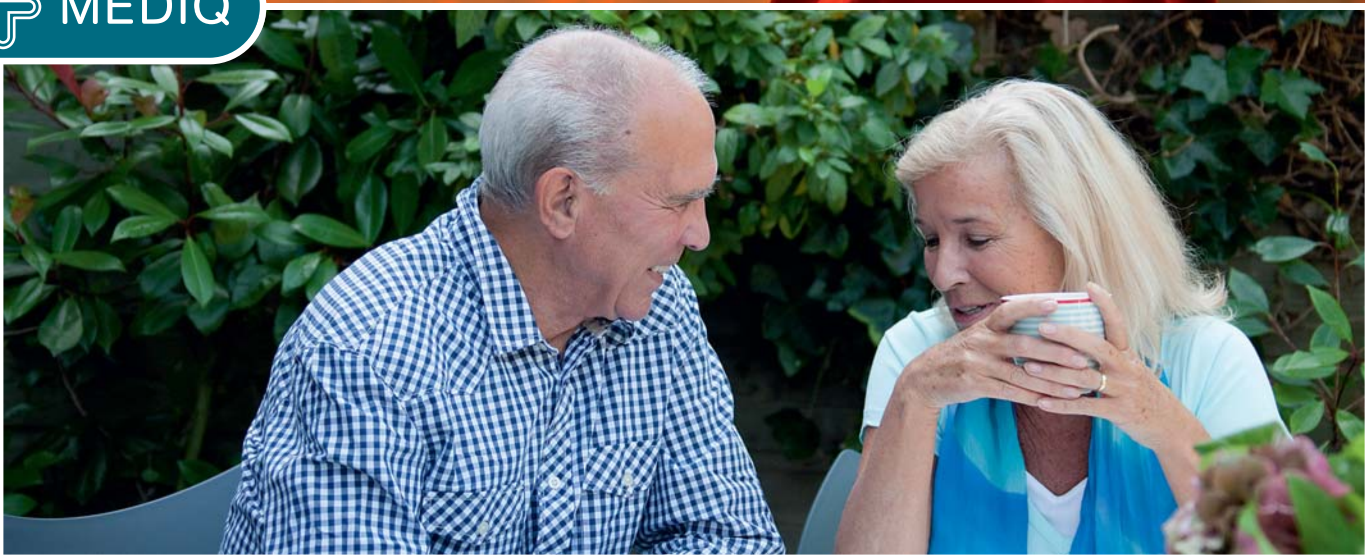
MEDIQ LEADING IN A CHANGING HEALTHCARE MARKET

Annual report 2010

MEDIQ



MEDIQ AT A GLANCE

Mediq is an international healthcare company providing pharmaceuticals, medical devices and the associated care. Care for the patient is at the center of everything we do. Mediq delivers via three distribution channels: directly to people's homes, via hospitals, nursing homes and other care institutions and via Mediq Pharmacies.

DIRECT

Mediq delivers specialist medical devices and pharmaceuticals direct to people's homes, via mail order or via home healthcare facilities. Mediq provides these together with information, instruction and nursing care. Mediq delivers to people with diabetes, ostomy patients and patients with incontinence problems. Mediq also provides wound treatment, respiratory therapy, enteral nutrition, infusion therapy and biotech pharmaceuticals.

INSTITUTIONAL

Mediq Institutional delivers medical devices and pharmaceuticals to professional customers, such as hospitals, nursing homes, GPs, pharmacies and laboratories. Mediq delivers a broad and deep range of medical devices, and where applicable represents manufacturers on an exclusive basis. Mediq also provides advice, training and support in the fields of inventory management, cost control and standardisation.

PHARMACIES

Mediq Pharmacy is the largest pharmacy chain in the Netherlands. We also have pharmacies in Poland. Mediq Pharmacies make a difference locally by pro-actively providing good information to the patient. The wholesaling operations handle logistical services in respect of pharmacies, GPs, hospitals and other care institutions.

Mediq is active in 14 countries. Its head office is located in Utrecht. The company was incorporated in 1899 and has around 8,200 employees. Its shares have been listed on Euronext Amsterdam since 1992, where they are included in the Midcap Index.

MEDIQ DIRECT

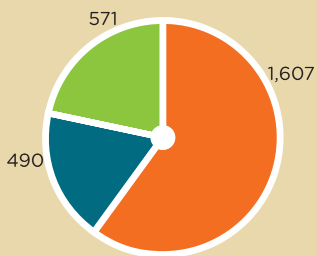
MEDIQ INSTELLINGEN

MEDIQ APOTHEEK

NET SALES BY CHANNEL

X € 1,000,000

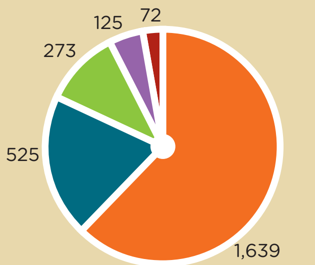
- DIRECT
- INSTITUTIONAL
- PHARMACIES



NET SALES BY COUNTRY

X € 1,000,000

- NETHERLANDS
- POLAND
- NORDICS & BALTICS
- UNITED STATES
- OTHER



2010 HIGHLIGHTS

- **Operating result from ordinary activities up 12%, driven by higher operating results at Direct & Institutional and Pharmacies Netherlands**
- **Increase in operating margin from ordinary activities mainly due to higher margin at Pharmacies Netherlands and a higher share of Direct & Institutional in total group sales**
- **Sales growth of 1% (1% organic)**
- **Significantly strengthened position in institutional market by acquisition in Sweden, Finland, Baltics and Denmark**
- **Successful implementation of strategy for Pharmacies Netherlands**
- **Poland: solid growth pharmacies; temporary double costs at new wholesaling distribution centre**
- **Strengthened balance sheet, despite substantial acquisitions, due to robust operating cash flow, proceeds from sale & lease back of Dutch pharmacies and sale of equity interest in Anzag**

ACTIVITIES AT A GLANCE

In the photographs we show a few of our activities, although we do so much more. The image pages allow you to catch a glimpse of the world of Mediq. A world in which care for the patient is at the center of everything we do.







ANNUAL REPORT 2010

Mediq leading in a changing healthcare market

In the event of any discrepancies or differing interpretations between the Dutch Annual report and its English translation, reference should be made tot the Dutch version, which will prevail at all times.

Safe harbour statement

This annual report contains forward-looking statements. Forward-looking statements are always based on assumptions and estimates relating to uncertain events over which Mediq NV has no control. They concern, for example, measures taken by the Dutch and other governments, currency movements, price fluctuations, changes in law and regulations, legal precedents, market developments and operating policies of healthcare insurers. Mediq NV would like to stress that the contents of this annual report are based on the information that is currently available. The future can always deviate from expectations.

MESSAGE FROM THE CEO

Internationalisation, optimisation, transparency

2010 WAS A GOOD YEAR FOR MEDIQ. WE TOOK IMPORTANT STRATEGIC STEPS. WE ACHIEVED FURTHER UPSCALING IN OUR DIRECT AND INSTITUTIONAL ACTIVITIES THROUGH A LARGE ACQUISITION IN SWEDEN, FINLAND, THE BALTICS AND DENMARK. WE TURNED OUR PERFORMANCE IN THE STILL-UNSETTLED DUTCH PHARMACY MARKET AROUND THROUGH OUR COST REDUCTION PROGRAMME. BOTH DEVELOPMENTS RESULTED IN GROWTH OF OPERATING RESULT FROM ORDINARY ACTIVITIES.

Marc van Gelder
CEO

INTERNATIONALISATION

Mediq has developed from a purely Dutch pharmaceutical wholesaler into an international healthcare company. Five years ago we were active in 6 countries – this number has now grown to 14. Together with 8,200 colleagues we deliver pharmaceuticals and medical devices to patients and care institutions. Increasingly, we do so directly to people's homes, for instance to half a million diabetes patients. We provide information and instruction, guidance and treatment monitoring. We do so by working together closely with prescribers, healthcare insurers and manufacturers.

The growth of these direct and institutional activities is one of the main pillars of our strategy. It is one of our responses to a number of significant trends – an increase in the number of people with a chronic condition, the growth of nursing and other care in home healthcare settings and the increased importance attached by patients to convenience and service. Our group companies have invested substantially in the past year to make the care they provide even more effective and customer-focused. We have worked together with patient organisations, professional associations and prescribers to build knowledge and further improve healthcare protocols. We are investing in our ICT systems and the knowledge and skills of our employees to provide continually improving support to patients. And via Medisource, the seconding agency of mainly nursing staff that we acquired early in 2010, all group companies in the Netherlands can deploy nursing staff immediately to provide even better support to people at home.

Mediq continued to achieve strong organic sales growth in 2010, mainly in the Netherlands, Denmark and the USA, in sectors including ostomy, incontinence and infusion therapies. But sales overall were impacted by pressure on diabetic sales in Germany and the USA. We adapted the business model in Germany in response to regulatory changes in the summer of 2009. Our sales in the USA were affected by a tightening of insurers' reimbursement limits. These specific developments do not detract in any way from the underlying trend of solid organic sales growth.

The acquisition of the medical devices activities of Oriola-KD in the Nordics made Mediq the largest supplier to hospitals and other care institutions in Finland, Sweden, Denmark, Norway and the Baltics as of June 2010. We clearly improved our positioning versus manufacturers through this acquisition. Volumes and the purchasing power for the group as a whole have grown, which is highly important in the institutional market. We are currently seeing significantly increased interest in cooperation on the part of suppliers. The acquisition has also created an opening for us in the market for direct deliveries to patients in these countries.

Direct & Institutional's operating result achieved robust growth. The centralisation of group-wide purchasing enables us to mitigate the persistent price pressure. The acquisition nudged the average margin down slightly as the margin for these activities is lower than the segment average. The margin was nonetheless within the guided range of 7.5 to 8.5%.

OPTIMISATION

Direct purchasing of generic pharmaceuticals by a number of large healthcare insurers (under what is known as the preference policy) has had a major impact on the profitability of Dutch pharmacies in the past few years. We responded swiftly and adequately to this enormous change. Since mid-2008 we have substantially boosted efficiency, mainly by investing around € 10 million in process optimisation and reducing the workforce by 417 FTEs. The effects of this are clearly manifest. In 2010 we were particularly successful in upscaling the central processing of repeat medication at a single location in the Netherlands. At the end of 2010, 195 pharmacies were taking part, including 45 independent pharmacies. Already, every day, as many as 40,000 prescription lines are processed, or 100,000 boxes! A logistics innovation that enables local pharmacies to operate more efficiently and frees up more time for the patients. We are certainly ready to continue building for the future.

A future in which patients can come to a Mediq Pharmacy not just for their prescription pharmaceuticals but also for products including skin care products, vitamins and a wide range of self-care products. High levels of brand recognition are hugely important to this. In 2010 we achieved enormous progress in improving our brand recognition: from 7% in January 2008 (when we had just embarked on the nationwide roll-out of the formula), to 68% in mid-2010. This was aided by a significant expansion of the range of Mediq private label products.

A future in which patients can also come to a Mediq Pharmacy for care services. In 2010 we introduced several new, innovative services, aimed at prevention and compliance. Proactive repeat medication is an example: Mediq Pharmacy will ensure, in consultation with the GPs concerned, that patients who have opted for this are automatically provided with the required repeat medication at a fixed moment in time. This enables us to combine a better service, higher compliance and lower costs. We also carried out healthcare projects together with several insurers. Dispensing pharmaceuticals is naturally, intrinsically connected with medication monitoring and advice. Following the successful pilot project in Amsterdam in 2009, we teamed up with Achmea and Agis to screen the medication use of around 1,000 COPD patients in Rotterdam. Overall, the extensive support given to patients has increased the effectiveness of their treatment.

We now also have some 30,000 subscribers to our online self-management module 'mijnmedicijnkompas'. It offers chronic users of medication all the relevant information about the pharmaceuticals being used, for instance about their effectiveness, potential side-effects and the remaining stocks. Questions can be put to the pharmacist online. Experiences can be shared with others on the associated forum. This is fully in step with the current growing trend towards self-management.

Patient organisations have stated a need for closer support for the elderly. We are eager to take up the challenge. But our ambitions stretch further than the insurers appear to be permitting them to at present.

The reduction of the dispensing fee as of 2011 has led to renewed pressure on the business model of the pharmacy. Although a final decision is still pending, a new method of reimbursing pharmaceuticals and pharmaceutical care is expected to be introduced in 2012. We welcome this, in the hope that this new system of free pricing will liberate us from political and policy making uncertainties. This will offer more room for entrepreneurship and to invest in the quality of services provided to patients.

Our results in Poland in 2010 were governed by two divergent trends: the positive developments in our pharmacy chain on the one hand and higher cost levels than planned in our wholesaling operations on the other. Virtually all our pharmacies in Poland have been rebranded to the Mediq Pharmacy formula. The enhanced marketing power has resulted in sales growth in local currency by 9%, of which 5% on an organic basis. We are clearly beginning to reap the benefits there of the restructuring of the past two years. Results in wholesale operations were however governed by the phasing-out of logistics services to manufacturers (pre-wholesale) and temporary double costs due to delays in integrating a number of regional distribution centres in the new national distribution centre. Four regional centres have meanwhile been integrated in the national centre in Warsaw and the logistical process is properly up and running again. Targeting further efficiency improvements, the workforce was reduced by 140 FTEs in the course of 2010. We see further scope for improving the results of the wholesale operations, which will be one of our goals for 2011.

TRANSPARENCY

We are on our way to becoming a single integrated company, with a coherent brand architecture, visual identity and proposition for patients. A logical consequence of our strategy. In line with this, we strengthened our central organisation this year, for instance by appointing managers at group level in the areas of quality, logistics and IT. A strong central organisation, including the development of healthcare concepts and efficient logistics, leads to optimum local healthcare.

Our growing brand recognition is helping us commercially as well as socially. In 2010 we formulated a group-wide corporate social responsibility policy based on four themes close to our heart: caring for patients, providing a good working environment, minimising our environmental impact and making a difference in the community. We aspire to be an international healthcare company with a sustainable, transparent strategy focused on patients. A company at the heart of society. Engaging extensively, for example, with children with diabetes. We have been supporting them for the last year and a half with activities designed to lift their spirits. For example a dedicated website on which they can share experiences with each other, as this is a condition that entails many lifestyle rules and restrictions that are not easy to handle, especially as children grow older and more independent. To mark the official opening of our new head office we organised a symposium on this, which was attended by HRH Princess Margriet.

With a view to the transparency we aspire to, the Henri Sijthoff prize we were awarded this year for the best financial reporting in the Netherlands in the category mid and small cap funds was naturally an enormous boon. We received the prize for the quality of our reporting – but I believe it also reflects the widespread recognition we are receiving for the strategic direction we have chosen.

CLOSING REMARKS

We have a healthy financial position to which, alongside robust operating cash flow, the sale & lease-back of numerous business premises in the Netherlands and the sale of our shareholding in the German pharmaceutical wholesaler Anzag also contributed in 2010. This gives us enough flexibility for further growth.

Healthcare is a people business. We want patients to get better, or to learn to cope as well as they can with their condition, enabling them to feel healthier and remain active in society. They have to be able to rely on fast, reliable services delivered with integrity, whether the local pharmacist or the nurse practitioner visiting patients at home is the face of Mediq for them. We can only achieve this with qualified and motivated employees. We therefore invest in the knowledge and skills of our people – we focus on training and instruction at all levels. Starting five years ago, we have been organising an internal two-day management training programme each year, to which for the last two years a comparable programme for young talented employees was coupled. In addition, networking meetings are organised in the fields of logistics, finance, marketing, human resources and communication. This enables us to learn from each other by sharing best practices and it stimulates internal contacts. These efforts are clearly bearing fruit and I would like to thank everyone at Mediq for the enthusiasm, flexibility and commitment they have shown in the past year.

