Committed to Health

Interim Report, 1st – 3rd Quarter 2007

celesio
the healthcare group

Contents

Celesio in Brief

History

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

Key financial figures, 1st – 3rd quarter 2007

Revenue	16,647.5 million euros
Revenue growth	4.4 per cent (4.1 per cent*)
EBITDA	627.4 million euros
EBITDA growth	5.3 per cent (4.7 per cent*)
Profit before tax	451.8 million euros
Growth in profit before tax	2.0 per cent (1.4 per cent*)
Net profit	320.2 million euros
Growth in net profit	1.7 per cent (1.2 per cent*)
Earnings per share	1.87 euros
Employees	37,486
Wholesale branches	131
Pharmacies	2,236

* In local currency

Information on Celesio shares

ISIN code	DE000CLS1001
Securities ID code	CLS 100
German stock exchange code	CLS1
Reuters code	CLSGn
Bloomberg code	CLS1 GR

www.celesio.com/KeyFigures

Summary of Company Development

- As anticipated, growth of the group was not as strong in the third quarter as in the first two quarters. Between January and September, revenue grew by 4.4 per cent and profit before tax by 2.0 per cent
- Celesio Wholesale restructured its branch network in France
- Acquisition of DocMorris, Germany's most well-known pharmacy brand and Europe's largest mail order pharmacy
- Acquisition of 117 pharmacies in the United Kingdom, Norway, Belgium and the Netherlands
- Forecast for 2007 confirmed: EBITDA will grow ahead of revenue. Profit before tax will show an increase over the prior year for the 21st time in succession
- The announcement of unexpectedly high price cuts in the United Kingdom from 1 October 2007 prompted an adjustment to the medium-term forecast
- Prospects in Russia: Celesio and the Russian pharmaceutical group Protek have agreed to exclusive negotiations concerning the multistage acquisition of a majority holding by Celesio in the Protek Group. The group includes inter alia Russia's leading pharmaceutical trading company, the second largest Russian pharmacy chain and a drug manufacturing company (packaging and filling)

Celesio Shares

Celesio shares in the 1st – 3rd quarter

		2006*	**2007**	Change in euros %	Change in local currency %
Earnings per share	€	1.84	**1.87**	1.6	1.2
EBITDA per share	€	3.50	**3.69**	5.3	4.7
EBIT per share	€	3.05	**3.21**	5.1	4.4
Cash flow per share	€	2.54	**2.39**	–5.8	–6.3
Shareholders' equity per share	€	14.77	**16.40**	11.1	–
Share price (last trading day)	€	41.11	**44.26**	7.7	–
Number of outstanding shares (last trading day)	m	170.1	**170.1**	–	–
Market value (last trading day)	€ m	6,992.8	**7,528.6**	7.7	–

* Adjusted for the share split 1:2

Celesio has for many years kept on a profitable growth course in the attractive pharmaceuticals market, which is independent of economic trends. This impacted positively on the price of Celesio shares in the period under review

The price of the Celesio share rose by 8.9 per cent between January and September 2007. On the last trading day in the period under review, the share price fell by 8.4 per cent to 44.26 euros, however. On this date, Celesio adjusted its medium-term forecast. This was prompted by the Department of Health for England announcing the reduction of reimbursement prices and fee payments for pharmacies on 1 October 2007 in an unanticipated scope. Celesio adhered to its forecast for 2007 despite the resultant additional burden on profit for the fourth quarter. On the first trading day of the fourth quarter of 2007, the share price fell by a further 12.9 per cent.

In the first to third quarter of 2007, on average 459,525 shares were traded each trading day, with an average value of 21.4 million euros. In the comparable period of the previous year, the average daily traded volume was 314,204 shares, with an average value of 11.9 million euros.

Celesio Shares

Taking market capitalisation as a basis, Celesio is among the 36 largest companies listed on the stock exchange in Germany. Celesio is also listed in the internationally renowned sustainability index FTSE4Good Europe. This recognises the high level of the group's social and socio-political commitment.

Between January and September 2007, Celesio gave presentations to institutional investors at 18 roadshows in Europe and the USA as well as to private investors at informative events. The management board and staff from the Investor Relations department provided information on corporate strategy, business development and future perspectives. The focal point was on the long-term opportunities offered, for instance, by the anticipated liberalisation of the European pharmacy markets.

Interim Management Report

Business Review

The company continued on its growth course in the period under review. Revenue rose by 4.4 per cent. The operating profit showed a 5.3 per cent improvement. The third quarter however developed as expected less strongly than the two preceding quarters.

Market

The pharmaceuticals market remains an attractive growth market. It is driven inter alia by demographic growth, the increasing demands on the provision of healthcare in western Europe and the growing demand in eastern Europe. Alongside the growth of the market, its dynamic environment also offers opportunities. These result on the one hand from the anticipated liberalisation of pharmacy markets. On the other hand, pharmaceutical manufacturers are increasingly demanding more comprehensive, sometimes also completely new logistics, sales and marketing solutions from their partners. In addition to this is the increasing service awareness of pharmacists and patients.

Governmental measures already implemented in 2006 particularly in Germany, France and the United Kingdom impacted on the market for the whole year for the first time in 2007. Governmental measures in the current fiscal year also dampened growth. In particular price cuts in France, Portugal and Ireland but also lower reimbursement prices in the United Kingdom negatively impacted on market development. In addition, competition in German pharmaceutical wholesaling intensified.

