17.1 % to €143.7 m in 2008. This is due to the fact that the share in profits from countries with higher tax rates was larger in 2008 than it was in 2007.

Without goodwill impairments, net profit would have reached €268.5 m in 2008. If they are included, net profit falls to minus €18.5 m.

In 2008 earnings per share – when adjusted for goodwill impairments – were €1.56. That amounts to a drop by 38.3 % over 2007.

Ladies and gentlemen,

Even though our cash flow dropped from €500.2 m in 2007 to €455.6 m in 2008, at €14.5 m our free cash flow in the reporting year 2008 was positive compared to the negative cash flow of minus €486 m in 2007. Free cash flow specifies external financing requirements as to what degree financial liabilities can be reduced. This is very good news, because, ladies and gentlemen, in critical financial times the adage “cash is king” is more true than ever. For this reason we took special care to nurture our war chest and optimised our net current assets.

What does this imply?

We deliberately avoided making any acquisitions in 2008 that weren't absolutely necessary and our investments in acquisitions only reached some €150 m last year. Of course, the downside of being so cautious is the missing income that some acquisitions could have generated. But, esteemed ladies and gentlemen, we prefer to postpone generating income from opportunistic acquisitions before we restrict our financial room for manoeuvre with some acquisitions that are not strategically urgent or are too costly.

Keeping in mind both our results and the performance of the economy as a whole, we not only exercised caution with investments in acquisitions, we were also very cautious with our existing business where we invested €127.9 m last year, down from €143.4 m in the previous year.

Ladies and gentlemen,

Please allow me to say a few words about the extraordinary goodwill impairments that totalled €287 m in the consolidated financial statements of 2008. The impairments in the pharmacy countries of Belgium, the Netherlands, Ireland and Italy, including the wholesalers in Italy, placed a major burden on our earnings before tax and our net profit “bottom line”. What caused all those impairments, anyway?

We conduct impairment tests on our goodwill on a regular basis. This is a rather technical process that determines goodwill on a particular reference date. As prudent businessmen we thought it was right to lower the book valuation of not only our pharmacies in the countries I have already named but also the wholesaler in Italy. The reasons for this were manifold: the overall economic insecurity, higher volatility in the regulatory environment, the looming drop in over-the-counter business due to the bad economy and an anticipated

lower number of visible pharmacy transactions at the end of the year. This affected businesses that account for 20 % of the sales in our retail pharmacies. The remaining 80 % were not affected. Our British, Norwegian and Czech pharmacy operations and Apotheke DocMorris, were thus not affected.

At the end of 2008 there was no justification for a depreciation of our DocMorris book valuations after the European Court of Justice Advocate General's opinion. As you know, ladies and gentlemen, the Advocate General opposed changing ownership regulations for pharmacies in Germany.

The verifiable goodwill of the Apotheke DocMorris is based solely on the existing DocMorris business. That is why the judgement of the European Court of Justice bears no significance for this particular goodwill of the company. For the DocMorris book value the question whether the chances for a liberalisation of Germany's pharmacy market have improved or not after the Advocate General made his opinion is not of significant relevance. I won't say anything more about Apotheke DocMorris or the German pharmacy market at this point. The reason for this is simple: In eleven days on 19 May the European Court of Justice will deliver judgement in the DocMorris proceedings that will determine the compatibility of third-party ownership of pharmacies with European Community law. This should bring an end to the uncertainty in European law. This will have great operating significance, as we will not know, Apotheke DocMorris will not know, in what way the business can develop in the future until we have this clarified. The ball is clearly in the European Court of Justice's court. Of course we will inform on 19 May as soon as we can about how the court's decision has come down.

I would now like to return to the previous financial year after this brief detour into the present.

The weak pound Sterling, the goodwill impairments and our cautious investment policy obviously all profoundly affected our balance sheets in 2008. Total assets fell €819.8 m to €7.5 bn – a drop of nearly 10 %. Despite the goodwill impairments our equity capital ratio is still more than 30 %. When adjusted for impairments, the equity capital ratio comes to 32.7 %. This, coupled with an – incidentally – unchanged financing structure, we are very well prepared for our future and well equipped to finance future growth, even in turbulent waters. And that, ladies and gentlemen, is of crucial importance – for all of us!

