celesio

Celesio Annual General Meeting 2010
6 May 2010

Speech by Dr Fritz Oesterle
Chairman of the Management Board and Chief Executive Officer

The spoken word shall apply.

Dear shareholders,
honoured guests,
ladies and gentlemen,

Good morning. On behalf of my colleagues on the Management Board, welcome to the Celesio Annual General Meeting. I also extend this welcome to those who are following our proceedings on the internet.

Ladies and gentlemen,

Just a very few days ago, we celebrated an important event in our company's history with great pleasure and pride. On the 1st of May, our company turned 175 years old. Only a small number of enterprises in Germany can lay claim to such a long and successful existence. In order to perform successfully over such a prolonged period, any business must demonstrate above all the ability to change and renew itself. Celesio has demonstrated this ability repeatedly.

Ladies and gentlemen,

As we take stock of our corporate performance for the one hundred and seventy-fifth time, we are surveying the effects of the worst financial and economic crisis the world has endured since World War II.

Even under these turbulent economic conditions, Celesio has performed well. This emerges clearly from our operating result. I will discuss this in more detail in a moment.

In addition, we have successfully taken important measures for the future of the company: With a new, strictly customer-orientated organisational structure and our Agenda 2015 growth strategy, we have established the foundation that will enable Celesio to evolve successfully as one of the leading service providers within the pharmaceutical and healthcare markets worldwide. I presented both the new organisational structure and the growth strategy to you a year ago, measures with which we have set out on new paths. This new way was reflected in the title of our annual report for 2009.

Our efforts to embark on this new way have created more promising opportunities, but not only in the long term. Since their beginnings in the past year, they have already exerted a positive influence on our operational business.

Ladies and gentlemen,

Permit me now to provide you with an overview of 2009 fiscal year.

In 2009 fiscal year, our group revenue increased by 1.6% to about EUR 21.5bn. In fact, in local currency the increase was 4.6%.

Growth in gross profit was better than average, increasing by 4% to EUR 2.5bn. In local currency, this corresponded to an increase of 9.4%, and an improvement of 27 base points to 11.7% for our gross profit margin.

At our last Annual General Meeting, I predicted that our earnings before interest, taxes, depreciation and amortisation, known by the abbreviation EBITDA, would be below that of 2008. In the autumn of last year, we calculated this prediction in more precise terms and set ourselves a target EBITDA of EUR 625m. We have achieved our target.

Our EBITDA in 2009 was EUR 627.6m.This represents a decrease of about 4.5% compared with the previous year.

When one considers the reasons for this ultimately quite manageable decrease, it is even revealed to be a significant success. In fact, the principal cause of the decrease lay not in our operational business, but primarily in negative exchange rate effects. Specifically, we were hampered by the ongoing weakness of the pound sterling and the Norwegian krone. Measured in local currency, that is to say without exchange rate effects, our EBITDA actually improved by 1.5%, despite the economic crisis!

This is the more remarkable when one considers it was accomplished in the face of a further burden of EUR 38.1m imposed on our operational business by government measures. Without these measures, our operating result would have been EUR 38.1m higher. All of which goes to show: Even in the worst economic crisis since World War II, our business remained resilient and stable!

Our earnings before interest and taxes, referred to by the abbreviation EBIT, were EUR 237.6m, representing a decrease of 7.3% compared with 2008. However, if exchange rate effects are disregarded, in local currency our EBIT in 2009 was 6.2% higher than in the previous year. At the same time, it should be noted that the 2009 EBIT was also depressed significantly by extraordinary amortisations of goodwill as already the 2008 EBIT. I shall explain these amortisations in detail later in my presentation.

In 2009, the interest rate was lower than in 2008. Consequently, our financial result improved by EUR 8.7m. This in turn increased our profit before tax by 15.1% in local currency, which was disproportionately higher than our EBIT growth. In terms of the euro, our profit before tax decreased by 7.9% to EUR 115.3m.

In 2009 our absolute tax expense was EUR 113m, representing a decrease of 21.4% compared with the previous year. Our tax rate was lowered, to 31.0% from 34.9% in 2008.

Without amortisation of goodwill, our net profit for the past year was EUR 268.7m. In other words, it was 0.1% slightly higher than the figure for the previous year. In local currency, the increase amounted to 7.8%. The net profit after amortisation of goodwill was EUR 2.3m, compared with a loss of EUR 18.5m in 2008.

