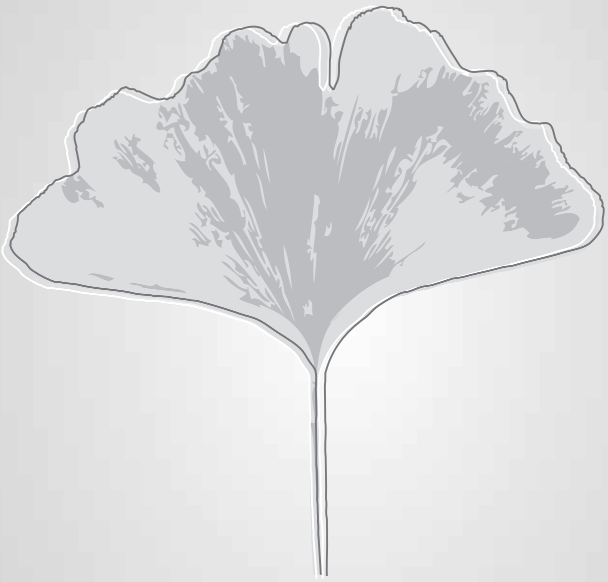
Financial Statements Celesio AG 2007



celesio
the healthcare group

Balance sheet at 31 December 2007

Assets

	Note	31/12/2006 € '000	**31/12/2007 € '000**
Non-current assets			
Intangible assets	(1)	912	1,364
Property, plant and equipment	(2)	5,037	4,572
Financial assets	(3)	1,897,635	1,972,149
		1,903,584	**1,978,085**
Current assets			
Receivables and other assets	(4)	603,815	656,077
Cash and cash equivalents	(5)	28	12
		603,843	**656,089**
Prepaid expenses	(6)	**6,229**	**6,473**
		2,513,656	**2,640,647**

Equity and liabilities

	Note	31/12/2006 € '000	**31/12/2007 € '000**
Equity			
Issued capital	(7)	217,728	217,728
Capital reserves	(7)	1,113,030	1,113,030
Revenue reserves	(7)	233,470	213,207
Profit available for distribution	(8)	127,575	130,977
		1,691,803	**1,674,942**
Provisions			
Provisions for pensions and similar obligations	(9)	10,364	11,122
Other provisions	(10)	24,023	24,790
		34,387	**35,912**
Liabilities			
Liabilities with a residual term of more than five years		501,296	624,307
more than one and less than five years		1,397	5,524
less than one year		284,124	297,289
	(11)	**786,817**	**927,120**
Deferred income		**649**	**2,673**
		2,513,656	**2,640,647**

Income statement for the 2007 fiscal year

	Note	2006 € '000	**2007** **€ '000**
Net income from investments	(12)	136,370	107,053
Interest result	(13)	– 5,948	– 21,245
Other income	(14)	27,666	85,679
Personnel expenses	(15)	26,589	28,644
Amortisation of intangible assets and depreciation of property, plant and equipment		2,222	1,399
Other expenses	(16)	26,778	31,900
Earnings before tax		**102,499**	**109,544**
Income taxes	(17)	– 1,583	– 1,170
Net profit for the year		**104,082**	**110,714**
Drawings from revenue reserves		23,493	20,263
Profit carried forward		0	0
Profit available for distribution		**127,575**	**130,977**

Analysis of non-current assets for 2007

	Intangible assets € '000	Property, plant and equipment € '000	Financial assets € '000	**Total € '000**
Accumulated historical cost 01/01/2007	**8,097**	**8,228**	**1,897,635**	**1,913,960**
Additions	1,124	263	323,772	325,159
Disposals	65	28	249,258	249,351
Additions to affiliated companies	0	57	0	57
Accumulated historical cost 31/12/2007	**9,156**	**8,406**	**1,972,149**	**1,989,711**
Accumulated valuation adjustments 01/01/2007	**7,185**	**3,191**	**0**	**10,376**
Additions	672	727	0	1,399
Disposals	65	28	0	93
Additions to affiliated companies	0	56	0	56
Accumulated valuation adjustments 31/12/2007	**7,792**	**3,834**	**0**	**11,626**
Net carrying amounts 31/12/2007	**1,364**	**4,572**	**1,972,149**	**1,978,085**
Net carrying amounts 31/12/2006	912	5,037	1,897,635	1,903,584

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

Note

General

The financial statements for 2007 fiscal year of Celesio AG reflect the activities of a management holding.