Ladies and gentlemen,

When we talk about financing, the topic of “banks” is always broached and particularly interesting. I can tell you that Celesio has been able to assert itself in a rather difficult financial market environment. Our non-current financial liabilities as well as liabilities for financial leasing dropped nearly € 145 m in 2008. Despite the consolidation of banks, which has now begun, we have no so-called bulk risks, even though we are almost completely financed via banks and promissory notes. None of our banks or groups of banks account for more than 10 % of our total credit commitments. 50 % of all our lines of credit are with our top ten banks. The total of the credit lines with all state banks is less than 20 % of our bank portfolio. We have no losses to report in our bank portfolio despite the global economic crisis. In short: We have a stable bank portfolio and reliable banking partners despite the crisis. I am delighted to tell you our outstanding debt is funded through 2013 and there is still financial scope for suitable acquisitions and investments.

Ladies and Gentleman,

Even though we have had a year marked by a major drop in income and even though we know 2009 will bring challenges, which we are relatively optimistic about, one thing is for certain: our long-standing dividend strategy. We are delighted to share with you a payout of nearly 30 % of the consolidated net income, that means the consolidated net income that has been adjusted for goodwill impairments. The supervisory board and the management board propose a dividend of 48 euro cents per share. As I mentioned, an € 81.7 m payout is the equivalent of roughly 30 % of our adjusted net profit.

We thank our employees for laying the foundation for being able to pay a dividend of 30 % of our net profit in a year in which exogenous costs alone subtracted € 210 m from our profit. I am grateful to you all for coping in 2008 and moving forward into 2009 with high levels of motivation and optimism despite the difficult market environment. I would like to take this opportunity to extend my sincerest thanks to each and every member of our staff.

After providing you with an overview of the group's performance in 2008, I'd like to turn to our individual divisions, Wholesale, Pharmacies and Services. As I have done in the past,

I will avoid barraging you with numbers and will focus on the most essential information on each division.

Due to a new organisational structure in place since 1 January 2009 (as we reported), this will be the last time we provide a report in this format for our business units Wholesale, Pharmacies and Services. I will explain this in more detail later.

The pharmaceutical market and the associated pharmaceutical wholesale market are in transition. This applies equally – with a few differences – to the full-line pharmaceutical wholesaler business model and to competition structures. This has and will continue to influence the results produced by our wholesale business.

Our Wholesale division reached revenues of € 17.2 bn in 2008. That corresponds to a drop of 2.9 % when calculated in euro. Sales in local currencies remained stable, even though government measures and the switch from trade to DTP models engendered a loss of some € 300 m.

In terms of profit EBITDA dropped some € 37 m, or 8.6 %, to € 394.5 m in our Wholesale division. In local currency the drop was 5.3 %. These bare figures, however, conceal the fact that Wholesale actually improved operational efficiency in 2008.

Wholesale was able to offset some € 23 m of € 60 m in external burdens and one-off effects in such a way that in the end the impact on profit was only € 37 m and the gross profit margin went nearly unchanged from the previous year. The EBITDA margin only receded 0.14 percentage points.

The business performance of Celesio Wholesale varied widely from region to region. Sales were down in France; but a judicious rebate policy and substantial cost-cutting measures in the branch network allowed us to maintain a positive profit performance in France. Despite flat sales in Germany we were able to improve the margin somewhat by leveraging efficiency in the fourth quarter of 2008. We had expected this somewhat earlier.

I would like to single out two developments in the two wholesale markets that are of particular importance to us: Germany and France. First: Cooperation with and for pharmacies is becoming ever more important in both markets. This will necessitate a rethink for wholesale distribution structures. Distribution structures that operate using key account management will play a more prominent role in pharmaceutical wholesale in the future. Second: The competition structures we find in the French and German wholesale market have undergone substantial changes in the last year.