In 2009, earnings per share – again, adjusted for amortisation of goodwill – were EUR 1.56. This corresponded to an increase in local currency of 7.6%.

Ladies and gentlemen,

Our earnings are affected by a range of factors that are beyond our control. I have already addressed the question of exchange rate effects. The cost of our investment in Andreae-Noris Zahn AG – abbreviated to ANZAG – also falls under this heading. The extraordinary amortisations of goodwill were also the result of external factors. We recognised these amortisations on the basis of certain tests, known as impairment tests. These tests must be conducted on our goodwill every year. On the basis of these impairment tests, we recognised extraordinary amortisations totalling EUR 274.3m on intangible assets in the Patient and Consumer Solutions division resulting from unpredictable government measures in countries where our pharmacy presence is "less substantial" – in terms of our market position –, and from slower expansion of our brand partnership business in Germany.

Ladies and gentlemen,

The impairments precipitated by the exogenous factors I have described had to be incurred at the time of the government interventions. They are thus related to specific events. However, this does not mean that the regulatory framework and/or the earnings will not develop positively again. In this respect, the significance of impairments as indicators of the sustained value development of a business is limited. Even so, faced with the unpredictability of massive, indeed drastic, government intervention and the amortisations they would inevitably entail, we took decisive action. We stopped buying retail pharmacies almost entirely. As a result, we added almost no new pharmacy goodwill to our books during this reporting period. Instead, our activities are now directed intensively towards opening new pharmacies as a way to conserve capital.

A small fraction of the extraordinary amortisations was attributed to our Apotheke DocMorris brand partnership business in Germany. This was the result of operational miscalculations.

Before the European Court of Justice handed down its ruling on third-party-ownership of pharmacies in May of last year, we rightly had not pursued our planned expansion of brand partnership business very aggressively but, unfortunately, also did not prepare ourselves appropriately. After the ruling, however, it soon became evident that we do not need a merely national franchise model, we need one that is viable internationally. A model that could be implemented in liberalised as well as all non-liberalised markets. Accordingly, in the autumn of last year we decided to reorganise the content and structure of the DocMorris pharmacy concept so that it can also serve as the basis for an international DocMorris pharmacy business, be it for our franchise business, brand partnerships, or our own pharmacies. The advisability of this decision was further reinforced by the realisation that the brand partnership concept has not yet gained sufficient acceptance, also in Germany.

Our test pharmacies in Ireland are tangible evidence of our decision to internationalise DocMorris. Besides Ireland, especially our entry into the Swedish market indicates the potential for success on an international scale with our DocMorris pharmacies.

In view of the miscalculation and our revised strategic estimate, we determined that our original plan to establish 500 brand partnerships in Germany by 2011 was no longer feasible. Consequently, our brand partnership business in Germany needed to be re-evaluated. It gives me even greater pleasure, then, to note how well our first DocMorris pharmacies in Sweden and our two in Ireland have been received. To our delighted surprise, the most recent opening in Ireland apparently caused a traffic jam on the road in front of it. One newspaper described it as possibly the most successful pharmacy opening Ireland has ever seen.

The extraordinary amortisations do not affect the dividend because they are not cash-effective calculations. The dividend payment we are proposing to you today in item 2 of the agenda is therefore based on the net profit for the year with adjustment for amortisation of goodwill, that is to say EUR 268.7m. In keeping with our long-established dividend policy, we will again make a distribution of about 30%. The management board and the supervisory board therefore propose a dividend payment of EUR 0.50 per share. This proposal is 4% higher than last year's dividend payment of EUR 0.48. Our balance sheet structure is and will remain solid. This is evident from our equity ratio, 29.1%, which is only slightly lower than last year's figure, 30.2%.

However, this is also true for all other key financial indicators, such as interest coverage ratio and debt-equity ratio. These too remained at stable levels throughout the last year, despite the financial and economic crisis. With our solid, unchanged balance sheet structure, we were and still are well equipped to finance further growth, even in these turbulent times!

Ladies and gentlemen,

Please permit me to say a few words about our financing power and financing structure.