PRIORITIES FOR 2011

Growth of direct & institutional activities
- Organic growth
- International acquisitions
- Expansion of cooperation with Mediq Pharmacies in the Netherlands
- Strengthen combined sourcing
- Expansion of exclusive distribution agreements for medical devices

Strengthening leading pharmacy formula
- Organic growth; more sales from additional services and products without prescription
- Implement further cooperation with other healthcare providers and insurers in the Netherlands

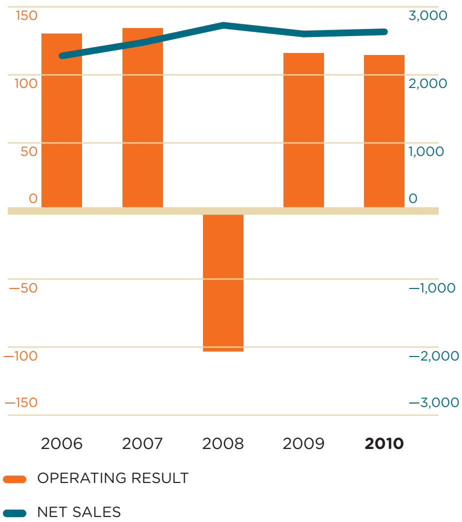
Efficiency improvement
- Further centralisation, standardisation and integration (Netherlands)
- Optimisation of logistics for wholesaling operations (Poland)

Marc van Gelder

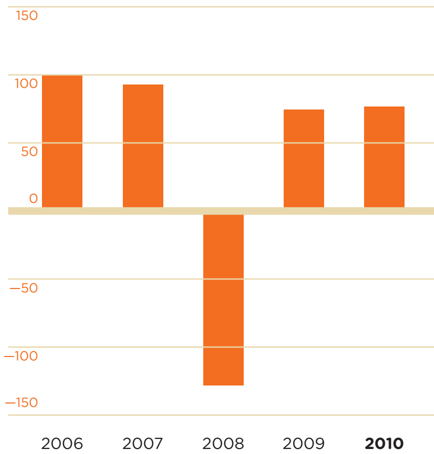
KEY FIGURES

	2010	2009	CHANGE
INCOME STATEMENT (X € 1,000,000)			
Net sales	2,633.9	2,602.7	1%
Operating result	114.5	116.1	– 1%
Operating result from ordinary activities	108.8	97.0	12%
Net result	76.7	74.5	3%
BALANCE SHEET (X € 1,000,000)			
Working capital	185.2	151.2	22%
Capital employed	741.0	669.3	11%
Net debt	177.5	175.1	1%
CASH FLOW (X € 1,000,000)			
Cash flow from operating activities	82.8	104.7	– 21%
Capital expenditure	20.6	33.0	– 38%
Acquisitions	90.4	0.5	> 100%
RATIO'S AND RETURNS			
Operating margin	4.3%	4.5%	
Earnings per share (X € 1)	1.30	1.27	
Dividend per share (X € 1)	0.46	0.44	
Numbers of shares outstanding (X 1,000,000)	59.2	58.7	
Return on average capital employed	15.4%	16.9%	
Return on average equity	16.9%	18.6%	
Interest cover	11.8	8.9	
Debt cover	1.1	1.3	

NET SALES AND OPERATING RESULT X € 1,000,000



NET RESULT X € 1,000,000

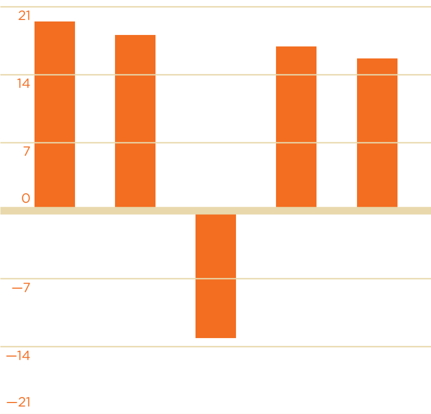


NET EARNINGS AND DIVIDEND PER SHARE X € 1

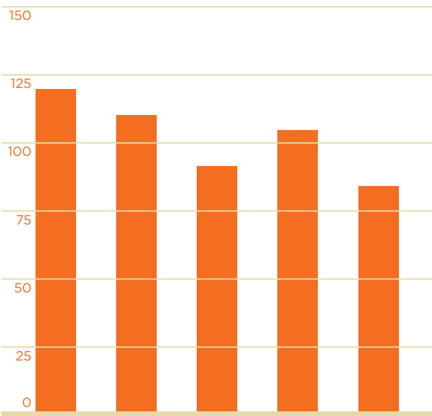
	2010	2009
OPERATIONAL KEY FIGURES		
Number of customers via direct distribution channel		
• Netherlands	206,000	195,000
• United States	284,000	271,000
• Germany	145,000	195,000
• Hungary	16,000	15,000
• Denmark	106,000	101,000
• Norway	3,000	–
Market share of pharmaceutical wholesaling market		
• Netherlands	26%	26%*
• Poland	7%	7%
Market share of pharmaceutical retail market		
• Netherlands	13%	13%*
• Poland	2%	2%
Number of pharmacies		
• Netherlands	225	225
• Poland	199	192
EMPLOYEES		
Average number of employees (including temporary)	7,647	7,832
As above, in fulltime equivalents	7,075	6,944

* Changed definition

RETURN ON AVERAGE CAPITAL EMPLOYED IN %

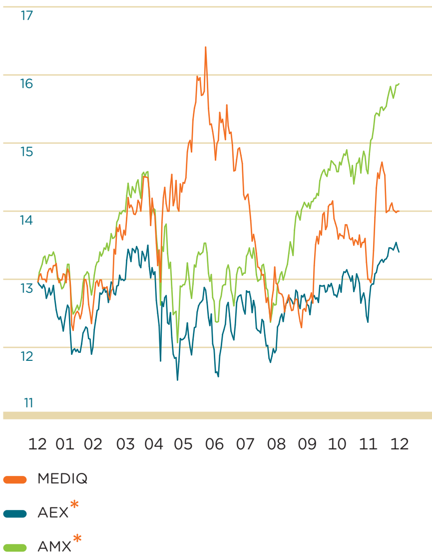


CASH FLOW FROM OPERATING ACTIVITIES X € 1,000,000



SHARE PRICE IN 2010

X € 1



* Calibrated to the Mediq share price on 4.1.2010

MEDIQ WAS FOUNDED IN 1899 UNDER THE NAME COÖPERATIEVE APOTHEKERS VEREENIGING 'DE ONDERLINGE PHARMACEUTISCHE GROOTHANDEL', OR OPG IN SHORT. THERE WERE SEVERAL REASONS FOR THIS. THE PHARMACY WORLD WAS VERY UNSETTLED, CHEMISTS WERE SHOOTING UP ALL OVER AND PEOPLE WITHOUT QUALIFICATIONS WERE ABLE TO RUN PHARMACIES. THIS PROMPTED 91 DUTCH PHARMACISTS TO DECIDE THEY SHOULD WORK TOGETHER MORE CLOSELY.

Mediq already **active for 111 years**

FROM PHARMACY BUSINESS TO BROAD-BASED HEALTHCARE COMPANY

The initial objectives were more effective raw materials purchasing and improved quality management in pharmaceutical healthcare, partly with a view to protecting and professionalising the pharmacy sector. A further objective, added in 1905, was the manufacture of medical devices and pharmaceuticals. Today, Mediq is an international player in healthcare, with activities in 14 countries, around 8,200 employees and sales of € 2.6 billion. Its focus has widened to include medical devices and deliveries to patients' homes and to institutions such as hospitals and nursing homes. The patient is at the center of everything we do. We have been in business for 111 years, and our constant alertness to new developments has made us what we are: a large, strong and reliable company. And yes, we are proud of that.

1928: ECONOMIC CRISIS OFFERS NEW OPPORTUNITIES

In 1928 the pharmaceutical market was awash with cheap products from Germany. During this economic crisis OPG was compelled to seek out new markets and customers. As there was substantial demand for galenic preparations, OPG concentrated on producing tinctures, syrups, pills, powders, standardised pharmaceuticals and injection fluids, including the new wonder medicine penicillin.

GALENIC COMES FROM GALENUS

Claudius Galenus of Pergamon (130-200) was a physician in Rome and also managed a pharmacy. His works include *De simplicibus*, in which he described 540 vegetable, 180 animal and 100 mineral medicines. His knowledge was considered infallible for a long time. This was not always justified, as he carried out tests on animals and sometimes drew mistaken conclusions from this. Nonetheless his enormous knowledge secured his immortal fame: galenic preparations, derived from vegetable and animal raw materials ('simplicia'), have been named after him.

BY ACCIDENT...

Alexander Fleming was fairly lax with hygienic rules. As a result, in 1928 one of his test cultures in an experiment was infected with the fungus penicillium notatum. To his surprise, he found that no bacteria grew on it. He did further research into this and that's how penicillin was discovered.

1945>

Patient wants greater say

After the Second World War, the company's activities were extended to include manufacturing and research. It was the start of a period of prosperity. At that time, authority and traditions were central to Dutch society. But patients were becoming more demanding and increasingly stood up for their own, personal interests. For instance, this period saw the foundation of the first patient association in the Netherlands: for patients with diabetes, formerly known as 'sugar sickness'. And what to think of the sexual revolution in the sixties, with campaigns to include the contraceptive pill in standard health insurance.

1995

A NEW COURSE

IIn 1995 OPG acquired a number of pharmacies, to prepare for even more efficient co-operation with pharmacists and for strategic changes in the market. Chains were the future and OPG aimed to lead the trend. This ushered in a strategic change of course. The manufacturing activities were sold and OPG concentrated on serving patients directly in its pharmacies as well as by deliveries, directly to people's homes.

OPG BECOMES MEDIQ!

2005 saw the introduction of the Mediq Pharmacy formula, marrying the tradition of the pharmacist as a source of knowledge and advice in the field of pharmaceuticals to a focus on the needs of today's patients. This includes careful support and monitoring of medicine use, but also advice on a healthy way of life. In 2009, it was decided to adopt the name Mediq for the whole group. A name that reflects how the patients' needs are at the center of everything we do. And to mark this transition to a new phase, Mediq relocated to a new head office: open, transparent, and a platform for close co-operation with each other and with other healthcare providers.

2010

HRH Princess Margriet attended the opening of the new building, a milestone in our history!

2006>

CROSSING BORDERS

OPG focused increasingly on medical devices to pursue further growth, which was mainly achieved abroad. Starting in 2006, locations were added in Germany, the USA, Denmark, Sweden, Finland and the Baltic states. Within a short period of time, Mediq upped the number of countries in which it operates from 6 to 14!

MISSION, TRENDS AND STRATEGY

MISSION AND CORE VALUES

OUR MISSION

We improve patients' health with the best and most efficient healthcare delivery. We do so by delivering pharmaceuticals, medical devices and the best related care services.

Delivering on our promise to the patient is a matter for all our employees. Our core values provide important guidelines for doing so successfully.

OUR CORE VALUES

We are customer-oriented

All our efforts are targeted at meeting patients' needs. We improve patient's health by efficiently delivering the right pharmaceuticals and medical devices, but above all by personal and expert advice. Information, guidance and instruction are central to this.

We focus on innovation

Whether considering a service concept for a pharmacy, service in home healthcare settings or logistical support for a care institution, we look beyond the usual frameworks. To us, innovation means a willingness to adapt the way in which we serve our customers.

We focus on cooperation

Joint efforts are needed to achieve results. Everyone is keenly aware of this. This applies as much to internal cooperation as it does to cooperation with other primary healthcare providers, insurers and manufacturers.

We behave with integrity and practice openness

We set great store by integrity and transparency in all aspects of our operations. We expect the same from everyone we do business with. Because people's health is what it's all about for us.

TRENDS

We see the following trends in the markets in which we operate:

- Volume growth: the number of people with chronic conditions is rising continually. This is due mainly to the ageing of the population and a changing lifestyle. Volume growth is also fuelled by rapid developments in medical technology, biotechnology and pharmaceuticals.
- There is continual pressure on prices to keep healthcare affordable. This price pressure from the government and insurers leads to lower revenue from logistics, distribution and purchasing for wholesalers, pharmacies and others. In turn, patients are being asked to pay more themselves (for instance, in the form of co-payments or a deductible for uninsured risk) and their freedom of choice is increasingly restricted by preference preselection on the part of insurers.
- Customers are continually becoming more aware and empowered and increasingly value convenience, in the form of better service and wider choice. Patients are becoming customers with changing needs. They are increasingly well-informed, self-confident and critical, demand better service and need a personal approach. Moreover, the consequences of illness are less readily accepted.
- Shift towards the direct channel: pharmaceuticals and medical devices are increasingly supplied directly to homes, sometimes together with advice and instructions.
- The fastest volume growth is occurring for specialised pharmaceuticals for small groups of patients, for instance biotech drugs, rather than for pharmaceuticals with a broad use.

SWOT ANALYSIS

Mediq's identified strengths and weaknesses and opportunities and threats are as follows.

Strengths	Weaknesses
• Strong market position in 14 countries in delivering pharmaceuticals; market leader in Netherlands and Nordics. • Market leader in Dutch pharmacy market and among largest players in Polish pharmacy market. • Expert employees. • Strong balance sheet and cash flow.	• Dependence on Dutch market. • Fragmented IT environment. • Activities in Poland not efficient enough.
Opportunities	**Threats**
• Demographic developments, ageing in particular, lead to volume/market growth. • Development of leading brand. • Fragmented markets offer further international growth opportunities for direct and institutional activities. • Further strengthening of leading market position via innovations and cost savings.	• Measures taken by government authorities or insurers, including further systematic price cuts. • Increasing tendency towards concentration among healthcare insurers and manufacturers.

STRATEGY

We have formulated our strategy, to which the patient is central, against the background of our mission, core values, the trends we identify in the market and the SWOT analysis.

Our core tasks are the distribution of pharmaceuticals and medical devices, and the associated advice and services with which we deliver added value. We are increasingly aspiring to the role of orchestrator of the distribution chain: playing the central role in the chain from manufacturer to patient, while maintaining a continual focus on process and healthcare innovation.

We serve the patient via several distribution channels. Directly at home, with nursing support if required (Mediq Direct), via hospitals, nursing homes and other care institutions (Mediq Institutional) or via Mediq Pharmacies. To successfully realise our strategy we work together in partnership with manufacturers, prescribers and healthcare insurers.

Our strategy rests on three pillars:

- Growth of direct & institutional activities
  We aim to continue to grow, organic as well as through acquisitions. This is targeted at the following market trends: an increase in the number of people with chronic conditions, the growth of care and nursing in home settings and the increased importance for patients of convenience and service. There are opportunities in various countries to further expand our services portfolio with additional product-market combinations, as well as our customer base. Optimum sharing of knowledge and experience between the various group companies allows us to profit from synergies in terms of both sales and costs. Due to price pressure, economies of scale are also important in the institutional market. International growth will make us less dependent on the Dutch market and will allow us to make optimum use of our purchasing power. Our prime focus with a view to acquisitions is on the countries in which we already have a presence. We see the greatest opportunities in Germany, the Nordics and the USA.

- Strengthening leading pharmacy formula
  Virtually all our pharmacies in the Netherlands and Poland now operate under the Mediq pharmacy formula.
  Sales growth is pursued with a broad and attractive range of non-prescription pharmaceuticals including skin care products, paracetamol and vitamins, partly under our private label.
  We are also aiming for growth in the number of additional care services in response to the growing need for personal, informed advice on pharmaceuticals and health.
  This concerns personal, expert information on the operation and safety of medication, for instance in structured care programmes for chronic conditions such as diabetes. Other services include specific forms of providing healthcare, such as polypharmacy projects (assisting patients using multiple pharmaceuticals) and medication and health checks. These healthcare services are developed in close cooperation with GPs, other primary

healthcare providers, manufacturers and healthcare insurers. They allow healthcare insurers to selectively position themselves in respect of patients.
Further growth in the number of Mediq pharmacies will be achieved mainly by an increase in the number of franchisees, both in the Netherlands and in Poland.

