

the healthcare group

Balance sheet as of 31 December 2004 for Celesio AG

	Note	31.12.2003 € '000	31.12.2004 € '000
Assets			
Non-current assets			
Intangible assets	(1)	4,101	2,807
Property, plant and equipment	(2)	1,795	3,281
Financial assets	(3)	1,583,209	1,746,856
		1,589,105	1,752,944
Current assets			
Receivables and other assets	(4)	414,085	466,124
Cash and cash equivalents	(5)	32	36
		414,117	466,160
Prepaid expenses	(6)	2,046	7,127
		2,005,268	2,226,231
Share-holders' equity and liabilities			
Equity			
Issued capital	(7)	217,728	217,728
Capital reserves	(7)	1,113,030	1,113,030
Revenue reserves	(7)	284,480	265,819
Profit available for distribution	(8)	80,103	102,060
		1,695,341	1,698,637
Provisions			
Provisions for pensions and similar obligations	(9)	8,552	8,987
Other provisions	(10)	16,295	29,808
		24,847	38,795
Liabilities			
Liabilities with a residual term of more than five years		28,168	383,967
more than one and less than five years		1,162	1,143
less than one year		254,115	102,337
	(11)	283,445	487,447
Deferred income		1,635	1,352
		2,005,268	2,226,231

Income statement for the fiscal year 2004 for Celesio AG

	Note	2003 € '000	2004 € '000
Investment income	(12)	138,790	105,862
Interest result	(13)	701	(1,221)
Other operating income	(14)	25,275	37,537
Personnel expenses	(15)	(14,504)	(19,066)
Amortisation of intangible assets and depreciation of property, plant and equipment		(611)	(2,149)
Other operating expenses	(16)	(26,180)	(25,828)
Earnings before tax		123,471	95,135
Income taxes	(17)	(5,735)	(15,294)
Net profit for the year		117,736	79,841
Drawings from (prior year additions to) revenue reserves		(58,868)	18,661
Profit brought forward		21,235	3,558
Profit available for distribution		80,103	102,060

Analysis of non-current assets for 2004 of Celesio AG

	Intangible assets € '000	Property, plant and equipment € '000	Financial assets € '000	Total € '000
Accumulated historical cost 01.01.2004	5,232	2,735	1,583,209	1,591,176
Additions	398	1,929	163,673	166,000
Additions from affiliated companies	0	538	0	538
Disposals	(9)	(7)	(26)	(42)
Accumulated historical cost 31.12.2004	5,621	5,195	1,746,856	1,757,672
Accumulated valuation adjustments 01.01.2004	1,131	940	0	2,071
Additions	1,683	466	0	2,149
Additions from affiliated companies	0	508	0	508
Disposals	0	0	0	0
Accumulated valuation adjustments 31.12.2004	2,814	1,914	0	4,728
Net book value as of 31.12.2004	2,807	3,281	1,746,856	1,752,944
Net book value as of 31.12.2003	4,101	1,795	1,583,209	1,589,105

Intangible assets are composed entirely of software. Property, plant and equipment includes leasehold improvements, other plant and equipment as well as furniture and fixtures. Developments in financial assets are detailed in note 3, 'Financial assets'.

Notes to the financial statements of Celesio AG

General

The financial statements for the fiscal year 2004 of Celesio AG reflect the activities of a management holding. The financial statements have been prepared in euro with all figures rounded to the nearest thousand.

The balance sheet and the income statement for the fiscal year 2004 are affected by changes in shares held in affiliated companies, liabilities to banks, and receivables and payables to affiliated companies as well as profit distributions and profits transfers from subsidiaries.

Accounting principles

The financial statements of Celesio AG for the year ended 31.12.2004 have been prepared in euro and in compliance with HGB [Handelsgesetzbuch: German Commercial Code] and AktG [Aktiengesetzbuch: German Stock Corporation Law]. The income statement has been prepared using the nature of expense method.

To aid the clarity of presentation, a number of items have been summarised in both the balance sheet and the income statement. These are presented in detail in the notes.

Valuation principles

The methods used to value assets and liabilities are disclosed in the notes to the individual balance sheet items.

Notes to the balance sheet

(1) Intangible assets

These items are valued at historical cost. Intangible assets are amortised using the straight-line method at rates of between 25 % and 33 %.