Firstly, we have reduced our net debt by approximately EUR 125m to less than EUR 2.1bn in the past year. We were able to do this by increasing our operational cash flow and engaging in cash-saving transactions to reduce our net cash outflow from investing activities. Our cash and cash equivalents at the end of the reporting period totalled EUR 127.7M, EUR 74.3m more than the previous year. From this example, you can see how important it is that we pay close attention to the proper use of our financing resources, particularly in periods of economic difficulty. But not only did we lower our absolute net debt burden, we also restructured our financial liabilities.

In the second half of 2009, we began diversifying our financing portfolio, supplementing our borrowings from banks with capital markets financing. In October 2009 our company issued its first convertible bond.

Since this issuance had to be approved at last year's Annual General Meeting, I must and would like to explain this 'arrangement' at greater length: On 20 October 2009, Celesio Finance B.V. placed a convertible bond, underwritten by Celesio AG, amounting to a nominal volume of EUR 350m. The convertible bond has a term of five years with a coupon of 3.75%. The conversion price was fixed on issue at EUR 22.49. Adjustment mechanisms have been put in place to deal with extraordinary events, such as capital increase or stock splits. The conversion rights granted by the bond correspond to approx. 15.6m shares to be issued from contingent capital. The convertible bond was offered for sale exclusively to institutional investors outside of the USA. Subscription rights were not extended to existing shareholders. You will find further information on this subject on page 158 of the annual report.

The convertible bond was oversubscribed tenfold, and we thus succeeded not only in securing long-term liquidity at attractive rates, but also in attracting debt investors.

Just a few days ago, on 16 April 2010, we advanced our programme of "diversifying our financing base" another step with the first issue of corporate bonds in our company's history. As the German investing industry newspaper Börsenzeitung reported, the bonds were literally torn from our hands. As we had received orders totalling over EUR 5bn within 5 minutes after the order book was opened, we fixed the issue volume for this 7-year bond at EUR 500m, with a coupon of 4.50%. The cash injection from the issue of the convertible bond and this recent corporate bond issue will be used to reduce our institutional liabilities, and both initiatives will significantly improve the maturity profile of our third-party liabilities. These capital market initiatives have fundamentally altered the structure of our third-party liabilities. As recently as mid-2009, 59.6% of our third-party debt was owed to banks, but by 31 December 2009, this fraction had fallen to 47.2%, and today it is less than 32.0%. As a result, we have reduced our dependence on banks substantially and taken effective steps in response to the banking crisis of 2008/2009, even if this is a purely precautionary measure. The overall effect is that our financing flexibility, which we need as a growth company, is greater today than before the crisis. Very few companies can say that!

Ladies and gentlemen,

I would now like to briefly summarise the position of the group in 2009 as a whole:

Emerging from the most difficult financial and economic crisis since World War II, in local currency we have demonstrated gratifying growth, and achieved a good operating result. We have invested almost 38% more than we did in the previous year, and still reduced our liabilities. Moreover, we have qualified our requirements for growth investments and formulated them accordingly:

First: Reduced sensitivity to the pound sterling
And, second: Reduced sensitivity to government measures
Our growth will take place between these two buffer requirements.
- through measures to increase productivity
- through portfolio optimisation, amongst others new openings, bolt-on acquisitions, expansion in growth markets and co-operations
- and through innovation

With all these steps, which we defined as part of our Agenda 2015 growth strategy, to which we are now adding content bit by bit, we are improving our opportunities for the future. The capital market has evidently reached the same conclusion. In the last few months our share price has risen satisfactorily, and our financing measures have provoked immense interest among lenders.

Finally, I would note that I would not be standing before you today and submitting this ultimately positive conclusion in the context of all that took place in 2009 without the co-operation of every single Celesio employee. Without their constant professionalism, this would not have been possible. I therefore extend my heartfelt thanks and appreciation to all of our employees throughout the group for their unwavering commitment!

Before I talk about the development of our Agenda 2015 growth strategy, I would like to provide you with a few more details about our divisions and their activities. Early last year, we established a strictly customer-oriented organisational structure. Since then, our divisions are named according to their respective clients, and are known by the following names: Pharmacy Solutions, Patient and Consumer Solutions, and Manufacturer Solutions. The customers supported by the respective divisions have also been renamed correspondingly. Pharmacy Solutions, that is to say the business that concerns itself with pharmacies, includes Pharmacy Wholesale as its largest business area. Patient and Consumer Solutions is dedicated primarily to its customer base of end users and patients. The largest business area in this division consists of our own on-site pharmacies. The Manufacturer Solutions division and its business areas caters to the needs of the pharmaceutical manufacturers as customers.