- Efficiency improvement
  Our thinking on the basis of integrated logistical concepts allows us to target improvements in our logistical performance and mitigate margin erosion due to price cuts. We are reducing our cost base by centralising and standardising back-office processes. In addition we are mitigating margin pressure by group-wide purchasing and expansion of the range of private label products. Owing to its scale, Mediq's purchasing volumes are substantial.
  An active purchasing policy is in place that leads to process improvement, to close cooperation with suppliers, sometimes on an exclusive basis, and subcontractors, and to cost reductions.

We have summarised our strategy in specific action points for each segment in the section 'Strategy and management agenda by segment'. We provide updates in that section on the progress we achieved in 2010 towards implementing this agenda, and on our priorities for 2011. For a more detailed discussion of the risks inherent in our strategy, see the section 'Risk management'.

AMBITION

We aim to develop into a global player in the field of distribution of medical devices and associated services to patients and healthcare institutions. In our pharmacy activities we are aiming for further consolidation of our market leadership in the Netherlands, and of our leading position in Poland.

PRECONDITIONS

FINANCIAL OBJECTIVES

In the implementation of our strategy we target long-term growth in net earnings per share of 8% per year. Net earnings per share in 2010 were € 1.30, versus € 1.27 in 2009.
In addition, we have a financial target for return on average capital employed (based on the operating result) of at least 15% before tax. Return on average capital employed was 15.4% in 2010, versus 16.9% in 2009.
We aim to distribute around 35% of net result as dividend. The dividend proposal for 2010 is € 0.46 per share, which represents a pay-out of 35%.

ACQUISITIONS

Acquisitions must match our strategy. We first analyse the attractiveness of the market, for which purposes national statutory and regulatory provisions governing for instance the reimbursement system in healthcare are often leading criteria. We consider the competence of the target company's management and whether it fits in with the corporate culture of our group. In addition we apply stringent financial criteria, including the general requirement that the acquisition should generate a return of at least 15% before tax on average capital employed within a limited number of years. We aim to reach that level of returns after two years at the latest from additions to existing platforms.

We are actively seeking acquisition opportunities in the Direct & Institutional segment. Our prime focus with a view to acquisitions is on the countries in which we already have a presence. We see the greatest opportunities in Germany, the Nordics and the USA.
We approach acquisition opportunities selectively in the pharmacy markets in the Netherlands and Poland.
The assessment of acquisition opportunities is based on our location strategy.

FINANCING

An enabling condition in our policy is a healthy financing strategy that maintains a balance between the leverage of loan capital and sufficient available funding. We are aiming to continue our rating by the market as 'investment grade', as this provides us with comparatively low financing costs as well as flexibility in implementing our growth strategy.

Our balance sheet and cash flow are strong. This enables us to continue to grow through acquisitions.

The covenants applying to our loans and credit facilities are a maximum net debt/EBITDA ratio of 3.5 and an interest cover of at least 5.0 (EBITDA/interest charges). At year-end 2010 these ratios were 1.1 and 11.8 respectively. The weighted average term of our credit facilities at year-end 2010 was 2.7 years.

LOGISTICAL KNOWLEDGE AND EXPERIENCE

FOR MEDIQ, EFFICIENT AND RELIABLE LOGISTICS ARE AN ENABLING CONDITION FOR ACHIEVING OUR OBJECTIVES AND DELIVERING ON OUR PROMISE TO CUSTOMERS. WE ARE ACTIVE IN 14 COUNTRIES, WITH AN ENORMOUS WEALTH OF KNOWLEDGE AND EXPERIENCE IN EACH OF THEM, AND COUNTLESS OPPORTUNITIES CAN ARISE FROM SHARING THIS WITH EACH OTHER AND WORKING TOGETHER MORE CLOSELY BOTH NATIONALLY AND INTERNATIONALLY. A CORPORATE DIRECTOR LOGISTICS WAS APPOINTED IN 2011 WHO IS RESPONSIBLE FOR DIRECTING AND DEVELOPING THIS CO-OPERATION. DELIVERY QUALITY AND OPTIMUM EFFICIENCY WILL BE KEY. BUT WORKING METHODS AND ERGONOMICS ARE ALSO IMPORTANT, PARTICULARLY FOR OUR EMPLOYEES. MEDIQ'S CONTINUAL INNOVATION IN LOGISTICS WILL ENABLE US TO DELIVER OPTIMUM SERVICE TO OUR CUSTOMERS AT MINIMUM COSTS INTO THE FUTURE.

Optimal service and **maximal efficiency**

Innovative

Mediq uses computer-driven processes and modern technologies in its logistics processes wherever possible. For example, hand scanners are used in a number of distribution centres: logistics staff scan barcodes on orders and products. This ensures that packages that look very similar can never be mixed up, which is crucial when dealing with pharmaceuticals. Other Mediq distribution centres use a speech-driven system. The employee concerned wears headphones that are connected to a logistics system. Orders are received via spoken text. The employee speaks code numbers into the microphone to report which products he has taken and which phase of the order picking he has reached.

STRINGENT CONTROL REQUIREMENTS

Transporting pharmaceuticals requires more than just a suitable vehicle. It is subject to stringent control requirements because pharmaceuticals are not allowed to be traded freely, and many pharmaceuticals also need to be transported in specific temperature conditions. Sometimes, hazardous substances are involved that require careful treatment. A job for specialists.

PROFILE BY CHANNEL

DIRECT

Mediq delivers specialist medical devices and pharmaceuticals direct to people's homes, via mail order or via home healthcare organisations. Mediq provides these together with information, instruction and nursing care. Mediq delivers to people with diabetes, ostomy patients and patients with incontinence problems. Mediq also provides wound treatment, respiratory therapy, enteral nutrition, infusion therapy and biotech pharmaceuticals.

Mediq Direct strives to improve the quality of patients' lives. Mediq Direct cannot eliminate the cause of the problem but can help to ensure that the inconvenience in patients' lives is minimised.

Mediq Direct is a one-stop-shop that makes it easy for patients to get supplies to their home quickly and discretely. Mediq delivers products via comprehensive care concepts with customised patient care, care and maintenance services and takes handling invoices out of patients' hands. Experienced employees listen to patients' wishes to be able to provide the best medical devices and care services. Their approach sets great store by privacy and comfort. Mediq provides information, instruction and guidance and ensures treatment monitoring. If necessary with a nursing specialist at the patient's home and for 24 hours a day.

We carry a large range of medical disposables, are brand-independent and are experts in the field of the condition concerned.

Our strategy is directed at acquiring a leading position, preferably among the top 3, for each product-market combination. Leveraging the associated economies of scale and specialist expertise, we are building a preferred position among patients, prescribers (specialists and nurse practitioners) and insurers. Cooperation with partners in healthcare is of the utmost importance.

In the Netherlands we operate in the medical disposables market for people in home healthcare settings, under the Mediq Direct Diabetes, CombiCare, Red Swan, ZorgService NL, Tefa and Medisource brand names. We provide a wide range of medical devices to intensive users in the fields of ostomy, incontinence, wound treatment, diabetes, enteral nutrition, infusion therapy and respiratory care. We also offer expertise on biotech pharmaceuticals that we supply to patients at home.

In 2010 we acquired Medisource, a seconding agency for nursing staff, because advice, instruction and nursing aid are important parts of our services.

Since 2008 we have been active in the USA through Byram Healthcare. Byram mainly sells products for ostomy needs, diabetes, wound treatment and incontinence. Byram provides us with a nationwide platform for growth in the world's largest and most highly fragmented market direct market. The business model and the product range are almost identical to those of Mediq's European activities.

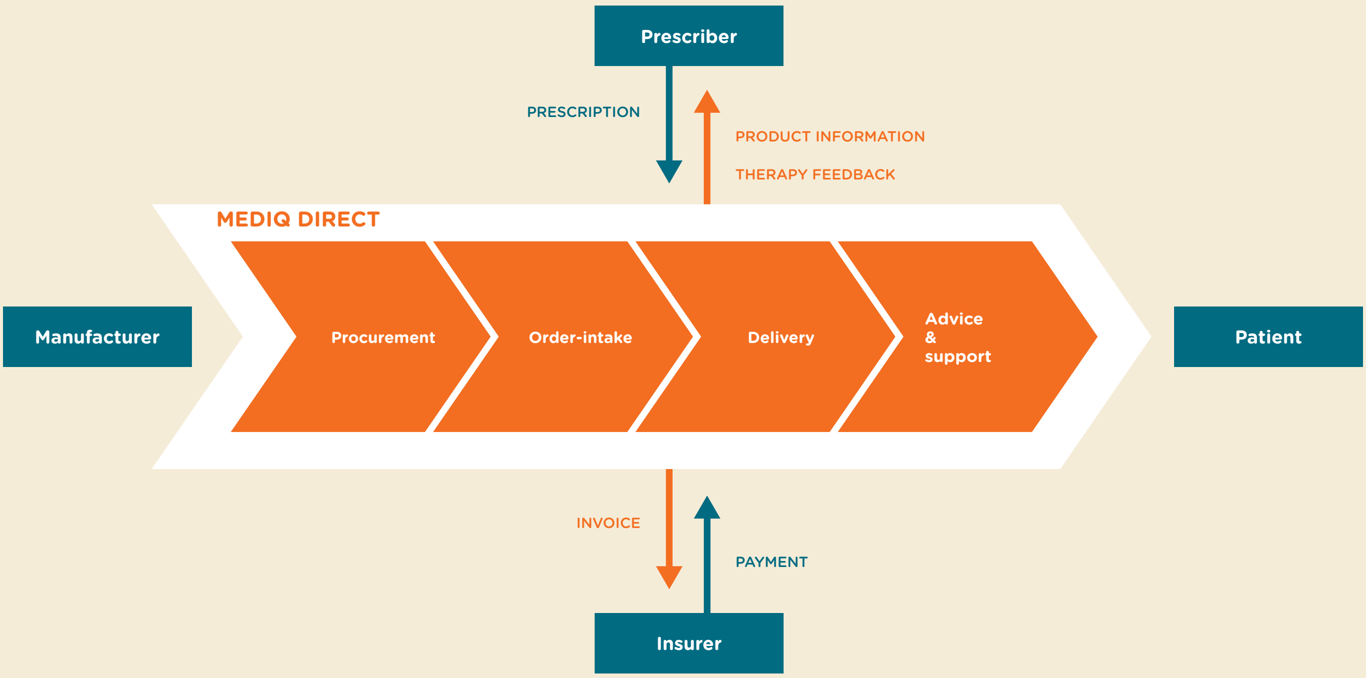
We have operated in Denmark since 2007. Mediq Danmark delivers medical devices for purposes including incontinence, ostomy, diabetes, enteral nutrition and wound treatment.

We have been active in Germany since 2006 with the largest sales and distribution company for diabetes supplies (mainly test strips and insulin pumps), Mediq Direkt Diabetes.

In Hungary we have a leading position in wound treatment under the Mediq Direkt name.

Market	Market position *(data as at year-end 2010)*
Netherlands	• First or second place in each market segment. Total of 206,000 customers
United States	• Fourth place overall. Total of 284,000 customers
Denmark	• Market leader with a total of 106,000 customers
Germany	• First place in diabetes. Total of 145,000 customers
Hungary	• Strong position in wound treatment market with 16,000 customers
Norway	• Start position in stoma, wound care and incontinence market with 3,000 customers

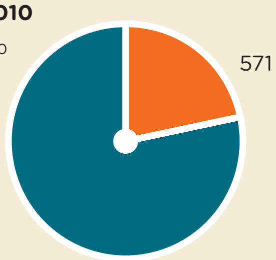
Note: The markets for direct deliveries are highly fragmented. Hardly any precise market share data are available. The figures in the table are only provided as an indication.



DIRECT AS SHARE OF MEDIQ

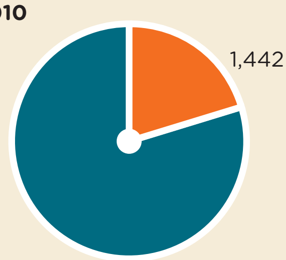
SALES 2010

X € 1,000,000



EMPLOYEES 2010

IN FTEs, AVERAGE



INSTITUTIONAL

Mediq institutional delivers medical devices and pharmaceuticals to professional customers, such as hospitals, nursing homes, gps, pharmacies and laboratories. Mediq delivers a broad and in-depth range of medical devices, and where applicable represents manufacturers on an exclusive basis. Mediq also provides advice, training and support in the fields of inventory management, cost control and standardisation.

The institutional channel offers an entry to the market for direct deliveries to patients and thus closely interlocks with the direct channel. At the same time we create purchasing power and a range of private label products for the entire group via the institutional market.

Mediq provides a broad and in-depth comprehensive range of medical devices from various manufacturers (on a non-exclusive basis), as well as private label products. If desired Mediq also represents manufacturers on an exclusive basis. In addition Mediq provides logistical services to healthcare institutions and manufacturers in Sweden and Finland.

Mediq Institutional acts as partner to healthcare institutions. They can rely on customised medical devices and solutions, as part of which Mediq also provides training for nurse practitioners and other care staff. Mediq has all the required knowledge and (specialist) tools for this.

In the Netherlands we have built up strong positions in supplying pharmaceuticals (OPG Distrimed) and medical disposables (Medeco) to hospitals and nursing homes. OPG Distrimed supplies pharmaceuticals to hospitals. It also offers services that specifically support day-to-day operations, and comprehensive solutions, for example for inventory management and medication safety. Medeco supplies a wide range of incontinence and wound treatment products and intensive-care disposables to healthcare institutions, GPs and pharmacies. Product sales are linked to supporting inventory management, cost control and product training. Medeco is also active in Belgium.

The acquisition of the healthcare trade activities of Oriola-KD in Finland, Sweden, Denmark, Estonia, Latvia and Lithuania has made Mediq the largest supplier of medical devices to healthcare institutions in the Nordics and Baltics as from June 2010. This acquisition has clearly improved our positioning with manufacturers.

The Swedish company Mediq Sverige delivers to healthcare institutions and GPs, and provides logistics solutions to healthcare institutions and manufacturers. Also in Sweden, Meteko delivers, often on an exclusive basis, medical devices for anaesthetics / IC, urology, surgery and personal protection.

Mediq Suomi in Finland provides a similar product and services portfolio to Mediq Sverige, plus deliveries to pharmacies and laboratories. Mediq Suomi also sells and maintains equipment for purposes including medical imaging, with the associated training for users.

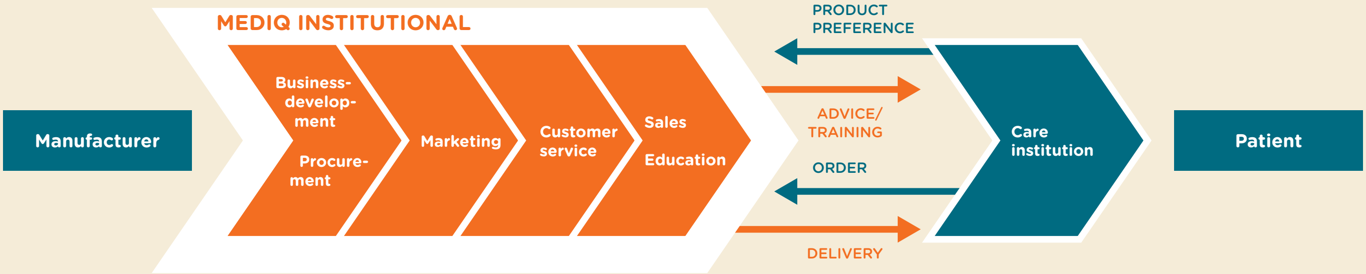
In Denmark, Mediq Danmark delivers medical devices in home healthcare settings ('direct') as well as a wide range of medical devices to healthcare institutions such as care homes and hospitals, and to GPs. Mediq Danmark in addition supplies products to bandagists and pharmacies.

