Celesio AG
Interim Report
1st Half Year of 2012

REVENUE AND EARNINGS UP ON PREVIOUS YEAR

SYSTEMATIC PURSUIT OF STABILISATION CONTINUES

NEW GROUP STRUCTURE COMMUNICATED AND IMPLEMENTED

INITIAL DIVESTMENTS SUCCESSFULLY PREPARED

H1

celesio

Celesio Interim Report 1st Half Year of 2012

Celesio at a glance

KEY FIGURES OF THE CELESIO GROUP		1st half year 2011	**1st half year 2012**	Change on a euro basis %	Change adjusted for portfolio and currency effects [2] %
Continuing operations					
Revenue	EUR M	11,056.6	**11,251.1**	1.8	–0.9
Gross profit	EUR M	1,159.5	**1,235.7**	6.6	1.6
adjusted [1]	EUR M	1,159.5	**1,236.0**	6.6	1.6
EBITDA	EUR M	257.5	**234.1**	–9.1	–7.4
adjusted [1] [3]	EUR M	257.5	**283.5**	10.1	3.7
EBIT	EUR M	153.2	**167.5**	9.4	–11.7
adjusted [1] [3] [4]	EUR M	197.5	**217.2**	10.0	2.9
Profit before tax	EUR M	91.9	**81.9**	–10.9	/
adjusted [1] [3] [4] [5]	EUR M	147.0	**166.6**	13.4	/
Net profit/loss	EUR M	37.0	**29.6**	–20.1	/
adjusted [1] [3] [4] [5]	EUR M	88.7	**106.0**	19.5	/
Earnings per share (basic)	EUR	0.20	**0.16**	–20.0	/
Earnings per share (basic), adjusted [1] [3] [4] [5]	EUR	0.52	**0.61**	18.1	/
Net cash flow from operating activities	EUR M	145.0	**174.5**	20.3	/
Net cash flow from investing activities	EUR M	–62.4	**–298.1**	≥100	/
Free cash flow	EUR M	26.3	**–185.6**	/	/
Employees (full-time equivalents) [6]		29,493	**29,403**	/	/
Retail pharmacies [6]		2,290	**2,233**	/	/
Wholesale branches [6]		133	**141**	/	/
Discontinued operations					
Net profit/loss	EUR M	–67.2	**–213.5**	≥100	/
Earnings per share (basic)	EUR	–0.40	**–1.25**	≥100	/
Employees (full-time equivalents) [6]		6,936	**5,641**	/	/
Continuing and discontinued operations					
Total assets [6]	EUR M	8,372.3	**8,559.1**	2.2	/
Equity [6]	EUR M	2,463.9	**2,363.6**	–4.1	/
Equity ratio [6]	%	29.4	**27.6**	/	/
Employees (full-time equivalents) [6]		36,429	**35,044**	/	/
Employees (headcount) [6]		46,448	**45,448**	/	/
Net profit/loss	EUR M	–30.2	**–183.9**	≥100	/
Earnings per share (basic)	EUR	–0.20	**–1.09**	≥100	/

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.
2) The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year) and gains/losses on disposal.
3) Adjusted for special effects from remeasurement pursuant to IFRS 5 (including tax effect).
4) Adjusted for impairment losses recognised on intangible assets (including tax effect).
5) Adjusted for special effects in the financial result (including tax effect).
6) Closing figures at the end of the reporting period.

INFORMATION ON THE CELESIO SHARE

Share type	No-par value registered shares
Share capital in EUR as of 30/06/2012	217,728,000
ISIN code	DE000CLS1001
German securities code	CLS 100
German stock exchange code	CLS1
Indices (selection)	MDAX, MSCI Germany Index, FTSE4Good, ECPI Ethical Index EMU

The Celesio Group

As a leading international trading company and provider of logistics and services in the pharmaceutical and healthcare sector, Celesio takes a proactive and preventive approach to ensuring that patients receive the products and support that they require for optimum care.

We operate in 27 countries around the world and have about 45,000 employees. Every day, we serve over 2 million customers – at 2,200 pharmacies of our own and 4,500 participants in our brand partnership schemes. With around 140 wholesale branches, we supply approximately 65,000 pharmacies and hospitals every day with up to 130,000 pharmaceutical products, delivering up to six times a day.

Key events 2012

Q1

- Revenue and earnings up on previous year
- Successful start to stabilisation
- Steady progress on package of measures
- Sales process initiated for discontinued operations

Q2

- **Revenue and earnings up on previous year**
- **Systematic pursuit of stabilisation continues**
- **New group structure communicated and implemented**
- **Initial divestments successfully prepared**

Q3

Q4

To our shareholders

Chairman’s letter

MARKUS PINGER
CHAIRMANN OF THE
MANAGEMENT BOARD

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN

It is a pleasure to report on the first half year of 2012.

Over the last six months, we have concentrated on implementing our strategy – with success. We have made good progress in driving forward the operating activities of our core business and also pressed ahead with selling those units that are not part of the core business. In the meantime, we have largely completed the sales process for Movianto and Pharmexx.

These non-core units have been reported as discontinued operations or disposal groups since the first quarter of 2012, which entailed adjusting the carrying amounts that were based on amortised cost. This approach also ensures the transparency needed for the sales process. Furthermore, we have now recognised the lion’s share of the expenses expected from the Operational Excellence Program. In other words, our financial reporting now reflects the full historical burden of this package of measures. For comparative purposes, we have also disclosed adjusted net profit/loss because in the future it will only include the net profit/loss of continuing operations.

Despite the tough market environment, our core business developed well, with a considerable improvement on the previous year.

We made particularly good progress in our pharmacy business – a clear indication that our strategy to focus on our business has high potential. The Operational Excellence Program launched in the autumn of 2011 is taking hold, boosting our efficiency and our ability to compete.

At the beginning of June, we introduced the new group structure that will put Celesio on a leaner and more powerful footing for the future. This will be achieved through tighter integration and closer cooperation of the wholesale and pharmacy business – across divisions and country borders. We will be able to leverage major synergies, raising the rate of innovation and significantly improving our competitive position as a whole. With the new structure in place, we can accelerate the successful implementation of our strategy.

Implementing our strategy and the associated projects is our absolute priority. We are working continuously and persistently to get all the tasks done and are making excellent headway. As a result, we are optimistic about meeting our targets and securing sustainable success.

We would like to thank you for your confidence in Celesio.

STUTTGART, AUGUST 2012

Yours

MARKUS PINGER
CHAIRMAN OF THE MANAGEMENT BOARD

The Celesio share

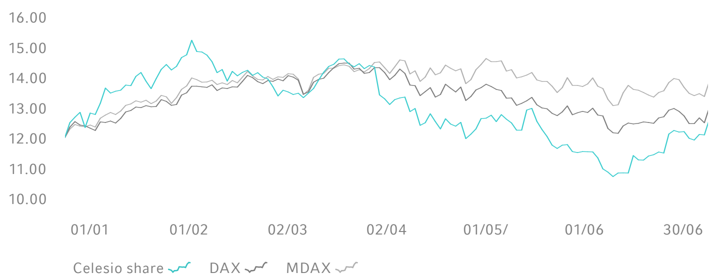
The stock markets

The increasingly acute banking and sovereign debt crisis in Europe affected the first half year of 2012 and also clearly made its mark on the German stock market index, the DAX. Following a good first quarter, the downward trend in share prices from mid-March onwards saw the DAX slip below 6,000 points at the beginning of June. Prices then rallied slightly, with the DAX closing at 6,416.28 points on 30 June – an increase of 5.6% on the level at the beginning of the year. The MDAX, which includes the Celesio share in its basket, was not able to continue the clear upward trend of the first quarter either and closed the first half of the year at 10,343.71 points. The midcap index nevertheless managed overall growth of 13.5% in the period from January to June.

Celesio share

Following a very strong start to the 2012 fiscal year, the Celesio share started to fall and was extremely volatile in the month of March. The Celesio share mirrored the downward trend of the DAX and MDAX at the beginning of the second quarter. This development clearly reflects the tough market environment and uncertainty on the capital market. The share price dropped to a low for the period of EUR 10.88 on 4 June. The Celesio share then enjoyed an upward trend and patently outperformed both the DAX and MDAX. The share edged ahead of the opening price of the year by 1.0% to close at EUR 12.90 as of 30 June. Market capitalisation at the end of the first half year amounted to EUR 2.19bn (previous year EUR 2.34bn). The trading volume of our share on the Xetra market averaged 467,371 shares per day in the reporting period, down around 35% on the previous-year level of 717,619 per day.

DEVELPOMENT OF THE CELESIO SHARE, DAX AND MDAX
CLOSING PRICES ON XETRA 01/01/2012–30/06/2012 (TRADING DAYS ONLY), SCALED TO THE CELESIO SHARE PRICE



Annual general meeting

Celesio AG's 2011 annual general meeting was held in the Porsche Arena in Stuttgart on 16 May 2012. Attendance was once again high with 75.1% of voting rights represented. This almost matches the previous-year turnout of 76.9%. All documents and information on the 2012 annual general meeting are published at www.celesio.com/en/Investor_Relations/Annual_General_Meeting.

Dividend

The annual general meeting of Celesio AG passed a resolution to distribute a dividend of EUR 0.25 per share for the past fiscal year 2011. The dividend was paid out on 18 May 2012. Celesio thus maintained its policy of distributing consistent dividends and distributed an amount that was commensurate with the company's economic situation.

Investor relations

At Celesio, investor relations is about providing, in a sustained fashion, information to the financial community, ensuring complete transparency and pursuing a policy of open and timely dialogue with analysts and investors. We are committed to these principles and they governed our actions in the first half of 2012. We actively engaged with current and potential investors at individual meetings as well as during numerous conferences and roadshows. For instance, we exploited the opportunities afforded by conferences and roadshows in Boston, New York, Frankfurt and London to provide comprehensive updates on Celesio and its strategic realignment and exchange ideas with the financial community.

Further information on the company, the Celesio share, upcoming events and publications can be found in the investor relations section of our website at www.celesio.com.

KEY SHARE FIGURES		1st half year 2011	**1st half year 2012**
Shares outstanding [1]	MILLION	170.1	**170.1**
Market capitalisation [1]	EUR M	2,338.8	**2,194.3**
Closing price [1] [2]	EUR	13.75	**12.90**
High [2]	EUR	20.05	**15.65**
Low [2]	EUR	12.74	**10.88**
Average Xetra trading volume per day	SHARES	717,619	**467,371**

1) Closing figures as of 30 June.
2) Xetra closing rate, source: Bloomberg.

Management Board compensation structure in 2012

As already announced in the 2011 annual report, the compensation structure for members of the Management Board of Celesio AG was refined and modified in the reporting period in light of changes in the economic and strategic environment and in line with endeavours to standardise the system with the support of an external consultant. The total amount of possible remuneration remains essentially unchanged.

In future, bonuses will consist solely of a direct percentage of earnings (defined uniformly as EBIT) in a given fiscal year, although a bonus will still be defined in euro as guidance for each member of the Management Board. The total amount payable is capped at twice the bonus defined as guidance in each case. The payment is settled by a cash component of 70% and phantom shares (with a three-year vesting period) of 30%.

The long-term component will in future take the form of a performance share plan with a term to maturity of three years. The phantom shares will be allocated annually based on the guidance amounts defined individually and the average share price upon granting. The final payout is determined at the end of the term depending on the number of phantom shares allocated, the average earnings per share (EPS) over the term and the average share price upon maturity. The payment due can potentially fall to zero. The payout is settled in cash and is capped at three times the amount predefined as guidance.

The Supervisory Board has already approved the refined compensation structure and implemented the changes in the contracts with Management Board members. As a result, remuneration in the current 2012 fiscal year is uniformly based on the new system.

Interim management report

Economic environment

The first half of 2012 was characterised by the feeble development of the global economy and the increasingly dire banking and sovereign debt crisis in Europe. As a result, the business environment in the 2012 fiscal year was marked by austerity measures affecting the social security systems of numerous countries as well as intense pressure from competition. In France, the effects of the new margin system introduced by the government at the beginning of the year were increasingly felt.