The consolidated financial statements have been prepared in euro (€) with all figures generally rounded to the nearest thousand (€ '000).

The balance sheet for 2007 fiscal year is affected by changes in shares held in affiliated companies, receivables from affiliated companies, and liabilities to banks. The income statement for the 2007 fiscal year is affected by the dividends and profit distributions of subsidiaries. Furthermore, the profit for 2007 includes income in the amount of € 67.2 m from the disposal of an investment in an affiliated company and the sale of a minority share in the Croatian pharmaceutical wholesaler Medika.

Accounting principles

The financial statements of Celesio AG for the year ended 31/12/2007 have been prepared in euro and in compliance with HGB [Handelsgesetzbuch: German Commercial Code] and AktG [Aktiengesetz: 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.

The classification and development of the summarised non-current assets in the balance sheet of Celesio AG can be seen in the summary on page 4 which is an integral component of these 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 cost. Intangible assets are amortised using the straight-line method at rates of between 25 % and 33 %. The additions mostly relate to software licences.

(2) Property, plant and equipment

Additions to property, plant and equipment have been recognised at cost. Furniture and fixtures were depreciated on a straight-line basis at rates of between 5 % and 33 %. Leasehold improvements were depreciated over the term of the lease or in accordance with the official depreciation tables for buildings. Land improvements were depreciated at rates of between 3 % and 25 %. Additions comprise furniture and fixtures as well as leasehold and land improvements.

(3) Financial assets

	Shares in affiliated companies € '000	Loans to affiliated companies € '000	Investments € '000	Other loans € '000	**Total € '000**
Accumulated historical cost 01/01/2007	**1,883,603**	**10,656**	**3,376**	**0**	**1,897,635**
Additions	275,832	41,967	0	5,973	323,772
Disposals	239,882	6,000	3,376	0	249,258
Accumulated historical cost 31/12/2007	**1,919,553**	**46,623**	**0**	**5,973**	**1,972,149**
Accumulated valuation adjustments 01/01/2007	**0**	**0**	**0**	**0**	**0**
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated valuation adjustments 31/12/2007	**0**	**0**	**0**	**0**	**0**
Net carrying amounts 31/12/2007	**1,919,553**	**46,623**	**0**	**5,973**	**1,972,149**
Net carrying amounts 31/12/2006	1,883,603	10,656	3,376	0	1,897,635

Financial assets are valued at the lower of historical cost or fair value.

The additions of € 275,832,000 (2006: € 43,453,000) to shares in affiliated companies are primarily the result of the purchase of WWMW e-commerce international GmbH, Hamburg, Germany (renamed DocMorris Holding GmbH, Stuttgart on 21/09/2007), a capital increase carried out at P.C. Cahill and Company Ltd., Dublin, Ireland and the founding of Admenta Beteilungungs-

GmbH in Vienna, Austria. Further costs arose due to additional shares purchased in Herba Chemosan Apotheker-AG, Vienna, Austria, subsequent acquisition payments to Admenta Denmark ApS, Copenhagen, Denmark and additional shares purchased in Admenta France S.A., Saint-Ouen, France.

The disposal of € 239,882,000 (2006: € 69,000) in financial assets is a result of the sale of Herba Chemosan Apotheker-AG, Vienna, Austria to Admenta Beteiligungs-GmbH, Vienna, Austria and a reduction of equity at Admenta Italia S.p.A., Bologna, Italy.

The additions of € 41,967,000 (2006: € 0) to the loans to affiliated companies primarily relate to loans to the DocMorris Group. The disposal of € 6,000,000 results from the reclassification of a loan under short-term receivables.

The disposal of € 3,376,000 in investments relates to the sale of the shares of the pharmaceutical wholesaler Medika dd., Zagreb, Croatia.

The addition of € 5,973,000 (2006: € 0) to other loans is a result of loans provided.

The list of Celesio AG's investment holdings is published in the electronic Bundesanzeiger [German Federal Gazette].