Mediq Eesti in Estonia, Mediq Latvija in Latvia and Mediq Lietuva in Lithuania deliver a portfolio similar to that of Mediq Danmark.

Mediq Norge in Norway offers a similar range of products and services as Medeco in the Netherlands. Mediq Norge also supplies field hospitals to international aid organisations and governments.

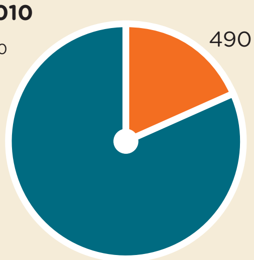
In Switzerland, Mediq Suisse sells mainly incontinence products to nursing and care homes.

Market	Market position *(data as at year-end 2010)*
Netherlands	• Market leader in deliveries of pharmaceuticals to hospitals • Market leader in deliveries of medical devices to hospitals and other healthcare institutions and GPs
Sweden	• Market leader in delivery of medical devices to healthcare institutions and hospitals. Also engages in logistics services for third parties
Finland	• Market leader in delivery of medical devices to healthcare institutions, hospitals and laboratories. Also engages in logistics services for third parties
Norway	• Market leader in delivery of medical devices to healthcare institutions and GPs
Denmark	• Market leader in delivery of medical devices to healthcare institutions, hospitals and GPs
Baltics (Estonia, Latvia, Lithuania)	• Niche player in delivery of medical devices to healthcare institutions, hospitals and GPs and laboratories
Switzerland	• Niche player supplying incontinence products to healthcare institutions and hospitals
Belgium	• Niche player supplying medical devices to hospitals and other healthcare institutions

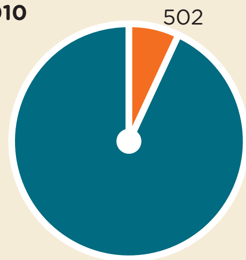


INSTITUTIONAL
AS SHARE OF MEDIQ

SALES 2010
X € 1,000,000



EMPLOYEES 2010
IN FTEs, AVERAGE



PHARMACIES

Mediq pharmacy is the largest pharmacy chain in the netherlands. We also have pharmacies in poland. Mediq pharmacies make a difference locally by pro-actively providing good information to the patient. The wholesaling operations handle logistical services in respect of pharmacies, gps, hospitals and other care institutions.

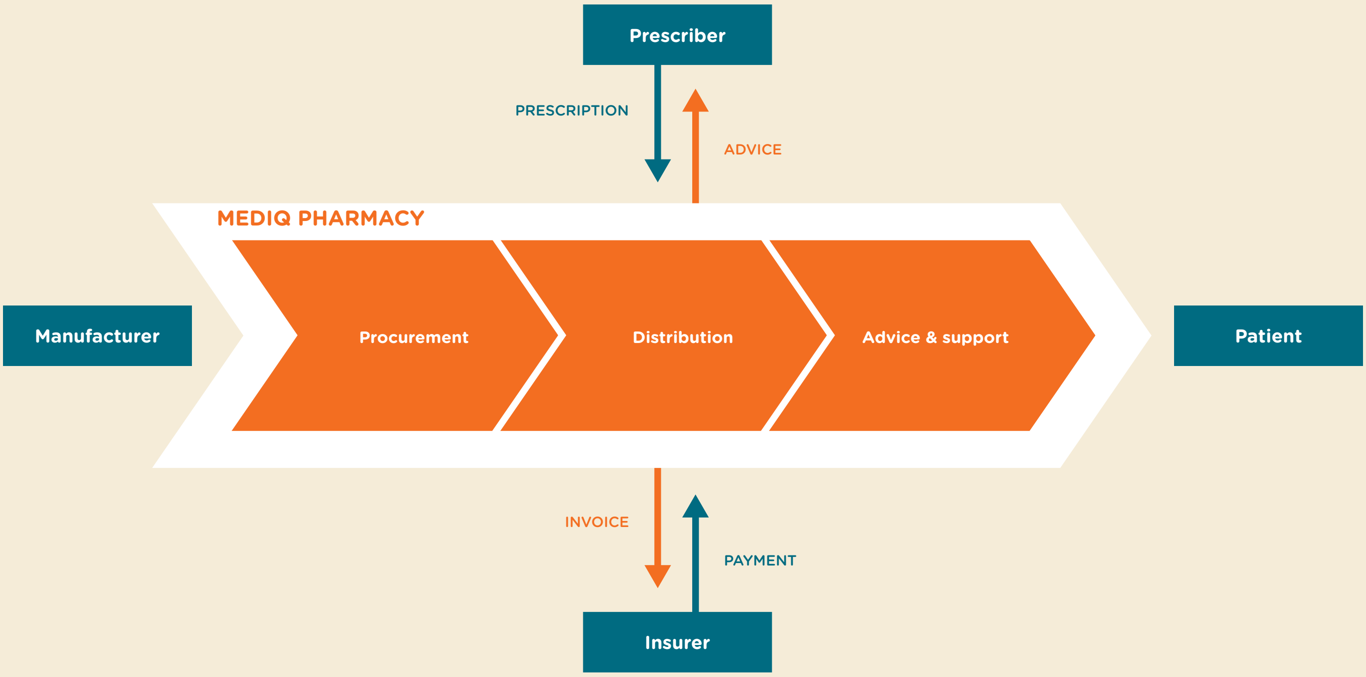
We have 225 pharmacies in the Netherlands. In addition, 20 Mediq Pharmacies are managed by independent pharmacists. 72 of our pharmacies are located in primary healthcare centres, which usually also house a number of GPs and sometimes other healthcare providers as well.

With a strong central organisation providing support for instance in the development of healthcare concepts, centralisation of repeat medication and administrative and accounting systems, there is more time and scope for care for patients in the pharmacy. The Mediq Pharmacy formula is recognisable, from the facade to its open, modern interior. Customers can expect the same range to be carried at all Mediq Pharmacies and use additional healthcare services such as the online self-management module www.mijnmedicijnkompas.nl, the SMS text message hay fever service or blood sugar test. The Mediq Pharmacy formula centres above all on expert advice. Not only for prescription pharmaceuticals, but also for other non-prescription healthcare products.

OPG Groothandel supplies about 200 independent partner-pharmacies, as well as the group-owned pharmacies. We are increasingly entering into cooperative alliances with these independent pharmacies, for instance in the form of franchises. We are aiming for a nationwide pharmacy network that safeguards the delivery of excellent uniform quality and care innovation to patients and healthcare insurers, and marries local entrepreneurship with central purchasing power and the central development of care concepts. Through OPG Medico, we have a leading position in the supply to dispensing GPs.

We have operated as a wholesaler and pharmacy chain in Poland since 1999. In view of its size and growth potential we are confident about the opportunities offered by the Polish market. Furthermore, businesses are also allowed to own pharmacy chains, which is not permitted in some other countries. In 2008 we started the roll-out of our retail formula in Poland as well. Virtually all our pharmacies in Poland now operate under the Mediq Pharmacy formula.

Market	Market position *(data as at year-end 2010)*
Netherlands	• Largest pharmacy chain with 225 pharmacies (market share of 13%) and 20 franchisees • Largest wholesaler with 26% market share
Poland	• No. 2 pharmacy chain with 199 pharmacies (market share of 2%) and 3 franchisees • 4th largest wholesaler, with 7% market share

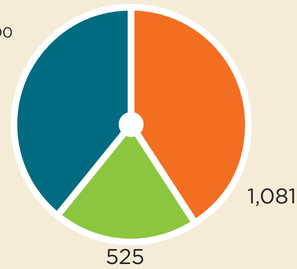


PHARMACIES NETHERLANDS AS SHARE OF MEDIQ

PHARMACIES INTERNATIONAL AS SHARE OF MEDIQ

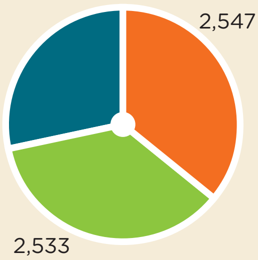
SALES

X € 1,000,000



EMPLOYEES

IN FTEs, AVERAGE



NETHERLANDS

AT YEAR END 2010

225 OWN PHARMACIES

20 FRANCHISEES

POLAND

AT YEAR END 2010

199 OWN PHARMACIES

3 FRANCHISEES

ORGANISATION

SEGMENTATION

We have organised the three distribution channels in the following segments: Direct & Institutional, Pharmacies Netherlands and Pharmacies International. In the segment Direct & Institutional these channels are clustered, as they interlock closely with each other. The institutional channel offers an entry to the market for direct deliveries. In addition, the group companies within the two channels combine their purchasing power and develop and jointly utilise a growing range of private label products.
The segmentation is the basis of our internal management reporting and therefore also of our financial reporting.

ORGANISATION CHART

The members of the Management Board and the Executive vice presidents jointly form the Executive Board, which is responsible for the company's operations.
Marc van Gelder is the Chief Executive Officer. Hans Janssen is a member of the Management Board and Chief Financial Officer.
Gerben Klein Nulent is responsible as Executive vice president for the pharmacy activities in the Netherlands and Poland. OPG Distrimed (the wholesaler for hospitals) also reports to him in view of its strong dependence on the infrastructure of OPG Groothandel.
Marcel van den Broek and Jesper Boysen are both Executive vice presidents for the Direct & Institutional segment. Marcel is responsible for the activities in the Netherlands (only direct), Germany, the USA and Hungary. Jesper is responsible for the activities in Denmark, Norway, Sweden, Finland, Estonia, Latvia, Lithuania, Switzerland and the Netherlands (only institutional).

Executive Board

Management Board
- Marc van Gelder (ceo)
- Hans Janssen (cfo)

Executive vice presidents
- Marcel van den Broek
- Jesper Boysen
- Gerben Klein Nulent

Direct & Institutional

NETHERLANDS	• CombiCare • Mediq Direct Diabetes • ZorgService NL • Red Swan • Tefa • Medisource
GERMANY	• Mediq Direkt Diabetes
HUNGARY	• Mediq Direkt
UNITED STATES	• Byram Healthcare

NETHERLANDS	• Medeco
BELGIUM	• Medeco
FINLAND	• Mediq Suomi
SWEDEN	• Mediq Sverige • Meteko
ESTONIA	• Mediq Eesti
LATVIA	• Mediq Latvija
LITHUANIA	• Mediq Lietuva
DENMARK	• Mediq Danmark • Opco
NORWAY	• Mediq Norge
SWITZERLAND	• Mediq Suisse

NETHERLANDS	Wholesaler for institutions • OPG Distrimed

Pharmacies Netherlands

NETHERLANDS	**Pharmacies** • Mediq Apotheken • Systemfarma • Mediq Central Filling Apotheek **Wholesaler for pharmacies** • OPG Groothandel **Wholesaler for dispensing GPs** • OPG Medico **Import of specialities** • Polyfarma

Pharmacies International

POLAND	**Pharmacies** • Mediq Apteka **Wholesaler for pharmacies** • ACP Pharma

PERSONAL PARTICULARS EXECUTIVE BOARD

From left to right: Jesper Boysen, Hans Janssen, Marc van Gelder, Marcel van den Broek en Gerben Klein Nulent.

MANAGEMENT BOARD

M.C. (Marc) van Gelder (1961) has been Chief Executive Officer since 1 December 2005. Before he joined Mediq on 1 January 2005, he had held positions at McKinsey & Company and Royal Ahold NV in logistics, retail marketing, strategy and line management. His last position was Chief Executive Officer of Peapod, Ahold's internet supermarket in the United States. He is a Dutch national.

Supervisory directorships/other offices
- Member of the Supervisory Board of Maxeda NV
- Adviser to 3i Benelux
- Member of the Managing Board of GIRP (European umbrella organisation of Pharmaceutical Full-Line Wholesalers)

J.G. (Hans) Janssen (1967) has been Chief Financial Officer and a member of the Management Board since 1 May 2008. Before he joined Mediq on that date, he held various positions at Unilever in the fields of finance, logistics, and mergers and acquisitions in the Netherlands, the UK, Singapore, Malaysia and Germany. He is a Dutch national.

EXECUTIVE VICE PRESIDENTS

G.J. (Gerben) Klein Nulent (1955) has been director of Mediq Apotheken Beheer BV since 1995. He was appointed an Executive vice president, with responsibility for Pharmacies Netherlands, on 1 August 2005. As of 1 August 2009 he has also been responsible for Pharmacies International, as part of which he also took on responsibility at the end of October 2010 for the day-to-day management of the activities in Poland. Until 1995, Mr Klein Nulent was an independent pharmacist in Rotterdam. He is a Dutch national.

Supervisory directorships/other offices
- Chairman of the Association of Pharmacy Chains (Associatie van Ketenapotheken – ASKA)

M.L.N. (Marcel) van den Broek (1954) has worked at Mediq as general manager of the direct activities since 1996. He was appointed an Executive vice president, with responsibility for Direct & Institutional, on 1 August 2005. Mr van den Broek had previously worked as general manager of Hoekloos Medische Technologie. He is a Dutch national.

Supervisory directorships/other offices
- Member of the Supervisory Board of Health Innovation Fund

J.B. (Jesper) Boysen (1960) was appointed an Executive vice president with responsibility for Direct & Institutional on 1 August 2009. Jesper Boysen was the managing director of Kirudan when Mediq acquired the Danish company in 2007, which now operates under the name of Mediq Danmark. Before 2006, Jesper worked as managing director in several Scandinavian companies, amongst which Mölnlycke Health Care (Nordic markets). He is a Danish national.

STRATEGY AND MANAGEMENT AGENDA BY SEGMENT

We have summarised our strategy (see 'Mission, trends and strategy') in a specific management agenda for each segment, providing updates on the progress we achieved in 2010 towards implementing our strategy, and on our action priorities for 2011.