Revenue and earnings development

Celesio discloses certain non-recurring expenses and income as a special effect in the income statement.

In the reporting period, the special effect on EBITDA relates primarily to non-recurring expenses of EUR 29.8m incurred for the Operational Excellence Program. There were also special effects for the first time in connection with revaluing available-for-sale assets to expected sales proceeds in accordance with IFRS 5. The impact totalled EUR 19.6m and breaks down into EUR 8.0m for the Czech and EUR 11.6m for the Irish wholesale operations.

EBIT was also adjusted for impairment losses. In the reporting period, these related to non-recurring expenses of EUR 0.3m incurred in connection with the Operational Excellence Program as well as the impairment loss of EUR 44.3m recognised on intangible assets in the previous year.

Special effects in the financial result of EUR 35.0m (previous year EUR 10.7m) also influenced profit/loss before tax – especially the amount paid to purchase the remaining Panpharma shares.

The special effects described above also led to tax effects totalling EUR 8.4m (previous year EUR 3.4m).

As part of the radical strategic shake-up, Celesio decided in the reporting period to initiate the sales process for a number of companies and activities that no longer constitute the company's core business. This marks a conscious departure from decisions made in the past. Celesio is systematically parting ways with operations that are not compatible with the new corporate strategy. Following careful scrutiny and analysis of the strategic options, the Management Board of Celesio passed a resolution at the end of March 2012 to dispose of the business units Movianto and Pharmexx and the DocMorris mail-order pharmacy (including the brand).

Since the decision was reached, these entities have been classified as discontinued operations. The previous year's figures were restated to allow comparison. When calculating the value of discontinued operations, Celesio tested them for impairment and recognised impairment losses where necessary. Unless stated otherwise, the following comments pertain to continuing operations.

The resolution mentioned above also includes the strategic decision to withdraw from the Czech market completely and therefore to sell the wholesale and pharmacy operations. As part of its deliberations on strategy, the Management Board also decided to examine all options for the Irish wholesale business at the end of June 2012. As a result of this examination, the corresponding assets and liabilities were classified as held for sale.

After incurring expenses of EUR 80.6m (of which EUR 76.2m for continuing operations) in connection with the Operational Excellence Program in the fourth quarter of 2011, the restructuring plan led to additional expenses of EUR 30.1m in the reporting period. These mainly related to termination agreements and the associated obligations. The Operational Excellence Program has now largely been completed.

From the 2012 fiscal year onwards, the investment result of EUR 4.8m (previous year EUR 3.8m), comprising the result from associates accounted for using the equity method as well as the result from other investments, is no longer included in EBIT (earnings before interest and tax). Instead it is disclosed separately below this item. This change in disclosure reflects the new structure of internal reporting and the management system and is in line with the general practice of our peers. Celesio is therefore also following the trend towards using EBIT as the key control parameter, enabling a more transparent presentation of sustainable corporate success. The previous year's figures were restated to allow comparison.

In the first half year of 2012, **group revenue** increased by 1.8% to EUR 11,251.1m; adjusted for portfolio and currency effects, revenue fell by 0.9%. This development is primarily attributable to the weak markets in general and government measures.

From January to June 2012, **gross profit** climbed 6.6% to EUR 1,235.7m; adjusted for portfolio, currency and special effects, the increase came to 1.6%. The gross profit margin rose to 11.0%, mainly on account of the positive development of Lloydspharmacy and the better gross profit margin achieved in the German wholesale business.

Other income increased by 5.6% to EUR 102.4m in the reporting period. Adjusted for portfolio and currency effects, other income increased by 1.3%, mainly due to positive effects from bad debts recognised in the past.

Other expenses increased by 19.0% to EUR 447.8m; adjusted for portfolio, currency and special effects, this represents a rise of 5.8%. Key reasons included higher bad debt allowances in light of the tough economic environment and the increase in consulting expenses, particularly in connection with the strategic realignment.

Compared to the previous-year period, **personnel expenses** increased by 5.4% to EUR 656.2m in the first half of the year; adjusted for portfolio, currency and special effects, they actually fell by 1.9%. The first six months of 2012 also saw positive savings effects from the Operational Excellence Program, although these were partially cancelled out by expenses, including the move to a new warehouse in Oslo and annual pay rises.

EBITDA (earnings before interest, tax, depreciation and amortisation) dropped 9.1% compared to the first six months of the previous year to EUR 234.1m. Adjusted for portfolio, currency and special effects, EBITDA increased by 3.7%. EBITDA growth was achieved despite the stagnant earnings development thanks to an improvement in the gross profit margin as well as strict cost management. The adjusted group EBITDA margin came to 2.5% in the reporting period, compared to 2.3% in the same period of the previous year.

Amortisation and depreciation of non-current intangible assets and property, plant and equipment increased by 10.6% to EUR 66.3m compared to the first half year of 2011. This development primarily reflects the consolidation of Oncoprod since the fourth quarter of 2011 as well as the impact of amortisation and depreciation in connection with capital expenditure made in 2011. These investments were higher in 2011 compared to previous periods and relate to the ongoing standardisation and modernisation of IT applications. Adjusted for portfolio and currency effects, amortisation and depreciation was up 6.7%.

In the first half year of 2012, **impairment losses** of EUR 0.3m were recognised in connection with the Operational Excellence Program, compared to impairments in the previous year of EUR 44.3m relating primarily to goodwill.

At EUR 167.5m, **EBIT** (earnings before interest and tax) was up 9.4% on the previous year. Adjusted for portfolio, currency and special effects, this was a rise of 2.9%.

The **investment result** increased in the first six months to EUR 4.8m compared to EUR 3.8m in the same period of the previous year.

The **financial result**, which reports the balance of interest expense, interest income and other financial result, deteriorated to EUR –90.4m in the reporting period compared to EUR –65.1m in the first half year of 2011. This development was primarily attributable to expenses associated with acquiring the remaining Panpharma shares.

Celesio's **profit before tax** thus came to EUR 81.9m in the reporting period. This decrease of 10.9% compared to the comparative period of 2011 is primarily due to the special effect in the financial result as described above. Adjusted for special effects, profit before tax came to EUR 166.6m compared to EUR 147.0m in the previous year.

Income taxes fell by EUR 2.6m to EUR 52.3m, resulting in an effective tax rate of 63.9% (previous year 59.7%). This increase in tax rate is linked to the special effect described in the section on the financial result, which is not tax deductible. Adjusted for special effects, the tax rate would have been 36.4% compared to 39.7% in the same period of the previous year. Besides the positive impact of the changed earnings mix from countries with different tax rates and a reduction in losses of the German tax group, the tax rate was also negatively affected by the increase in the tax rate for France.

The **net profit generated by continuing operations** came to EUR 29.6m in the first six months of the year compared to EUR 37.0m in the previous year. Adjusted for special effects, net profit generated by continuing operations came to EUR 106.0m compared to EUR 88.7m in the previous year.

For Celesio's continuing operations, basic **earnings per share** slipped to EUR 0.16 compared to EUR 0.20 in the first half year of 2011. Adjusted for special effects, basic earnings per share came to EUR 0.61 compared to EUR 0.52 in the previous year.

The **net loss incurred by discontinued operations** came to EUR 213.5m in the first half year of 2012 compared to a net loss of EUR 67.2m in the previous year. The basic earnings per share therefore came to EUR –1.25 compared to EUR –0.40 in the same period of the previous year. The decrease is mainly attributable to the fact that the carrying amounts of the DocMorris mail-order pharmacy, Pharmexx and Movianto were written down by a total of EUR 208.4m to the expected amount of net sales proceeds.

Accordingly, the group incurred a **net loss** of EUR 183.9m compared to a net loss of EUR 30.2m in the previous year (basic earnings per share down to EUR –1.09m compared to EUR –0.20 in the previous year).

GROUP REVENUE BY COUNTRY	1st half year 2011 EUR M	**1st half year 2012 EUR M**	Change on a euro basis %	Change in local currency %
France	3,332.6	**3,308.3**	–0.7	–0.7
United Kingdom	2,329.9	**2,273.3**	–2.4	–7.5
Germany	1,969.1	**1,992.9**	1.2	1.2
Brazil [1)]	768.4	**972.3**	26.5	33.3
Austria	531.5	**550.5**	3.6	3.6
Norway	518.5	**570.3**	10.0	6.4
Other	1,606.6	**1,583.5**	–1.4	–1.1
Group	**11,056.6**	**11,251.1**	**1.8**	**1.0**

1) Includes Oncoprod since October 2011.

REVENUE AND EARNINGS DEVELOPMENT CELESIO GROUP	1st half year 2011 EUR M	1st half year 2011 % OF REVENUE	1st half year 2012 EUR M	1st half year 2012 % OF REVENUE	Change on a euro basis %	Change adjusted for portfolio and currency effects [2] %
Revenue	11,056.6	100.0	**11,251.1**	**100.0**	1.8	−0.9
Gross profit	1,159.5	10.5	**1,235.7**	**11.0**	6.6	1.6
adjusted [1]	1,159.5	10.5	**1,236.0**	**11.0**	6.6	1.6
EBITDA	257.5	2.3	**234.1**	**2.1**	−9.1	−7.4
adjusted [1] [3]	257.5	2.3	**283.5**	**2.5**	10.1	3.7
EBIT	153.2	1.4	**167.5**	**1.5**	9.4	−11.7
adjusted [1] [3] [4]	197.5	1.8	**217.2**	**1.9**	10.0	2.9
Profit before tax	91.9	0.8	**81.9**	**0.7**	−10.9	/
adjusted [1] [3] [4] [5]	147.0	1.3	**166.6**	**1.5**	13.4	/
Net profit/loss from continuing operations	37.0	0.3	**29.6**	**0.3**	−20.1	/
adjusted [1] [3] [4] [5]	88.7	0.8	**106.0**	**0.9**	19.5	/
Net profit/loss from discontinued operations	−67.2	−0.6	**−213.5**	**−1.9**	≥100	/
Net profit/loss from continuing and discontinued operations	−30.2	−0.3	**−183.9**	**−1.6**	≥100	/

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.
2) The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year) and gains/losses on disposal.
3) Adjusted for special effects from remeasurement pursuant to IFRS 5 (including tax effect).
4) Adjusted for impairment losses recognised on intangible assets (including tax effect).
5) Adjusted for special effects in the financial result (including tax effect).

Patient and Consumer Solutions division

Revenue and earnings development

In the first half year of 2012, **revenue** of the Patient and Consumer Solutions division increased by 6.5% to EUR 1,719.3m. Adjusted for portfolio and currency effects, revenue increased by 1.6%. The rise was primarily attributable to the positive development at Lloydspharmacy, which is largely thanks to the increase in the volume of the service business. Revenue also developed well in the International Retail business, especially in Norway and Sweden.

Gross profit improved in the reporting period, climbing 8.7% to EUR 603.2m. Adjusted for portfolio, currency and special effects, gross profit was up 4.0%. The main factors driving this were the positive development of revenue in the service business, an improved purchasing process and the positive effects of optimisation measures launched for Lloydspharmacy in 2011. The healthy development in Norway and Sweden also contributed to the strong development of gross profit. The gross profit margin came to 35.1% compared to 34.4% in the same period of the previous year.

EBITDA increased by 19.7% to EUR 115.7m in the reporting period. Adjusted for portfolio, currency and special effects, EBITDA was up 29.4%. This clear improvement is above all attributable to the positive development of gross profit, optimisation measures at Lloydspharmacy, cost-cutting measures in connection with the Operational Excellence Program and the improvement in business in Norway and Sweden.

The division's **EBIT** was up by a considerable 24.5% to EUR 85.1m in the first six months of the fiscal year. Adjusted for portfolio, currency and special effects, EBIT increased 40.7%.