The two cooperative wholesalers in Germany that traditionally have not had much territorial overlap have both acquired a private wholesaler in order to fortify their position. One of the cooperatives purchased Germany's largest private wholesaler. As a result, both cooperatives now operate more or less nationwide and will compete head-on. We will be watching closely to see what the consequences of this competition among wholesalers will be.

There were somewhat different developments in France – the consequences for competition, however, may be comparable. One of the regional cooperative wholesalers was bought by one of our European competitors, resulting in a region in France that is no longer covered by a cooperative. Other French cooperative then expanded their distribution area to include this region and began expanding their distribution capacities. In terms of efficiency, these capacities are superfluous. This is not a positive development.

Ladies and Gentlemen,

If you'll allow me, now I would like to turn to Celesio Pharmacies. Celesio Pharmacies were impacted quite hard by currency effects and government measures last year. The reason for this is simple: Nearly three fourths of all of our pharmacies are in United Kingdom. In United Kingdom reductions in reimbursement prices for generics were unprecedented and more drastic than anyone had anticipated. This reduction alone accounts for a loss of €84 m in EBITDA at our British pharmacy chain Lloydspharmacy. Government measures accounted for a total negative impact on EBITDA for Celesio Pharmacies of €110 m; the weak pound Sterling is to blame for a further negative impact of €36 m. Notwithstanding these effects, the division actually performed rather well. In terms of revenues the first-time inclusion of Apotheke DocMorris for the entire year and

the expansion of the pharmacy portfolio had a positive impact. We purchased and opened a total of 101 pharmacies; most of them had been acquired in the first half of the year.

Accordingly, Celesio pharmacy sales only dropped 1.8 % to €3.55 bn when calculated in euro.

Calculated in local currency, Celesio Pharmacies' revenue increased 8 %.

In terms of EBITDA, however, government measures hit us hard.

At €329.7 m, Celesio Pharmacies' EBITDA was down 24.8 %. In local currency the drop was only 16.5 %. In terms of EBITDA, return on sales dropped 2.8 percentage points.

By the end of 2008 Celesio Pharmacies counted 2,227 pharmacies. Both our stationary pharmacies and the mail-order pharmacy Apotheke DocMorris performed well. In the third quarter Apotheke DocMorris introduced a new marketing concept which has been well-received; this is reflected in constantly growing numbers of customers. In December 2008 Apotheke DocMorris reached new heights in the number of orders processed per day.

By the end of last year, DocMorris had just under 150 brand partner pharmacies with retail pharmacies in all 16 Federal States of Germany. This shows that the DocMorris brand partner concept is on the right track. Our deliberately cautious approach to expanding the brand partner concept reflects the uncertainty surrounding the European Court of Justice's verdict on Germany's multiple ownership ban for pharmacies. As soon as clarity is established in European law, meaning as soon as the European Court of Justice delivers a clear ruling, we will be able to refine and expand the DocMorris brand partner concept.

The introduction of the first products carrying the DocMorris brand in 2008 was an important milestone for Apotheke DocMorris. We will continue to expand DocMorris' own brand range of products extending from DocMorris painkillers to DocMorris blood pressure meters and a range of top-quality DocMorris sunscreen products. This range of products will allow Apotheke DocMorris and DocMorris brand partners to build a reputation for quality products at affordable prices. So, you see, ladies and gentlemen, DocMorris is headed in the right direction. Naturally we will have to make further investments – as is the case with any new brand – in Apotheke DocMorris, in particular in the brand

DocMorris; currently it accounts for a little more than 1 % of our sales. We have launched a very successful DocMorris advertising campaign which has now also been running on television since last week.

The last division I will cover in my overview is Celesio Solutions. By the end of last year Solutions could essentially be equated with Movianto. Movianto provides the pharmaceutical industry with innovative services in logistics and logistics-related areas and by the end of last year was operational in 10 European countries – today it's even 13. Movianto expanded considerably in 2008. In Spain and the Czech Republic storage capacities were expanded by a total of some 20,000 pallet spaces. Movianto Germany built 430 special pallet spaces for anaesthetics in Saarland's Neunkirchen. With the help of our Slovenian wholesaler Movianto was able to make the first steps toward entering the Slovenian market.