Main profit and loss account items

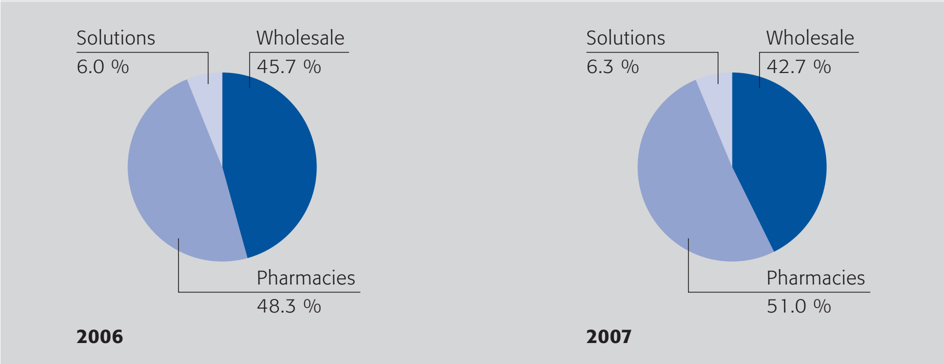
In the first three quarters, Celesio achieved growth in revenue of 4.4 per cent (4.1 per cent in local currency), although Wholesale was faced with two challenges. They included the reaction by German pharmacists to the acquisition of DocMorris fuelled by pharmacists associations. In addition to this, a manufacturer switched his distribution in the United Kingdom to direct sales with one logistics partner at the beginning of March. He therefore no longer delivers his medicines via Celesio's British wholesaler, AAH, either. Positive organic growth and the acquisitions of Celesio Pharmacies as well as the Danish wholesalers taken over in 2006 contributed to the growth in revenue. After adjustment for exchange rate effects and acquisitions, revenue showed a 0.3 per cent drop.

Business Review

Growth in the third quarter was, as expected, weaker than in the previous two quarters. Celesio Wholesale suffered the impact of the reaction to the DocMorris acquisition and the extraordinary item in the United Kingdom mentioned earlier. In addition, compared with the same period in the previous year, there was no longer the positive effect of the consolidation of the Danish wholesale companies in the third quarter of 2007. The business development of Lloydspharmacy, Celesio's UK pharmacy business, was negatively affected by the anticipated reduction in the reimbursement prices for medicines as of 1 July 2007 and the flooding of large areas of land. The pharmacies acquired in the first half of the year and the consolidation of DocMorris on 31 May 2007 contributed to revenue growth for the whole quarter for the first time.

Gross profit rose by 4.9 per cent (4.4 per cent in local currency) to 1,888.5 million euros, thus outperforming revenue growth. The gross profit margin consequently increased in the first three quarters of 2007, rising from 11.29 per cent to 11.34 per cent. The increased share in gross profit of Celesio Pharmacies drove growth in particular. In addition, the Solutions business unit Movianto contributed to the increase in the absolute gross profit. By contrast, Wholesale suffered the impact of government measures as well as intense competition in Germany, which negatively impacted on growth of gross profit.

Share of gross profit of divisions in group gross profit, 1st – 3rd quarter



Business Review

The increase in net expenses from **other expenses and income** was at 2.2 per cent less than the increase in revenue. Wholesale kept costs strictly under control. Nevertheless, the increase in the number of pharmacies, the acquisition of DocMorris and the two companies K.V. Tjellesen and Max Jenne consolidated for the first time in mid-2006 brought about an increase in other expenses. Higher advertising subsidies contributed significantly to the increase in other income.

Personnel expenses, based on their share in revenue, slightly exceeded the previous year's level. The Danish wholesale companies which were taken over and the pharmacies acquired in 2006 and 2007 contributed to the absolute increase. Pension expenditure including interest expense constituted 2.6 per cent of personnel expenses.

Net income from investments includes the dividends from the holding in Andreae-Noris Zahn AG. This item also includes the pro rata profit of pharmexx. The profit of pharmexx developed positively in the first three quarters of the current fiscal year, as expected. Net income from investments also includes once-only income from the sale of a holding in Croatia as well as of other financial assets not essential to operations.

EBITDA, the performance indicator for operational success before interest, taxes, depreciation and amortisation, rose by 5.3 per cent (4.7 per cent in local currency) to 627.4 million euros. This development is essentially due to the improved gross profit margin and increase in net income from investments. Return on sales based on EBITDA totalled 3.77 per cent, 4 basis points up on the figure for the comparable period last year.

The increase in **depreciation and amortisation** is attributable to the acquisitions and investments from previous years.

The **financial result,** the balance from the items interest expense, interest income and other financial result, deteriorated in the period under review as compared with the previous year, due to the higher average indebtedness. This is attributable to the acquisitions in the Pharmacies division and the takeover of DocMorris. The cost of financing the acquisition of DocMorris impacted on the whole quarter for the first time in the third quarter. Also, the rise in market interest contributed to the lower financial result in the period under review. The other financial result fell by 1.6 million euros to – 3.7 million euros as the result of timing differences in currency and interest derivatives.

Business Review

Profit before tax rose 2.0 per cent (1.4 per cent in local currency) to 451.8 million euros, despite the drop in the financial result.

The **tax ratio** at 29.1 per cent was 0.2 per cent up on last year's figure, which contained higher tax revenue not relating to the period under review than the figure for 2007. The positive effects on deferred taxes of a reduction in the rate of tax could not cancel out the effect mentioned above.

Net profit rose by 5.4 million euros to 320.2 million euros. **Earnings per share** improved by 0.03 euros to 1.87 euros, corresponding to growth of 1.6 per cent.