REVENUE AND EARNINGS DEVELOPMENT PATIENT AND CONSUMER SOLUTIONS	1st half year 2011		1st half year 2012		Change on a euro basis	Change adjusted for portfolio and currency effects[2]
	EUR M	% OF REVENUE	EUR M	% OF REVENUE	%	%
Revenue	1,615.1	100.0	**1,719.3**	**100.0**	6.5	1.6
Gross profit	555.0	34.4	**603.2**	**35.1**	8.7	3.9
adjusted[1]	555.0	34.4	**603.5**	**35.1**	8.7	4.0
EBITDA	96.7	6.0	**115.7**	**6.7**	19.7	12.8
adjusted[1]	96.7	6.0	**132.2**	**7.7**	36.8	29.4
EBIT	68.4	4.2	**85.1**	**5.0**	24.5	17.1
adjusted[1]	68.4	4.2	**101.9**	**5.9**	49.1	40.7

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.
2) The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year) and gains/losses on disposal.

Market environment and business development

Our Patient and Consumer Solutions division addresses the needs of patients and consumers with the primary objective of offering our customers the best possible care. Our range covers prescription-only medicines as well as a wide selection of over-the-counter (OTC) products and additional services.

The division had 2,233 retail pharmacies of its own in seven countries as of the end of June 2012. In the first half year of 2012, we opened 13 new pharmacies, acquired three, closed 33 and sold 30.

LLOYDSPHARMACY

The UK remains Celesio's most important pharmacy market in 2012, with Lloydspharmacy contributing 65.0% (previous year: 64.9%) of revenue to the Patient and Consumer Solutions division.

As anticipated, Lloydspharmacy exhibited an excellent development in the reporting period. The optimisation measures implemented in 2011 are proving effective and service revenue saw particularly buoyant growth. Return on sales improved considerably thanks to the strong performance in this product category. This effect was enhanced by the better purchasing process and the earnings boost from our streamlined pharmacy portfolio as well as cost savings realised under the Operational Excellence Program.

INTERNATIONAL RETAIL

Business also progressed well in International Retail, in which the other pharmacy countries are combined. This shows that our strategy of building up a European network of pharmacies has high potential.

Norway, Celesio's second most important pharmacy market after the UK, saw particularly strong revenue growth in the first half year of 2012 – not only in the area of prescription medicines, but also for OTC products. The new pharmacies that were recently opened also made a positive contribution to the development of revenue.

The Swedish pharmacy business was strong in the first half year of 2012 following restructuring measures implemented as part of the Operational Excellence Program. The portfolio optimisation efforts launched in the 2011 fiscal year were continued systematically and completed in 2012.

Due to the realignment of the Celesio Group, the DocMorris mail-order pharmacy was no longer part of Patient and Consumer Solutions in the first quarter of 2012. It is disclosed under discontinued operations. Celesio will also part ways with its Czech operations as part of its portfolio optimisation measures.

Earnings from the investment in Brocacef are not included in the operating result from 2012 onwards. As a result, it is no longer reported separately under Patient and Consumer Solutions.

The previous year's figures were restated to allow comparison.

Pharmacy Solutions division

Revenue and earnings development

The Pharmacy Solutions division saw **revenue** increase 1.0% in the reporting period to EUR 9,531.8m. Adjusted for portfolio and currency effects, revenue fell by 1.3%. The decrease is primarily linked to the poor market development in the first half year of 2012.

In the first half year, **gross profit** was also up 4.6% to EUR 632.5m, although it actually fell 0.6% compared to the previous-year period after adjusting for portfolio and currency effects. Despite the impact of the new margin system in France, the gross profit margin increased to 6.6% compared to the previous-year figure of 6.4%. This is attributable to the positive development of GEHE and the acquisition of Oncoprod, which, by the nature of its business, generates a higher gross profit margin than the other entities in the division.

Despite the strong performance of business in Germany, **EBITDA** fell 19.0% to EUR 168.5m in the first six months. Adjusted for portfolio, currency and special effects, EBITDA fell by 9.5%. The decline is attributable to a combination of factors, including, as expected, ongoing fierce competition and the new margin system in France as well as higher bad debt allowances and a general negative trend in numerous other markets. Relocation costs and additional activities in the form of overtime and weekend work in connection with the move to our new warehouse in Oslo also had a negative impact on EBITDA.

The division's **EBIT** rose by 1.5% to EUR 138.2m in the first half year of 2012. Adjusted for portfolio, currency and special effects, EBIT decreased by 12.1%.

REVENUE AND EARNINGS DEVELOPMENT PHARMACY SOLUTIONS	1st half year 2011 EUR M	% OF REVENUE	1st half year 2012 EUR M	% OF REVENUE	Change on a euro basis %	Change adjusted for portfolio and currency effects[2] %
Revenue	9,441.5	100.0	**9,531.8**	**100.0**	1.0	−1.3
Gross profit	604.5	6.4	**632.5**	**6.6**	4.6	−0.6
EBITDA	208.1	2.2	**168.5**	**1.8**	−19.0	−13.7
adjusted[1) 4)]	208.1	2.2	**197.3**	**2.1**	−5.1	−9.5
EBIT	136.1	1.4	**138.2**	**1.4**	1.5	−16.8
adjusted[1) 3) 4)]	180.4	1.9	**167.0**	**1.8**	−7.5	−12.1

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.
2) The change adjusted for portfolio and currency effects (organic growth) eliminates the effects of currency translation, consolidated group changes (elimination of all units that were not already consolidated as of 1 January of the previous year) and gains/losses on disposal.
3) Adjusted for impairment losses recognised on intangible assets (including tax effect).
4) Adjusted for special effects from remeasurement pursuant to IFRS 5 (including tax effect).

Market environment and business development

Celesio’s pharmaceutical wholesale business is combined within the Pharmacy Solutions division. With 141 branches (previous year 133), we operate subsidiaries in 12 European countries and Brazil. The wholesale business is currently being squeezed by a number of external factors. The first half year of 2012 was overshadowed in particular by the increasingly acute euro zone crisis, which triggered austerity measures affecting social security systems, and intense pressure in various markets.

As expected, operations in our most important wholesale market, France, continued to be characterised by fierce competition. We have nevertheless managed to hold on to our market share, although earnings were down on the previous year, as anticipated, as a result of the recently introduced new margin system.

The wholesale business in Germany matched our expectation for strong development and we were able to improve earnings significantly compared to the previous year, despite continuing pressure from rivals.

As already mentioned in the 2011 annual report, the UK market is stalling this year, with the decline in business with generic and OTC products adversely affecting revenue development.

Following the move to a new warehouse in Oslo towards the end of 2011, the infrastructure and warehouse logistics went into full operation at the beginning of the 2012 fiscal year. Efforts in Norway therefore focused on developing and refining efficient processes and workflows in the first half year. The associated additional activities in the form of overtime and weekend work had a negative impact on the earnings of our Norwegian wholesale business.

Thanks to cost savings realised in connection with the Operational Excellence Program, business took a clear turn for the better in Austria. The earnings development also benefited from lower IT costs. The logistics and marketing activities in Austria are carried under the operating segment Wholesale Austria with effect as of the first quarter of 2012.

Celesio built on its market leadership in Brazil by acquiring the remaining 49.9% of shares in Panpharma in the second quarter of 2012. This also represents an important step in our endeavours to expand in promising regional growth markets – one of the cornerstones of the strategic realignment.

Celesio will examine the options for its Czech and Irish operations in the course of its portfolio optimisation measures.

From 2012 onwards, »Other business areas« will be reported directly within Pharmacy Solutions. The previous year’s figures were restated to allow comparison.

Discontinued operations

As part of the radical strategic shake-up, Celesio initiated the sales process for a number of companies and activities that no longer constitute the company's core business. In this context, the Management Board of Celesio passed a resolution at the end of March 2012 to dispose of the business units Movianto and Pharmexx and the mail-order pharmacy DocMorris (including the brand).

One aspect of the resolution was the decision to part ways with Manufacturer Solutions completely. This reflects our focus on core business and our determination to take the necessary structural and organisational steps.

In connection with the strategic realignment, we also took the decision to tackle the sales channel conflict with pharmacists that arose specifically in Germany through the acquisition of the DocMorris mail-order pharmacy in 2007. The decision was therefore taken to sell the mail-order pharmacy, including the DocMorris brand.

Celesio therefore now focuses on its core divisions Pharmacy Solutions and Patient and Consumer Solutions.

Since deciding on this strategic turnaround, the corresponding entities have been classified as discontinued operations. The previous year's figures were restated to allow comparison.

Please refer to the section on subsequent events for the status of sales negotiations for Movianto and Pharmexx.

Earnings development

In the first half year of 2012, Movianto reported a slight decrease in gross profit and earnings, primarily as a result of the tough economic conditions in Spain, a less profitable order book in Germany and some idle capacity at new facilities in Denmark. In contrast, the UK business developed well, with positive effects clearly apparent following the restructuring measures implemented in 2011. We are equally pleased with the strong business performance in France in the first half year.

An impairment loss totalling EUR 41.4m was charged on Movianto to adjust the carrying amount to the expected sales proceeds less transaction costs. The adjustment reflects the fact that business performance did not meet expectations in the second quarter, which was primarily attributable to the weak development of the market.

At Pharmexx, the operating result was below the previous-year level. This was mainly attributable to the lower volume of business in Germany and the tough economic situation in Spain and Portugal. On the other hand, business in Turkey developed extremely positively. Earnings particularly reflected the restructuring measures implemented in 2011. In addition, Pharmexx managed to expand the business volume in the UK significantly. An impairment loss of EUR 47.0m was charged on Pharmexx in the reporting period (of which EUR 45.0m in the first quarter) to reduce the carrying amount to the expected sales proceeds less transaction costs. Goodwill was impaired by EUR 72.0m in the previous-year period. The French activities of RepscoPharmexx were already sold in the reporting period.

Due to logistical issues during a software roll-out, EBITDA of the DocMorris mail-order pharmacy fell short of the previous-year level by EUR 1.7m. This also had an impact on the development of revenue from the second quarter onwards. Furthermore, the business prospects of DocMorris were negatively affected by uncertainty surrounding regulatory measures. Coupled with anticipated disposal costs and other expenses directly associated with the sale, these factors also put a strain on the expected net sales proceeds. Impairment losses of EUR 120.0m had to be recognised accordingly.

REVENUE AND EARNINGS DEVELOPMENT DISCONTINUED OPERATIONS	1st half year 2011		**1st half year 2012**		Change on a euro basis
	EUR M	% OF REVENUE	**EUR M**	**% OF REVENUE**	%
Revenue	429.7	100.0	**451.7**	**100.0**	5.1
Gross profit	213.5	49.7	**180.9**	**40.0**	−15.3
EBITDA	10.5	2.4	**3.7**	**0.8**	−64.8
EBIT	−67.5	−15.7	**−0.6**	**−0.1**	99.1

Financial position

The **net cash flow from operating activities** for continuing operations developed very well in the first half year of 2012, totalling EUR 174.5m compared to EUR 145.0m in the same period of the previous year. An improved operating result and lower income tax payments were the main driving factors. Net cash flow from operating activities came to EUR 10.5m for discontinued operations, compared to EUR –16.8m in the previous year.

Cash outflow from investing activities for continuing operations saw a marked increase to EUR –298.1m in the reporting period compared to EUR –62.4m in the previous year. This development reflects the payments made in connection with acquiring the remaining 49.9% of shares in Panpharma in the second quarter. The cash outflow from investing activities for discontinued operations also increased from EUR –10.8m to EUR –15.8m in the first six months of the year.

Free cash flow came to EUR –185.6m in the reporting period compared to EUR 26.3m in the previous year. Although the better operating result played a role, this development was primarily linked to the effect mentioned above in connection with the takeover of Panpharma. Free cash flow is the balance of net cash flow from operating activities, net cash flow from investing activities and interest paid and received.