(4) Receivables and other assets

	31/12/2006 € '000	**31/12/2007 € '000**
Receivables from affiliated companies	582,577	638,544
Receivables from companies in which investments are held	0	9
Other assets	21,238	17,524
Total	**603,815**	**656,077**

Receivables from affiliated companies and other assets are valued considering any risks of non-collection. Current receivables from affiliated companies include receivables due from 18 companies of the group (2006: 27 companies).

Notes to the balance sheet

Receivables denominated in foreign currency are valued at the rate prevailing at the date of origin or the lower rate on the balance sheet date. Other assets include a short-term loan of € 9,082,000 as well as tax reimbursement entitlements, tax prepayments and other receivables. Other assets include a tax claim of € 3,949,000 (2006: € 3,277,000) with a residual term of more than one year. As the claim was not interest-bearing, it was valued at present value. In the reporting year, the interest rate was increased to 4.5 % (2006: 3.9 %). Other receivables and other assets have as in the prior year a residual term of less than one year.

(5) Cash and cash equivalents

	31/12/2006 € '000	**31/12/2007 € '000**
Cash in hand	13	12
Bank balances	15	0
Total	**28**	**12**

(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 remains split into 170,100,000 no-par value shares (registered shares without a nominal amount).

By resolution of the annual general meeting dated 26/04/2007, the capital of € 43,546,000 authorised until 07/05/2007 was cancelled through elimination of Art. 3 Para. 2 of the articles of association. By resolution of the annual general meeting dated 26/04/2007 and with the consent of the supervisory board, the management board was authorised until 25/04/2012 to increase the issued capital of the company once or several times by up to a total of € 43,546,000 in return for cash contributions, by issuing new ordinary registered shares. Art. 3 Para. 2 was revised accordingly. Therefore, authorised capital of € 43,546,000 is available until 25/04/2012.

(8) Profit available for distribution

The profit of the prior year available for distribution of € 127,575,000 was distributed in full as a dividend for the 2006 fiscal year. An amount of € 20,263,000 was drawn from other revenue reserves. Together with the net profit for 2007 of € 110,714,000 the distributable profit as of 31/12/2007 amounts to € 130,977,000.

Pursuant to the proposal for the appropriation of profits, the entire profit available for distribution of € 130,977,000 is to be paid out as a dividend for 2007 fiscal year.

(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 2005G mortality tables issued by Dr Heubeck. Pension provisions are calculated at present value and accrued in full.

(10) Other provisions

	31/12/2006 € '000	**31/12/2007 € '000**
Tax provisions	10,908	10,306
Other provisions	13,115	14,484
Total	**24,023**	**24,790**

Provisions are carried at an amount deemed necessary by prudent business judgment. Tax provisions contain provisions for deferred taxes totaling € 3,402,000 (2006: € 3,799,000).

Other provisions mainly comprise provisions for personnel-related expenses, outstanding invoices, remuneration of the supervisory board, commitment fees, costs of preparing the annual report, costs of preparing the financial statements as well as outstanding contributions.

(11) Liabilities, contingent liabilities and derivative financial instruments

Liabilities	31/12/2006				**31/12/2007**			
	Residual term				Residual term			
	less than one year € '000	more than one and less than five years € '000	more than five years € '000	Carrying amount € '000	less than one year € '000	more than one and less than five years € '000	more than five years € '000	**Carrying amount € '000**
Liabilities to banks	16,245	0	501,296	517,541	19,130	0	624,088	643,218
Trade payables	614	0	0	614	1,274	0	0	1,274
Liabilities to affiliated companies	253,731	0	0	253,731	270,868	0	0	270,868
Other liabilities	13,534	1,397	0	14,931	6,017	5,524	219	11,760
of which taxes	(623)	(0)	(0)	(623)	(696)	(0)	(0)	(696)
of which social security	(42)	(0)	(0)	(42)	(1)	(0)	(0)	(1)
Total	**284,124**	**1,397**	**501,296**	**786,817**	**297,289**	**5,524**	**624,307**	**927,120**

Liabilities are recognised at the amount needed to settle the obligation. Liabilities denominated in foreign currency are valued at the rate prevailing on the date of origin or the higher rate on the balance sheet date.