DIRECT & INSTITUTIONAL

PRIORITIES FOR 2010	ACHIEVED IN 2010	PRIORITIES FOR 2011
GROWTH OF DIRECT AND INSTITUTIONAL ACTIVITIES		
Broaden portfolio and expand customer base		
• Expand cooperation with Mediq Pharmacy in the Netherlands • Develop strategy on integrated care in the Netherlands • Expand cooperation with home healthcare organisations in the USA • Establish specific marketing strategy targeting GPs • Expand portfolio in Germany • Expand portfolio in Switzerland	• Implemented combined services with Mediq Pharmacy in the Netherlands, in fields including diabetes and dietary advice • Developed strategy on integrated care; participated in various local initiatives • Expanded portfolio in Norway • Expanded cooperation with home healthcare organisations in the USA • Established specific marketing strategy targeting GPs via acquisition in Nordics and Baltics	• Further expand cooperation with Mediq Pharmacy in the Netherlands • Group-wide development and roll-out of loyalty, education and minority programmes • Broaden portfolio in Germany • Expand portfolio and strengthen and expand number of distribution points in Germany • Adapt business model for deliveries of medication in home healthcare settings to possible transfer of expensive pharmaceuticals to any hospital budget in the Netherlands
Exclusive distribution agreements		
• Increase number of distribution agreements	• Increased the number of agreements, in part via acquisition in Nordics and Baltics	• Further increase in number of agreements and expansion of existing agreements
Coordinated sourcing		
• Establish Mediq sourcing centre • Further expansion of private label accessories in selected product categories	• Mediq business development & sourcing center established	• Optimisation assortment private label products in several countries
Acquisitions		
• Actively seek acquisition opportunities, especially internationally.	• Acquisition in Nordics and Baltics • Acquired seconding agency for nursing staff in the Netherlands (Medisource)	• Actively seek acquisition opportunities
INCREASE EFFICIENCY		
Purchasing synergies by entering into international master agreements		
• Realise further purchasing synergies and expand premium brand range	• Realisation of further purchasing synergies	• Further expansion combined sourcing
Centralisation and standardisation of back office-processes		
• Restructure Medeco in the Netherlands: reduction by 40 FTEs • Implement new IT system in Denmark	• Restructuring Medeco finalised • Implementation new IT-system in Denmark almost finalised	• Disconnect IT-infrastructure in Sweden and Finland from Oriola-KD • Draw up and implement logistics masterplan Sweden • Integration newly acquired activities in Denmarken into Mediq Danmark • Stimulate webordering at direct activities

PHARMACIES NETHERLANDS

PRIORITIES FOR 2010	ACHIEVED IN 2010	PRIORITIES FOR 2011
STRENGTHEN LEADING PHARMACY FORMULA		
Deliver distinctive care services		
• Implement various combined services with Mediq Direct	• Implemented combined services with Mediq Direct, in fields including diabetes and dietary advice	• Further expand cooperation with Mediq Direct
Strengthen cooperation with other healthcare providers, insurers and manufacturers		
• Develop strategy for integrated care plus participate in local initiatives	• Developed strategy on integrated care; participated in various local initiatives in the Netherlands • In Rotterdam pilot asthma/ COPD-check-up executed with insurer Achmea • Compliance project on antidepressants executed with insurer De Friesland in Friesland region	• Continue and intensify participation local initiatives • Development and implementation of new care services • Proactive repeat medication • Start online pharmacy
Increase brand recognition		
• Continue campaign	• Successful national marketing campaign; (aided) brand recognition increased to 68%	• Continue national campaign, supported by monthly theme campaigns
Increase sales of non-prescription pharmaceuticals		
• Further increase, partly through new range	• Increase in private label assortment from 41 to 66 products	• Further growth non-prescription revenues • Expansion private label assortment to 100
Expand coverage of pharmacy formula		
• Selectively expand coverage, preferably via franchises • Rationalisation where possible	• Increase in number of franchisees from 16 to 20 • 4 relatively small pharmacies converted into distribution points and 1 less profitable pharmacy closed	• Selective expansion preferably via franchisees • Rationalisation where possible
INCREASE EFFICIENCY		
Increase productivity		
• Implement Phase 2 and start Phase 3 of reorganisation	• Phase 2 and 3 (total reduction with 200 FTEs) on track: 167 FTEs reduced, partly via strong growth centralisation repeat medication	• Finalise reorganisation (in part through implementation of centralised repeat medication at all Mediq pharmacies)
Centralise and standardise processes		
• Further optimisation of the integrated pharmacy accounting systems including invoicing process achieved	• Good progress achieved	• Further implementation of ICT applications and process improvements • Optimisation logistics infrastructure Mediq Apotheken and Mediq Direct in the Netherlands

PHARMACIES INTERNATIONAL - POLAND

PRIORITIES FOR 2010	ACHIEVED IN 2010	PRIORITIES FOR 2011
STRENGTHEN LEADING PHARMACY FORMULA		
Increase sales of non-prescription pharmaceuticals		
• Further expansion of private label range	• Portfolio private label assortment expanded	• Further expansion of private label range
Expand coverage of pharmacy formula		
• 160 Mediq pharmacies, of which 10 on franchise basis • Selectively expand coverage, partly through franchises; rationalisation where possible	• 170 own Mediq pharmacies plus 3 franchisees • Development of specific diabetes expertise in 40 pharmacies	• 180 own Mediq pharmacies plus 30 franchisees • Expansion specific diabetes expertise to 100 pharmacies
INCREASE EFFICIENCY		
Centralise and standardise processes		
• Further integration of distribution centres and customer service departments	• National distribution centre opened; 4 regional distribution centres integrated • Reduction personnel with 140 FTEs	• Structural lowering of cost level at wholesaling • Further integration
Integrated IT support		
• Select ERP system	• Decision taken to maintain current ERP-system	

REPORT OF THE MANAGEMENT BOARD

Operating result from ordinary activities +12%

REVIEW OF PERFORMANCE IN 2010

2010 was a good year for Mediq. We took important strategic steps and achieved good financial results. Operating result was € 114.5 million. The net effect of non-operational items was € 13.4 million lower in 2010 than in 2009, and operating result from ordinary activities consequently improved by 12% to € 108.8 million. As in the preceding years, Direct & Institutional achieved a significant increase of operating result from ordinary activities. Due to the successful implementation of the strategy at Pharmacies Netherlands this segment's operating result from ordinary activities likewise rose substantially.

INCOME STATEMENT

x € 1,000,000	2010	2009	CHANGE
Net sales	2,633.9	2,602.7	1%
EBITA from ordinary activities*	116.9	101.9	15%
Operating result from ordinary activities*	108.8	97.0	12%
Operating result	114.5	116.1	– 1%
Net finance income and costs	– 13.4	– 14.6	
Results of associates	1.1	1.1	
Income tax expense	– 23.8	– 25.8	
Result after income tax	78.4	76.8	2%
• shareholders (net result)	76.7	74.5	3%
• minority interests	1.7	2.3	
Earnings per share	1.30	1.27	2%
Dividend per share (x € 1)	0.46	0.44	5%
Operating margin	4.1%	3.7%	
Operating margin on ordinary activities	4.3%	4.5%	
Return on average capital employed	15.4%	16.9%	
Return on average equity	16.9%	18.6%	
Cash flow from operating activities	82.8	104.7	
Capital expenditure	20.6	33.0	
Acquisitions	90.4	0.5	
Average number of FTEs	7,075	6,944	

* Adjusted for non-operational items.

Direct & Institutional recorded strong sales growth, particularly through the acquisition in the Nordics, while Pharmacies International's sales were adversely impacted by the disposal of the pharmaceutical activities in Belgium in 2009. Sales at Pharmacies Netherlands increased slightly.

Net result increased by 3% to € 76.7 million, due to lower net finance costs and lower taxes. In line with this increase, a dividend of € 0.46 per share is proposed, up 5% from 2009.

Net sales

Sales rose 1% (€ 31.2 million) to € 2,634 million due to the effect of acquisitions at Direct & Institutional (+ 5%), organic growth (+ 1%) and the appreciation of the Polish zloty and US dollar (+ 2%). The disposal of our Belgian pharmaceutical activities in 2009 (Pharmacies International) adversely impacted sales by 7%. The segment Direct & Institutional recorded sales growth of 18%, of which 2% was achieved on an organic basis. Sales at Pharmacies Netherlands rose by 1%. Sales at Pharmacies International fell 21%, mainly due to the disposal of our Belgian pharmaceutical activities (– 26%).

Operating result

At € 114.5 million operating result was slightly lower than in 2009. Excluding non-operational items, operating result rose 12% to € 108.8 million.

As in preceding years, the segment Direct & Institutional reported a further surge in results. Operating result from ordinary activities was € 86.1 million, up 15%.

Operating result from ordinary activities of Pharmacies Netherlands increased by € 6.5 million, or 35%, to € 25.0 million, driven mainly by the lower operating costs that were one of the key results of our successful strategy implementation.

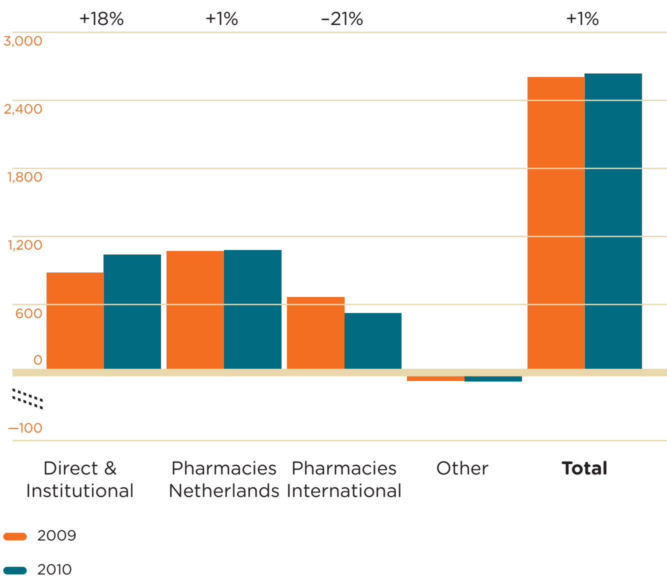
Operating result from ordinary activities at Pharmacies International fell € 3.2 million to € 2.0 million due to the effect of temporarily higher costs at the national distribution centre in Poland and the disposal of our Belgian pharmaceutical activities in the second half of 2009.

The group's operating margin edged down from 4.5% to 4.3%. Excluding non-operational items, operating margin rose from 3.7% to 4.1%. This was due to a higher margin at Pharmacies Netherlands and a higher share of Direct & Institutional in the group's total sales, partly offset by a lower operating margin at Pharmacies International.

As from 2011 we will apply EBITA (operating result before amortisation of customer relationships) as the main measure for assessing the financial results of the segments. EBITA more accurately reflects the contribution of acquired businesses to Mediq's results over time and improves the comparability of results.

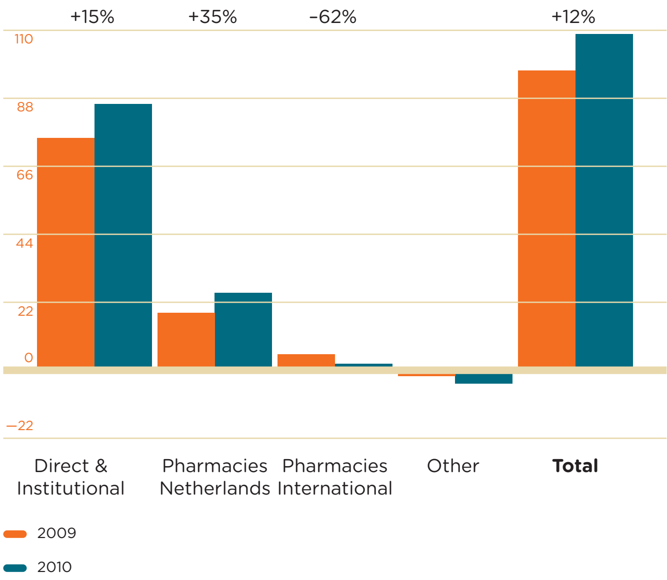
NET SALES

X € 1,000,000



OPERATING RESULT FROM ORDINARY ACTIVITIES

X € 1,000,000



OPERATING AND NET RESULT EXCLUDING NON-OPERATIONAL ITEMS

X € 1.000.000	2010	2009	CHANGE
Operating result	114.5	116.1	– 1%
Less: book profit sale & lease back [2]	2.0		
Add: goodwill impairment Poland [3]	– 2.2		
Less: book profit real estate Belgium [4]	2.7	0.8	
Less: book profit on disposal of Belgian activities [3]		7.7	
Less: release of provision [3]		3.1	
Lees: (release of) provision for legal claims [3]	0.6	– 0.6	
Less: book profit on sale & lease back [1]		5.6	
Add: write-off receivable [4]		– 1.3	
Less: result on Anzag [4]	2.6	3.8	
Operating result from ordinary activities	**108.8**	**97.0**	**12%**
Net result	76.7	74.5	3%
Less: above adjustments after income tax	4.2	16.9	
Net result from ordinary activities	**72.5**	**57.6**	**26%**

1 Direct & Institutional
2 Pharmacies Netherlands
3 Pharmacies International
4 Other

Finance income and costs
Net finance costs were € 13.4 million, € 1.2 million lower than in 2009. Compared to 2009, net debt increased slightly from € 175 million to € 178 million, due to the effect of the acquisition in the Nordics and Baltics. The average interest rate on loans in 2010 was 4.1% (2009: 4.6%).

Taxation
Taxation decreased by € 2.0 million to € 23.8 million. The effective tax burden was 23.3%, which is 2.5% lower than the weighted average nominal tax burden. This was mainly due to the release of two provisions raised in the past. Another item that affected the tax burden in 2010, concerns the positive result on our stake in Anzag.

Net result and earnings per share
On balance the above items led to a net result for 2010 of € 76.7 million, compared to € 74.5 million for 2009, and to a corresponding increase in earnings per share from € 1.27 to € 1.30.

The table above excludes non-operational items from operating and net result to arrive at the operating and net result from ordinary activities.

CASH FLOW STATEMENT, BALANCE SHEET, RATIOS AND FINANCING

We use the indirect method to calculate our cash flows. The net cash flow for 2010 was € 149.9 million lower than for the preceding year.

Cash flow from operating activities was down € 21.9 million, mainly due to higher tax payments and a lower decrease in working capital than in 2009. The average working capital as a percentage of net sales decreased slightly.

Operating result from ordinary activities + 12%

Cash flow from investing activities in 2010 was € 63.7 million negative. A total of € 90.4 million was spent on acquisitions, of which the most important was that of Oriola Healthcare Trade in the Nordics and Baltics (€ 79.4 million). Total capital expenditure in 2010 of € 20.6 million, relating principally to ICT in the Netherlands and Denmark, robots for the central processing of repeat medication and chain development in Poland, was down € 12.4 million from 2009. The sale of our stake in Anzag, the sale & leaseback of 32 pharmacy properties in the Netherlands and the sale of real estate in Belgium led to a positive cash flow from investing activities of € 42.2 million.

CASH FLOW STATEMENT

X € 1,000,000	2010	2009
Cash flow from operating activities	82.8	104.7
Cash flow from investing activities	– 63.7	16.9
Cash flow from financing activities	– 60.4	– 13.0
Net cash flow	**– 41.3**	**108.6**

Cash flow from financing activities in 2010 was € 60.4 million negative. Repayments of bilateral loans amounted to € 80 million and bank loans of € 40 million were raised under new facilities of € 107 million. Cash flows for our shareholders in the form of dividend were € 15.8 million and on balance resulted in a € 2.3 million higher outflow than for 2009. In 2009 the net cash flow from financing activities was € 13.0 million negative and consisted mainly of dividends paid.

Working capital

Working capital as a percentage of sales improved slightly in 2010. Receivables turnover improved compared to 2009. Inventories and payables turnover decelerated slightly due to mix effects and a temporarily increased level of working capital in Poland. Working capital totalled € 185.2 million at year-end 2010.

Financing

Net debt totalled € 177.5 million (2009: € 175.1 million) at year-end 2010. In addition to limited credit facilities of group companies for the day-to-day payment transactions, the group has credit facilities of € 432 million in the Netherlands, of which around € 345 million are committed. The headroom under our committed facilities at year-end 2010 was € 115 million. In 2010, € 80 million was repaid in expiring bilateral bank loans and new committed facilities of € 107 million were entered into. The next repayment of the credit facilities is scheduled for December 2011 and amounts to € 32 million.

The weighted average term of all credit facilities available to Mediq is 2.7 years. Variable interest on loans drawn under these facilities is currently converted into a fixed interest by using interest rate derivatives.

The interest cover at year-end 2010 was 11.8 (2009: 8.9) and the debt ratio at year-end 2010 was 1.1 (year-end 2009: 1.3). Both ratios therefore comfortably meet covenants in credit agreements of an interest cover of at least 5.0 and a debt ratio of at most 3.5. For an explanation of the terms see the section ‘Glossary of Terms’ in this Annual report.

Return on average capital employed

Return on average capital employed was 15.4% and therefore above our minimum requirement of 15% (2009: 16.9%). Average capital employed increased in 2010 due to the acquisitions. Return on average equity at 16.9% was down from 18.6% in 2009.