Let us start with Patient and Consumer Solutions. Last year – in reaction to government interventions in the profitability of pharmacies – we redefined our priorities. In our on-site pharmacy business, we concentrate on organic growth, opening new pharmacies to conserve capital, and optimising our holdings. In contrast to 2008, when we purchased 85 pharmacies, in 2009 we bought just 13. In the last year we also severed our connections with 69 pharmacies, significantly more than in the previous year. The number of new pharmacy openings remained roughly the same as in 2008.

Although we reduced the total number of pharmacies we owned by 41, revenue from our remaining holdings rose by 3.7% in local currency compared with 2008.

Their earnings before interest, taxes, depreciation and amortisation increased by 2.2% despite government interventions.

Mail-order business for pharmaceuticals is becoming more and more important throughout Europe. Accordingly, our revenue in the mail-order pharmacy business area rose sharply, by 16.4% to EUR 256.7m. The largest portion of this figure by far was attributed to the mail-order business of Apotheke DocMorris in Germany. Our fledgling mail-order activities in the United Kingdom and Norway are still quite minor in comparison. However, the operating result for our mail-order business declined as a result of expenses for a television advertising campaign for Apotheke DocMorris. These expenses represented an investment in the future, which has already resulted in a substantial and sustained increase in customers.

In our brand partnership and franchise business, we have identified three strategic action lines:

1. Optimisation of the product range concept
2. Optimisation of the marketing concept, and
3. Optimisation of the service concept

At the same time, we have begun to create an organisation with sufficient weight to carry out these tasks effectively. This has to ensure that the DocMorris brand partnership or franchise also remains the most attractive concept by far for pharmacists, patients, and end consumers.

As I mentioned earlier, our new DocMorris pharmacies are gaining ground in Sweden faster than we anticipated. We plan to establish a chain of at least 100 DocMorris pharmacies in Sweden over the next few years. We have opened twelve DocMorris pharmacies there since mid-February until today. And when I consider how many rental agreements for attractive pharmacy locations we have signed in Sweden already, I am convinced that we have chosen the right path. In view of this, I can now tell you that we have increased our target for this year. Instead of 20–30, we now plan to open 30–40 new DocMorris pharmacies in Sweden in 2010.

The first tests with DocMorris in Ireland were a resounding success. As soon as we are sure that the success of our Irish DocMorris pharmacy can be sustained, we will decide on the best way to apply this experience as widely as possible throughout the country.

In 2009, the Patient and Consumer Solutions division generated total revenue of EUR 3.4bn. This represents a decline of 3.2%. In local currency, revenue increased by 4.5%.

EBITDA was EUR 300.1m in 2009, 9% lower than the previous year's level. In local currency, on the other hand, EBITDA remained stable.

Let us turn now to our second division, Pharmacy Solutions, which is responsible for providing services to pharmacists. The steady cash flows from this division represent an important element in financing our growth from within.

Pharmacy Solutions increased its revenue by 1.9% to EUR 17.54bn, equal to a rise of 4% in local currency.

EBITDA reached EUR 390.6m, 1% less than in 2008. This represents an increase of 1.7% in local currency.

The most important business area of Pharmacy Solutions is the pharmaceutical wholesale business. In this area, we took a major, unprecedented step towards internationalisation last year: We acquired a majority share in Panpharma, the leading pharmaceuticals wholesaler in Brazil. This represents our first foray into one of the enormous so-called emerging markets with regard to this business area. Thus we are operating outside of Europe for the first time. Brazil is the largest pharmaceuticals market in Latin America. Furthermore, with average annual growth rates above 9%, the Brazilian pharmaceuticals market is one of the most attractive markets of any kind worldwide. Panpharma was fully consolidated with effect from September 2009. In the period between September 2009 and the end of the year, Panpharma generated revenue of EUR 400.5m and posted an annual result of EUR 10.9m. We have also expanded our pharmaceutical wholesale business holdings in Europe. With our purchase of Laboratoria Flandria we have effectively consolidated our position in Belgium. We are now the second largest pharmaceuticals wholesaler in Belgium.