Notes to the balance sheet

Contingent liabilities and other financial obligations	31/12/2006 € '000	**31/12/2007 € '000**
Guarantee obligations	1,367,353	1,813,180
of which for affiliated companies	(1,367,336)	(1,769,137)
Other financial obligations	4,389	7,405
Obligations from acquisition agreements	10,828	0
Total	**1,382,570**	**1,820,585**

Most of the guarantee obligations are made to creditor banks (of which € 1,393,722,000 (2006: € 1,089,362,000) for Celesio Finance B.V., Baarn, Netherlands).

Other financial obligations relate to rental agreements and future lease obligations for company cars, company equipment as well as for consulting and service agreements.

In addition, contingent liabilities in the prior year contained purchase price obligations from the acquisition of financial assets.

Derivative financial instruments	Nominal volume		Market value	
	31/12/2006 € '000	**31/12/2007 € '000**	31/12/2006 € '000	**31/12/2007 € '000**
Interest instruments	1,045,500	**1,550,000**	4,367	**14,228**
Currency instruments	452,744	**336,134**	– 2,378	**10,070**
Total	**1,498,244**	**1,886,134**	**1,989**	**24,298**

The assets, liabilities and intended transactions of Celesio are exposed, among other risks, to changes in foreign exchange rates and interest rates. Selected hedge instruments are used to mitigate these risks depending on the individual assessment of the risk.

The use of derivatives is subject to uniform group guidelines set by the management board, compliance of which is monitored constantly. This includes a separation of functions between trading, execution and accounting as well as only granting power of attorney to trade in derivative financial instruments to a few, qualified employees. Derivatives are only used for hedging purposes and are entered into with banks displaying the best credit ratings. In other words, derivatives are not used for trading or other speculative purposes.

Interest rate risks are understood as the negative impact of fluctuating interest rates on the profit of the group. A distinction must be made between fixed-interest and floating-rate financial instruments. For fixed interest financial instruments, a fixed market interest rate is agreed on for the full term of the derivative. The risk is that when the market interest rates fluctuate, the market price of the financial instrument will change (fair value risk due to interest rates). The market price is based on the present value of future payments (interest payments plus repayment of principal) discounted using the market interest rate prevailing on the balance sheet date. The interest rate-related risk will therefore lead to a profit or loss if the fixed interest instrument is sold before maturity.

For financial instruments subject to variable interest rates, the interest rate is adjusted in line with respective market interest rates. However, there is a risk here that there may be a short-term fluctuation in interest rates leading to changes in the interest due (cash flow risk due to interest rates).

Interest caps and swaps were used in the fiscal year to hedge interest risks. An interest cap puts an upper limit on a variable interest rate. An interest swap involves swapping the underlying transaction subject to a fixed interest rate for a financial instrument with a variable interest rate or vice versa for the entire term of the underlying instrument. The decision as to whether to use derivative financial instruments is based on interest rate risks, which are based on projected debt. The interest hedging strategy is reviewed at monthly intervals and new targets are defined. This involves securing interest rates for at least 50 % of the projected debt level.

Currency risks refer to the possible impairment of balance sheet items and any forward transactions due to fluctuations in exchange rates.

Forward exchange contracts and currency swaps were used in the 2007 fiscal year to hedge against exchange rate fluctuations. Foreign exchange exposures are mainly secured by micro-hedges. This involves a direct hedge of the underlying transaction by means of a foreign exchange derivative, generally a currency swap. In addition, currency derivatives are used to hedge forecast transactions in foreign currency. This involves selecting the currency derivative (or a combination of several derivatives) which best reflects the likelihood of occurrence and timing of the forecast transaction.