Celesio Group in the 1st – 3rd quarter

	2006		**2007**		Change in euros	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	15,946.7	100.00	**16,647.5**	**100.00**	4.4	4.1
Gross profit	1,799.7	11.29	**1,888.5**	**11.34**	4.9	4.4
EBITDA	595.5	3.73	**627.4**	**3.77**	5.3	4.7
EBIT	519.2	3.26	**545.5**	**3.28**	5.1	4.4
Profit before tax	442.8	2.78	**451.8**	**2.71**	2.0	1.4
Net profit	314.8	1.97	**320.2**	**1.92**	1.7	1.2
Cash flow	431.1	–	**406.0**	**–**	–5.8	–6.3

Main balance sheet items

On 30 September, Celesio's balance sheet structure was solid, even after the acquisitions in the Pharmacies division and the takeover of DocMorris. The shareholders' equity ratio at 32.8 per cent was just under the figure on 31 December 2006. Gearing, the indicator measuring the level of indebtedness and derived by dividing net financial debt by shareholders' equity, showed a slight increase to 0.81.

Total assets showed an increase of 7.2 per cent or 569.9 million euros over 31 December 2006, due to acquisitions. The change in the currency spot rates had the effect of reducing total assets by 116.2 million euros.

www.celesio.com/KeyFigures

Business Review

At the end of the third quarter of 2007, **non-current assets** totalled 3,863.1 million euros, thus 12.1 per cent up on the figure at 31 December 2006. In particular the acquisition of 117 pharmacies, essentially in the United Kingdom, and the purchase of the DocMorris Group contributed to this increase. The investments and acquisitions that were cash-effective totalled 511.5 million euros in the first nine months. Depreciation and amortisation totalled 81.9 million euros. Of this, 9.2 million euros related to intangible assets and 72.7 million euros to property, plant and equipment.

Current assets showed an increase of 153.6 million euros to 4,633.3 million euros by comparison with the end of 2006. Inventories increased by 37.9 million euros and trade receivables by 115.8 million euros, largely attributable to acquisitions. In particular the positive change in the market value of derivatives, which Celesio used exclusively to hedge interest and currency risks, was reflected in the increase in other assets.

Shareholders' equity at 30 September increased to 2,789.9 million euros as the result of the net profit of 320.2 million euros. Other comprehensive income showed a positive change, largely due to the change in market value of the derivatives. By contrast, the translation reserves decreased by 36.2 million euros, mainly due to the change in the exchange rate of the pound sterling. Shareholders' equity was reduced as the result of the dividend payment of 128.7 million euros. Minority interests reduced by 4.8 million euros to 14.3 million euros as the result of the acquisition of further shares in a Danish Celesio company.

The acquisitions are the reason that **non-current financial liabilities** at 30 September 2007 exceeded the total at the end of 2006 by 367.4 million euros. As part of the further diversification and optimisation of the financing structure, Celesio placed promissory notes equivalent to around 370 million euros in the second quarter. This measure involving loan capital is used for general corporate financing. In addition, promissory notes totalling 188 million euros were paid back prematurely.

Provisions for pensions and **other non-current provisions** showed a slight rise. The share of provisions for pensions in total assets was 1.7 per cent.

The increase in **other non-current liabilities** and **deferred tax liabilities** is predominantly due to acquisitions.

Current liabilities showed a slight decline to 3,324.3 million euros. **Net current assets** (current assets less current liabilities excluding financial liabilities) rose by 178.8 million euros to 1,491.4 million euros.

Business Review

Main cash flow items

Cash flow between January and September 2007 totalled 406.0 million euros, 5.8 per cent down on the figure for the same period last year. This is due, in addition to the higher income from the disposal of non-current assets, to lower non-cash-effective changes in the net working capital. The dividend payment and investments in the operating business were financed wholly and acquisitions predominantly from cash flow. Free cash flow was reduced to – 381.5 million euros, in particular as the result of the acquisitions and the financing of the increase in net working capital. The portion of acquisitions not yet cash-effective at the end of the third quarter of 2007 is shown under others.

Cash flow statement, 1st – 3rd quarter

	2006 € m	**2007 € m**
Cash flow	431.1	**406.0**
Dividends paid	– 120.3	**– 128.7**
Cash flow after dividends paid	310.8	**277.3**
Income from the disposal of non-current assets	18.0	**26.1**
Investments in the operating business	– 98.8	**– 100.0**
Free cash flow before acquisitions and change in net working capital	230.0	**203.4**
Change in net working capital	– 38.6	**– 177.1**
Acquisitions and new openings	– 181.5	**– 473.0**
Proceeds from the disposal of subsidiaries	4.2	**3.7**
Others	3.7	**61.5**
Free cash flow	17.8	**– 381.5**

Forecast

Celesio will also continue its revenue growth in the fourth quarter. EBITDA will grow ahead of revenue over the entire year. Profit before tax will outperform the prior year for the 21st time in succession.

Market

Celesio anticipates the European pharmaceuticals market to grow by 5 per cent overall in 2007, not taking into account the impact of government measures. Market growth will be stronger in the eastern European countries than in the western European countries.

Governmental intervention in 2006, particularly in Germany, France and the United Kingdom, have been hampering market growth throughout 2007. In addition to the new governmental measures negatively affecting market growth in France, Germany and Ireland, the reimbursement prices for medicines and fee payments for pharmacies were subjected to unexpectedly severe cuts on 1 October in the United Kingdom.

Group revenue and profit

Excluding the extraordinary items in Wholesale, revenue growth in 2007 will exceed market growth overall after governmental measures. The positive development of the pharmacy business and the absolute increase in the contribution of Celesio Solutions will result in a higher gross profit margin than in the prior year. Growth of Celesio's operating profit (EBITDA) will be stronger than revenue growth, leading once more to an increase in profitability.