(2) Property, plant and equipment

Additions to property, plant and equipment have been capitalized at historical cost. Furniture and fixtures are depreciated on a straight-line basis at rates of between 5 % and 20 %. Leasehold improvements are depreciated over the term of the underlying lease. Additions comprise leasehold improvements and replacements of office equipment, furniture and fixtures.

(3) Financial assets

	Shares in affiliated companies € '000	Loans to affiliated companies € '000	Investments € '000	Total € '000
Accumulated historical cost 01.01.2004	1,578,553	4,656	0	1,583,209
Additions	147,556	0	16,117	163,673
Disposals	(26)	0	0	(26)
Accumulated historical cost 31.12.2004	1,726,083	4,656	16,117	1,746,856
Accumulated valuation adjustments 01.01.2004	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Accumulated valuation adjustment 31.12.2004	0	0	0	0
Net book value as of 31.12.2004	1,726,083	4,656	16,117	1,746,856
Net book value as of 31.12.2003	1,578,553	4,656	0	1,583,209

Financial assets are valued at the lower of historical cost or fair value. The additions of € 163,673,000 mainly refer to capital increases at Unicare Pharmacy Limited, Dublin/Ireland, Lloydspharma Belgium S.A. (formerly Lloyds Pharmacy Belgium S.A.), Wavre / Belgium, Lloyds Nederland B.V. (formerly GEHE Nederland B.V.), Weesp / the Netherlands, and at Altiro GmbH (formerly GEHE Gesundheitsdienste GmbH), Stuttgart. In addition, AVS Health Espana S.L., Madrid / Spain was founded and Realpol a.s., Brünn / Czech Republic was acquired. The disposals relate to the shares held in AVS Health GmbH, Stuttgart.

The list of the group's investment holdings is filed with the commercial register of the local court in Stuttgart.

(4) Receivables and other assets

	31.12.2003 € '000	31.12.2004 € '000
Receivables from affiliated companies	398,500	458,888
Other assets	15,585	7,236
	414,085	466,124

Receivables from affiliated companies and other assets are valued considering any risks of non-collection. Current receivables from affiliated companies included receivables due from 15 companies of the group.

Receivables denominated in foreign currency are valued at the forward price of the corresponding hedge instrument.

Other assets chiefly consist of tax reimbursement entitlements and tax prepayments as well as other receivables and are all due within 12 months.

(5) Cash and cash equivalents

	31.12.2003 € '000	31.12.2004 € '000
Cash in hand	12	18
Bank balances	20	18
	32	36

Notes to the balance sheet

(6) Prepaid expenses

Prepaid expenses mainly relate to accrued premiums paid for interest and exchange rate derivatives.

(7) Issued capital and reserves

Issued capital amounts to € 217,728,000 and is split into 85,050,000 no-par value bearer shares.

Authorised capital of € 43,546,000 is available up until 07.05.2007.

Revenue reserves developed as follows:

	€ '000
Brought forward 01.01.2004	284,480
Drawings from other revenue reserves	(18,661)
Carried forward 31.12.2004	265,819

(8) Profit available for distribution

From the profit available for distribution of the prior year of € 80,103,000, an amount of € 76,545,000 was distributed as a dividend for the fiscal year 2003 and € 3,558,000 retained.

An amount of € 18,661,000 was drawn from other revenue reserves. Together with the net profit for 2004 of € 79,841,000 and the retained profit from the prior year of € 3,558,000 distributable profit as of 31.12.2004 amounts to € 102,060,000.

Pursuant to the proposal for the appropriation of profits, the entire profit available for distribution of € 102,060,000 should be paid out as a dividend for fiscal year 2004.

(9) Provisions for pensions and similar obligations

Pension provisions were calculated at present value as defined by Sec. 6a EStG [Einkommensteuergesetz: German Income Tax Act] using an interest rate of 6 % and the 1998 mortality tables issued by Dr Heubeck. Pension provisions are calculated at present value and accrued in full.

(10) Other provisions

	31.12.2003 € '000	31.12.2004 € '000
Tax provisions	10.455	20.746
Other provisions	5.840	9.062
	16.295	29.808

Provisions are carried at an amount deemed necessary by prudent business judgment. Tax provisions contain provisions for deferred taxes of € 4,511,000. Other provisions mainly comprise provisions for personnel-related expenses, commitment fees, remuneration of the supervisory board, the costs of preparing the annual report and financial statements.