In France, the development of pharmaceutical wholesale business is proving to be a considerable challenge. In the last year, French wholesalers have organised themselves into cooperatives and set up new branches despite overcapacities throughout the country, thus intensifying the competitive environment considerably. We will face off against our competitors and protect our market position forcefully.

Despite the difficult situation in France, the wholesale business area was generally stable and not significantly affected by the overall economic conditions.

The other, relatively small business areas within Pharmacy Solutions have developed as we expected.

During the last fiscal year, the Manufacturer Solutions division has expanded its position and product range significantly. We raised our shareholding to become the majority shareholder in pharmexx. Now, we are in the position of one of the world's leading personnel and marketing service providers for the pharmaceutical industry.

In March 2009, we acquired the Belgian company Dirk Raes in order to strengthen the European logistics network of Movianto, which specialises in services for pharmaceutical manufacturers. Dirk Raes is the leading cold chain logistics provider for pharmaceuticals in the Benelux countries.

After consolidating these acquisitions for the first time, our gross profit, the most critical indicator of success in this sector, was EUR 255m, 55.8% higher than for the previous year or, in local currency, 59.7% higher.

In 2009, earnings before interest, taxes, depreciation and amortisation were negatively influenced by isolated contract losses by Movianto, expenses for the planned expansion of new business activities, and restructuring expenses associated with pharmexx. These effects were not entirely offset by an extensive review of costs on the part of Movianto, new contracts and the first contributions to the result from Dirk Raes and pharmexx. The division thus recorded EBITDA of EUR 14.7m, 5% lower than the previous year or, in local currency, 4.2% lower.

Ladies and gentlemen,

As a final note on the Manufacturer Solutions division, I would like to pass on one more item of good news: The standardisation and structuring programme we initiated last year at Movianto is beginning to pay dividends. Movianto has already realised annualised savings of about EUR 7m, and made a significant improvement in quality at the same time. This positive trend at Movianto has continued into 2010.

As you can see, Celesio can do more than acquire and integrate businesses. We are also capable of building entirely new businesses and developing them for sustained profitability. We sow small entrepreneurial seedlings as well as cultivating our home-grown businesses. Of course, some of these small shoots will not survive. But others will grow and thrive. To ensure this, we need a corporate culture that embraces innovation. In view of the changes that pharmaceutical markets all over the world will surely undergo, this ability, this culture, will be of paramount importance in the future. It is an essential prerequisite for ensuring that Celesio continues its strategy of corporate growth in the years to come.

This is also one of the reasons why we launched our Agenda 2015 growth strategy and presented it to you last year. We will use Agenda 2015 as a springboard for exploiting the vast array of new opportunities that will arise as our healthcare and pharmaceutical markets change. Our objective is to achieve an operating result, that is to say earnings before interest, taxes, depreciation and amortisation, of EUR 1bn by 2015.

You will recall, we announced this objective last year, at a time when many companies, suffering from the global financial and economic crisis, could not make any predictions at all. Our view then, as it is now, was that the pharmaceutical markets are resilient and replete with opportunity even in troubled times. We are firmly committed to taking the best possible advantage of these market opportunities!

Ladies and gentlemen,

Our Agenda 2015 growth strategy is no mere blueprint for “growing bigger” at all costs, it is designed to ensure profitable growth, driven by:

1. Greater profitability in our core business
2. Portfolio optimisation through divestments as well as acquisitions, and
3. Innovation

In practical terms, we have launched more than 70 initiatives and projects groupwide, each of which falls under one of the above headings, as part of a dynamic process. Here are a few more details:

1. Profitability improvement
About two thirds of the initiatives and projects are intended to help increase profitability in our businesses in the medium term. This is achieved by optimising processes, warehousing, or shipping routes in wholesale, by improving group-wide purchasing processes, streamlining our own brand items and product ranges, by bundling the functions of individual divisions, to mention just a few projects.

2. Portfolio improvement
The portfolio optimisation category includes acquisitions and "start-ups" as well as divestments or co-operations in our existing business. For example, the expansion of our wholesale business in Belgium, our entry into Brazil and the Swedish pharmacy market, but also the reduction of pharmacy

purchases to practically nothing, and our commitment to brand partnerships and franchises as new ways of co-operations.