Dividend

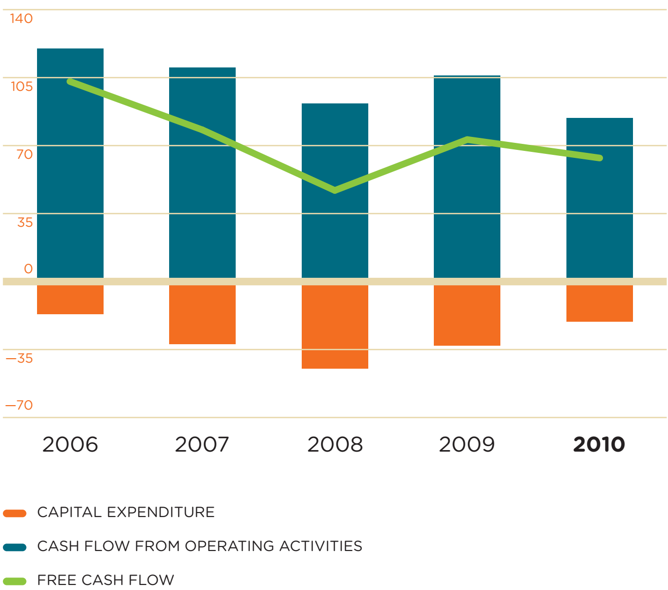
We propose to distribute a final dividend of € 0.31, making for a total dividend of € 0.46 (2009: € 0.44) for 2010. This represents a pay-out of 35%, which is in line with our target. Shareholders can elect to receive dividend in cash or in shares.

Outlook

We are confident about 2011, given the positive developments at Direct & Institutional and Pharmacies Netherlands. Our strategic priorities for 2011 are unchanged: growth of Direct & Institutional, further strengthening of our leading pharmacy formula and efficiency improvements.

FREE CASH FLOW

X € 1,000,000



REVIEW BY SEGMENT

Direct & Institutional

- Significant acquisition in Sweden, Finland, the Baltics and Denmark.
- Sales growth of 18%, of which 15% from acquisitions and 2% on an organic basis.
- Growth of EBITA from ordinary activities of 18%, achieved principally in Denmark and the Netherlands and through the above acquisition.

Market developments in 2010

The principal markets (diabetes, ostomy, nutrition and incontinence) experienced organic growth, but the diabetes market grew more slowly than in preceding years. Insurers in the USA have introduced reimbursement limits and sales of diabetes supplies in Germany were under pressure, particularly in the first three quarters of the year, following adjustments of the business model due to regulatory changes in the summer of 2009.

The increased influence of insurers and purchasing combinations has led to an increase in the number of public tenders in several of our markets, which has led to pressure on prices.

Notes on the result

Sales grew 18% in 2010, of which 2% on an organic basis and 15% from acquisitions. Exchange rate effects contributed another 1%. Sales growth from acquisitions was achieved mainly by the acquisition of the healthcare activities of Oriola KD in Sweden, Finland, Denmark and the Baltics as of 31 May 2010. This acquisition boosted the share of sales achieved abroad to 45% of the segment total, versus 38% a year ago. This reflects our strategy of expanding our direct and institutional activities, particularly outside the Netherlands. In addition there was growth from acquisitions due to relatively small additions to our existing platforms in the Netherlands (acquisition of Medisource on 4 January) and Denmark (acquisition of Opco on 10 March).

Sales growth of the direct activities in the Netherlands was achieved in deliveries in home healthcare settings of both medical devices and pharmaceuticals. Infusion therapy, enteral nutrition and incontinence reported particularly strong sales growth. Sales growth in the direct channel outside the Netherlands was 2% in 2010 and was hampered by adjustments of the business model in Germany due to the regulatory changes in the summer of 2009. Sales growth in Germany rebounded in the fourth quarter. Also, although diabetes sales slowed in the USA due to the reimbursement limits introduced by insurers, overall sales in the USA grew by 4% (in local currency).

Sales growth in the Netherlands for deliveries of pharmaceuticals and medical devices to institutions was 2%, slowing from previous years due to persistent price pressure at hospitals and a shift to direct deliveries of certain pharmaceuticals. The strong increase in sales in the institutional channel outside the Netherlands was mainly caused by the above acquisition in the Nordics and Baltics as of 31 May, which contributed € 121.5 million in sales, in line with expectations.

FIGURES DIRECT & INSTITUTIONAL

X € 1,000,000	2010	2009	CHANGE
Direct sales in the Netherlands	**310.0**	**284.0**	**9%**
Direct sales outside the Netherlands	**260.6**	**254.5**	**2%**
Institutional sales in the Netherlands	**277.8**	**271.1**	**2%**
Institutional sales outside the Netherlands	**212.4**	**82.5**	**> 100%**
Eliminations	**– 20.2**	**– 10.6**	
Net sales	1,040.6	881.5	18%
EBITA from ordinary activities	94.1	80.0	18%
Operating result from ordinary activities	86.1	75.1	15%
Operating result	86.1	80.7	7%
EBITA margin on ordinary activities	9.0%	9.1%	
Operating margin on ordinary activities	8.3%	8.5%	
Operating margin	8.3%	9.2%	
Capital employed	302.5	210.3	
Return on average capital employed	31.4%	36.3%	
Cash flow from operating activities	66.8	70.7	
Capital expenditure	7.2	6.3	
Acquisitions	85.1	–	
Number of employees (in FTEs, average, including temporary)	1,944	1,632	

'Eliminations' relates to sales between 'Institutional' and 'Direct'.

Operating result increased by € 5.4 million. It comprised a non-operational book gain of € 5.6 million in 2009 due to the sale & leaseback transaction of a property in Norway, and € 0.9 million in 2010 in acquisition costs (in connection with the acquisition in the Nordics and Baltics). EBITA from ordinary activities rose € 14.1 million, or 18%, as a result of the organic sales growth, the acquisition mentioned above and operating cost containment.

Operating margin from ordinary activities was 8.3%, slightly down from 2009, when it was 8.5% (from ordinary activities). The decrease is attributable mainly to higher amortisation of customer relationships and mix effects arising from the acquisition in the Nordics and Baltics. The operating margin of 8.3% achieved on ordinary activities comfortably met the targeted operating margin of 7.5% to 8.5%. The EBITA margin on ordinary activities was 9.0%, little changed from 9.1% last year.

Cash flow from operating activities was € 66.2 million (2009: € 70.7 million). The positive effect of the higher operating result was offset by higher working capital due to sales growth in Sweden in particular.

The average number of employees (in FTEs, including temporary) increased by 312 to a total of 1,944, mainly due to the acquisition in the Nordics and Baltics as of 1 June.

Outlook for 2011

We are expecting a further increase in sales, both on an organic basis and from acquisitions, partly due to further ageing of the population, a further shift to direct deliveries in home healthcare settings and a further increase in the number of expensive pharmaceuticals.

Achieving purchasing synergies remains a spearhead. This enables us to mitigate the effects of price pressure from insurers, in particular. We expect a growing portion of our sales to be achieved from tendering procedures. New initiatives for this can come from both governments (Germany, USA) and healthcare insurers (Netherlands). As the largest market party we also see scope for volume growth.

Pharmacies Netherlands

- Results trended up due to successful implementation of the strategy.
- Reorganisation progressing ahead of schedule.
- Successful centralisation of repeat medication.

Market developments in 2010

Only the lowest-price of generic pharmaceuticals are reimbursed under the preference policy pursued by the health insurers since mid-2008. The purchasing margin on generic pharmaceuticals, for years the main source of income for pharmacies, has fallen steeply as a consequence. The preference policy was again expanded further in 2010.

Overall, the pharmaceuticals market expanded by 1% in 2010, reflecting growth in the number of prescription lines on the one hand and price decreases on the other hand. Price decreases due to the preference policy and the Pharmaceuticals Pricing Act (WGP - Wet Genees-middelenprijzen – see the section 'System of Fees and Reimbursements') have been partly offset by an increase of the dispensing fee.

Notes on the result

Segment sales remained stable. Price decreases for generic pharmaceuticals due to the preference policy and the WGP and fierce price competition for our wholesaling operations were compensated by volume growth and a higher dispensing fee.

FIGURES PHARMACIES NETHERLANDS

X € 1,000,000	2010	2009	CHANGE
Wholesaling sales	**848.7**	**852.1**	**0%**
Pharmacy sales	**629.4**	**624.5**	**1%**
Eliminations	**– 396.9**	**– 406.6**	
Net sales	1,081.2	1,070.0	1%
Operating result from ordinary activities	25.0	18.5	35%
Operating result	27.0	18.5	46%
Operating margin on ordinary activities	2.3%	1.7%	
Operating margin	2.5%	1.7%	
Capital employed	296.2	329.3	
Return on average capital employed	8.2%	5.5%	
Cash flow from operating activities	42.6	36.3	
Capital expenditure	10.4	12.8	
Acquisitions	1.5	0.5	
Number of employees (in FTEs, average, including temporary)	2,547	2,657	

'Eliminations' relates to wholesaling sales to group-owned pharmacies.

The sales of our wholesaling operations remained virtually level. Compared with 2009 there were substantial changes in the customer base: on the one hand an increase of the customer base by 45 pharmacies in the fourth quarter of 2009 and on the other the departure of 30 Lloyds pharmacies as of 1 June 2010 as a result of the merger of the activities of Lloyds and Brocacef in the Dutch market.

Sales at a pharmacy level rose by around 1%. The negative effects of the expansion of the preference policy and price decreases as a result of the WGP were compensated by the higher volume and the increase in the dispensing fee as of January. Our market share is stable with 13%.

The implementation of the second and third phases of the reorganisation process, which targets a reduction of the workforce by 200 FTEs by the end of 2011 compared to 2009, is progressing ahead of schedule. A reduction by 167 FTEs was achieved in 2010. At present 195 pharmacies, among which 150 group-owned pharmacies, have the greater part of their repeat medication processed by Mediq Central Filling Pharmacy. Central compounding was subcontracted to an external partner in the course of 2010.

Progress was also achieved in the implementation of the strategy to boost sales. The nationwide Mediq Pharmacy marketing campaign was successful: the (aided) brand recognition improved further to 68% in 2010. The number of private label products rose from 41 to 66.

Operating result from ordinary activities rose € 6.5 million, as a slight decrease of the gross profit margin was more than offset by the benefit of cost savings and a lower provision in 2010 than in 2009 for the ongoing reorganisation, of respectively € 2.9 million and € 4.1 million. In addition, there were non-operational proceeds of € 2.0 million in 2010 relating to the sale & leaseback of 32 pharmacy properties.

In 2010 we acquired five pharmacies, converted four relatively small pharmacies into dispensing points and closed one underperforming pharmacy, bringing the total number of pharmacies at year-end 2010 to 225. Of these 8 are held as a minority shareholding (2009: 225 and 8 respectively). Additionally, the number of Mediq Pharmacies on a franchise basis rose from 16 to 20. Meanwhile, 72 of our pharmacies form part of primary healthcare centres, which also house a number of GPs and sometimes other healthcare providers as well.

We invested € 10.4 million in distinctive healthcare programmes and process innovations to improve our services and maintain our future profitability in a changing market. The principal investments were in robots for the central processing of repeat medication and ICT. Overall, capital expenditure at € 10.4 million was down € 2.4 million from 2009.

The average number of employees fell by 110 to 2,547 due to the workforce reduction launched in mid-2008. The number of FTEs at Systemfarma, the group company that packages pharmaceuticals by ingestion time at a central location, has grown again, reflecting strong volume growth.

Cash flow from operating activities, at € 42.6 million, was € 6.3 million higher than last year, due mainly to the higher operating result. Working capital as a percentage of sales was slightly lower than in 2009 and also boosted cash flow.

Outlook for 2011

Revenues will decline slightly due to the loss of 30 Lloyds pharmacies at our wholesaling operations per June 2010. The dispensing fee, i.e. the payment received for dispensing a prescription pharmaceutical, was reduced as of January 2011 from € 7.91 to € 7.50 (see section 'System of Fees and Reimbursements' for more information). This decrease in combination with a further expansion of the preference policy and the reduction of the clawback from a temporarily higher level in 2009 and 2010 to the standard percentage of 6.82% will cause a negative effect of € 8 million compared to 2010.

Large increase of brand recognition, and centralisation and standardisation of processes

This effect will be largely offset by cost savings resulting from the reorganisation and volume growth.

Pharmacies International

- Sales decline due to disposal of Belgian activities and organic decrease of wholesaling in Poland.
- Sales growth of pharmacies in line with the market.
- Operating result from ordinary activities decreased due to higher costs of national distribution centre.
- Roll-out of Mediq Pharmacy formula in Poland virtually completed.

Pharmacies International includes our activities in Poland and Belgium (up to October 2009, when the pharmaceutical activities in Belgium were sold).

Market developments in 2010

The market for pharmaceuticals in Poland grew by around 5% in 2010, slowing slightly compared to previous years (7%). The total number of pharmacies edged down again.

FIGURES PHARMACIES INTERNATIONAL

x € 1,000,000	2010	2009	CHANGE
Wholesaling sales Poland	**457.9**	**440.6**	**4%**
Wholesaling sales Belgium	**–**	**167.7**	**> – 100%**
Pharmacy sales Poland	**158.9**	**134.7**	**18%**
Pharmacy sales Belgium	**–**	**4.3**	**> – 100%**
Eliminations	**– 91.5**	**– 84.1**	
Net sales	525.3	663.2	– 21%
Operating result from ordinary activities	2.0	5.2	– 62%
Operating result	0.4	15.4	– 97%
Operating margin on ordinary activities	0.4%	0.8%	
Operating margin	0.1%	2.3%	
Capital employed	121.4	103.4	
Return on average capital employed	0.3%	14.4%	
Cash flow from operating activities	– 14.1	0.8	
Capital expenditure	1.9	8.3	
Acquisitions	3.8	–	
Number of employees (in FTEs, average, including temporary)	2,533	2,589	

'Eliminations' relates to wholesaling sales to group-owned pharmacies.

Notes on the result

The sales decrease was caused by the sale of our activities in Belgium (-26%) and an organic sales decrease of 2%, which occurred mainly in wholesaling in Poland. This was partly offset by the appreciation of the zloty of 6% and an acquisition effect of 1%.

Sales of the wholesaling activities in Poland decreased by 4% in local currency due to the tightened credit policy and the phase-out of pre-wholesale activities. Our market share remained level at 7% at year-end 2010.

Sales of our Polish pharmacy chain rose by 9% in local currency due to organic growth (5%) and acquisitions (4%). This organic growth was in step with market growth. Significant progress was achieved in building up specialist knowledge, partly through specific diabetes expertise in 40 pharmacies, and by stimulating sales of OTC pharmaceuticals, partly by expanding the range of private label products.

Operating result fell € 15.0 million to € 0.4 million. This decrease was largely caused by a number of non-operational items. We recognised a goodwill impairment of € 2.2 million in the fourth quarter of 2010. This was prompted by revised assessments of sales developments in the pre-wholesale activities. This concerns all the goodwill relating to the wholesaling operations.

2009 included a book gain on the sale of wholesaling activities and pharmacies in Belgium of € 7.7 million. In addition a legal action was successfully completed during 2009, and consequently the provision raised for this was released.

OPERATING RESULT PHARMACIES INTERNATIONAL EXCLUDING NON-OPERATIONAL ITEMS

x € 1,000,000	2010	2009	CHANGE
Operating result	**0.4**	**15.4**	**> – 97%**
Less:			
Goodwill impairment in wholesaling	– 2.2		
Release of provision for legal claims	0.6		
Book gain on sale of Belgian activities		7.7	
Release of provision for claim (Poland)		3.1	
Provision for legal claim (Poland)		– 0.6	
Operating result from ordinary activities	**2.0**	**5.2**	**– 62%**

The decline in operating result from ordinary activities by € 3.2 million was partly due to the disposal of our Belgian pharmaceutical activities. In addition the cost level at the wholesaling operations in Poland was temporarily higher as the integration of two regional distribution centres fell behind schedule owing to extra training and instruction. As part of further-reaching efficiency improvements we raised a one-off reorganisation provision of € 0.4 million. The integration of both regional distribution centres into the national distribution centre has now been completed, as has the workforce reduction by 140 FTEs.

We acquired eight new pharmacies in the first quarter when we took over the pharmacy chain Corda, strengthening a number of regional positions. In addition, one under-performing pharmacy was closed. On balance this brought the number of pharmacies at year-end to 199 (2009: 192). The roll-out of the Mediq Pharmacy formula is progressing well. In the past year we rebranded 46 of our pharmacies to the Mediq Pharmacy formula, bringing the total number of Mediq Apteka pharmacies to 170 at year-end.