(11) Liabilities, contingent liabilities and derivative financial instruments

Liabilities	Total	With a residual term of			Total
	31.12.2003 € '000	less than one year € '000	more than one and less than five years € '000	more than five years € '000	31.12.2004 € '000
Liabilities to banks	28,168	100	0	383,967	384,067
Trade payables	1,508	527	0	0	527
Liabilities to affiliated companies	252,259	101,218	0	0	101,218
Other liabilities	1,510	492	1,143	0	1,635
of which taxes	[146]	[189]	0	0	[189]
of which social security	[167]	[194]	0	0	[194]
	283,445	102,337	1,143	383,967	487,447

Liabilities are recognised at the amount needed to settle the obligation.

Notes to the balance sheet

Contingent liabilities and commitments	31.12.2003 € '000	31.12.2004 € '000
Guarantee obligations	1,631,334	1,213,121
of which for affiliated companies	[1,616,130]	[1,204,837]
Other financial obligations	161	4,149
Obligations from acquisition agreements	0	103,207
	1,631,495	1,320,477

The majority of the guarantee obligations have been made to creditor banks (of which € 996,173,000 for Celesio Finance B.V., Weesp/ Netherlands).

Other financial obligations relate to rental agreements and future lease obligations for company cars.

In addition, contingent liabilities contain purchase obligations resulting from the acquisition of financial assets.

Derivative financial instruments	Nominal volume		Fair value	
	31.12.2003 € m	31.12.2004 € m	31.12.2003 € m	31.12.2004 € m
Interest instruments	451	651	(2)	1
Currency instruments	359	502	1	10
	810	1,153	(1)	11

In its capacity as management holding, Celesio AG is exposed to interest rate risks and foreign currency exposures. These risks have been hedged against by use of derivatives. The use of derivatives is subject to uniform group-wide guidelines and compliance is monitored constantly. This includes the separation of functions between trading, settlement and entry into the accounts as well as voluntary restriction to a small designated group of banks with high credit ratings and only granting power of attorney to a few, qualified employees. Derivatives are only used for hedging purposes. To hedge against interest rate risks, interest caps and swaps are used. An interest cap puts an upper limit on a variable interest rate. An interest swap involves swapping the fixed or variable interest rate of the underlying transaction for its entire term. Forward exchange contracts and currency swaps were used in the fiscal year to hedge against exchange rate fluctuations.

Notes to the income statement

(12) Investment income

	2003 € '000	2004 € '000
Income from profit transfer agreements	25,950	44,135
Income from investments	112,842	61,727
Expenses from absorbing losses of affiliated companies	(2)	0
	138,790	105,862

Investment income comprises profit distributions from subsidiaries and income from profit transfer agreements. The fall is mainly due to the one-off distribution of dividends from a German subsidiary in the prior year.

(13) Interest result

	2003 € '000	2004 € '000
Other interest and similar income	19,010	22,032
of which from affiliated companies	[17,369]	[16,843]
Interest and similar expenses	(18,309)	(23,253)
of which from affiliated companies	[(7,050)]	[(7,424)]
	701	(1,221)

Notes to the income statement

(14) Other operating income

	2003 € '000	2004 € '000
Group tax allocations	16,349	29,524
of which corporate income tax	[9,456]	[16,636]
of which trade tax	[6,893]	[12,888]
Other income	8,926	8,013
	25,275	37,537

Other operating income mainly consists of income from tax allocations as well as administrative expenses charged on to affiliated companies.

(15) Personnel expenses/Employees

	2003 € '000	2004 € '000
Wages and salaries	12,192	16,473
Social security	1,370	1,591
Pension cost	942	1,002
	14,504	19,066

The average headcount in 2004 was 148 (prior year: 130).

(16) Other operating expenses

	2003 € '000	2004 € '000
Other taxes	23	29
Other expenses	26,157	25,799
	26,180	25,828

Other operating expenses mainly consist of legal expenses and consulting fees, allocations from affiliated companies, travel expenses, financial statement preparation and annual general meeting expenses, repairs and maintenance expenses, other rent and rent incidentals, supervisory board remuneration and advertising expenses.