Assets position

The Celesio Group had total assets of EUR 8,559.1m as of 30 June 2012, an decrease of EUR 235.2m compared to 31 December 2011. There were reclassifications between the individual line items to assets or liabilities held for sale relating to the group's discontinued operations. The debt/equity ratio came to 0.80 as of 30 June 2012, a deterioration compared to the gearing of 0.63 on 31 December 2011.

Compared to 31 December 2011, non-current assets decreased by EUR 331.9m overall to EUR 3,269.4m as of 30 June 2012. This largely reflects the reclassification of assets held for sale to current assets. As a result, intangible assets dropped particularly sharply (EUR 2,362.1m as of the reporting date compared to EUR 2,637.2 in the previous year), as did property, plant and equipment (EUR 536.3m as of the reporting date compared to EUR 608.3m in the previous year). Non-current assets also decreased by EUR 29.6m as of the reporting date on account of a fall in deferred tax assets. Currency effects of EUR 47.5m and a claim of EUR 50.9m recognised in connection with acquiring the remaining shares in Panpharma had a contrasting effect. The claim relates to tax and legal risks to be borne by the former owners and was previously netted with the purchase price liability.

Current assets were up EUR 96.7m in comparison to the end of 2011 to EUR 5,289.7m as of 30 June 2012. As was the case for non-current assets, reclassification of certain assets held for sale also had an impact on current assets, especially with regard to inventories and trade receivables. Inventories fell by EUR 184.9m to EUR 1,606.6m overall, mainly as a result of the reclassification effects mentioned above as well as the customary increase in inventories as of year-end. Trade receivables were down EUR 350.0m to EUR 2,179.4m. Cash and cash equivalents increased from EUR 448.3m as of 31 December 2011 to EUR 455.4m as of the reporting date. The group disclosed assets held for sale totalling EUR 707.2m as of 30 June 2012.

At the end of June 2012, equity came to EUR 2,363.6m, a decrease of EUR 214.2m on the figure as of 31 December 2011. This development was driven by the EUR 229.6m decrease in the revenue reserves to EUR 1,081.9m as of 30 June 2012 in connection with the net loss incurred for the first six months of 2012 as well as the dividend payment for the previous year totalling EUR 42.5m. With a decrease of 1.6 percentage points to 27.6%, the equity ratio was slightly below the level at the end of December 2011.

Non-current liabilities came to EUR 2,206.0m, a decrease of EUR 26.1m. Besides the effect of reclassifying liabilities as held for sale, this development also reflects the reclassification of a promissory note of EUR 72.0m from non-current to current liabilities in line with the term to maturity. The acquisition of the remaining shares in Panpharma was one reason for the increase in non-current financial liabilities from EUR 1,775.5m to EUR 1,913.1m. Other non-current liabilities came to EUR 13.5m as of 30 June 2012. This decrease of EUR 107.4m compared the end of 2011 is mainly due to settlement of the purchase price liability for Panpharma.

Current liabilities came to EUR 3,989.5m as of 30 June 2012, an increase of EUR 5.1m compared to 31 December 2011. Besides the increase in current financial liabilities as a result of reclassifying the promissory note, this development also reflects the reclassification of certain liabilities held for sale. On 30 June 2012, current financial liabilities came to EUR 423.2m and were thus up EUR 131.7m on the figure as of 31 December 2011. The reclassification of liabilities held for sale also had a significant effect on trade payables and other liabilities, which decreased from EUR 2,799.4m to EUR 2,365.3m and EUR 662.6m to EUR 545.2m, respectively, between 31 December 2011 and 30 June 2012. The disposal of the French Pharmexx subsidiary Repsco-Pharmexx also impacted current liabilities, leading to a reduction of EUR 22.3m. The group disclosed liabilities held for sale totalling EUR 432.1m as of 30 June 2012.

Employees

As of 30 June 2012 the Celesio Group had 29,403 employees (full-time equivalents) in its continuing operations, a slight decrease of 90 employees on the previous year. Of these, 15,280 (previous year 15,185) employees worked in the Patient and Consumer Solutions division and 13,876 (previous year 14,018) in the Pharmacy Solutions division. The remaining employees are allocable to the holding company. Discontinued operations had 5,641 employees compared to 6,936 in the previous year.

Changes to the Management Board

Dr Marion Helmes joined the Management Board of Celesio AG with effect as of 1 January 2012. She is responsible for finance and treasury, controlling, accounting and tax as well as investor relations.

Wolfgang Mähr, who joined the Management Board of Celesio AG on 1 October 2006 and has been responsible since then for the wholesale business, will leave the company at his own request and by mutual agreement with the Supervisory Board. His contract expires on 30 September 2012.

At the beginning of June, Celesio introduced the new group structure that will put the company on a leaner and more powerful footing for the future. The new group structure led to some change in the areas of responsibility of Management Board members. The adjustments reflect Celesio's focus on stronger integration and closer cooperation between the wholesale and pharmacy business – across divisions and country borders. Celesio will be able to leverage major synergies, raising the rate of innovation and significantly improving the company's competitive position as a whole. With the new structure in place, Celesio can accelerate the successful implementation of the corporate strategy.

Subsequent events

On 23 July 2012, Celesio announced the planned sale of Movianto to Owens & Minor, Inc., a leading US wholesaler of medical products and provider of logistics services. The sales agreement is subject to fulfilment of local legal provisions.

On 26 July 2012, Celesio announced the sale of its subsidiary Pharmexx to United Drug, a leading international supply company serving manufacturers and retailers in the healthcare sector. We expect to close the transaction by 31 August 2012. The transaction is subject to the required approval being granted by the authorities.

Outlook

Economic development

Dark clouds continue to gather over the economy. While the International Monetary Fund (IMF) spoke of fragile global growth of 3.5% in its April 2012 World Economic Outlook, Christine Lagarde, the organisation's managing director, expressed concern at global growth prospects at the beginning of July.

The European banking and sovereign debt crisis is also persisting. In its 2012 economic forecast published at the end of June, the IFO referred to recession in the euro zone. Following little movement in real GDP at the beginning of 2012, the IFO anticipates a drop of between –0.2% and –0.1% in the third quarter, with a slight recovery of 0.1% not expected until the fourth quarter. The main factors driving this development are fiscal consolidation efforts, the tough labour market and restrictive lending policies. In mid-June, the World Bank even went so far as to state that Europe was an incalculable risk for the global economy.

The IFO predicts growth in GDP of 0.7% for Germany for the year as a whole compared to 3.0% in the previous year.

According to the World Bank, emerging and developing economies will remain the global growth engine, although they too can expect to see an economic slowdown.

Business development

PATIENT AND CONSUMER SOLUTIONS

We hope that the second half of the year will see a continuation of the good development in the first half.

Building on the very strong performance of the first half year, we anticipate an improvement in earnings for Lloydspharmacy compared to the previous year despite the additional government intervention currently expected for the second half.

International Retail is also on track for positive development thanks to the solid performance in Norway and the successful restructuring measures in Sweden. However, we cannot rule out further government intervention in certain markets.

For instance, this year has already seen a margin cut and approval to lift limitations on the permissible number of pharmacy branches in Italy.

PHARMACY SOLUTIONS

As expected, the pharmaceutical wholesale business did not fare as well as the pharmacy business in the first half year. We will step up cost-cutting and other optimisation measures in the second half year of 2012. In light of the new margin system introduced by the French government at the beginning of the year, we do not anticipate a recovery for France. We can only assume that earnings will fall in the UK as well due to the struggling market there, although there will be positive counter effects from the Operational Excellence Program. Figures for our wholesale subsidiary in Norway will remain well below the previous year due to start-up expenses for the new warehouse in Oslo, coupled with the fact that the previous year included a gain on the sale of the old warehouse in Oslo.

We expect the trend for earnings growth in Germany to level off, with the market stabilising. Despite intense pressure from competition, we believe that GEHE will continue the positive development started in the first half year of 2012. The same applies for our Austrian subsidiary Herba.

Discontinued operations

The sales processes are progressing according to plan and should be concluded by the end of the year. No further significant earnings effects are expected.

Investments and capital expenditures

Investments and capital expenditures in our existing business for 2012 are planned to match the previous-year level, with a focus on driving forward modernisation and standardisation in our group-wide IT systems. We will also continue to invest in our pharmacy network and wholesale branches in 2012

Depreciation and amortisation

For 2012, we expect a modest increase in depreciation and amortisation compared to the previous year due to higher investments in the ongoing standardisation and modernisation of the IT applications.

Financial result

The financial result will be poorer than in the previous year due to the special effects of settling the purchase price liability associated with acquiring the remaining shares in Panpharma.

Tax rate

The group's tax rate may be influenced by a change in the earnings mix returned by countries with varying tax rates, or a change in the effective tax rates in each country. The adjusted figure is likely to be below the 2011 rate.

Employees

Following its launch in 2011, the Operational Excellence Program will lead to a slight reduction in the overall number of employees in 2012. If discontinued operations and disposal groups are sold as expected within the course of the fiscal year, the number of full-time equivalents is expected to decrease significantly to around 29,000.

Risks and opportunities

We use high-performance systems to identify, measure and track opportunities and risks. The major opportunities and risks relevant to us are described in detail from page 132 onwards of the 2011 annual report. The risks and opportunities presented there essentially remain unchanged. The following opportunities and risks are particularly relevant for the development of our business and earnings in 2012:

- Our earnings could be negatively affected by the feeble economy in many parts of the world and the ever deepening euro crisis and the associated austerity measures in healthcare systems.
- With our core activities in the pharmacy business and pharmaceutical trade, we are active in markets in which the compensation structures are highly regulated. Any changes to these compensation structures could therefore impact the development of our earnings.
- As we have business activities in different currency areas, significant exchange rate fluctuations impact our earnings. Because a large proportion of our business is in the UK, the pound sterling is of most relevance, followed by the Brazilian real and the Norwegian krone.
- We consider changes in conditions on the healthcare market to be critical to our success. They can also affect earnings. Examples include business

combinations between pharmaceutical manufacturers, exclusive wholesale distribution models, fiercer competition in the area of logistics or individual changes in pharmacy-only sale restrictions for prescription medicines.
- Risks and opportunities linked to business combinations, disposals and the ongoing sales process for significant business operations can have a significant effect on the assets position, financial position and development of earnings.
- Our OTC revenue, which accounts for around 20% of revenue in the Patient and Consumer Solutions division, can be influenced by changes in the economic environment.

Earnings forecast 2012

As reported in the 2011 fiscal year, EBITDA adjusted for restructuring expenses but including discontinued operations came to EUR 578.3m. To allow comparison between the previous year and 2012, the 2011 EBITDA, which had already been adjusted for restructuring measures in connection with the Operational Excellence Program, also needs to be adjusted to eliminate the earnings contributions of discontinued operations as well as the investment result, which is not included in EBIT from this year onwards. Taking into account the adjustments described above, the 2011 EBITDA for comparison came to EUR 549.7m.

We confirm our expectations for the 2012 fiscal year and assume that adjusted EBIDTA for 2012 will at least match the 2011 level with a minimum of EUR 550m. We also expect adjusted EBIT to at least meet the previous-year level of around EUR 425m in 2012.

Judging by the strong operating performance in the first half year of 2012, Celesio is on the right track. The performance of the second quarter of 2012 needs to be viewed in light of the particularly weak comparative quarter of the previous year, however. For Celesio, 2012 is clearly a year of transition. A year in which we are systematically working to drive our strategic realignment and focus efforts on stabilising earnings with the targeted support of our Operational Excellence Program.