Notes to the income statement

(12) Net income from investments

	2006 € '000	**2007** **€ '000**
Income from profit and loss transfer agreements with affiliated companies	36,320	11,825
Income from investments	106,537	99,543
Expenses from profit and loss transfer agreements with affiliated companies	– 6,487	– 4,315
Total	**136,370**	**107,053**

(13) Interest result

	2006 € '000	**2007** **€ '000**
Other interest and similar income	29,552	38,342
of which from affiliated companies	(29,516)	(35,568)
Interest and similar expenses	– 35,500	– 59,587
of which to affiliated companies	(– 11,001)	(– 21,738)
Total	**– 5,948**	**– 21,245**

(14) Other income

	2006 € '000	**2007** **€ '000**
Group tax allocations	24,644	9,258
of which corporate income tax	(13,882)	(5,394)
of which trade tax	(10,762)	(3,864)
Other income	3,022	76,421
Total	**27,666**	**85,679**

Other income mainly consists of income from the disposal of Herba Chemosan Apotheker-AG, Vienna, Austria to Admenta Beteiligungs-GmbH, Vienna, Austria and the sale of a minority share in the pharmaceutical wholesaler Medika, Zagreb, Croatia. Together, this income amounted to a total of € 67.2 m. It also includes income from tax allocations and from rendered services charged out to affiliated companies as well as the release of provisions.

(15) Personnel expenses/Employees

	2006 € '000	**2007** **€ '000**
Wages and salaries	22,955	24,808
Social security	2,219	2,431
Pension cost	1,415	1,405
Total	**26,589**	**28,644**

The average headcount in the year 2007 was 217 (2006: 193).

(16) Other expenses

	2006 € '000	**2007** **€ '000**
Other taxes	64	99
Other expenses	26,714	31,801
Total	**26,778**	**31,900**

Other expenses mainly consist of legal expenses and consulting fees, expenses for services from affiliated companies, IT expenses, travel expenses, recruiting costs, remuneration of the supervisory board, the cost of preparing financial statements and annual general meeting expenses as well as other rent and rent incidentals.

(17) Income taxes

	2006 € '000	**2007** **€ '000**
Income taxes		
Corporate income tax	1,188	24
Trade tax	878	0
Deferred taxes	– 372	– 396
	1,694	**– 372**
Income taxes for prior years		
Corporate income tax	– 3,277	– 798
Total	**– 1,583**	**– 1,170**

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

Other notes

Statutory audit

The annual financial statements of Celesio AG, the main German subsidiaries and the consolidated financial statements were audited by Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft (PwC), Stuttgart. In the fiscal year, expenses for services rendered by PwC Deutschland totalled € 475,000 (2006: € 601,000). Of this amount, € 418,000 (2006: € 419,000) related to statutory audits while € 57,000 was spent on other services (2006: € 182,000).

In the course of the audit of the consolidated financial statements, the subsidiaries were also audited by auditors from the PricewaterhouseCoopers network and other audit firms. The audit costs for the group totalled € 2,857,000 (2006: € 2,595,000).

Exemption pursuant to Section 264 (3) and Section 264b HGB

Pursuant to Sec. 264 (3) HGB [Handelsgesetzbuch: German Commercial Code], the following companies are exempted from the duty to publish their financial statements: GEHE Pharma Handel GmbH, ABG Apotheken-Beratungsgesellschaft mbH, Admenta Deutschland GmbH, Movianto GmbH and Movianto Deutschland GmbH.

GEHE Immobilien GmbH & Co. KG, GEHE Informatik Services GmbH & Co. KG and Ancavion GmbH & Co. KG are exempted from the duty to publish their financial statements pursuant to Sections 264b, 264a HGB.

Notices from shareholders

According to a notice dated 02/04/2002 pursuant to Sec. 41 (2) Sent. 1 WpHG [Wertpapierhandelsgesetz: Securities Trading Act], Franz Haniel & Cie. GmbH, Duisburg, Germany, held a total of 60 % of the voting rights in Celesio on 01/04/2002. Franz Haniel & Cie. GmbH prepares consolidated financial statements containing Celesio AG and its subsidiaries. These consolidated financial statements are published in the electronic Bundesanzeiger [German Federal Gazette].

According to Celesio AG, the shareholding of Franz Haniel & Cie. GmbH, Duisburg, came to 52.9 % (2006: 52.9 %) at the end of the reporting period.

Corporate governance

The management board and supervisory board last issued a declaration of compliance with the recommendations of the German Corporate Governance Code pursuant to Sec. 161 AktG [Aktiengesetz: German Stock Corporation Act] on 13/12/2007 and published this on their website at www.celesio.com.