(17) Income taxes

Total tax expense	2003 € '000	2004 € '000
Income taxes		
Corporate income tax	2,822	8,886
Trade tax	2,120	6,721
Deferred taxes	793	(313)
	5,735	15,294
Other taxes	23	29
	5,758	15,323

The tax expense includes current taxes on income and income from the reversal of the provision for deferred taxes.

Other taxes are reported under other operating expenses (16).

Other notes

Notices from shareholders

According to a notice pursuant to Sec. 41 (2) Sent. 1 WpHG [“Wertpapierhandelsgesetz”: Securities Trading Act] dated 02.04.2002, Franz Haniel & Cie. GmbH, Duisburg, held a total of 60 % of the voting rights of our company. Celesio AG and its subsidiaries are included in the consolidated financial statements prepared by Franz Haniel & Cie. GmbH. These consolidated financial statements are published and filed with the commercial register of the local court of Duisburg/Germany, No. B 25.

According to the records of Celesio AG the shareholding of Franz Haniel & Cie. GmbH, Duisburg, stood at 58 % at the end of the fiscal year.

Corporate governance

The management board and supervisory board last issued a declaration of compliance with the recommendations of the German Corporate Governance Codex pursuant to Sec. 161 AktG [“Aktengesetz”: German Stock Corporation Act] on 01.01.2005 and published this on their website at www.celesio.com.

Total remuneration and compensation structure of the management board

Total remuneration paid to the Celesio AG management board in the fiscal year 2004 amounted to € 3,410,000 (prior year: € 2,353,000). Of this amount € 710,000 (prior year: € 653,000) relates to fixed components, € 2,400,000 (prior year: € 1,300,000) to variable components (profit bonus) and € 300,000 (prior year: € 400,000) to a long-term incentive (strategy bonus). There is no stock option programme in place at Celesio AG.

The personnel committee is responsible for setting the remuneration paid to the management board. This committee is composed of the chairman of the supervisory board, Prof Theo Siegert and two other members of the supervisory board, Mr Hans-Martin Poschmann and Dr Ihno Schneevoigt.

Total remuneration paid to the management board is based on an appropriate balance between the tasks and performance of the members of the management board and the economic position of Celesio AG. Total compensation of management board members comprises a fixed monthly income and a performance-based variable component. The variable component is made up of a profit bonus and a strategy bonus.

Other notes

Profit bonus

The measurement base for this bonus is the cash flow of the Celesio Group. Cash flow is an indication of the earnings power, has a longer term effect and favours expansion. The profit bonus is calculated as a percentage of the cash flow generated in the respective fiscal year.

Strategy bonus

The measurement base used for this bonus is the performance indicator, EVA (Economic Value Added)*. Thus, the measurement base is the development of the value added to the enterprise. This fosters value-based management and an entrepreneurial management culture.

The former members of the management board of Celesio AG and their surviving dependents received remuneration of € 197,000 (prior year: € 174,000). Pension provisions of € 3,815,000 (prior year: € 3,792,000) have been created to cover these.

*Registered trademark of Stern Stewart & Co.

Total remuneration and compensation structure of the supervisory board

The remuneration paid to the supervisory board is defined in Art. 5 of the articles of association of Celesio AG. In addition to reimbursement of their out-of-pocket expenses, the members of the supervisory board receive fixed compensation of € 5,000 annually and an additional payment of € 800 for each half percentage point of dividends distributed to shareholders in the past fiscal year that is in excess of 4 % of issued capital. These payments are net of VAT which must be added as applicable. The chairman receives twice the standard amount paid to the other members of the supervisory board and the deputy chairman receives one and a half times the standard. Each member of a committee – with the exception of the committee founded to satisfy Sec. 27 (3) MitbestG [Mitbestimmungsgesetz: Codetermination Act] – receives € 2,000, with the chairman of a committee receiving € 4,000.

Total remuneration paid to the supervisory board in the fiscal year 2004 thus amounted to € 745,850. Of this amount, € 67,500 was attributable to fixed compensation paid for membership of the supervisory board and € 669,600 for variable components pegged to dividend pay-outs plus € 8,750 for committee activities.

Prof Zahn received a fee of € 3,900 for consulting services rendered to GEHE Pharma Handel GmbH.