The management board expects profit before tax to exceed that of the prior year for the 21st time in succession in the current fiscal year. Here the company is taking into consideration unexpected pressure on profit in the fourth quarter. This is due to the unexpectedly severe reduction in reimbursement prices for medicines and fee payments for pharmacies introduced on 1 October 2007 in the United Kingdom. Keener competition in Germany will also impact on business development. In addition, growth in profit will be marked by the higher financing costs due to the acquisition of DocMorris and pharmacies as well as the rise in the interest level. The absence of negative extraordinary items from the fourth quarter of 2006 will positively impact on profit growth in the fourth quarter of 2007.

www.celesio.com/Forecast

Forecast

Celesio adjusted its medium-term forecast at the end of September. It was prompted by the price cuts introduced on 1 October 2007 in the United Kingdom, the level of which could neither be anticipated nor understood, and which will affect 2008 as a whole. The management board no longer expects profit before tax to show a double-digit increase per year on average for the period 2006 to 2010.

Celesio will, as in the past, do its utmost to compensate as far as possible for the negative effects caused by government measures.

Celesio Wholesale

The Wholesale division will grow in line with the comparable market in the 2007 fiscal year, not taking two extraordinary items into account. Firstly, Germany's pharmacists associations and consequently the customers of Celesio's German wholesaler reacted negatively to the acquisition of DocMorris. The management board assumes, however, that Celesio Wholesale will regain the market position it had in Germany prior to the acquisition of DocMorris. Secondly, a manufacturer changed its distribution system in the United Kingdom. Since March, it has been supplying pharmacies directly through a single logistics partner. In the third quarter of 2007, other manufacturers announced that they were restricting distribution of their products in the United Kingdom to a limited number of wholesalers, one of these being AAH, Celesio's British wholesaler. This will further underpin the market position of the division.

Celesio Pharmacies

Organic growth of Celesio's Pharmacies division will be ahead of the comparable market growth in the 2007 fiscal year. The market position of Celesio Pharmacies will be boosted by acquisitions and new openings. In addition to this, the takeover of DocMorris is a significant strategic step for the division, given the anticipated liberalisation of the German pharmacy market.

Celesio Solutions

Celesio sees good medium-term and long-term growth opportunities for Solutions. The Solutions business unit Movianto will therefore continue to increase both its service portfolio and storage capacity nationally and internationally. The profit of the service provider pharmexx, in which Celesio has a strategic holding, will continue to show positive growth.

www.celesio.com/Forecast

Forecast

Geographical presence

Celesio utilises every economically attractive opportunity to gain a foothold in new growth markets. In October, Celesio agreed to exclusive negotiations for the phased acquisition of a majority shareholding in the Russian Protek Group. The group includes inter alia Russia's leading pharmaceutical trading company, the second largest Russian pharmacy chain and a drug manufacturing company (packaging and filling). For Celesio this is a significant strategic step into a demanding and fast-growing pharmaceuticals market.

Celesio continually reviews its existing portfolio to ensure that it remains future-proof and economically attractive. Kemofarmacija, Celesio's Slovenian wholesaler, sold Unipharm in Croatia and its shares in PharmaFarm in Romania in October. Both sales still await approval by the competent authorities. From today's perspective, the anticipated positive result from the disposal of the two companies is unlikely to affect the profit for 2007.

Investments

Celesio plans to invest some 150 to 170 million euros in the existing business in the 2007 fiscal year. This will mainly involve replacement investment. In addition, Celesio is improving its Wholesale branch network, modernising its pharmacies and bringing the information technology in all three divisions up to date.

→ www.celesio.com/Forecast

Celesio Wholesale

1st – 3rd quarter

Countries	Revenue 2006 € m	**Revenue 2007 € m**	Revenue change in euros %	Revenue change in local currency %	Number of branches 2007
France	5,265.0	**5,328.5**	1.2	1.2	50
Germany	2,693.9	**2,649.0**	– 1.7	– 1.7	20
United Kingdom	2,578.4	**2,484.0**	– 3.7	– 4.8	19
Austria	675.7	**707.5**	4.7	4.7	7
Portugal	354.2	**370.3**	4.5	4.5	7
Norway	324.3	**353.6**	9.0	10.3	3
Denmark	91.3	**300.0**	228.6	228.1	4
Belgium	289.8	**287.1**	– 0.9	– 0.9	5
Slovenia*	233.6	**252.7**	8.2	7.2	9
Ireland	220.0	**243.9**	10.9	10.9	3
Czech Republic	136.5	**167.4**	22.5	21.0	3
Italy	96.7	**99.7**	3.1	3.1	1
Total	**12,959.4**	**13,243.7**	**2.2**	**2.0**	**131**

* Including the subsidiaries in Croatia and Romania

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Supplying pharmacies
everywhere with
everything they need**

Celesio Wholesale

Celesio Wholesale's growth in the first three quarters of 2007 was in line with the comparable market, not including two negative effects.

Market

In France, Germany and the United Kingdom in particular, market growth was affected by governmental measures. In addition to this, the German market was characterised by intensified competition.

Revenue, gross profit and EBITDA

The division grew in line with the comparable market in the months January to September 2007, not taking two extraordinary items into account. Firstly, some German Wholesale customers, encouraged by campaigns by German pharmacists' associations, transferred their business in response to the purchase of DocMorris. Secondly, a pharmaceutical manufacturer switched his distribution system in the United Kingdom to direct sales. Since March, he has been supplying medicines direct to pharmacies via a single logistics partner and therefore no longer also via Celesio's British wholesaler.

Revenue of Celesio Wholesale rose to 13,243.7 million euros, corresponding to growth of 2.2 per cent (2.0 per cent in local currency). The Danish companies K.V. Tjellesen and Max Jenne acquired in 2006 contributed to this increase. In Ireland, Norway, Slovenia and the Czech Republic, growth of the division was stronger than market growth. Revenue with generic products showed significant growth in France, the United Kingdom, Austria and Portugal. The division plans to increase its market share in this segment. Disregarding the acquisitions of K.V. Tjellesen and Max Jenne, revenue fell by 0.2 per cent (0.4 per cent in local currency).