Capital expenditure of € 1.9 million was significantly lower than in 2009, which had included a large number of major investment projects, for instance the development of the new national distribution centre, ICT and the roll-out of the Mediq Pharmacy formula.

Cash flow from operating activities was € 14.1 million negative, a deterioration of € 14.9 million compared to 2009. The negative cash flow during the financial year was caused by a temporarily higher working capital requirement as a result of the delayed integration of a number of regional distribution centres.

Outlook for 2011

We expect organic growth to be slightly ahead of the market at our pharmacies and an organic growth in line with the market at our wholesaling activities. We also expect to achieve improved profitability both at our pharmacies and wholesaling operations.

Other

'Other' includes the results of activities not allocated to segments. Operating result decreased by € 0.5 million. The result on our 6% stake in the listed German pharmaceutical wholesaler Andreae-Noris Zahn AG (Anzag) from dividends received and realised share price changes was € 2.6 million, down € 1.2 million from 2009. We sold this stake, which has not been part of our core activities for some time, on 21 December.

The year 2010 also included a book gain of € 2.7 million on the sale of the remaining real estate in Belgium that we still held in connection with the pharmaceutical activities sold in 2009, whereas 2009, by contrast, included net charge € 0.5 million for non-operational items.

Adjusted for all non-operational items operating result declined by € 2.5 million, partly due to acquisition costs relating to the acquisition in the Nordics and Baltics (€ 1.2 million) and higher corporate costs.

FIGURES OTHER

X € 1,000,000	2010	2009	CHANGE
Net sales	– 13.2	– 12.0	
Operating result	1.0	1.5	– 33%
Capital employed	20.9	26.3	
Capital expenditure	1.1	5.5	
Number of employees (in FTEs, average, including temporary)	52	64	

AT MEDIQ, THE PATIENT COMES FIRST. THIS IS NOT JUST AN EMPTY SLOGAN. FOR INSTANCE, WE OFFER PATIENTS EVERY CONVENIENCE OF DELIVERIES TO THEIR HOME. FOR SOME, THIS IS SIMPLY A NECESSITY: IF YOU HAVE A SERIOUS ILLNESS, IT WILL NOT ALWAYS BE EASY FOR YOU TO GO OUT. MEDIQ DELIVERS NOT JUST MEDICAL DEVICES AND PHARMACEUTICALS TO PEOPLE'S HOMES BUT NURSING CARE AS WELL. THIS CAN RANGE FROM ADMINISTERING MEDICATION TO PROVIDING INSTRUCTION ON THE USE OF MEDICAL EQUIPMENT. HOME DELIVERIES OF SUPPLIES ARE ALSO WELCOMED BY ELDERLY PEOPLE WITH LIMITED MOBILITY. BUT YOU DON'T HAVE TO BE SERIOUSLY ILL OR LIMITED IN YOUR MOBILITY TO BENEFIT FROM THE CONVENIENCE OF HOME DELIVERIES. WE DELIVER MANY PRODUCTS VIA MAIL ORDER.

Products and care **at home**

'BYRAM HEALTHCARE GAVE ME GREATER INDEPENDENCE'

Fifteen years or so ago, Joseph was diagnosed with diabetes and lymphoedema, which produces fluid accumulations in his legs. One thing led to another and what followed was a downward spiral. 'It's so strange to see how much my body has changed in the past ten years. I used to be able to do anything I wanted, but now I can't even walk up the stairs! I take several medicines every day. In the past I kept track of all that medication myself. Lots of different suppliers who told me what to do and what not. And I also had to make sure my supplies didn't run. Terrible. All I want is to concentrate on the best way of dealing with my illness. That's why I'm extremely happy with Byram Healthcare. They really do take care of everything for me. No more complicated telephone calls or forms, and all medication is delivered to my home within two or three days. They also supply a special apparatus that pushes the fluids in my legs back into my body. So now I can move about a little again and play with my grandchildren. Byram Healthcare has given me back a little independence and taken a huge weight off my shoulders.'

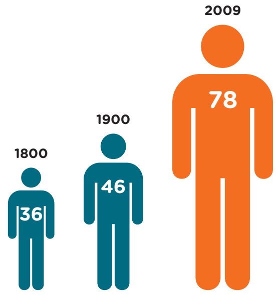
Joseph Logiudice
aged 62, a Byram Healthcare customer

'EVERYTHING IS TAKEN CARE OF'

For the past five years or so, Miriam has had hypogammaglobulinemia, a rare immune disease. Her white blood cell count is very low and she is very susceptible to infectious diseases. 'I always had the feeling that something was wrong with me. I often had a temperature, colds and flu's always hit me harder than most, small wounds were slow to heal and I was often tired. Something just wasn't right. It sounds strange, but I was ecstatic when I was finally diagnosed: I really was sick, it wasn't just my imagination! Unfortunately, there is no cure for my illness, but I'm feeling much better now, with the medication. I get a drip with medication once every three weeks. Red Swan arranges for a nurse practitioner to come to my home to bring the medication and connect the drip. I have drip supplies here: tubing, bags, needles, etc. When they run out, I reorder them from Tefa and they are promptly delivered the next day." As a care provider, Miriam no longer works evening and night shifts. But otherwise, she feels, she has not had to change her life all that much because of the illness. "As long as my situation is stable, I can live with it quite well.'

Miriam Meihuizen

aged 42, a Tefa and Red Swan customer

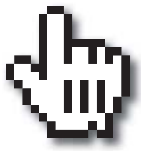


Life expectancy doubled!

Life expectancy in the 14 countries in which we are active surged spectacularly in the previous century. The average was 36 years in 1800, advanced to 46 years by 1900, and is currently as high as 78 years.

Source: gapminder.org

Redefinition of roles due to Internet



The Internet has narrowed the information gap between people and care providers. At first, the Internet was mainly a one-way data highway: people looked up information on their condition and became increasingly more empowered as a result. In the past few years the Internet has also developed into a platform for dialogue and discussion. Through patient associations' websites for instance, but even more so through social media such as Facebook, Twitter and Hyves. While this kind of informal information is not always reliable, many people do care about others' opinions, and interest in healthy lifestyles as a way of preventing diseases has grown apace. These trends require care providers to take a different approach for their patients. To become better listeners and to give patients a say in their own treatment – to give them a more active role.

Source: Council for Public Health and Care

HOME DELIVERIES: MODERN OR ...

Shopping from home is nothing new in itself. Think of the pedlars that often went around in earlier times, carrying their wares in a basket on their back. Similarly, there were pharmacists who ventured out with a travelling pharmacy to deliver their pharmaceuticals. This was followed by a time in which people, by contrast, enjoyed their improved mobility and liked going shopping themselves and choosing from the wider range on offer, which gave rise to large department stores. But today we are very selective about how we spend our precious time. The emergence of the Internet offers ample scope for a highly successful comeback for shopping from home. But not all suppliers prove to be trustworthy. That represents an opportunity for Mediq, which can be relied on for safe, premium quality products and devices and the associated care.

Fees and reimbursements for pharmaceutical care and the delivery of medical devices

THE REIMBURSEMENT SYSTEMS FOR PHARMACEUTICALS AND THE DELIVERY OF MEDICAL DEVICES IN THE VARIOUS COUNTRIES ARE COMPLEX. INCOME IS DETERMINED TO A SIGNIFICANT EXTENT BY THE GOVERNMENT AND INSURERS. THIS SECTION DISCUSSES THE KEY LEGISLATION, REGULATIONS AND PAYERS IN THE MOST RELEVANT COUNTRIES IN THIS CONTEXT.

The responsibility for the provision of prescription pharmaceuticals forms the basis for the principal, and most thoroughly regulated, source of income of Dutch pharmacies. Our pharmacies also earn income on the sale of pharmaceuticals, medical devices and products that are available without a medical prescription, known as self-care pharmaceuticals.
The income of a Polish pharmacy comes from the sale of prescription pharmaceuticals (around 60% of its sales) and from other products (around 40% of its sales).
We deliver medical devices and related services via the channel Direct & Institutional, largely on the basis of an authorisation from the insurer or other payer.

PHARMACEUTICAL CARE IN THE NETHERLANDS

The income of a Dutch pharmacy consists of three elements: the dispensing fee, the purchasing fee and margins on prescription pharmaceuticals and the sale of self-care pharmaceuticals and other products, including care products (OTC).

DISPENSING FEE

The dispensing fee is the fee a pharmacy receives from the healthcare insurer in return for its services. These services are provided, for instance, in connection with the (initial) dispensing of pharmaceuticals to patients, pharmaceuticals that are offered in weekly dosage packages and in connection with pharmaceuticals made by the pharmacy (known as magisterial preparations). The average dispensing fee as of 1 January 2010 was € 7.91. There was scope for departing from this fee up to a maximum of € 10.00.

The average dispensing fee has been reduced to € 7.50 as from January 2011. This 'transitional fee' (see section on 'Policy developments 2011') is lower than the fee in 2010 despite the further decrease of the purchasing margin on pharmaceuticals as a result of a further expansion of the preference policy (see section on 'Preference policy'). The Dutch Healthcare Authority (Nederlandse Zorgautoriteit) has applied a new criterion in setting this fee; the fee no longer incorporates a mark-up for absorbing unforeseeable market risks, known as the safety margin. Therefore this is a lasting reduction of the fee.

ORCHESTRATOR OF PHARMACEUTICAL SUPPLIES

Mediq has bilateral agreements with healthcare insurers for purchasing and additional care services.

As in 2010, the parties may depart in 2011 from the average fee up to a maximum of € 10.00. The difference between € 7.50 and € 10.00 can be applied to reward mutual agreements, for instance on developing care services and implementing quality criteria. Mediq has utilised the scope offered by the Dutch Healthcare Authority in the past few years for customised arrangements between pharmacists and insurers to enter into specific agreements with the insurers Zilveren Kruis Achmea, Agis and CZ. These contracts offer an alternative to the preference policy (see section on 'Preference policy'). The contracts with Zilveren Kruis Achmea, Agis and CZ offer Mediq the advantage of being able to properly fulfil its role as orchestrator of pharmaceuticals provision, for instance by taking on pharmaceuticals purchasing itself again. We have also agreed arrangements in these contracts on the joint development of additional care services, for instance the screening and prevention of chronic conditions including diabetes and asthma/COPD, as well as medication checks.

PURCHASING FEE AND MARGINS

Their levels depend on the quantity of products a pharmacy sells and the difference between the purchasing costs, the amount a pharmacist is required to pay to the wholesaler, and the purchasing fee, the amount paid to the pharmacy by the healthcare insurer. The pricing of prescription pharmaceuticals is highly regulated. That does not apply to non-prescription pharmaceuticals.

Pricing

The pricing of prescription pharmaceuticals is governed by the Pharmaceuticals Pricing Act (*Wet Geneesmiddelenprijzen – WGP*), the list price of pharmaceuticals (the *Taxe*), and the Pharmaceuticals Fee System (*Geneesmiddelenvergoedings-systeem – GVS*). The WGP determines the maximum price of pharmaceuticals in the Netherlands. Those maximum prices are based on the average prices in Great Britain, Belgium, France and Germany and are re-set every six months by the Ministry of Health, Welfare and Sports. It is forbidden to offer or invoice a pharmaceutical at a higher price than the maximum price. The list price or *Taxe* is the officially registered asking price that manufacturers set for their pharmaceuticals. In setting the list price, manufacturers take account of the reimbursement limit for a pharmaceutical set by the government on the basis of the GVS. The GVS regulates reimbursements for pharmaceuticals. It determines how pharmaceuticals are classed in clusters of mutually interchangeable pharmaceuticals and how reimbursement limits are calculated. A maximum reimbursement is set for each cluster. If the price exceeds this, the patient has to make a co-payment. In practice, the prices of most pharmaceuticals are below this reimbursement limit.

Purchasing margin

Manufacturers' list prices form the basis for the purchasing and selling of pharmaceuticals by pharmacies. In practice, there is a difference between the official list prices of pharmaceuticals that pharmacies charge to healthcare insurers and the purchasing price for pharmaceuticals. That difference is known as the purchasing margin that pharmacies receive from manufacturers via wholesalers. The margins offered by manufacturers on generic pharmaceuticals, i.e. pharmaceuticals of which several variants are in the market, are traditionally higher than those on patented pharmaceuticals. Since the late 1990s, the government has clawed back the pharmacies' margin. The standard clawback is 6.82% of the list price of pharmaceuticals up to a maximum of € 6.80 per item dispensed. The clawback was temporarily suspended in the second half of 2008 by a court decision, but reinstated with effect from January 2009. The suspended clawback from the second half of 2008 was settled retroactively by a temporary increase of the percentage to 8.53% in 2009 and 2010. In setting the fees for 2011, the Dutch Healthcare Authority restored the clawback to its former level of 6.82%. The level of the new fee and of the clawback can be incorporated by insurers in 2011 in negotiations with pharmacists.

Preference policy

Since 2008 the pharmacy market has had to contend with the preference policy pursued by insurers. Under this preference policy, insurers designate specific pharmaceuticals, within a group of pharmaceuticals with the same active agent and mode of administration, as preference pharmaceutical. GPs and pharmacists can only deviate from this preference pharmaceutical in specific cases.

For each active agent with the same method of ingestion and strength, the healthcare insurers designate one or more preferred medication labels if there is a price difference between brands of a specified percentage, which may differ for each healthcare insurer. The cheapest brand of medication is then designated as preferred product, together with all other brands of this medication within a specific range (which may differ for each healthcare insurer) above the price of the cheapest label. Products outside that range are not eligible for reimbursement.

The preference policy has led to enormous price decreases since June 2008. The purchasing margin on generic pharmaceuticals, formerly the principal source of income for pharmacies, declined very steeply as a result.

Pressure on purchasing margin on pharmaceuticals

SELF-CARE PHARMACEUTICALS AND OTHER (OTC) PRODUCTS

The last source of income is the sale of self-care pharmaceuticals and other products, including care products (OTC). The pricing of these products is not regulated – they are subject to reimbursement. Insurees may sometimes be entitled to reimbursement under voluntary supplementary healthcare insurance.

PHARMACEUTICAL CARE IN POLAND

Polish pharmacies earn income from the sale of prescription pharmaceuticals (around 60% of sales) and other products (around 40% of sales).

The Polish government has significant influence on the income of pharmacies. It negotiates and agrees maximum prices of reimbursed prescription pharmaceuticals with the pharmaceuticals industry and sets the reimbursement levels for prescription pharmaceuticals at least twice a year. There is no direct equivalent of the dispensing fee system used in the Netherlands.

In Poland, almost 50% of the pharmaceutical product range is not reimbursed by the state-run national health insurance system and has to be paid for by customers themselves. A graduated reimbursement system is used for the remaining 50% of products, according to type of pharmaceutical and the medical condition subject to treatment. There is full reimbursement for certain categories of pharmaceuticals and certain groups of patients, subject to a patient co-payment of PLN 3.20 in some cases. There are rules for patient contributions of 30 to 50% of the official reimbursed price for other categories of pharmaceuticals. If a prescriber prescribes or a patient chooses a different brand with the same active agent, the patient has to pay the pharmacy any difference above the maximum reimbursed price set by the government. The pharmacy's margin on all products comes from negotiating with wholesalers or directly with manufacturers.

MEDICAL DEVICES

Mediq delivers medical devices that are eligible for reimbursement (by private or government bodies). The reimbursement prices are set by the paying parties, which differ by country. In addition, regulations for patient co-payments vary from country to country.

In the Netherlands there is private funding by healthcare insurers. Medical devices have list prices that are set by the manufacturers and are publicly disclosed. The government does not set maximum prices or statutory reimbursement limits. Healthcare insurers predetermine costs by setting reimbursement limits per category of medical supply, which can differ between insurers. The reimbursement price is decided in negotiations with the healthcare insurer. There is a patient co-payment in the form of a maximum uninsured risk on an annual basis for all medical services.