As successful as Movianto may be in individual countries, expenditures of effort for integration, standardisation and even structuring are very high in other Movianto national companies. This was the case last year particularly in France with respect to a new, major contract that was very complex from an operational standpoint. In United Kingdom Movianto's operations had to be brought up to Movianto standards.

In summary this means Movianto was able to lift gross profit to € 163.4 m, a 1.1 % improvement over 2007. In local currency that translates into a 6.8 % jump.

EBITDA dropped to € 16.8 m due to increased expenditures in some national companies and a larger share of low-margin service contracts in the transport business.

I will come back later to Celesio's relatively new and, in the context of the group, rather small Solutions division.

Ladies and Gentlemen,

In my speech last year I gave you detailed information on how the pharmaceutical market is changing structurally and as a consequence how the needs and demand of the market participants are changing. I mentioned that these changes would generate higher costs

and would make investments necessary that will not make an immediate contribution to earnings, but that are necessary to leverage the value-enhancing potential in the mid and long term that these changes in the market represent.

We laid the groundwork last year to be able to do this in a way that is efficient and in line with market requirements:

Since the beginning of this year, that is since the beginning of 2009, we have been working and will report in a new, customer-focused organisational structure. Since the first of January 2009 we have been strictly customer focused. Our three new division carry the names of the customers they cater to.

The new Patient and Consumer division covers all activities where we are in direct dialogue with patients and consumers as our customers. Of course our retail pharmacies are the most important and largest part of this division at the moment. Our mail-order pharmacies Apotheke DocMorris and Lloydspharmacy.com also constitute a separate business area within this division.

Our Pharmacy Solutions division caters to all the needs our customer group pharmacies have. The Pharmacy Solutions division already services 35,000 pharmacies in Europe with its wholesalers and in future will continue to expand the full range of products pharmacies require in order to make their businesses successful. Just to mention one example, the Rudolf Spiegel Versand is already part of this division. The Rudolf Spiegel Versand operates in four European countries specialising in equipment and laboratory supplies for pharmacies.

Here, I should mention Inten GmbH in Germany. Pharmacies use Inten to locate and rent both new and existing locations. You may have read in the papers that we have responded to the many inquiries made by pharmacists by extending our services to include the sale of their pharmacies at guaranteed prices. We only offer this service when in return we are granted the right to purchase the pharmacy ourselves at the guaranteed price when legally possible.

Of course the new business segments in the Patient and Consumer Solutions and Pharmacy Solutions divisions are still rather modest when compared with our established business areas Wholesale and Retail Pharmacies. However, this is not so important. The

key is that significant growth prospects and value-enhancing potential abound in these new business areas.

Here, a Chinese proverb is fitting:

Every journey, even the longest, begins with the first step.

We have also implemented the new, customer-focussed structure in the Celesio Solutions division. The new division Manufacturer Solutions covers our entire services business for the pharmaceutical business and features a standardised marketing organisation using key account management principles.

Please allow me to speak a moment about the Manufacturer Solutions division:

In the past this division could be equated with Movianto, as I have already pointed out. We started very small in 2003/2004 with an independent logistics unit for the pharmaceutical industry – this later became Movianto. Today we have not gotten as far with this business as we plan on going. And we are not yet where we actually wanted to be now. This is particularly true of our geographical coverage in Europe and extends to the consolidation of the European range of services Movianto provides. To put it another way: Within the group Movianto has yet to attain the size and significance we had hoped to have today. Why?

In Europe small and medium sized enterprises operate in the logistics and logistics-related segment for pharmaceutical companies, and their business has a regional focus. From the vantage point of the present we can say we underestimated how diverse and multifaceted the range of services of the companies serving this market is. We underestimated how difficult it would be to forge a standardised Movianto package for Europe out of individual and very different national business. As you can see, there is still some homework to be done and Movianto's management has its work cut out for it. In addition to these operational items at Movianto, we placed the Manufacturer Solutions division under new management with extensive experience in the pharmaceutical industry. Furthermore, as I mentioned earlier, sales has been organised autonomous. The new sales organisation is based on key account management and is comprehensively responsible for providing the pharmaceutical industry with a one-stop shop for integrated services.