Gross profit totalled 807.0 million euros in the first nine months of the current fiscal year, and was therefore 1.8 per cent below the prior year's level. This is mainly due to the intensified competition in Germany. The gross profit margin fell to 6.09 per cent, a reduction of 25 basis points compared with the same period last year.

EBITDA of Celesio Wholesale showed a corresponding fall to 315.9 million euros – a decline of 1.5 per cent.

Celesio Wholesale

Celesio Wholesale is keeping costs under strict control in order to counter the effects of government measures and intensified competition. In France particularly, extensive restructuring is allowing costs to be reduced in the long term. There, the branch network is being streamlined, operational processes are being improved and delivery routes are being reorganised. Following the initial successes in the period under review, the restructuring of the branch network will be continued according to plan.

Governmental measures

Price cuts already introduced last year particularly in France, Germany and the United Kingdom impacted for the first time on the entire reporting period. In addition, the reduction of reimbursement prices by the Department of Health in the United Kingdom on 1 July 2007 burdened growth. In the first nine months of 2007, prices of medicines were also reduced in Portugal and Ireland.

In Germany the 'Gesetz zur Stärkung des Wettbewerbs in der gesetzlichen Krankenversicherung' (law to strengthen competition in statutory health insurance) which came into force on 1 April this year led to further intensification in discount competition and higher expenditure for the wholesalers. This also affected profit development in German wholesaling.

Services for pharmacies

In addition to improving its efficiency, the division is continuously expanding its range of services for pharmacies to strengthen them economically in the long term. Celesio Wholesale offers customer loyalty programmes to independent pharmacists in all its markets. In Germany, in addition to the GEHE Pharma Handel Commitment Programme, which has long been successful, Celesio now also offers DocMorris brand partnerships for owner-managed pharmacies. Be it distribution, the Commitment model or the DocMorris brand partnership – pharmacists are able to select the solution which best suits their needs.

Celesio Wholesale in the 1st – 3rd quarter

	2006		**2007**		Change in euros	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	12,959.4	100.00	**13,243.7**	**100.00**	2.2	2.0
Gross profit	821.8	6.34	**807.0**	**6.09**	– 1.8	– 2.1
EBITDA	320.6	2.47	**315.9**	**2.38**	– 1.5	– 1.8
EBIT	282.3	2.18	**277.1**	**2.09**	– 1.9	– 2.1

Celesio Pharmacies

1st – 3rd quarter

Countries	Revenue 2006 € m	**Revenue 2007 € m**	Revenue change in euros %	Revenue change in local currency %	Number of pharmacies 2007
United Kingdom	1,681.3	**1,815.3**	8.0	6.7	1,667
Norway	283.7	**309.8**	9.2	10.4	143
Netherlands*	110.2	**190.0**	72.4	72.4	60
Italy	153.6	**153.5**	–0.1	–0.1	163
Ireland	87.3	**93.0**	6.5	6.5	61
Belgium	71.4	**79.0**	10.7	10.7	100
Czech Republic	26.4	**27.9**	5.7	4.3	42
Total	**2,413.9**	**2,668.5**	**10.5**	**9.8**	**2,236**

* Incl. the DocMorris Group since 31 May 2007

Our pharmacies:
Advice and care in everything to do with medicines and health

Celesio Pharmacies

Good organic growth, new openings and acquisitions enabled Celesio Pharmacies' revenue to outperform the comparable market in the first three quarters of 2007. Growth in operating profit was stronger than revenue growth.

Market

Governmental intervention slowed the upward trend in most countries in the period under review. Bad weather in the summer months also led to a decline in the sales of allergy and sun care products. Flooding of large areas of land in the United Kingdom also resulted in lost sales. Pharmacies there were forced to close temporarily or were only accessible with difficulty or not at all.

Revenue, gross profit and EBITDA

Celesio Pharmacies continued on its growth course in the period under review and exceeded the comparable market growth.

Revenue for the division in the first nine months of the current fiscal year showed a 10.5 per cent rise (9.8 per cent in local currency) to 2,668.5 million euros. Organic growth, acquisitions and new openings as well as the consolidation of DocMorris since 31 May 2007 were the main growth drivers. Adjusted to take account of acquisitions, new openings and pharmacy disposals, revenue rose by 3.0 per cent (2.3 per cent in local currency).

Lloydspharmacy, Celesio's pharmacy chain in the United Kingdom, showed significant growth. Firstly, Lloydspharmacy strengthened its market position by acquiring 98 pharmacies. Secondly, the range of professional services contributed to the good organic growth. At Lloydspharmacy, pharmacists not only check blood pressure, blood sugar and cholesterol, but also conduct extensive consultations with patients about their prescribed medication. Demand for these consultations is growing steadily.

Thanks to an attractive range of services and a consistent strong customer focus, most of Celesio's other pharmacy chains are also showing growth ahead of the comparable market.

Celesio Pharmacies

Gross profit in the period under review totalled 963.0 million euros, 10.8 per cent up on the comparable figure of the prior year (10.0 per cent in local currency). The gross profit margin rose 10 basis points to 36.09 per cent. The extended range of professional services, an increased proportion of generic products with higher margins in the product mix and better purchase conditions had a positive effect. By comparison with the first half of 2007, the gross profit margin showed a slight drop. The main reason is that the comparatively lower gross profit margin of the DocMorris mail order business affected an entire quarter for the first time in the third quarter.

Strict cost control was one reason why **EBITDA** grew more strongly than gross profit and revenue. It increased 11.6 per cent (10.6 per cent in local currency) to 326.1 million euros.

Expansion

As at 30 September 2007, Celesio was operating 2,236 pharmacies in seven European countries. In the months January to September 2007 the division acquired 117 pharmacies, opened 27 and closed or sold 8.