THE MANAGEMENT BOARD

Interim condensed financial statements

Group income statement

	2nd quarter 2011 EUR M	2nd quarter 2012 EUR M	1st half year 2011 EUR M	1st half year 2012 EUR M
Revenue	**5,552.5**	**5,608.3**	**11,056.6**	**11,251.1**
Own work capitalised	0.0	0.0	0.1	0.0
Total operating performance	**5,552.5**	**5,608.3**	**11,056.7**	**11,251.1**
Cost of materials	–4,975.5	–4,989.7	–9,897.2	–10,015.4
Gross profit	**577.0**	**618.6**	**1,159.5**	**1,235.7**
Other income	53.1	54.2	96.9	102.4
Other expenses	–193.4	–239.0	–376.3	–447.8
Personnel expenses	–312.3	–338.0	–622.6	–656.2
EBITDA	**124.4**	**95.8**	**257.5**	**234.1**
Amortisation of non-current intangible assets and depreciation of property, plant and equipment	–30.3	–33.1	–60.0	–66.3
Impairment losses recorded on intangible assets and property, plant and equipment	–44.3	–0.3	–44.3	–0.3
EBIT	**49.8**	**62.4**	**153.2**	**167.5**
Result from associates accounted for using the equity method	–0.7	0.3	–0.9	1.8
Result from other investments	2.3	1.6	4.7	3.0
Interest expense	–38.4	–63.1	–74.4	–101.8
Interest income	1.7	1.8	3.5	4.5
Other financial result	–1.8	6.4	5.8	6.9
Profit before tax from continuing operations	**12.9**	**9.4**	**91.9**	**81.9**
Income taxes	–27.5	–23.8	–54.9	–52.3
Net profit/loss from continuing operations	**–14.6**	**–14.4**	**37.0**	**29.6**
Net profit/loss from discontinued operations	**–70.3**	**–165.0**	**–67.2**	**–213.5**
Net profit/loss	**–84.9**	**–179.4**	**–30.2**	**–183.9**
Of which attributable to non-controlling interests	2.0	1.0	3.4	1.9
Of which attributable to shareholders of Celesio AG	**–86.9**	**–180.4**	**–33.6**	**–185.8**
Basic earnings per share (EUR)				
Basic earnings per share from continuing operations	–0.10	–0.09	0.20	0.16
Basic earnings per share from discontinued operations	–0.41	–0.97	–0.40	–1.25
Basic earnings per share	–0.51	–1.06	–0.20	–1.09
Diluted earnings per share (EUR)				
Diluted earnings per share from continuing operations	–0.10	–0.09	0.20	0.16
Diluted earnings per share from discontinued operations	–0.41	–0.97	–0.40	–1.25
Diluted earnings per share	–0.51	–1.06	–0.20	–1.09

Group statement of comprehensive income

	2nd quarter 2011 EUR M	2nd quarter 2012 EUR M	1st half year 2011 EUR M	1st half year 2012 EUR M
Net profit/loss	**–84.9**	**–179.4**	**–30.2**	**–183.9**
Gains/losses from marking available-for-sale financial assets to market	0.0	**0.0**	0.0	**0.0**
Of which income taxes	0.0	**0.0**	0.0	**0.0**
Gains/losses from derivative financial instruments to hedge cash flows	–6.9	**–0.4**	0.4	**1.5**
Of which income taxes	–2.4	**0.1**	–6.3	**–0.7**
Exchange differences	–17.8	**12.7**	–62.1	**12.4**
Other comprehensive income	**–24.7**	**12.3**	**–61.7**	**13.9**
from continuing operations	–22.7	**9.3**	–57.2	**10.7**
Of which attributable to non-controlling interests	0.1	**–1.6**	0.0	**–1.8**
from discontinued operations	–2.0	**3.0**	–4.5	**3.2**
Of which attributable to non-controlling interests	0.0	**0.0**	0.0	**0.0**
Comprehensive income	**–109.6**	**–167.1**	**–91.9**	**–170.0**
from continuing operations	–37.3	**–5.1**	–20.2	**40.3**
Of which attributable to non-controlling interests	1.4	**–0.6**	2.4	**0.1**
from discontinued operations	–72.3	**–162.0**	–71.7	**–210.3**
Of which attributable to non-controlling interests	0.7	**0.0**	1.0	**0.0**

Group statement of financial position

ASSETS	31/12/2011 EUR M	30/06/2012 EUR M
Non-current assets	**3,601.3**	**3,269.4**
Intangible assets	2,637.2	2,362.1
Property, plant and equipment	608.3	536.3
Associates accounted for using the equity method	82.3	79.8
Other financial assets	116.6	103.0
Other non-current assets	29.5	90.1
Income tax receivables	2.5	2.8
Deferred tax assets	124.9	95.3
Current assets	**5,193.0**	**5,289.7**
Inventories	1,791.5	1,606.6
Trade receivables	2,529.4	2,179.4
Income tax receivables	28.9	39.6
Other receivables and other assets	392.7	301.5
Cash and cash equivalents	448.3	455.4
Assets held for sale	2.2	707.2
Total assets	**8,794.3**	**8,559.1**

EQUITY AND LIABILITIES	31/12/2011 EUR M	30/06/2012 EUR M
Equity	**2,577.8**	**2,363.6**
Issued capital	217.7	217.7
Capital reserves	1,186.0	1,186.0
Revenue reserves	1,311.5	1,081.9
Revaluation reserves	−169.6	−153.9
Equity attributable to shareholders of Celesio AG	**2,545.6**	**2,331.7**
Non-controlling interests	32.2	31.9
Liabilities	**6,216.5**	**6,195.5**
Non-current liabilities	**2,232.1**	**2,206.0**
Financial liabilities	1,775.5	1,913.1
Pension provisions	134.6	138.0
Other non-current provisions	92.5	74.9
Other liabilities	120.9	13.5
Deferred tax liabilities	108.6	66.5
Current liabilities	**3,984.4**	**3,989.5**
Financial liabilities	291.5	423.2
Trade payables	2,799.4	2,365.3
Other current provisions	176.2	161.1
Income tax liabilities	54.7	62.6
Other liabilities	662.6	545.2
Liabilities held for sale	0.0	432.1
Total equity and liabilities	**8,794.3**	**8,559.1**

Group statement of cash flows

	1st half year 2011 EUR M	1st half year 2012 EUR M
Net profit/loss from continuing operations	**37.0**	**29.6**
Amortisation, depreciation and impairment of non-current intangible assets and property, plant and equipment	104.3	66.6
Result from associates accounted for using the equity method and other equity investments	–3.8	–4.8
Dividends received	3.5	4.3
Financial result	65.1	90.4
Net result from the disposal of non-current assets and subsidiaries	–5.1	–5.1
Impairment of operating assets	17.0	31.5
Change in deferred taxes and income taxes	54.9	52.3
Income taxes paid	–72.6	–60.8
Other non-cash income and expenses	5.9	34.9
Change in net operating assets	–49.4	–59.8
Change in inventories	13.8	74.1
Change in trade receivables	–108.7	16.6
Change in trade payables	56.7	–157.0
Change in other net operating assets	–11.2	6.5
Change in other assets and other liabilities	–11.8	–4.6
Change in other assets	–46.9	–1.6
Change in other liabilities	35.1	–3.0
Net cash flow from operating activities – continuing operations	**145.0**	**174.5**
Net cash flow from operating activities – discontinued operations	**–16.8**	**10.5**
Net cash flow from operating activities – continuing and discontinued operations	**128.2**	**185.0**
Proceeds from the disposal of non-current assets	9.7	11.8
Capital expenditure on non-current assets	–67.4	–60.8
Proceeds from the disposal of subsidiaries	2.2	4.7
Cash paid for business combinations	–6.9	–253.8
Net cash flow from investing activities – continuing operations	**–62.4**	**–298.1**
Net cash flow from investing activities – discontinued operations	**–10.8**	**–15.8**
Net cash flow from investing activities – continuing and discontinued operations	**–73.2**	**–313.9**
Payments made to shareholders (including non-controlling interests)	–85.8	–43.6
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	0.0	–1.0
Proceeds from borrowings	597.8	462.9

	1st half year 2011 EUR M	1st half year 2012 EUR M
Repayment of borrowings	–403.1	**–199.7**
Interest paid	–59.8	**–66.6**
Interest received	3.5	**4.6**
Net cash flow from financing activities – continuing operations	**52.6**	**156.6**
Net cash flow from financing activities – discontinued operations	**–0.9**	**–4.0**
Net cash flow from financing activities – continuing and discontinued operations	**51.7**	**152.6**
Net change in cash and cash equivalents	**106.7**	**23.7**
Net foreign exchange rate difference	–7.9	**7.6**
Cash and cash equivalents at the beginning of the period	200.8	**448.3**
Cash and cash equivalents at the end of the period	**299.6**	**479.6**
Cash and cash equivalents of discontinued operations and disposal groups at the end of the period	32.0	**24.2**
Cash and cash equivalents at the end of the period (according to group statement of financial position)	**267.6**	**455.4**

Please refer to → *page 66* of the notes for further explanations, especially relating to the restatement of previous-year figures in the group statement of cash flows.

Group statement of changes in equity

	Issued capital EUR M	Capital reserves EUR M	Revenue reserves EUR M
As of 01/01/2012	**217.7**	**1,186.0**	**1,311.5**
Change in capital	0.0	0.0	0.0
Dividends	0.0	0.0	−42.5
Change in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0	−1.3
Changes to the consolidated group	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0
Net profit/loss	0.0	0.0	−185.8
Comprehensive income	0.0	0.0	−185.8
As of 30/06/2012	**217.7**	**1,186.0**	**1,081.9**
As of 01/01/2011	**217.7**	**1,145.2**	**1,393.7**
Change in capital	0.0	40.8	0.0
Dividends	0.0	0.0	−85.1
Change in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0	−0.2
Changes to the consolidated group	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0
Net profit/loss	0.0	0.0	−33.6
Comprehensive income	0.0	0.0	−33.6
As of 30/06/2011	**217.7**	**1,186.0**	**1,274.8**

1) Of which attributable to discontinued operations and disposal groups: EUR −24.1m.
2) Of which attributable to discontinued operations: EUR −0.4m.
3) Of which attributable to discontinued operations and disposal groups: EUR −24.5m.
4) Of which attributable to discontinued operations and disposal groups: EUR −0.2m (previous year EUR −0.1m).

Revaluation reserves						
Translation reserves EUR M	Asset revaluation reserves EUR M	Available-for-sale financial assets EUR M	Cashflow-Hedges EUR M	Equity attributable to shareholders of Celesio AG EUR M	Non-controlling interests EUR M	Equity EUR M
–148.4	**–0.4**	**0.0**	**–20.8**	**2,545.6**	**32.2**	**2,577.8**
0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
0.0	0.0	0.0	0.0	**–42.5**	**–1.3** [4]	**–43.8**
0.0	0.0	0.0	0.0	**–1.3**	**0.2**	**–1.1**
0.0	0.0	0.0	0.0	**0.0**	**0.7**	**0.7**
14.2	0.0	0.0	1.5	**15.7**	**–1.8**	**13.9**
0.0	0.0	0.0	0.0	**–185.8**	**1.9**	**–183.9**
14.2	0.0	0.0	1.5	**–170.1**	**0.1**	**–170.0**
–134.2 [1]	**–0.4** [2]	**0.0**	**–19.3**	**2,331.7** [3]	**31.9**	**2,363.6**
–151.5	**–0.4**	**–0.6**	**–14.9**	**2,589.2**	**11.9**	**2,601.1**
0.0	0.0	0.0	0.0	**40.8**	**0.0**	**40.8**
0.0	0.0	0.0	0.0	**–85.1**	**–0.8** [4]	**–85.9**
0.0	0.0	0.0	0.0	**–0.2**	**0.0**	**–0.2**
0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
–62.1	0.0	0.0	0.4	**–61.7**	**0.0**	**–61.7**
0.0	0.0	0.0	0.0	**–33.6**	**3.4**	**–30.2**
–62.1	0.0	0.0	0.4	**–95.3**	**3.4**	**–91.9**
–213.6	**–0.4**	**–0.6**	**–14.5**	**2,449.4**	**14.5**	**2,463.9**