Other notes

Shareholdings and transactions subject to mandatory disclosure

The accumulated shareholding (including options and the like) of members of the management board and members of the supervisory board of Celesio AG remained below 1 % of the total shares outstanding of the company.

Pursuant to the version of Sec. 15a WpHG which was in force until 29.10.2004, the members of the management board and the members of a supervisory board of a publicly listed German company and its parent, as well as the spouses and de facto partners, parents, and children of these management board and supervisory board members had a duty to report to the company and to the Bundesanstalt für Finanzdienstleistungsaufsicht (regulatory authority for financial services providers) if they buy or sell any shares in the company, or any rights associated with these shares. In this regard, Celesio AG received the following notices concerning the fiscal year 2004: sale of 2,000 no-par value Celesio shares (WKN 585 800, ISIN: DE0005858005) for € 55.50 per share on 05.10.2004, sale of 1,000 of these shares for € 54.75 on 29.09.2004, sale of 1,857 of these shares for € 53.75 per share on 26.08.2004, sale of 3,143 of these shares for € 53.25 on 30.07.2004, sale of 5,000 of these shares for € 52.00 per share on 21.07.2004, sale of 5,000 of these shares for € 51.50 per share on 08.07.2004 and sale of a further 5,000 of these shares for € 48.95 per share on 29.06.2004; each transaction conducted by Ms Waltraud Wätjen, Gielde, Germany.

Due to the Anlegerschutzverbesserungsgesetzes (law to improve investor protection) which came into force on 30.10.2004, Sec. 15a WpHG was amended. In its current wording, people who hold a management function at a publicly listed German company or any legal or natural people who are related to such a functionary have a duty to report to the company and to the Bundesanstalt für Finanzdienstleistungsaufsicht if they buy or sell shares or related financial instruments in the company. Celesio did not receive any notices in this regard for the reporting year.

Members of the management board

Dr Fritz Oesterle
Stuttgart/Germany
Chairman and
chief executive officer

Membership of further management boards
and comparable committees:

- Executive Committee GIRP (Groupement International de la Répartition Pharmaceutique Européenne), Brussels/Belgium

Membership of supervisory boards and other control committees:

- Lloyds Nederland B.V., Weesp/Netherlands
- Herba Chemosan Apotheker-AG, Vienna/Austria
- Norsk Medisinaldepot AS, Oslo/Norway
- Landesbeirat Baden-Württemberg Allianz Versicherungs-AG, Munich/Germany
- Untertürkheimer Volksbank e.G., Stuttgart/Germany
- Verwaltungsrat Christophsbad Göppingen Dr. Landerer Söhne GmbH, Göppingen/Germany

Jacques Ambonville
Saint-Ouen/France

Membership of supervisory boards and other control committees:

- GEHE Pharma Handel GmbH, Stuttgart/Germany, Chairman
- OCP S.A., Saint-Ouen/France, Chairman
- Herba Chemosan Apotheker-AG, Vienna/Austria
- NMD Grossisthandel AS, Oslo/Norway
- OCP PORTUGAL, PRODUTOS FARMACÊUTICOS; S.A., Maia/Portugal

Stefan Meister
Stuttgart/Germany

Membership of supervisory boards and other control committees:

- Lloyds Nederland B.V., Weesp/Netherlands
- Herba Chemosan Apotheker-AG, Vienna/Austria
- Vitusapotek AS, Oslo/Norway (from 01.01. until 18.11.2004)

Dr Felix A Zimmermann
Stuttgart/Germany
(since 01.06.2004)