Even if we have not progressed as quickly as we had originally sought out to, Movianto will remain a key part of Manufacturer Solutions in future.

Evolution Homecare, dubbed the specialty pharmacy segment, is also part of the Manufacturer Solutions division. Here, we provide services for patients that require tailored treatment in their homes. I introduced this business area to you already last year. We entered the British market with the name Evolution Homecare in the middle of last year. The British market is most highly developed for the specialty pharmacy business and is the logical starting point for creating a European “homecare” business area.

Ladies and Gentlemen,

Following these rather structural comments I now would like to venture a look into the future, and not just into the immediate future, but look at the medium term.

I wish to demonstrate to you, where the potential we believe Celesio has will take us. It is very important to do this as only then we can avert allowing the erratic fluctuations that our business entails to obscure our vision for the potential locked up in our markets and the potential waiting to be unleashed at Celesio.

It is also important to look into the medium-term future like this, because it serves to illustrate our path from retailer to customer-focussed service provider and to illustrate the potential to add value and ensure growth.

Since acquiring DocMorris in 2007 the market changes impacting Celesio have to a large extent been reduced to the changes in the pharmacy market in Germany. Growth opportunities were equated with the liberalisation of Germany's pharmacy market. The heated discussion in Germany on the European Court of Justice's proceedings concerning third-party ownership of pharmacies obstructed our view of the manifold opportunities that the evolving health and pharmaceutical markets present.

The fact that the opening of this or that pharmacy market is but one of many opportunities for Celesio to secure growth was entirely drowned out. By no means do I wish to say that we are indifferent to the outcome of the European Court of Justice's proceedings that is

expected on May 19. Certainly not. Of course we, along with many pharmacists, would welcome a decision that would allow pharmacies in Germany to be operated as a legal entity, as a public company, limited partnership or cooperative.

It may seem at first quite daring to attempt looking into the medium-term future in a period marked by economic crisis and generally uncertain forecasts. It may also come as a surprise because we have had to revise our expectations for 2009. But exactly because short-term forecasts are fraught with risk and volatility in times of global uncertainty, I would like you to join me in investigating Celesio's longer range, medium-term growth prospects.

Celesio's future growth rests on three pillars that we address directly in and with our new organisational structure. We created these pillars in our "Agenda 2015" work programme.

The first pillar is organic growth in our existing business. Pharmaceutical markets will remain growth markets for some time and this includes those places where we already operate. As you well know, pharmaceutical innovation and demographics in particular are the driving forces at play here. However, the pharmaceutical markets we operate in will not produce higher single or even double digit growth rates any time soon. Growth rates here are likely to level off in the lower single digits.

The health market characterised by goods and services related to the health sector, along with the pharmaceutical market, will become increasingly important for our existing business. This market promises higher growth rates than the pharmaceutical market. At the same time, this market is more susceptible to economic cycles than the pharmaceutical market.

We don't simply want to go with the market, however, we also strive to do our own homework internally. A part of that is continuously improving efficiency. When I say improvements in efficiency serve to consolidate our organic growth, will make it more valuable, I am not only alluding to measures to improve gross profit. There is a wide range of things we can do to become more cost efficient. To this end we have defined projects over the past few months that will systematically address all the core costs in the group.

I am not going to introduce the whole range of projects we are implementing throughout the group at this point. Instead, I would like to introduce a project as a representively example we have implemented, which allows us to leverage synergies across divisions and countries to lift profits.

We decided to outsource our entire group-wide IT infrastructure to Hewlett-Packard and to standardise our communications networks. We announced this in March of this year and began implementing this major project on the first of April. Cumulated potential synergies of up to €200 m over the status quo will kick in around 2010 on a seven year contract period. This project not only demonstrates that we have great potential for synergies, it also makes us aware of the fact that it is becoming ever more complex to leverage this potential because nowadays this requires a pan-European approach.