Selected explanatory notes to the consolidated financial statements

Group segment reporting by division

1ST HALF YEAR 2012	Patient and Consumer Solutions EUR M	Pharmacy Solutions EUR M	Others EUR M	Consoli-dation EUR M	Group (continuing operations) EUR M	Discontin-ued operations EUR M
Income statement						
Revenue	**1,720.3**	**9,531.8**	**0.0**	**–1.0**	**11,251.1**	**513.1**
External revenue	1,719.3	9,531.8	0.0	0.0	11,251.1	451.7
Intra-group revenue	1.0	0.0	0.0	–1.0	0.0	61.4
Gross profit	**603.2**	**632.5**	**0.0**	**0.0**	**1,235.7**	**180.9**
EBITDA	115.7	168.5	–50.1	0.0	234.1	3.7
Impairment losses recorded on intangible assets and property, plant and equipment	–0.3	0.0	0.0	0.0	–0.3	/
EBIT	85.1	138.2	–55.8	0.0	167.5	–0.6
Segment assets	**1,943.6**	**2,219.0**	**69.6**	**0.6**	**4,232.8**	**361.3**

Group segment reporting by division

1ST HALF YEAR 2011	Patient and Consumer Solutions EUR M	Pharmacy Solutions EUR M	Others EUR M	Consoli-dation EUR M	**Group (continuing operations) EUR M**	Discontin-ued operations EUR M
Income statement						
Revenue	**1,615.8**	**9,441.5**	**0.0**	**–0.7**	**11,056.6**	**429.7**
External revenue	1,615.1	9,441.5	0.0	0.0	**11,056.6**	429.7
Intra-group revenue	0.7	0.0	0.0	–0.7	**0.0**	0.0
Gross profit	**555.0**	**604.5**	**0.0**	**0.0**	**1,159.5**	**213.5**
EBITDA	96.7	208.1	–47.3	0.0	**257.5**	10.5
Impairment losses recorded on intangible assets and property, plant and equipment	0.0	–44.3	0.0	0.0	**–44.3**	–72.0
EBIT	**68.4**	**136.1**	**–51.3**	**0.0**	**153.2**	**–67.5**
Segment assets	**1,967.9**	**2,081.7**	**93.2**	**–1.7**	**4,141.1**	**344.4** [1]

1) For segment reporting purposes, the segment assets of Manufacturer Solutions and the DocMorris mail-order pharmacy are already disclosed under discontinued operations in the previous year.

Please refer to → *page 67* of the notes for further explanations and comments on segment reporting and the restatement of previous-year figures.

RECONCILIATION OF SEGMENT RESULTS FOR THE 1ST HALF YEAR	2011 EUR M	**2012 EUR M**
Revenue of the reportable segments	**11,057.3**	**11,252.1**
Consolidation	–0.7	**–1.0**
Group revenue	**11,056.6**	**11,251.1**

RECONCILIATION OF SEGMENT EARNINGS FOR THE 1ST HALF YEAR	2011 EUR M	2012 EUR M
EBIT	**153.2**	**167.5**
Result from associates accounted for using the equity method	–0.9	1.8
Result from other investments	4.7	3.0
Interest expense	–74.4	–101.8
Interest income	3.5	4.5
Other financial result	5.8	6.9
Profit before tax from continuing operations	**91.9**	**81.9**

RECONCILIATION OF SEGMENT ASSETS	30/06/2011 EUR M	30/06/2012 EUR M
Segment assets of the reportable segments [1]	**4,487.2**	**4,232.2**
Consolidation [1]	–1.7	0.6
Segment assets of the group	**4,485.5**	**4,232.8**
+ Interest-bearing other financial assets	53.1	43.4
+ Non-current and current income tax receivables	37.0	42.4
+ Other non-current assets	0.0	27.9
+ Deferred tax assets	111.5	95.3
+ Other assets	10.7	4.8
+ Cash and cash equivalents	267.6	455.4
+ Assets of discontinued operations [2]	n/a	489.3
– Other current provisions	132.2	161.1
– Trade payables	2,531.3	2,365.3
– Sundry liabilities	743.4	641.4
Total assets	**8,372.3**	**8,559.1**

1) Previous-year figures restated in line with group segment reporting.
2) Segment assets contain non-current assets held for sale and disposal groups.

Accounting policies

The interim condensed consolidated report of Celesio AG for the first half year of 2012, comprising the group statement of financial position, group income statement, group statement of comprehensive income, group statement of cash flows, group statement of changes in equity and selected explanatory notes to the consolidated financial statements, is based on »International Accounting Standard (IAS) 34 - Interim Financial Reporting«. All International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and endorsed by the European Union as of 30 June 2012 and all interpretations (IFRICs) of the International Financial Reporting Standards Interpretation Committee were observed in the process of preparing the interim report. The accounting principles applied in the preparation of the interim report generally correspond to those applied in the annual report as of 31 December 2011. Changes in the accounting policies are explained below and in the comments on the statement of cash flows and segment reporting. The condensed interim report should therefore be read in conjunction with the consolidated financial statements of Celesio AG for the 2011 fiscal year.

The accounting policies applied for the 2011 consolidated financial statements were retained without changes for the interim condensed financial statements with the exception of changes to »IFRS 7 – Disclosures: transfers of financial assets«. The first-time application of the revised IFRS 7 had no impact on the interim report.

IASB released changes to »IAS 19 – Employee benefits« in June 2011. This revised standard becomes mandatory for all reporting periods beginning on or after 1 January 2013. Earlier adoption is permitted for the 2012 fiscal year. The changes will have a significant impact on the recognition and measurement of expenses incurred for defined benefit plans. Actuarial gains and losses (revaluations) are to be posted directly to other comprehensive income upon arising. The corridor method, which has been permitted to date and used by the Celesio Group, is no longer permitted under the revised standard. The revaluations now recorded under other comprehensive income will no longer be recorded through profit or loss in subsequent periods. Rather, they will remain as components of other comprehensive income.

Another change relates to defined benefit plans which are partially or fully funded by plan assets. The interest earned on plan assets may no longer be estimated by management on the basis of their allocation to the various asset categories and their expected yields. Rather, the income must be recorded and discounted to net present value using the same discount rate used to measure the pension obligation.

The definition of the discount rate remains unchanged and corresponds to the yield of high-quality corporate bonds.

The changes are to be applied retrospectively in accordance with »IAS 8 – Accounting policies, changes in accounting estimates and errors«. As a result, all unamortised actuarial gains and losses that have not been recognised to date on account of the corridor method being used will have to be offset against equity.

If IAS 19 had already been applied for the Celesio consolidated financial statements as of 31 December 2011, profit after tax would have been reported at a figure EUR 0.5m lower in 2011. In the first half year of 2012, the early adoption would not have had any significant impact on earnings (previous year negative impact of EUR 0.3m).

Early adoption of the revised IAS 19 would have led to a fall in equity as of 31 December 2011 of EUR 112.0m. At the same time, pension provisions would have risen by EUR 144.4m and deferred tax liabilities would have fallen by EUR 8.2m. Deferred tax assets would have increased by EUR 34.5m, while the net pension asset would have fallen by EUR 10.3m to EUR 0.0m. These changes would have led to a rise in total assets of EUR 24.2m.

As of 30 June 2012, equity would have fallen by a further EUR 67.6m and pension provisions would have risen by another EUR 86.1m. The impact on deferred tax assets would have amounted to a further EUR 18.7m.
The changes in IAS 19 do not have any impact on the financial position.

The consolidated financial statements have been presented in euro. All figures are presented in million euros (EUR m) unless otherwise indicated. We would like to draw attention to the fact that differences may arise from use of amounts and percentages rounded to the nearest whole number.

Starting in the 2012 fiscal year, the investment result, comprising the result from associates accounted for using the equity method as well as the result from other investments, is no longer included in EBIT (earnings before interest and tax). Instead it is disclosed separately below this item. This change in disclosure reflects the new structure of internal reporting and the management system and is in line with the general practice of our peers. The previous year's figures were restated to allow comparison. The investment result for the first half year of 2012 amounts to EUR 4.8m (comparable period of the previous year EUR 3.8m) and has a corresponding impact on both EBIT and EBITDA.

Consolidated group

BUSINESS COMBINATIONS AND DISPOSALS IN THE FIRST HALF YEAR OF 2012

Business combinations

In the first half year of 2012, two retail pharmacies in Norway (previously recognised using the equity method) and one retail pharmacy in the Czech Republic were fully acquired and consolidated in the Patient and Consumer Solutions division in the course of optimising the portfolio.

First-time consolidation was performed on the basis of a preliminary purchase price allocation as it was not possible to finish the allocation of fair value by the end of the reporting period. The purchase price allocation will be concluded within twelve months of the acquisition date in each case.

The table below provides the significant details of the companies acquired in the first half year of 2012:

	Total EUR M
Consideration transferred	1.9
Purchase price payment	0.0
Contingent consideration	1.0
Shares previously recognised using the equity method	1.1
Remeasurement of shares previously recognised using the equity method	–0.2
Cash purchase price	–0.4
Fair value of assets and liabilities assumed	
Total assets	0.8
Inventories	0.2
Trade receivables	0.1
Cash and cash equivalents	0.4
Other assets	0.1
Total liabilities	0.5
Other liabilities	0.5
Goodwill	1.6
Non-controlling interests	0.0

No significant incidental acquisition-related costs were incurred. No equity instruments were issued to settle purchase price liabilities. Due to the fact that the fair value of the investment measured using the equity method, which was already held by the Celesio Group prior to the date on which control was obtained by the group, does not correspond to its carrying amount, a loss of EUR –0.2m from revaluing shares was recognised in other income/expense.

The fair value of the receivables acquired in the combination amount to EUR 0.2m. This includes trade receivables of EUR 0.1m.

The goodwill generally reflects the expected future cash flows that will be generated by the business combinations and the expertise of the employees. The full goodwill method was not applied.

Revenue attributable to the entities acquired in the first half year of 2012 amounts to EUR 1.7m and the net profit to EUR 0.2m. Had these entities been acquired at the beginning of the fiscal year, the entities would have contributed EUR 2.0m to group revenue and EUR 0.1m to the group's net profit/loss.

Change in contingent consideration

The contingent consideration recognised for acquisitions in accordance with IFRS 3 (revised in 2008, effective since 2010) increased by EUR 1.1m in the first half year of 2012. The change was attributable to a new contingent consideration (EUR 1.0m) agreed on in the reporting period and the effect of compound interest (EUR 0.1m). The fair value of contingent consideration was in most cases determined on the basis of an earnings indicator taking long-term planning into account. This did not give rise to any major changes in the ranges in the first half year of 2012.

Disposals

In the UK, 30 retail pharmacies were sold in the first half year of 2012 in the course of streamlining the portfolio. Furthermore, the French company Repsco-Pharmexx SAS from the Marketing Solutions business area, which has since been discontinued, was sold along with its subsidiaries, which had been consolidated until now on the basis of exercisable call options. In the process, assets (mainly receivables) of EUR 25.1m and liabilities of EUR 24.5m were disposed of.

Gains on the disposals totalled EUR 3.3m. They were disclosed under other income and in the net profit/loss from discontinued operations.

BUSINESS COMBINATIONS IN THE FIRST HALF YEAR OF 2011

Business combinations

Preliminary purchase price allocations were used as the basis for consolidation for business combinations in the first half year of 2011. They were all completed within twelve months of the acquisition date in each case. There were no significant effects on the comparable period from the finalisation of the purchase price allocation. The final figures are presented below.

The table below provides the significant details of the companies acquired in the first half year of 2011:

	Total EUR M
Consideration transferred	**9.6**
Purchase price payment	6.2
Contingent consideration	0.1
Shares previously recognised using the equity method	3.3
Remeasurement of shares previously recognised using the equity method	0.0
Cash purchase price	**4.7**
Fair value of assets and liabilities assumed	
Total assets	**2.4**
Intangible assets	0.3
Property, plant and equipment	0.2
Inventories	0.1
Trade receivables	0.1
Cash and cash equivalents	1.5
Other assets	0.2
Total liabilities	**1.8**
Financial liabilities	1.2
Trade payables	0.1
Other liabilities	0.5
Goodwill	**9.0**
Non-controlling interests	**0.0**

The fair value of the receivables acquired in the combination amount to EUR 0.3m. This includes trade receivables of EUR 0.1m. No valuation allowances were recognised on these receivables. Thus the fair value corresponds to the amount agreed on in the contracts.