Celesio set a milestone with the takeover of DocMorris. The acquisition of Germany's most well-known pharmacy brand is a strategic and forward-looking step for Celesio in view of the potential liberalisation of the German pharmacy market. In addition to the mail order pharmacy for patients, DocMorris offers independent German pharmacists a brand partnership. The aim of the cooperation is to improve the market positioning of owner-managed pharmacies with Germany's best-known pharmacy brand and by placing the pharmacist as a healthcare professional centre stage. High quality advice, reliable service and fair prices not only characterise the brand partners, but also the DocMorris mail order pharmacy. This is confirmed by Stiftung Warentest in its quality test of mail order pharmacies. In all the areas tested, advice, ordering and delivery service and website, DocMorris achieved the rating 'Good'.

DocMorris plans to conclude 100 brand partnerships by the end of the current fiscal year. 47 brand partner pharmacies had been opened by 30 September 2007. In the next five years, the number of brand partner pharmacies is to reach 500.

Celesio Pharmacies

Governmental measures

On 1 July 2007, the British health authorities reduced reimbursement prices for medicines, which impeded growth. Price cuts were also introduced in 2007 in Ireland, the Netherlands and Norway. In addition, price interventions of the UK and Italian governments stemming from the second half of 2006 further dampened growth in the period under review.

Liberalisation of markets

Celesio is observing the continuing discussions on the liberalisation of the pharmacy markets in Europe very carefully. At the end of August 2007, the Portuguese government announced that it planned to relax the basic conditions for the ownership of pharmacies. The law came into force at the end of October. Third party ownership is now permitted, allowing capital stock companies, in addition to pharmacists, to own up to four pharmacies. Mail order for medicines has also been authorised. Due to the incompatibility regulation, doctors, pharmaceutical wholesalers or pharmaceutical manufacturers inter alia are not allowed to own pharmacies. In Sweden, a government commission is preparing proposals for the end of the year on how the present government monopoly can be broken up and a more liberalised pharmacy market created. Furthermore, the European Commission has initiated infringement proceedings against Italy, Austria, Spain and France. The four countries were called upon to develop their national legal framework for the ownership and operation of pharmacies to comply with the treaty. Two cases are also pending before the European Court of Justice concerned with the reconciliation of third-party ownership of pharmacies with European Community law. These changes in the pharmacy markets argued under European law and driven by the European Commission can hold growth opportunities. Celesio will utilise them if the underlying economic and political conditions are reliable and attractive.

Celesio Pharmacies in the 1st – 3rd quarter

	2006		**2007**		Change in euros	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	2,413.9	100.00	**2,668.5**	**100.00**	10.5	9.8
Gross profit	868.8	35.99	**963.0**	**36.09**	10.8	10.0
EBITDA	292.3	12.11	**326.1**	**12.22**	11.6	10.6
EBIT	260.6	10.79	**288.8**	**10.82**	10.8	9.9

Celesio Solutions

Celesio Solutions

1st – 3rd quarter

Business unit	Gross profit 2006 € m	**Gross profit 2007 € m**	Gross profit change in euros %	Gross profit change in local currency %
Movianto	109.1	**118.5**	8.6	8.1

Growth driver:
Innovative services
relating to medicines

Celesio Solutions

The Celesio Solutions division offers pharmaceutical manufacturers services for distribution, logistics, storage, sales, marketing and personnel. Its business unit Movianto and the holding in pharmexx showed positive development in the period under review.

Market

The market for pharmaceutical services is fragmented and not directly subject to governmental regulations. Pharmaceutical manufacturers are increasingly outsourcing processes to allow them to concentrate on their core competence. Therefore this market offers good growth potential.

Gross profit and EBITDA

The business unit Movianto increased its **gross profit*** by 8.6 per cent (8.1 per cent in local currency) to 118.5 million euros between January and September 2007. The logistics branch of K.V. Tjellesen, consolidated since mid-2006, contributed to this growth. Movianto developed particularly well in Germany, Spain and the Czech Republic. In these markets, the company concluded new contracts and renewed existing ones. In addition to this, in the United Kingdom and France, Movianto took on the delivery of some three million units of flu vaccine to wholesalers and hospitals, and in France also to pharmacies.

EBITDA of Celesio Solutions decreased by 9.3 per cent (9.7 per cent in local currency) to 16.3 million euros. The reasons for this decline are the costs and investments for the continued process optimisations and for Movianto's European expansion.

Storage capacity

In Germany, Movianto increased its capacity by adding a cold storage warehouse with 2,000 pallet spaces. Movianto also commissioned two new warehouses in Ireland and the Czech Republic, and in so doing increased the capacity in these countries threefold. At the end of the reporting period, Movianto had a total of 160,000 pallet spaces in 9 countries.

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

Celesio Solutions

Uniform market presentation for Movianto across Europe

Celesio Solutions is establishing Movianto as one of the leading European brands for services for the pharmaceutical industry. For this reason, all the companies in the business unit have been presenting themselves on the market since September under the common name Movianto.

pharmexx cooperation

Since spring 2006, Celesio has had a 30 per cent holding in pharmexx. The company is one of the world's leading sales and marketing service providers for the pharmaceutical industry. pharmexx continued to grow between January and September 2007 and made a positive contribution to the operating profit of the division. pharmexx was present in 26 markets worldwide at the end of the period under review.