Members of the supervisory board

<p>Prof Theo Siegert Duisburg/Germany Chairman (since 28.04.2004)</p>	<p>Member of the management board Franz Haniel & Cie. GmbH</p>	<p>Membership of supervisory boards and other control committees: – METRO AG, Düsseldorf/Germany, Chairman (since 04.06.2004) – ERGO Versicherungsgruppe AG, Düsseldorf/Germany</p>
<p>Günther Hülse Duisburg/Germany Chairman (until 28.04.2004) (Member until 30.11.2004)</p>	<p>Chairman of the management board Franz Haniel & Cie. GmbH</p>	<p>Membership of supervisory boards and other control committees: – METRO AG, Düsseldorf/Germany, Chairman (until 03.06.2004) – TAKKT AG, Stuttgart/Germany (until 30.11.2004), Chairman (until 04.05.2004) – Allianz Lebensversicherungs-AG, Stuttgart/Germany (until 30.06.2004)</p>
<p>Ihno Goldenstein Delmenhorst/Germany Deputy chairman</p>	<p>Employee Goods-In GEHE Pharma Handel GmbH Chairman of the central company council</p>	
<p>Klaus Borowicz Delmenhorst/Germany</p>	<p>Head of branch GEHE Pharma Handel GmbH</p>	
<p>Prof med Julius Michael Curtius Weimar/Germany</p>	<p>Cardiologist</p>	
<p>Dr Hubertus Erlen Berlin/Germany</p>	<p>Chairman of the management board Schering AG</p>	<p>Membership of supervisory boards and other control committees: – B. Braun Melsungen AG, Melsungen/Germany – Schering Berlin Inc., Montville/New Jersey, USA – Partner für Berlin Gesellschaft für Hauptstadt-Marketing mbH, Berlin/Germany – Kuratorium der Bertelsmann Stiftung, Gütersloh/Germany</p>
<p>Dirk-Uwe Kerrmann Weiterstadt/Germany</p>	<p>Commercial employee GEHE Pharma Handel GmbH</p>	
<p>Jörg Lauenroth-Mago Magdeburg/Germany</p>	<p>Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.</p>	<p>Membership of supervisory boards and other control committees: – GEHE Pharma Handel GmbH, Stuttgart/Germany</p>
<p>Ulrich Neumeister Stuttgart/Germany</p>	<p>Logistics employee GEHE Pharma Handel GmbH</p>	
<p>Hans-Martin Poschmann Berlin/Germany</p>	<p>Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.</p>	<p>Membership of supervisory boards and other control committees: – GEHE Pharma Handel GmbH, Stuttgart/Germany (until 18.03.2004) – Oviessie GmbH, Cologne/Germany (until June 2004)</p>
<p>Dr Ihno Schneevoigt Munich/Germany</p>	<p>Member of the management board Ret: Allianz Versicherungs-AG Allianz Lebensversicherungs-AG</p>	<p>Membership of supervisory boards and other control committees: – E.ON Academy GmbH, Düsseldorf/Germany – ESMT European School of Management and Technology GmbH, Berlin/Germany (since Januar 2004) – Ströer Out-of-Home Media AG, Cologne/Germany (since 20.02.2004) – DSM Deutsche Städte-Medien GmbH, Frankfurt am Main/Germany (since 27.01.2004) – Korn/Ferry International Corp., Los Angeles/USA (since February 2004)</p>
<p>Dr Klaus Trützschler Duisburg/Germany (since 23.12.2004)</p>	<p>Member of the management board Franz Haniel & Cie. GmbH</p>	<p>Membership of supervisory boards and other control committees: – TAKKT AG, Stuttgart/Germany, Chairman (since 04.05.2004) – Allianz Versicherungs-AG, Munich/Germany (since 22.04.2004) – Bilfinger Berger AG, Mannheim/Germany – Readymix AG, Ratingen/Germany – Heitkamp-Deilmann-Haniel GmbH, Herne/Germany (until 25.05.2004)</p>
<p>Prof Erich Zahn Stuttgart/Germany</p>	<p>Professor of Business Studies University of Stuttgart</p>	<p>Membership of supervisory boards and other control committees: – IFB Dr. Braschel AG, Stuttgart/Germany, Chairman (until June 2004) – Kuratorium Fraunhofer-Institut für Produktionstechnik und Automatisierung IPA, Stuttgart/Germany</p>

Auditor's report

We have audited the annual financial statements, together with the bookkeeping system, and the management report of Celesio AG, Stuttgart, which is combined with the group management report for the business year from 1 January to 31 December 2004. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the articles of incorporation are the responsibility of the Company's management board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's management board, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On the whole the combined management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Stuttgart, 15 February 2005

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Schwarzhof)
Wirtschaftsprüfer

(Wißfeld)
Wirtschaftsprüfer

The financial statements and management report for Celesio AG for the fiscal year 2004 are published in the Bundesanzeiger (Federal Gazette) and filed in the commercial register of the local court of Stuttgart. The management report for Celesio AG is combined with the management report for the group. This report is included in the Celesio 2004 annual report.

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