The goodwill generally reflects the expected future cash flows that will be generated by the combination –including in some cases as a result of the leading market position of the acquisition – and the expertise of the employees. The full goodwill method was not applied.

The entities acquired in the first half year of 2011 generated revenue of EUR 3.0m in the comparable period of the previous year and contributed EUR 0.1m to net profit/loss. Had these entities been consolidated from the beginning of the comparable period, they would have contributed EUR 5.8m to group revenue. The contribution to the net profit/loss of the group would have been EUR 0.2m.

Acquisition of the remaining shares in Panpharma

After negotiating with the non-controlling interests, the Management Board of Celesio AG passed a resolution on 26 April 2012 to acquire the remaining 49.9% of the shares in Panpharma earlier than originally expected. The Supervisory Board of Celesio AG approved the transaction, also on 26 April 2012. The transaction was closed in May 2012. The consideration amounts to EUR 258.2m, of which EUR 253.3m was in cash. The most recent revaluation of the purchase price liability on the exercise date resulted in additional goodwill of EUR 7.5m. The remainder of EUR 26.4m left after settling the purchase price liability was expensed through profit or loss. The rights to reimbursement of tax and legal risks originating from the period prior to the acquisition (August 2009) were therefore no longer offset against the purchase price liability and have instead been recognised separately under non-current assets since May 2012. To secure these claims, Celesio has access to assets of the former owners held in trust and other possibilities to offset the claims as well as the collateral granted.

Operational Excellence Program

Further measures were initiated in the first half year of 2012 within the framework of the Operational Excellence Program, which was started in the 2011 fiscal year to improve the competitiveness and operating performance.

Significant expenses in the reporting period relate to termination agreements offered that gave rise to obligations totalling EUR 20.6m. Expenses of EUR 4.0m were incurred to prematurely terminate other agreements such as rental contracts and leases. In addition, impairment losses of EUR 0.3m were incurred on property, plant and equipment. Other expenses of EUR 0.3m were incurred for obsolete inventories, while expenses of EUR 4.9m related to the above measures.

Of the total expenses, EUR 16.8m is attributable to Patient and Consumer Solutions, EUR 9.2m to Pharmacy Solutions and EUR 4.1m to Others.

Expenses of EUR 30.1m were incurred in the first half year of 2012 in relation to the Operational Excellence Program. These expenses were recognised as cost of materials of EUR 0.3m, other expenses of EUR 8.9m, personnel expenses of EUR 20.6m and impairment losses of EUR 0.3m.

The expenses are expected to have a cash impact of EUR 29.5m in the 2012 fiscal year.

Extraordinary impairment test

In accordance with »IAS 36 – Impairment of Assets« an entity must assess at each reporting date whether there is any indication of impairment, and if so (triggering event), it must determine the recoverable amount of the assets or cash-generating unit. As of 30 June 2012, the market capitalisation of Celesio AG, i.e. the value of all shares issued by the company, had fallen below the carrying amount of equity as was already the case on 31 December 2011. An impairment test was carried out for all assets that fall within the scope of IAS 36.

It is assumed that goodwill and brands have an indefinite useful life. This also applies to brands acquired by the group provided that there is an intention to use them for an indefinite period. Impairment testing is carried out by allocating goodwill or brands at the level of the cash-generating units. The composition of cash-generating units is unchanged compared to the 2011 annual report. If necessary, planning was updated to reflect current events and capitalisation rates were recalculated.

Impairment losses are recognised at the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's value in use and its fair value less costs to sell. Value in use is taken as the key measurement parameter. It is determined based on the present value of the future cash flows expected to be derived from the asset or cash-generating unit concerned using the discounted cash flow method.

Scenarios for critical calculation parameters such as the weighted average cost of capital (WACC), sustainable growth rates and the timing of cash flows were carried out to validate the values in use of continuing operations. Management considered the following scenarios to be possible as of 30 June 2012:

- An increase in WACC of 1.0 percentage point
- A decrease in sustainable growth rates of 0.5 percentage points
- A one-year delay in planned revenue retaining the margins of the base scenario

None of these scenarios reveal a potential need for impairment.

The Irish wholesale operations have been classified as a disposal group since the second quarter of 2012 to reflect the fact that the company is examining strategic portfolio options. In addition, the group still intends to divest of the DocMorris mail-order pharmacy, Pharmexx and Movianto, which were already reclassified to discontinued operations in the first quarter, as well as the Czech operations classified as disposal groups. As a result, additional impairment tests were required, the results of which are explained under discontinued operations and disposal groups.

Discontinued operations and disposal groups

As part of the radical strategic shake-up and portfolio optimisation, Celesio announced in the reporting period that it would initiate the sales process for a number of companies and activities that no longer constitute the company's core business.

Following careful scrutiny and analysis of the strategic options, the Management Board of Celesio passed a resolution at the end of March 2012 to dispose of the business units Movianto (without the logistics operations in Austria) and Pharmexx as well as the DocMorris mail-order pharmacy (including the brand) and all Czech operations (previously disclosed under Pharmacy Solutions and Patient and Consumer Solutions) before the end of 2012.

One aspect of the resolution was the decision to part ways with Manufacturer Solutions completely. This reflects our focus on core business and our determination to take the necessary structural and organisational steps. In connection with the strategic realignment, we also took the decision to tackle the sales channel conflict with pharmacists that arose specifically in Germany through the acquisition of the DocMorris mail-order pharmacy in 2007. The decision was therefore taken to sell the mail-order pharmacy, including the DocMorris brand. Since the decision was reached, the corresponding entities have been classified as discontinued operations. The previous year's figures were restated in the group income statement and the group statement of cash flows to allow comparison.

The resolution mentioned above also includes the strategic decision to withdraw from the Czech market completely and therefore to sell the wholesale and pharmacy operations. Since the decision was reached, the corresponding entities have been classified as disposal groups. In addition, a strategic examination of the Irish wholesale business (allocated to the Pharmacy Solutions segment to date) was started at the end of the second quarter of 2012. This unit was therefore also classified as a disposal group.

The entities classified as discontinued operations and disposal groups are measured at fair value less costs to sell. The fair value is determined initially on the basis of the sale and purchase agreements and purchase bids if suitably specific offers are available. Such offers or expressions of intent have been obtained for all discontinued operations and disposal groups. An impairment loss of EUR 45.0m was identified for the Pharmexx unit (before and after tax) in the first quarter of 2012. In the second quarter of 2012, the following additional impairments were identified for discontinued operations: An additional EUR 2.0m for Pharmexx, EUR 41.4m for Movianto, and EUR 120.0m for the DocMorris mail-order pharmacy and brand. These losses were reported under the net profit/loss from discontinued operations. Impairment losses on units classified as disposal groups can be allocated to wholesale operations in the Czech Republic (EUR 8.0m) and wholesale operations in Ireland (EUR 11.6m). The related expenses have been presented under the net profit/loss from continued operations.

The main asset and liability groups held for sale are summarised below:

	Assets and liabilities held for sale 31/12/2011 EUR M
Intangible assets	0.0
Property, plant and equipment	2.2
Inventories	0.0
Trade receivables	0.0
Cash and cash equivalents	0.0
Other assets	0.0
Total assets	**2.2**
Financial liabilities	0.0
Trade payables	0.0
Other liabilities	0.0
Total liabilities	**0.0**

The recognised impairment losses are spread amongst Pharmexx, Movianto and the DocMorris mail-order pharmacy and relate solely to intangible assets. Impairment losses for the Irish and Czech wholesale operations include impairments on both intangible assets and property, plant and equipment. Furthermore, additional impairment losses were recorded on inventories of the Irish wholesale operations (EUR 2.8m) and the Czech wholesale operations (EUR 6.2m).

Disposal groups		Discontinued operations			Assets and liabilities held for sale 30/06/2012 EUR M
Wholesale Ireland EUR M	Czech operations EUR M	DocMorris mail-order pharmacy and brand EUR M	Pharmexx EUR M	Movianto EUR M	
0.0	9.8	33.3	28.4	50.6	122.1
0.0	1.8	1.3	1.2	58.8	63.1
24.6	28.4	13.9	1.1	28.1	96.1
42.3	86.8	31.2	17.9	127.6	305.8
0.0	0.7	0.2	5.7	17.6	24.2
16.7	6.8	6.7	5.0	60.7	95.9
83.6	134.3	86.6	59.3	343.4	707.2
0.1	29.4	0.2	1.9	2.2	33.8
30.1	62.4	14.7	4.3	196.2	307.7
10.0	4.3	28.8	24.3	23.2	90.6
40.2	96.1	43.7	30.5	221.6	432.1

With regard to the Czech operations, assets held for sale of EUR 122.5m, prior to impairment losses, relate to wholesale, while an amount of EUR 19.8m relates to the pharmacy business. All of the impairment losses relate to the wholesale operations. Of liabilities held for sale in the Czech Republic, EUR 91.1m relates to wholesale and EUR 5.0m to the pharmacy business.

Net profit/loss from discontinued operations breaks down as follows:

	DocMorris mail-order pharmacy and brand	
	H1 2011 EUR M	**H1 2012** **EUR M**
Revenue	157.1	**158.7**
Cost of materials	−131.0	**−132.7**
Gross profit	26.1	**26.0**
EBITDA	1.7	**0.0**
EBIT	1.7	**−1.0**
Profit/loss before tax from discontinued operations	1.7	**−1.9**
Income taxes	−0.2	**0.1**
Profit/loss after tax from discontinued operations	1.5	**−1.8**
Profit/loss after tax from the measurement of discontinued operations	0.0	**−120.0**
Net profit/loss from discontinued operations	**1.5**	**−121.8**

Contingent liabilities and other financial obligations

As of 30 June 2012 the group had issued guarantees of EUR 175.5m (EUR 242.7m as of 31 December 2011). The decrease of EUR 67.2m is mainly due to the expiry of a guarantee in the wholesale business in the UK.

The other financial liabilities presented in the consolidated financial statements as of 31 December 2011 have not changed materially in the first half year of 2012.

Contingent liabilities recognised for legal and tax risks in connection with the business combination with Panpharma in 2009 amounted to EUR 55.2m as of 30 June 2012 (EUR 73.1m as of 31 December 2011). The reduction is primarily attributable to legal and tax risks becoming statute barred and arrangements reached with the tax authorities. To cover these legal and tax risks, an agreement was entered into with the former owners limiting reimbursement claims to a maximum amount. Until now, these reimbursements were to be offset against the purchase price for the remaining shares when the options were exercised.

	Pharmexx		Movianto		Total	
	H1 2011 EUR M	H1 2012 EUR M	H1 2011 EUR M	H1 2012 EUR M	H1 2011 EUR M	H1 2012 EUR M
	108.7	**70.0**	163.9	**223.0**	429.7	**451.7**
	−2.6	**−1.3**	−82.6	**−136.8**	−216.2	**−270.8**
	106.1	**68.7**	81.3	**86.2**	213.5	**180.9**
	2.7	**−0.5**	6.1	**4.2**	10.5	**3.7**
	−71.4	**−1.4**	2.2	**1.8**	−67.5	**−0.6**
	−71.4	**−1.9**	2.6	**2.1**	−67.1	**−1.7**
	0.3	**−1.5**	−0.2	**−2.0**	−0.1	**−3.4**
	−71.1	**−3.4**	2.4	**0.1**	−67.2	**−5.1**
	0.0	**−47.0**	0.0	**−41.4**	0.0	**−208.4**
	−71.1	**−50.4**	**2.4**	**−41.3**	**−67.2**	**−213.5**

Following the acquisition of the outstanding shares in Panpharma in the second quarter of 2012, these claims were presented under non-current assets as a receivable from the former owners. To secure these claims, Celesio has access to assets of the former owners held in trust and other possibilities to offset the claims as well as the collateral granted. These contingent liabilities have been divided into current and non-current provisions based on their maturity. The contingent liabilities include income tax liabilities of EUR 4.1m (EUR 4.4m as of 31 December 2011).