3. Innovation

Growth also means that we must venture boldly into new fields of business. In this context, acquisitions and our own start-ups will serve as an important way to gain entry. Partnerships and co-operations will assume greater importance. The changes in our pharmaceutical and healthcare markets already harbour the potential for this. As global demand for health services rises and government budgets become more and more restricted, new concepts are called for. Far-reaching, systemic changes will be necessary if the first healthcare market, the part of the market that is financed by the respective government social security system, is to remain affordable. We are already actively aligning our company to address the demand for new service and solution offerings that must inevitably be associated with such changes.

The secondary healthcare market, the market in which the patient or end consumer relies his own money for his health needs, is growing rapidly and irreversibly. In this regard, the need to keep one's health is growing at the same rate as the willingness to spend more money to that end. This has been shown in many studies.

For us the focus and object of all innovative concepts will always be the pharmaceutical product, their relationship to the pharmaceutical product, or their relationship to stakeholders of the pharmaceutical market. To sum up again:

The sea change in healthcare markets offers space for new business models. Accordingly, we view these anticipated changes as a tremendous opportunity for us to grow into new, profitable areas through our innovations.

Ladies and gentlemen,

As you have seen, our Agenda 2015 is driven by a wide range of different forces, all of which are designed to ensure that Celesio will remain a growth company in the future too. In this context, innovations are the "icing on the cake" of growth driven by profitability and portfolio improvements. So it is only fitting that our slogan for the 175th anniversary of our company is: "Innovation for the future". This belief was what inspired Franz Ludwig Gehe in 1835 when he founded our company.

And as for Franz Ludwig Gehe, – who, by the way, would have turned 200 years old tomorrow – so for us too, success in business is still bound up inextricably with social responsibility. Accordingly, corporate social responsibility has been a fixed component of our corporate identity for 175 years. The main focuses of our CSR activities have grown out of our business activities and company history, they are health and education. As you know, in terms of healthcare our activities centre mainly on practical and financial assistance to the aid organisation Doctors for Developing Countries. Just last week, we decided to build and run a central pharmacy in Calcutta together with Doctors for Developing Countries as a way to improve the supply of pharmaceuticals in the slums.

With regard to education, the GEHE Akademie has been dedicated to advanced training for pharmacists in Germany for more than 20 years. In

2009, approximately 27,000 pharmacists and pharmaceutical employees from all over Germany attended education offerings there.

Ladies and gentlemen,

Before I address the individual items on today's agenda, I would like to provide you with a brief glimpse of what 2010 fiscal year has in store for your company.

The market research institute IMS-Health predicts that by 2013 the European pharmaceutical markets will experience annual, weighted growth rates of 3.3% on a euro basis, and the Brazilian pharmaceutical market will grow at an average of 9.4% in local currency. On the other hand, the global financial and economic crisis also caused public debt to balloon in many countries. This has created increased pressure to save, which will be felt even in government healthcare systems, and will affect our traditional pharmaceutical wholesale and pharmacy businesses. However, we also expect that, if they are not completely avoidable, these government interventions will be conducted in moderation so as not to jeopardise the quality of pharmaceutical supply.

In the United Kingdom, a reduction of reimbursement rates for generics, which were reduced on 1 October 2009, has had a year-round negative effect on earnings for Lloydspharmacy. To counteract this, Lloydspharmacy is concentrating more intensively on pharmacy business outside of the government reimbursement system. Incidentally, this applies not only for our pharmacy business in the United Kingdom, but also for the entire Patient and Consumer Solutions division.

Our wholesale business will also continue to demonstrate its stability and sustainability and will enable us to access new business with higher margins. At the same time, we do not expect revenue growth in our European wholesale markets to reach the same levels as in 2009, and the French wholesale market will remain challenging. In Belgium, our focus for 2010 will be the integration of Laboratoria Flandria. In Brazil, we expect to integrate Panpharma fully in the Celesio family, with due respect for the conditions in Brazil and for our partnership with the current sole proprietors.