Total remuneration and remuneration structure of the management board

Total remuneration paid to the management board in the 2007 fiscal year amounted to € 7,201,000 (2006: € 8,221,000). Of this amount € 1,567,000 (2006: € 1,513,000) was fixed remuneration, € 4,633,000 (2006: € 5,278,000) performance-related remuneration (profit bonus) and € 1,001,000 (2006: € 1,430,000) remuneration with long-term incentive (strategy bonus). An amount of € 104,000 was paid as an advance on the performance-related remuneration. In addition to these short-term benefits, € 300,000 (2006: € 246,000) was added to the pension provisions. There is no share-based compensation programme in place at Celesio AG.

The structure of the remuneration system for the management board is discussed regularly by the supervisory board at the instigation of the personnel committee and checked regularly. The personnel committee specifies the details of management board remuneration. This committee is composed of the chairman of the supervisory board, Dr Eckhard Cordes, and two other members of the supervisory board, 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 situation of Celesio AG. Total remuneration of management board members comprises a fixed monthly salary and a performance-based variable component. Fixed remuneration consisting of the basic salary and instalments of performance-related remuneration are paid as a monthly salary. The benefits in kind are limited to the use of the company car and must be taxed by the members of the management board. The variable component is made up of a profit bonus and a strategy bonus. The members of the management board also received direct pension commitments. The amount of the commitment depends on the fixed salary and the possible period of service, and is thus not tied to the performance-related remuneration. Benefits in the event of termination of service have not been promised to the members of the management board.

Other notes

Profit bonus

The profit bonus is measured on the cash flow of the Celesio Group and is calculated as a percentage of it.

Strategy bonus

The measurement base used for this bonus is the performance indicator, EVA (Economic Value Added*). The strategy bonus is therefore dependent on the development of any value added to the company in excess of the total cost of capital.

Former board members and their survivors received payments totalling € 280,000 in the year under review (2006: € 269,000). Celesio AG recognised pension provisions of € 3,740,000 for this group (2006: € 3,743,000).

In the 2007 fiscal year, Celesio AG neither granted credit to management board members, nor did it enter into any contingent liabilities in favour of these persons.

Total remuneration and remuneration structure of the supervisory board

The remuneration paid to the supervisory board is defined in Sec. 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 remuneration 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: Co-determination Act] – receives € 2,000, with the chairman of a committee receiving € 4,000.

Total remuneration paid to the supervisory board in the 2007 fiscal year amounted to € 1,259,000 (2006: € 1,172,000). Of this amount, € 68,000 (2006: € 68,000) was attributable to fixed remuneration paid for membership of the supervisory board, € 1,177,000 (2006: € 1,090,000) for variable components pegged to dividend payouts for membership in the supervisory board plus € 14,000 (2006: € 14,000) for committee activities.

* Registered trademark of Stern Stewart & Co.

Prof. Zahn did not render any consulting services for GEHE Pharma Handel GmbH in the year under review. In the prior year he received a fee of € 2,000.

In the 2007 fiscal year, Celesio AG neither granted credit to supervisory board members nor did it enter into any contingencies in favour of these persons.

Share ownership 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 company's total outstanding shares throughout the 2007 reporting period.

Pursuant to Sec. 15a of the Wertpapierhandelsgesetz [Securities Trading Act] people who hold a management function at a publicly listed German company or any legal or natural people who are related to such an officer have a duty to report to the company and to the Bundesanstalt für Finanzdienstleistungsaufsicht [Federal Financial Supervisory Authority] if they buy or sell shares or related financial instruments in the company of more than € 5,000. Celesio AG did not receive any notices in this regard for the reporting period.

Proposal from the management board for the appropriation of profits

The profit of Celesio AG available for distribution amounts to € 130,977,000.00 (2006: € 127,575,000.00).

The management board proposes distributing this amount of € 130,977,000.00 in full (2006: € 127,575,000.00) as a dividend for the 2007 fiscal year.

Based on this proposal for the appropriation of profits, the dividend per share amounts to € 0.77 (2006: ordinary dividend of € 0.75).