Celesio Solutions in the 1st – 3rd quarter

	2006		**2007**		Change in euros	Change in local currency
	€ m	% of gross profit	**€ m**	**% of gross profit**	%	%
Gross profit	109.1	100.00	**118.5**	**100.00**	8.6	8.1
EBITDA	17.9	16.33	**16.3**	**13.74**	–9.3	–9.7
EBIT	13.7	12.42	**11.7**	**9.90**	–14.3	–14.6

Interim Statements

Group Income Statement, 1st – 3rd Quarter

	3rd quarter		1st – 3rd quarter	
	2006 € m	**2007 € m**	2006 € m	**2007 € m**
Revenue	**5,315.7**	**5,433.3**	**15,946.7**	**16,647.5**
Own work capitalised	0.7	0.2	2.1	0.4
Total operating performance	**5,316.4**	**5,433.5**	**15,948.8**	**16,647.9**
Cost of raw materials, consumables and supplies, and of purchased goods	4,706.8	4,807.2	14,149.1	14,759.4
Gross profit	**609.6**	**626.3**	**1,799.7**	**1,888.5**
Other expenses and income	–122.0	–120.6	–365.0	–373.1
Personnel expenses	283.7	301.5	845.7	902.1
Income from associates accounted for using the equity method	0.4	0.4	1.3	1.4
Net income from other investments	0.8	1.2	5.2	12.7
EBITDA	**205.1**	**205.8**	**595.5**	**627.4**
Amortisation of intangible assets and depreciation of property, plant and equipment	26.1	28.5	76.3	81.9
EBIT	**179.0**	**177.3**	**519.2**	**545.5**
Interest expenses	–27.4	–34.9	–81.7	–100.2
Interest income	1.6	3.6	7.4	10.2
Other financial result	–1.8	–2.3	–2.1	–3.7
Profit before tax	**151.4**	**143.7**	**442.8**	**451.8**
Income taxes	43.4	40.9	128.0	131.6
Net profit	**108.0**	**102.8**	**314.8**	**320.2**
Profit attributable to minority interests	0.2	0.4	1.9	2.5
Profit attributable to equity holders of Celesio AG	**107.8**	**102.4**	**312.9**	**317.7**
Earnings per share – basic €	**0.63**	**0.60**	**1.84**	**1.87**
Earnings per share – diluted €	**0.63**	**0.60**	**1.84**	**1.87**

Group Balance Sheet as at 30/09/2007

		31/12/2006 € m	**30/09/2007 € m**
Assets	**Non-current assets**		
	Intangible assets	2,569.8	2,976.8
	Property, plant and equipment	636.8	644.4
	Investments accounted for using the equity method	55.5	53.7
	Other financial assets	134.8	143.5
	Income tax receivables	3.5	3.6
	Deferred tax assets	46.4	41.1
		3,446.8	**3,863.1**
	Current assets		
	Inventories	1,645.9	1,683.8
	Trade receivables	2,503.3	2,619.1
	Income tax receivables	65.3	49.0
	Other receivables and other assets	255.6	274.4
	Cash and cash equivalents	9.6	7.0
		4,479.7	**4,633.3**
	Total assets	**7,926.5**	**8,496.4**

		31/12/2006 € m	**30/09/2007 € m**
Equity and liabilities	**Shareholders' equity**		
	Issued capital	217.7	217.7
	Capital reserves	1,113.0	1,113.0
	Revenue reserves	1,148.9	1,339.1
	Revaluation reserves	129.3	105.8
	Minority interests	19.1	14.3
		2,628.0	**2,789.9**
	Liabilities		
	Non-current liabilities		
	Financial liabilities	1,727.4	2,094.8
	Pension provisions	139.5	141.1
	Other non-current provisions	34.9	35.4
	Other liabilities	5.3	28.5
	Deferred tax liabilities	55.7	82.4
		1,962.8	**2,382.2**
	Current liabilities		
	Financial liabilities	168.6	182.4
	Trade payables	2,447.5	2,436.3
	Other current provisions	146.1	134.5
	Income tax liabilities	130.3	145.2
	Other liabilities	443.2	425.9
		3,335.7	**3,324.3**
	Total equity and liabilities	**7,926.5**	**8,496.4**

Group Cash Flow Statement, 1st – 3rd Quarter

	2006 € m	**2007** **€ m**
Net profit	**314.8**	**320.2**
Depreciation and amortisation/write-up of property, plant and equipment, and intangible assets	76.3	78.7
Net result from the disposal of non-current assets	–3.8	–14.8
Non-cash changes in net working capital	41.2	24.1
Other non-cash expenses and income	2.6	–2.2
Cash flow	**431.1**	**406.0**
Change in operating assets	74.7	–127.0
Change in operating liabilities	–113.1	–50.1
Net cash flow from operating activities	**392.7**	**228.9**
Proceeds from the disposal of non-current assets	18.0	26.1
Investment in non-current assets	–146.9	–110.5
Proceeds from the disposal of subsidiaries	4.2	3.7
Cash paid for acquisition of subsidiaries	–129.9	–401.0
Net cash flow from investing activities	**–254.6**	**–481.7**
Dividends paid to shareholders	–120.3	–128.7
Proceeds from borrowings	219.5	638.4
Repayment of borrowings	–236.3	–259.5
Net cash flow from financing activities	**–137.1**	**250.2**
Net change in cash and cash equivalents	**1.0**	**–2.6**
Net foreign exchange difference	0.0	0.0
Cash and cash equivalents at the beginning of the period	8.1	9.6
Cash and cash equivalents at the end of the period	**9.1**	**7.0**