With regard to the Manufacturer Solutions division, we expect the positive trend that began last year at Movianto to continue. Concerning pharmexx, 2010 will still be characterised largely by the restructuring of a company that has previously been managed as a small to medium-size business and has grown exceedingly rapidly. In the United Kingdom, our start-up Evolution Homecare in the area of "medical treatment of patients at home" will be expanded steadily in accordance with our business plan.

In 2010, investments in our current business will be higher than in previous years, partly due to our investment in our network of wholesale branches, and also increased investments in IT. As we do not expect any major acquisitions in 2010, and as we will concentrate on consolidating and expanding our own pharmacy chains and new pharmacies, overall investment will probably be lower than in the previous year. This should enable us to reduce our net liability to below EUR 2bn.

Ladies and gentlemen,

Overall, our healthy business gives us cause to look forward to 2010 with optimism. Most recent developments, such as the increase in pharmaceutical prices in Brazil on 1 April 2010 serve as proof that we were entirely correct to enter the Brazilian market. In Europe, we expect to witness at least a mild economic recovery, and – despite Greece – still trust that currency exchange rates will remain calm. On balance, we expect earnings before interest, taxes, depreciation and amortisation on the basis of the euro to be higher than in 2009. We are looking forward to 2010 as a year of continued growth and in line with the objectives of our Agenda 2015!

Ladies and gentlemen,

I must admit that this outlook is not overly detailed, particularly since we are already a third of the way through the year. But in a few days, six to be precise, on 12 May 2010, we will publish our figures for the first quarter of 2010. These will certainly supply more detailed information. Until then, I would ask for your patience and understanding. I promise that next year we will do everything possible to better synchronise the date of the Annual General Meeting and the publication of our figures for the 1st quarter. This year, it has not been possible for practical reasons.

After all this information about our business, I would like to cast a quick glance over the formalities of today's Annual General Meeting:

Agenda items 2–5 are concerned with regular formalities, on which you as shareholders will always be required to vote.

Agenda items 6–8 deal with topics related to financing, specifically the buy back and use of own shares (agenda item 6), authorisation to increase capital stock to the exclusion of shareholders' subscription rights (agenda item 7), and authorisation to issue option or convertible bonds for the purpose of creating contingent capital (agenda item 8).

I would like point out quite specifically that authorisation to purchase own shares is a routine resolution, which is essential however, because the authorisation expires this year. We are not asking for the maximum authorisation period allowed by the law. We have been accustomed to working within the shorter timeframe that was available in the past.

Authorisation to increase capital stock is necessary because the authorisation passed last year cannot be used due to the 2009 convertible bond issue, and should therefore be cancelled. Generally, it is the authorisation to create an authorised capital of EUR 65,318,400, with an exclusion of shareholders' subscription rights of up to 10%.

Finally, we ask you to vote to renew our authorisation to issue option and/or convertible bonds, also with the capability to exclude shareholders' subscription rights, and to create another contingent capital. This authorisation will replace the previous authorisation, which was used most significantly for the purpose of issuing the convertible bond in 2009, and will expire on 7 March 2014.

You will also find a comprehensive report from the management board on agenda items 6–8 on pages 25-35 of your invitation. I refer explicitly to this report.

With regard to each of agenda items 6–8, I would state most emphatically that there are currently no specific plans to make use of an authorisation approved by the Annual General Meeting.

Regarding agenda items 9 and 10, I propose that our articles of association be amended and updated to reflect the new statutory requirements of the Gesetz zur Umsetzung der Aktionärsrechte–Richtlinie (ARUG Shareholders' Rights Directive).

In agenda item 11, the supervisory board proposes that you elect Dr Jürgen Kluge as the shareholders' representative on the supervisory board. This vote is necessary because Dr Eckhard Cordes, whom you elected to the supervisory board on 30 April 2007, has resigned his position with effect from the end of 2009.

In agenda item 12, we are taking advantage of a recent change in the law which allows shareholders to vote on the payment system for members of the management board, to facilitate good corporate governance.

Ladies and gentlemen,

We have now weathered two difficult years in a row, 2008 and 2009, and we are ready to start this year with renewed energy. We are ready to do what we did best every year for 21 years until 2007, that is, to grow profitably. The foundation is laid and the initial steps have been taken. I assure you that your management board and all of the employees at Celesio will spare no effort to ensure that Celesio remains a growth stock for the long term.

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

Thank you for your attention!