Our existing business will not only grow organically, but of course also by acquisition, which makes up the second pillar. We have placed the path for external growth between strategic guardrails which should illustrate to you what I meant before with a sophisticated and more adept investment policy.

So there are the guardrails you are already familiar with: We will only enter into markets that are new for us geographically, if we see opportunities for a significant market position and if the risk-return ratio suits us. We will only expand by acquisition in markets where we already operate if we are able to create synergy potential and economies of scale. In addition to these familiar guardrails we have defined two further core items for our future external growth. External growth in existing or geographically new markets must serve to reduce our dependency on state-regulated remuneration structures and on the pound Sterling in the long term.

Our acquisition of Dirk Raes in Belgium that we announced in the first quarter follows this logic closely. Dirk Raes is the leading provider of refrigeration chain logistics for the pharmaceutical industry in the Benelux countries. The acquisition of Dirk Raes allowed Movianto to expand its European presence with an attractive regional market position.

Of course we are open to new forms of business that would leverage the potential of changing markets to increase our growth. The types of business we may consider engaging ourselves in must address sustained demand from our customers and utilise the

synergy potential within our existing divisions in order to create an added value over their competition by being integrated into our group. This is the basic tenet of the third pillar. These new business areas must also fit between the guardrails “less dependency on state-regulated remuneration structures and on the pound Sterling.”

The majority stake acquired in pharmexx GmbH, Hirschberg announced in March of this year also follows this logic. We previously had a minority stake in pharmexx, which we now turned into a majority stake. This transforms pharmexx into an independent business area in Manufacturer Solutions that operates internationally. pharmexx operates in 26 countries and is the second largest personell and marketing service provider specialising in the pharmaceutical industry. With the majority stake acquisition of pharmexx, Manufacturer Solutions now complements the distribution and logistics divisions with another segment, which the pharmaceutical industry is increasingly outsourcing.

Ladies and Gentlemen,

We are confident we will be able to significantly increase the profitability of Celesio by 2015 and to reach an EBITDA in excess of € 1 bn in 2015 by implementing our three pillars of growth: organic growth, growth in the existing business by acquisition and innovative growth. We are also confident this will transpire within a much more balanced risk profile. In these expectations we naturally assume the world around us and its social systems will remain intact by today's standards.

Please allow me now to attempt an outlook for 2009.

I already mentioned earlier on that we are operating in a very difficult environment that has even worsened considerably in the last few months. We can afford to be more optimistic compared to companies in other markets or to several of our competitors and are therefore relatively optimistic about the future.

We have only felt the impact of the economic downturn in the areas of business that are not driven by prescriptions. The over the counter business is on the whole very susceptible to downturns in the economy and has been dropping at varying rates in

different countries since the beginning of 2009. This segment only accounts for 10-20 % of Celesio's gross profit.

Our year-on-year performance in the first quarter of 2009 will be impacted greatly by the weak pound Sterling. The currency conversion effect alone will reduce EBITDA by some € 15 m in the first quarter of 2009.

The reasons I have cited above with the over the counter business and the pound exchange rate will force revenue and EBITDA figures below last year's levels in the first quarter of 2009.

We will provide detailed reports for the first quarter on 14 May –in just about one week's time.

Based on current calculations we estimate total costs associated with new government measures will run in the double-digit millions of euros in 2009. After taking these costs into account that are compounded by the currency effects and despite the positive net effect derived from the market valuation of our stake in ANZAG, we still anticipate an EBITDA that in euro is beneath the EBITDA of 2008. Without these exogenous factors, however, we expect the EBITDA in 2009 will more or less be at the level we saw in 2008 despite the slump we anticipate in the OTC business. We expect this to be the case despite the fact that in 2009 we are likely to conduct fewer acquisitions on the whole in terms of rounding out the portfolio in our Pharmacy segment than we did in 2008 which would reduce the impact on earnings.