Components of other comprehensive income

Other comprehensive income – presented in the statement of comprehensive income – consists of the following components:

	2nd quarter 2011 EUR M	2nd quarter 2012 EUR M	1st half year 2011 EUR M	1st half year 2012 EUR M
Gains/losses from the current year	–0.8	**0.5**	–0.8	**0.2**
Less reclassification to profit and loss	–0.8	**0.5**	–0.8	**0.2**
Available-for-sale financial assets	**0.0**	**0.0**	**0.0**	**0.0**
Losses from the current year	–9.0	**–4.3**	–7.5	**–5.2**
Less reclassification to profit and loss	–2.1	**–3.9**	–7.9	**–6.7**
Derivative financial instruments to hedge cash flows	**–6.9**	**–0.4**	**0.4**	**1.5**

Notes to the group statement of cash flows

Pursuant to IAS 7, the group statement of cash flows presents the changes in the liquid funds of the Celesio Group due to cash flows over the course of the reporting period.

The presentation of cash flows from operating activities was changed effective as of the first quarter of 2012. With effect as of 1 January 2012, the change cash and cash equivalents is based on profit after tax from continuing operations. This change in disclosure reflects the new structure of internal reporting and the management system and is in line with the general practice of our peers. The change in deferred taxes and current taxes comes to EUR –52.3m (previous year EUR –54.9 m). The previous year's figures were restated to allow comparison.

The cash paid for business combinations includes the payment of EUR 253.3m for the purchase of the remaining shares in Panpharma.

Notes to the segment reporting

Segmentation mirrors the internal reporting structure of Celesio and has changed in comparison to the previous year as a result of the strategic realignment, which led to the sale of the Manufacturer Solutions division. The internal reporting structure is now divided into two divisions, Patient and Consumer Solutions and Pharmacy Solutions. These divisions form the basis for internal controlling by the Management Board and thus correspond to the reportable segments. Starting from the first quarter of 2012, the Manufacturer Solutions division is reported under discontinued operations; as a result, it is no longer carried as a reportable segment. Discontinued operations also include the activities of the DocMorris mail-order pharmacy, including the DocMorris brand. The Management Board of Celesio AG is the chief operating decision maker referred to in IFRS 8.7. The divisions of Celesio AG can be described as follows:

- The Patient and Consumer Solutions division is aimed at patients and consumers. This covers the entire logistics chain, from purchasing merchandise through to selling to end consumers. The division mainly encompasses the retail pharmacies, mail-order pharmacies and brand partnerships. Effective this fiscal year, the division also includes the activities of Evolution Homecare, our specialty pharmacy business in the UK, which were previously reported under »Efficient Care Pharma« in the discontinued division Manufacturer Solutions. Furthermore, the division contains our investment in Brocacef Holding N.V. in the Netherlands, which is recognised as an associate; the corresponding investment result is no longer included in the division's operating result from 2012 onwards.
- The Pharmacy Solutions division focuses on the wholesale business with external customers. The operating segments in this division have been combined at country level. Starting in this fiscal year, logistics solutions activities in Austria are reported in this segment. In the previous year, they had been disclosed under Logistics Solutions within the Manufacturer Solutions division, which has now been discontinued. The Pharmacy Solutions division also includes Rudolf Spiegel Versand for pharmacy and laboratory equipment and Inten, the property developer for pharmacies.

The Others segment is primarily used to report the activities of the group's parent, Celesio AG, and other companies not directly allocable to operating activities. Celesio AG holds investments in the major operating national companies and national holdings. In addition, the operating entities of the Celesio Group are primarily financed via Celesio AG and Celesio Finance B.V., Netherlands. Moreover, Celesio AG bundles essential group functions, primarily in the fields of accounting, controlling, treasury and IT. In the comparative period of the previous year, the joint venture Medco Celesio, which used to be reported under Manufacturer Solutions and which was discontinued as of 30 September 2011, was reported in the Others segment.
Consolidation of intra-group activities is shown separately.

The Management Board takes EBIT (earnings before interest and taxes) under IFRSs as a measure of the success of the segments. In addition, information on the gross profit and EBITDA is disclosed voluntarily.

Segment assets pursuant to IFRS 8 correspond with the tied capital, which is calculated as the sum of the carrying amount of all non-interest-bearing assets (except for income tax assets) less non-interest-bearing liabilities (except for income tax liabilities).

The same accounting standards as for the Celesio Group have been used in segment reporting. Intercompany transactions are measured at market prices.

Related party transactions

Related parties as defined by IAS 24 (Related Party Disclosures) are legal entities and natural persons who can exercise significant influence or control over Celesio AG and its subsidiaries or, alternatively, are subject to the control or significant influence of Celesio AG or its subsidiaries. In particular, related parties include the majority shareholder, Franz Haniel & Cie. GmbH, Duisburg, and its subsidiaries, joint ventures and associates. In addition, related parties include the joint ventures, associates and members of the boards of Celesio AG. All transactions with related parties are conducted at arm's length.

There are contracts for management and other services in place with Franz Haniel & Cie. GmbH and its subsidiaries, joint ventures and associates.

There are ongoing business relationships with joint ventures and associates, including but not limited to the supply of merchandise.

The goods and services received from or supplied to related parties are summarised below:

	Franz Haniel & Cie. GmbH, Duisburg 31/12/2011 EUR M	Franz Haniel & Cie. GmbH, Duisburg 30/06/2012 EUR M
Loans and receivables	0.0	**0.0**
Liabilities	0.0	**0.0**

1ST HALF YEAR

	Franz Haniel & Cie. GmbH, Duisburg 2011 EUR M	Franz Haniel & Cie. GmbH, Duisburg 2012 EUR M
Income	0.0	**0.0**
Expenses	0.0	**0.1**

As already announced in the 2011 annual report, the compensation structure for members of the Management Board of Celesio AG was refined and modified in the reporting period in light of changes in the economic and strategic environment and in line with endeavours to standardise the system with the support of an external consultant. The total amount of possible remuneration remains essentially unchanged.

In future, bonuses will consist solely of a direct percentage of earnings (defined uniformly as EBIT) in a given fiscal year, although a bonus will still be defined in euro as guidance for each member of the Management Board. The total amount payable is capped at twice the bonus defined as guidance in each case. The payment is settled by a cash component of 70% and phantom shares (with a three-year vesting period) of 30%.

The long-term component will in future take the form of a performance share plan with a term to maturity of three years. The phantom shares will be allocated annually based on the guidance amounts defined individually and the average share price upon granting. The final payout is determined at the end of

	Subsidiaries of Franz Haniel & Cie. GmbH		Joint ventures and associates of Franz Haniel & Cie. GmbH		Joint ventures and associates of Celesio AG	
	31/12/2011 EUR M	**30/06/2012 EUR M**	31/12/2011 EUR M	**30/06/2012 EUR M**	31/12/2011 EUR M	**30/06/2012 EUR M**
	0.5	**3.1**	0.0	**0.0**	1.0	**4.5**
	0.1	**0.1**	0.2	**0.2**	1.7	**0.9**

	Subsidiaries of Franz Haniel & Cie. GmbH		Joint ventures and associates of Franz Haniel & Cie. GmbH		Joint ventures and associates of Celesio AG	
	2011 EUR M	**2012 EUR M**	2011 EUR M	**2012 EUR M**	2011 EUR M	**2012 EUR M**
	0.0	**0.0**	0.0	**0.0**	10.6	**9.0**
	0.2	**0.1**	0.7	**0.8**	0.0	**0.0**

the term depending on the number of phantom shares allocated, the average earnings per share (EPS) over the term and the average share price upon maturity. The payment due can potentially fall to zero. The payout is settled in cash and is capped at three times the amount predefined as guidance. The performance share plan is measured in accordance with IFRS 2.

The Supervisory Board has already approved the refined compensation structure and implemented the changes in the contracts with Management Board members. As a result, remuneration in the current 2012 fiscal year is uniformly based on the new system.

An amount of EUR 4.1m was recorded in personnel expenses in the reporting period to cover the claims of Wolfgang Mähr, a member of the Management Board. These claims relate to termination benefits as defined by IAS 24.17(d). Of this amount, EUR 0.5m is attributable to pension commitments.

Employees

At the end of the first half year of 2012, Celesio employed 35,044 employees (full-time equivalents). Of those, 5,641 (previous year 6,936) work for companies reported under discontinued operations from the first quarter of 2012 onwards. A total of 36,429 full-time equivalents were employed at the Celesio Group in the previous year.

Other notes

The line item other financial result relates to changes in the fair value of derivatives used to hedge financial liabilities. Changes in market values of derivative interest rate hedges in the reporting period gave rise to income of EUR 0.1m (previous year EUR 1.8m). Changes in the market values of derivative exchange rate hedges gave rise to expenses of EUR 4.0m (previous year income of EUR 1.4m). Moreover, the other financial result contains exchange rate gains of EUR 109.6m (previous year EUR 105.2m) and exchange rate losses of EUR 99.6m (previous year EUR 102.6m). Moreover, the other financial result contains impairment losses of EUR 0.7m recorded on loan receivables (previous year none) and income from impaired loan receivables of EUR 1.5m (previous year none).

In accordance with the proposal for the appropriation of profits for 2011, a dividend of EUR 42.5m or EUR 0.25 per share (previous year EUR 85.1m or EUR 0.50 per share) was distributed to the shareholders of Celesio AG in the first half year of 2012.

There were no other issues requiring reporting in the interim reporting period.

Subsequent events

On 23 July 2012, Celesio announced plans to sell Movianto to Owens & Minor, Inc., a leading US wholesaler of medical products and provider of logistics services. The sales agreement is subject to fulfilment of local legal provisions.

On 26 July 2012, Celesio announced the sale of its subsidiary Pharmexx to United Drug, a leading international supply company serving manufacturers and retailers in the healthcare sector. We expect to close the transaction by 31 August 2012. The transaction is subject to the required approval being granted by the authorities.

STUTTGART, 8 AUGUST 2012

THE MANAGEMENT BOARD

Responsibility statement

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

STUTTGART, 8 AUGUST 2012

MARKUS PINGER
CHAIRMAN OF THE MANAGEMENT BOARD

DR. MARION HELMES
CHIEF FINANCIAL OFFICER

STEPHAN BORCHERT
MEMBER OF THE MANAGEMENT BOARD

Review report

To Celesio AG, Stuttgart

We have reviewed the interim condensed consolidated financial statements, comprising the group statement of financial position, the group income statement, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and selected explanatory notes, and the interim group management report of Celesio AG, Stuttgart, for the period from 1 January 2012 to 30 June 2012, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG (Wertpapierhandelsgesetz, German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IWD, Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

STUTTGART, 9 AUGUST 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

PROF DR PFITZER
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

MATISCHIOK
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

Financial calendar

(Excerpt)

Interim report, 1st to 3rd quarter of 2012
14 NOVEMBER 2012

Annual report 2012
26 MARCH 2013

Imprint

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This interim report was published on 14 August 2012 and is available in German and English. It can be downloaded or ordered from the investor relations section at www.celesio.com. The German version of the annual report is legally binding.

FORWARD-LOOKING STATEMENTS

This interim report contains forward-looking statements that are based on the latest estimates made by the management of future developments. Such statements are subject to inherent risks and uncertainties. It lies beyond the powers of Celesio to control or precisely estimate these risks and uncertainties which can include future market conditions and economic environment, state intervention, the behaviour of other market players or the successful integration of corporate acquisitions and realisation of expected synergies. Should one of these or another uncertainty or risk factor eventuate or should the assumptions on which these forward-looking statements are made prove to be incorrect, then the actual events could diverge significantly from the explicit or implied events contained in the statements. Celesio does not intend, nor does it assume any special obligation, to update forward-looking statements to reflect events or developments occurring after this report went to press.