Stuttgart, 12 February 2008

The management board

Members of the management board

	Membership in other management boards and comparable bodies:	Membership in supervisory boards and comparable bodies:
Dr Fritz Oesterle Chairman and Chief Executive Officer	Management board, Franz Haniel & Cie. GmbH	– Herba Chemosan Apotheker-AG, Deputy Chairman – Untertürkheimer Volksbank e.G. – Healthcare Services Group plc, Member of the Board of Directors (until 19/02/2007) – Norsk Medisinaldepot AS, Member of the Board of Directors (until 15/08/2007)
Stefan Meister Deputy Chairman		
Wolfgang Mähr		– GEHE Pharma Handel GmbH, Chairman – OCP S.A., Chairman – Herba Chemosan Apotheker-AG
Dr Felix A. Zimmermann		– Herba Chemosan Apotheker-AG (until 10/05/2007) – Kemofarmacija d.d., Deputy Chairman (until 09/08/2007)

Members of the supervisory board

		Membership in supervisory boards and comparable bodies:
Dr Eckhard Cordes Chairman	Chairman of the Management Board Franz Haniel & Cie. GmbH Chairman of the Management Board METRO AG (since 01/11/2007)	– Kaufhof Warenhaus AG, Chairman (since 01/11/2007) – Air Berlin PLC, Non-Executive Director of the Board of Directors – SKF Aktiebolaget, Member of the Board of Directors – TAKKT AG – METRO AG, Chairman (until 31/10/2007) – Rheinmetall AG (until 31/12/2007)
Ihno Goldenstein Deputy Chairman	Employee, Goods-In Department GEHE Pharma Handel GmbH	
Klaus Borowicz	Head of Branch Office GEHE Pharma Handel GmbH	
Prof. med. Julius Michael Curtius	Cardiologist	
Dr Hubertus Erlen	Deputy Chairman of the Supervisory Board Bayer Schering Pharma AG	– Bayer Schering Pharma AG Deputy Chairman of the Supervisory Board – Invest in Germany GmbH (since 12/12/2007) – Curatorium of the Bertelsmann Foundation
Dirk-Uwe Kerrmann	Commercial employee GEHE Pharma Handel GmbH	
Jörg Lauenroth-Mago	Trade union secretary responsible for the trade division for Saxony, Saxony-Anhalt, Thuringia at ver.di – Vereinte Dienstleistungs-gewerkschaft e.V.	– GEHE Pharma Handel GmbH
Ulrich Neumeister	Logistics employee GEHE Pharma Handel GmbH	
Hans-Martin Poschmann	Trade union secretary at ver.di – Vereinte Dienstleistungsgewerkschaft e.V.	
Dr Ihno Schneevoigt	Member of the Management Board (retired) Allianz Versicherungs-AG Allianz Lebensversicherungs-AG	– Korn/Ferry International Corp., Board of Directors – Ströer Out-of-Home Media AG
Dr Klaus Trützschler	Member of the Management Board Franz Haniel & Cie. GmbH	– TAKKT AG, Chairman (until 31/12/2007), member (since 01/01/2008) – Allianz Versicherungs-AG – Bilfinger Berger AG – CEMEX Deutschland AG (until 22/05/2007)
Prof. Erich Zahn	Professor of Business Studies University of Stuttgart	– Board of Trustees of the Fraunhofer Institute for Production Technology and Automation (IPA)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Celesio AG, and the management report of Celesio AG includes a fair review of the development and performance of the business and the position of Celesio AG, together with a description of the principal opportunities and risks associated with the expected development of Celesio AG for the remaining months of the financial year.

Stuttgart, 12 February 2008

The management board

Dr Fritz Oesterle

Stefan Meister

Wolfgang Mähr

Dr Felix A. Zimmermann

Auditor’s report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the Celesio AG for the business year from 1 January to 31 December 2007. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company’s Board of Managing Directors. 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 § (Article) 317 HGB (”Handelsgesetzbuch”: ”German Commercial Code”) and German generally accepted standards for the audit 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 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 expectations as to 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 annual financial statements and in 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 Board of Managing Directors, 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.

Auditor's report

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and 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. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, 12 February 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Franz Wagner)	(Dieter Wißfeld)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

The financial statements and management report of Celesio AG for the 2007 fiscal year are published in the electronic Bundesanzeiger [German Federal Gazette]. The management report of Celesio AG is combined with the management report of the group. This report is included in the Celesio 2007 annual report.

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the healthcare group

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