We have to keep a close watch over how the OTC business develops to determine how we can respond with our product range strategy. We are also following developments closely in the prescription medicine segment. So far we have not detected any volume effects brought forth by the economy. Currently there is no way to tell how things will progress and so we will not attempt to do so in our 2009 outlook. A crucial factor will be whether the overall economic performance will cause unemployment levels to rise significantly, putting a financial strain on social systems. It is virtually impossible to make a serious estimate of the situation and, as I have already said, we will not attempt one in our outlook for 2009.

An outlook that is that cautious can't be satisfying if you consider our performance in the past. But it is far better than many of the predictions that are being made at the moment. This is the reason for the fact that we are "relatively optimistic" for 2009.

After providing you with so much information about last year's performance, the anticipated performance in the current year and how we believe things will develop in the medium term, I still have to turn to a few formalities of this annual general meeting: Agenda points 2, 3, 4 and 5 deal with the regular formalities you are asked to vote on at each annual general meeting. The proposals in agenda points 6, 7 and 8 conform with standard practice in listed companies.

In agenda point 6 we ask you to authorise us, as in the previous year, to buy back and use own shares and exclude subscription rights pursuant to section 71 paragraph 1 no. 8 in the German Stock Corporation Act. The authorisation is related to the resolution of last year's annual general meeting and is valid through 7 November 2010. We provided detailed information on the proposal in the invitation to this annual general meeting. I refer explicitly to the board's report printed on pages 22 through 24 of your invitation. I also wish to clarify beyond a shadow of a doubt, that currently there are no plans to use authorisation granted by the general meeting to buy back and use own shares.

In agenda point 7 we ask you to authorise us to increase once or more than once the company's share capital by issuing new no-par value shares not exceeding 65,318,400 euros and to exclude subscription rights. The authorisation is valid through 30 April 2014 and requires an amendment to the articles of association. You will also find detailed information as well as a comprehensive report from the management board on agenda point 7 on pages 24 through 26 in your invitation to this annual general meeting. I refer explicitly to this information. Please also be assured we currently have no plans to use this authorisation.

In agenda point 8 we ask you for authorisation to issue options or convertible bonds and to exclude subscription rights. The authorisation also covers creating condition capital and amending section 3 of the articles of association. Authorisation to issue bonds ensures the requisite flexibility for capital procurement and is valid through 7 May 2014 and also

requires an amendment to the articles of association. This will replace the authorisation valid through 29 April 2013. On agenda point 8 you will also find detailed information as well as a comprehensive report by the management board on pages 26 through 29 of your invitation to this annual general meeting. I refer explicitly to this information once again. Please also be assured we currently have no plans to use this authorisation.

In agenda point 9 the supervisory board proposes Mr Henning Rehder for election to the supervisory board as representative of the shareholders. This has become necessary because Professor Dr Erich Zahn, who was elected by the annual general meeting on 30 April 2008 for a term of five years, will resign from the post taking effect with the conclusion of the annual general meeting today.

Please allow me to make a personal comment on this issue. Professor Zahn, who will step down as a member of the supervisory board at the conclusion of this annual general meeting, because he has reached the statutory age limit, has been a member of the supervisory board for nearly 24 years. I don't think there are many DAX or MDAX companies that can claim they have had a member on the same supervisory board for that long and with that much success.

Esteemed Professor Zahn, my colleagues and I would like to thank you for all the time you have served our company with advice and action. You have been an outstanding supervisory board member for all these years and have been strict in your supervisory and control function and positively motivating in your advisory function. We hope you will remain a supporter of our company in future – actually, we're totally confident you will.

Ladies and Gentlemen,

I already anticipated a difficult 2008 in the speech I delivered at last year's annual general meeting. Much has happened since then. And, as if we didn't face big enough challenges, a global economic crisis ensued. Our outlook for 2009 will diverge greatly from what we still expected for 2009 at last year's annual general meeting. Be assured that we as the management are working together with all of our colleagues to do everything we can to see our company through the current difficult economic situation. We believe we are well

equipped to tackle the future with our Agenda 2015, our work programme for the next few years. Celesio seeks to and will continue to produce enduring, profitable growth value.

Thank you for giving Celesio your trust – and please continue to do so!