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

	Issued capital	Capital reserves	Revenue reserves	Revaluation reserves Translation reserves	Revaluation reserves Other comprehensive income	**Share-holders of Celesio AG**	**Minority interests**	**Share-holders' equity**
	€ m	€ m	€ m	€ m	€ m	**€ m**	**€ m**	**€ m**
01/01/2007	**217.7**	**1,113.0**	**1,148.9**	**104.4**	**24.9**	**2,608.9**	**19.1**	**2,628.0**
Dividends	0.0	0.0	– 127.6	0.0	0.0	– 127.6	– 1.1	– 128.7
Currency adjustments	0.0	0.0	0.0	– 36.2	– 0.8	– 37.0	0.0	– 37.0
Net profit	0.0	0.0	317.8	0.0	0.0	317.8	2.5	320.3
Revaluation of financial instruments	0.0	0.0	0.0	0.0	13.5	13.5	0.0	13.5
Changes to consolidated group/others	0.0	0.0	0.0	0.0	0.0	0.0	– 6.2	– 6.2
30/09/2007	**217.7**	**1,113.0**	**1,339.1**	**68.2**	**37.6**	**2,775.6**	**14.3**	**2,789.9**
01/01/2006	**217.7**	**1,113.0**	**845.5**	**88.5**	**11.4**	**2,276.1**	**8.1**	**2,284.2**
Dividends	0.0	0.0	– 119.1	0.0	0.0	– 119.1	– 1.2	– 120.3
Currency adjustments	0.0	0.0	0.0	7.0	0.1	7.1	0.0	7.1
Net profit	0.0	0.0	312.9	0.0	0.0	312.9	1.9	314.8
Revaluation of financial instruments	0.0	0.0	0.0	0.0	12.5	12.5	– 0.1	12.4
Changes to consolidated group/others	0.0	0.0	0.2	0.0	0.0	0.2	13.4	13.6
30/09/2006	**217.7**	**1,113.0**	**1,039.5**	**95.5**	**24.0**	**2,489.7**	**22.1**	**2,511.8**

Group Segment Reporting by Business Division, 1st – 3rd Quarter

	Celesio Wholesale		Celesio Pharmacies		Celesio Solutions		Others		Consolidation		Group	
	2006 € m	**2007 € m**	2006 € m	**2007 € m**	2006 € m	**2007 € m**	2006 € m	**2007 € m**	2006 € m	**2007 € m**	2006 € m	**2007 € m**
Revenue	**12,959.4**	**13,243.7**	**2,413.9**	**2,668.5**	**776.3**	**976.6**	**0.0**	**0.0**	**–202.9**	**–241.3**	**15,946.7**	**16,647.5**
External revenue	12,959.4	13,243.7	2,413.9	2,668.5	573.4	735.3	0.0	0.0	0.0	0.0	15,946.7	16,647.5
Intersegment revenue	0.0	0.0	0.0	0.0	202.9	241.3	0.0	0.0	–202.9	–241.3	0.0	0.0
EBITDA	**320.6**	**315.9**	**292.3**	**326.1**	**17.9**	**16.3**	**–35.3**	**–30.9**	**0.0**	**0.0**	**595.5**	**627.4**
Segment profit from operations	**281.2**	**276.2**	**260.5**	**288.7**	**13.6**	**11.3**	**–37.4**	**–32.1**	**0.0**	**0.0**	**517.9**	**544.1**
Income from associates accounted for using the equity method	1.1	0.9	0.1	0.1	0.1	0.4	0.0	0.0	0.0	0.0	1.3	1.4
EBIT	**282.3**	**277.1**	**260.6**	**288.8**	**13.7**	**11.7**	**–37.4**	**–32.1**	**0.0**	**0.0**	**519.2**	**545.5**

Notes

Accounting principles and valuation policies

The consolidated interim statements for Celesio AG for the first three quarters of 2007 have been drawn up on the basis of the International Accounting Standard (IAS) 34. In so doing, all the relevant International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, and all interpretations of the International Financial Reporting Interpretation Committee (IFRIC) required as of 30 September 2007 have been taken into account. The accounting standards applied to prepare the interim statements largely correspond to those that were applied for the consolidated financial statements for the year ended 31 December 2006. The interim statements are therefore to be read in conjunction with the consolidated financial statements of Celesio AG for the 2006 fiscal year. The standards and interpretations that were legally required to be applied as of 1 January 2007 did not have any significant effect on the interim statements.

Consolidated group

In the first three quarters of 2007, numerous pharmacies – mainly in the United Kingdom – were consolidated for the first time in the Celesio Pharmacies division.
In addition, on 31 May 2007, the DocMorris Group was included in the group financial statements for the first time, based on provisional figures.

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

Employees

At the end of the third quarter of 2007, Celesio employed 37,486 staff (head count) compared with 36,052 the prior year.

Notes

Notes to segment reporting

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

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

Review Report

To Celesio AG, Stuttgart

We have reviewed the condensed consolidated interim financial statements – comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and selected explanatory notes – together with the interim group management report of Celesio AG, Stuttgart, for the period from 1 January to 30 September 2007 which are components of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to 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 German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Review Report

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Stuttgart, 30 October 2007

PricewaterhouseCoopers
Aktiengesellschaft
Auditors

(Wagner)
Auditor

(Wißfeld)
Auditor

Financial Calendar

Interim report, 1st – 3rd quarter 2007	13 November 2007
Balance Sheet Press Conference, Stuttgart	12 March 2008
Celesio Analysts' and Investors' Conference, Stuttgart	13 March 2008
International Bankers Day, Stuttgart	17 March 2008
Annual General Meeting 2008, Stuttgart	30 April 2008
Interim report, 1st quarter 2008	13 May 2008
Interim report, 1st half-year 2008	12 August 2008
Interim report, 1st – 3rd quarter 2008	13 November 2008

Subject to amendment

www.celesio.com/FinancialCalendar

Contacts

Websites

Celesio AG and companies in the Celesio Group

	www.celesio.com

Celesio Wholesale

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

Celesio Wholesale offers access-protected business-to-business solutions for pharmacies

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

Celesio Pharmacies

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

Celesio Solutions

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pharmexx	www.pharmexx.com

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