In the USA, medical devices are partly reimbursed by public bodies (Medicare and Medicaid) and partly by private healthcare insurers. The diversity of private healthcare insurers is considerable. A patient co-payment always applies, which can however be reinsured.

In Germany, Norway and Denmark, funding is provided by public bodies (Krankenkassen and municipal bodies). In Germany, the Krankenkassen apply a patient co-payment for uninsured risk, maximised per delivery. No uninsured risk contribution is applied in Denmark.

POLICY DEVELOPMENTS IN 2011

NETHERLANDS: SERVICE DESCRIPTIONS AND LIBERALISED PRICING

The new Minister of Health announced at the end of 2010 that she intended to continue her predecessor's policy proposals. This means that the sector will have to prepare in 2011 for liberalised pricing for pharmaceuticals as of 2012. The Minister intends to endorse this proposal in a legislative amendment early in 2011. The prices will be based on the pharmaceutical services defined in 2010 by the Dutch Healthcare Authority in consultation with market parties.

NETHERLANDS: LUMP-SUM CONTRACTING FOR PATIENTS WITH CHRONIC CONDITIONS

The government is targeting a different funding of healthcare for patients with chronic conditions. This lump-sum contracting (known in Dutch as *functionele* or *integrale bekostiging*) is intended to contribute to better cooperation (integrated care) between the various healthcare providers, including GPs, pharmacies and nurse practitioners.
The principle is that healthcare providers are no longer paid separately, but that an amount is agreed per calendar year between a principal contractor for this integrated healthcare and a healthcare insurer. The substance and the quality criteria of the treatment are derived from the healthcare standard for the treatment concerned. Healthcare standards describe what the care must consist of as a minimum for someone with a specific condition and are developed by patients and providers.
A start was made in January 2010 with two conditions: diabetes and vascular risk management. This also includes respiratory and pulmonary conditions (COPD) as from July. Pharmaceuticals are not yet part of lump-sum contracting.

NETHERLANDS: TRANSFER OF EXPENSIVE PHARMACEUTICALS TO HOSPITAL BUDGET

The government decided in 2010 to reimburse certain groups of pharmaceuticals only through the hospital budget in future. This transfer is expected to come into effect on 1 January 2012. In the lead-up to this decision, Mediq voiced its concerns about the potential consequences for patients. The Ministry has recognised the added value of treating patients in a home healthcare setting. Hospitals will have to take this into account in purchasing pharmaceuticals and specialised care. this will require an adjustment of the business model for our group company that delivers specialised medication, sometimes including the associated administration of that medication, to customers in home healthcare settings: from full-service pharmacy on a stand-alone basis to full-service pharmacy in cooperation with hospitals.

POLAND: DEVELOPMENTS IN LEGISLATION THAT AFFECT THE PHARMACEUTICAL INDUSTRY IN POLAND

In the third quarter of 2010 the Polish Ministry of Health announced draft legislation for the new reimbursement law. Early in the fourth quarter of 2010 the draft legislation was approved by the government and sent to Parliament for further processing. The government plans for the new legislation to come into force on 1 January 2012.

The draft legislation proposes to fix prices and margins for reimbursed pharmaceuticals throughout the distribution chain. According to the draft legislation, the existing maximum prices of pharmaceuticals will be replaced by fixed official selling prices to patients. Discounts and rebates will not be allowed under the new reimbursement system, meaning that pharmaceutical producers will not be able to transfer discounts into the distribution channel. The reimbursement limit for a given product category will be based on the highest price of the 15% lowest-priced products in that category. The retail margin will be based on the reimbursement limit instead of the retail price.

USA

In the USA a *competitive bidding* process took place in 2010 for Medicare insurees (retirees) for various medical devices including diabetes test strips. Phase I (pilot) related to a number of large metropolitan areas. This has led to lower prices but the consequences for Mediq are limited for the time being. How, and whether, Phase II will be rolled out in 2012 is still being debated.

PRIVATE LABEL ASSORTMENT

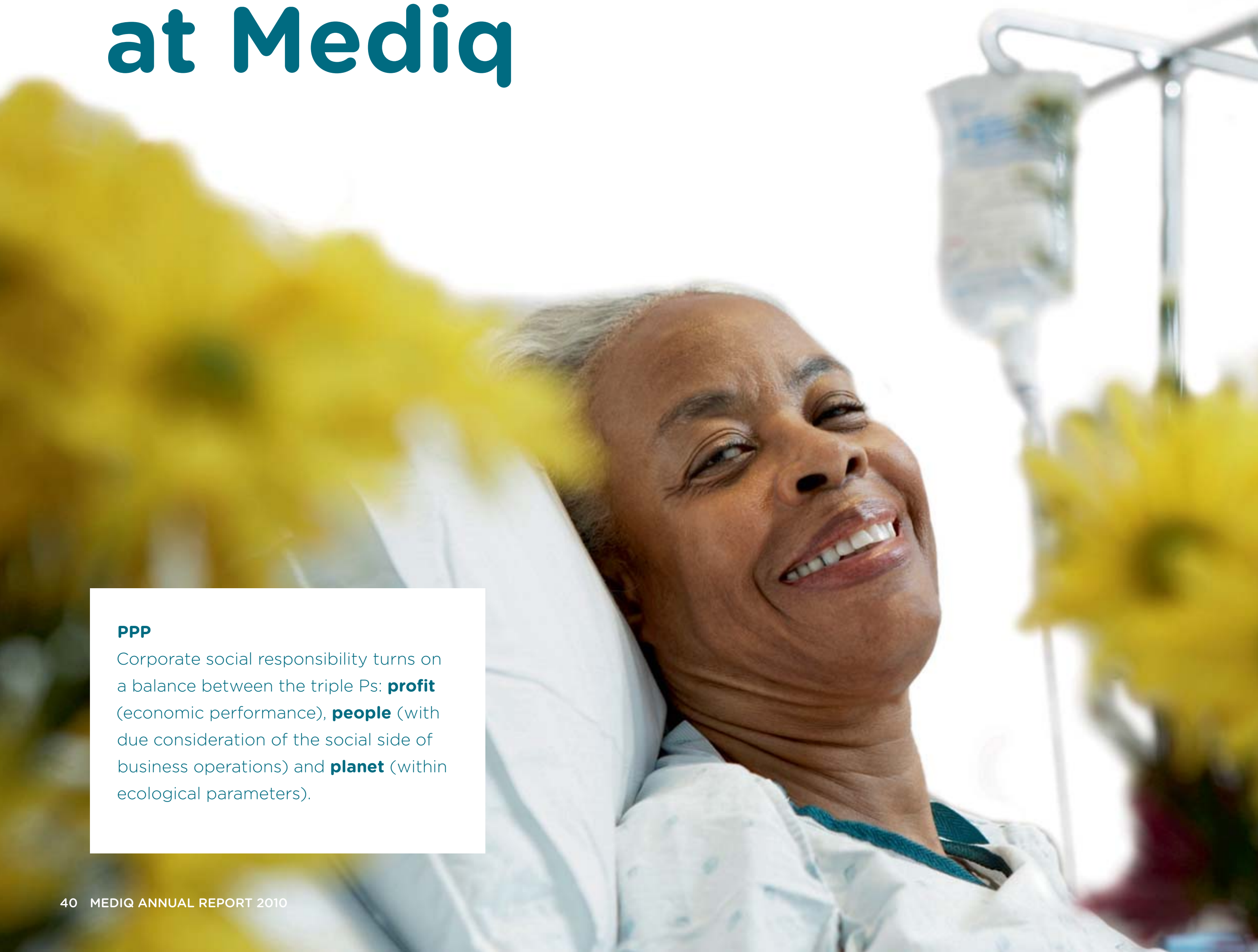
Mediq Pharmacy carries a growing private label range of self-care pharmaceuticals, vitamins and related products. These are high-quality products at an attractive price.

CORPORATE SOCIAL RESPONSIBILITY HAS BECOME AN INTRINSIC PART OF DOING BUSINESS. IT STARTED IN 1987 WITH THE BRUNDTLAND REPORT 'OUR COMMON FUTURE' PUBLISHED BY A UN COMMITTEE. THIS CALLED FOR SUSTAINABLE DEVELOPMENT, DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS. FACTORS SUCH AS A SHORTAGE OF NATURAL RESOURCES, ENVIRONMENTAL POLLUTION, CLIMATE CHANGE, GROWTH OF THE WORLD'S POPULATION AND SOCIAL INEQUALITY ARE CONTINUALLY EDGING CLOSER TO THE TOP OF THE AGENDA OF GOVERNMENTS, SOCIAL ORGANISATIONS AND BUSINESSES.

Corporate social responsibility **at Mediq**

Working in healthcare is an extra stimulus

Like many other companies in the world, we accept our responsibility for the impact of our business operations on the world around us. Working in healthcare as we do provides an extra stimulus in that respect. Our core values are key: customer orientation, co-operation, innovation, integrity and openness. Over the next few years we will further roll out our CSR policy and its introduction across all parts of our business.



PPP

Corporate social responsibility turns on a balance between the triple Ps: **profit** (economic performance), **people** (with due consideration of the social side of business operations) and **planet** (within ecological parameters).

Poul Erik Pedersen
Quality Manager Mediq Danmark and member of the project team 'minimising environmental impact'

An ongoing process

'In my daily work, environmental considerations are part of an ongoing process. I'm very glad that I had the opportunity to work with colleagues on defining the environmental priorities for Mediq as a group. At Mediq Danmark, we take all necessary steps to ensure our business processes are ethical and responsible. We use green electricity in our buildings and have a waste management system in place and focus on avoiding unnecessary waste and increasing recycling. By coming up with smart logistical solutions, we can minimise our environmental footprint and while offering good service to our customers.'

Interesting focus area

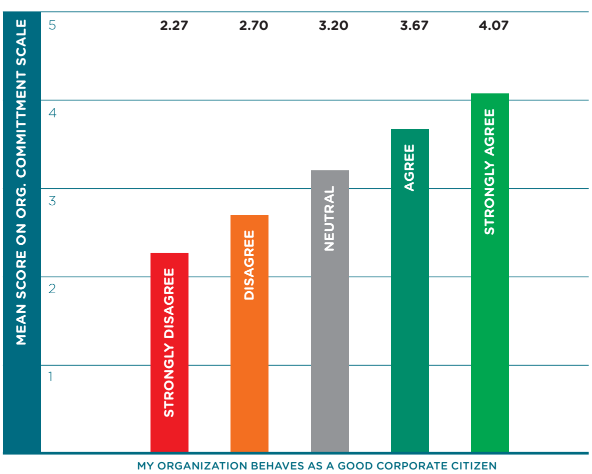
'A few years ago I graduated on the subject of CSR. At the time I wrote a strategic policy plan for Mediq Direct: how can Mediq Direct protect people and the environment in its business operations? This reflected not just my own interest in CSR but Mediq's as well. I started work at Mediq Direct after I graduated. Meanwhile, many aspects have already been introduced here, including ISO certification, customer satisfaction surveys and complaints procedures. We produce magazines for various patient groups. These are intended not only to provide information, but above all to help patients in the process of coming to terms with their illness. We also devote a great deal of time to educating nurse practitioners and other care professionals with a view to keeping the quality of care as high as possible.'

Mariëlle van den Berg
Quality assurance professional at CombiCare and member of the working group 'caring for the patient'

RELATIONSHIP BETWEEN CSR AND EMPLOYEE COMMITMENT

Research shows that employees value an employer's commitment to CSR. And this is expected to increase in the coming years. Investing in CSR is worth it is this respect as well.

The Centre for Creative Leadership examined the relationship between employees' assessment of their employer's CSR performance and the degree of their own commitment to their company. A clear correlation is identifiable: if employees feel their company is operating in a responsible way, they feel more committed to their company.



Source: www.ccl.org

FOUR FOCUS AREAS

Mediq has formulated and detailed four focus areas with the help of group-wide working groups. The working groups worked together closely for four months to explore and map these areas.

CORPORATE SOCIAL RESPONSIBILITY

Focus areas determined

MEDIQ IS ACTIVE IN THE HEALTHCARE SECTOR. WE THEREFORE DEAL WITH PATIENTS' HEALTH. WE TAKE OUR RESPONSIBILITY TOWARD SOCIETY SERIOUSLY.

For Mediq, Corporate Social Responsibility (CSR) is about doing business profitably while simultaneously pursuing social progress and environmental quality. This means delivering the right products and the best advice for patients and professional customers, providing a good working environment for our employees, minimising the environmental impact of our operations and making a difference in the communities in which we operate. We can only achieve this by working with our stakeholders.

FOCUS AREAS AND AGENDA

In 2010, we launched an extensive process in which four internal project teams representing employees from various group companies worked on defining company-specific CSR focus areas. This process resulted in the definition and selection of social and environmental areas on which we intend to focus. Together with our core values and company rules, the following focus areas form the basis of our CSR policy:

- Caring for the patient
- Providing a good working environment
- Minimising our environmental impact
- Making a difference in the community

In 2011, we will apply specific key performance indicators (KPIs) for the first time to measure our contribution on these areas. We have already defined these KPIs, which are discussed below. We intend to communicate more extensively on qualitative and quantitative CSR information in the 2011 Annual Report. As information is collected for the first time in the course of 2011, the defined KPIs can be modified, if necessary, based on lessons learned throughout the year. We plan to start a structured dialogue with our key stakeholders and to set specific KPI targets in 2012.

STAKEHOLDER DIALOGUE

Our company's success depends on how we meet our patients' needs and how we incorporate other stakeholders' views and interests in our business strategy. We engage with customers, patient and consumer organisations, professionals, prescribers, payers, employees, works councils, manufacturers, governments and investors.

Our group companies maintain contact with customers (patients and professionals) and measure satisfaction proactively through customer satisfaction surveys. We also have regular contact with patients, patient organisations and prescribers, with whom we discuss therapy-related issues. The General Meeting of Shareholders, roadshows and investor meetings provide a platform for our structured engagement with our shareholders. Our understanding of employees' views and concerns based on day-to-day contact with the workforce is supplemented by surveys of employee satisfaction. We also meet regularly with local works councils. Meanwhile, our central sourcing department and local category managers regularly liaise with manufacturers. Our corporate director public affairs actively monitors discussions between governments, political officials, regulatory bodies and patient and consumer organisations. Lastly, we have dedicated people at the country level who have contact with health insurers.

CSR GOVERNANCE

We have set up an organisational structure for the governance of CSR to ensure that our CSR policy is effectively implemented. The Executive Board has ultimate responsibility for CSR. Operational responsibility lies with our Corporate Director Quality Assurance and Safety.

CARING FOR THE PATIENT

The patient is at the centre of everything we do. We offer healthcare services that go beyond the delivery of healthcare products alone. It is our ambition to actively improve patients' health or help them cope better with chronic or incidental illnesses. Our efforts in this field are not only represented by the employees whose prime focus is on serving the patient. Those employees are supported by specialised employees responsible for ensuring this service is delivered as efficiently and effectively as possible.

WE HELP PATIENTS TO GET BETTER OR COPE WITH THEIR CONDITION

We see it as our responsibility that patients receive successful pharmacotherapy and medical devices. For this reason, we proactively intervene in treatments within our realm of responsibility to enhance patient compliance. We also encourage patient education and self-management.

As a service to patients, Mediq Pharmacy in the Netherlands has introduced a personalised self-management programme: *'Mijnmedicijnkompas'*. It is a unique programme in the Dutch market for people who use medication chronically. The programme helps patients to better understand their disease and use their medication. In *Mijnmedicijnkompas* patients can read details on their medication, see instructional videos and make use of special modules for self-management, for instance for asthma/COPD and diabetes. The service is now available via all Mediq Pharmacies and almost 30,000 patients are using the programme.

Our direct group companies offer patients education aimed at self-management, safety and effective use of medication and medical devices. Our institutional group companies provide training on the correct use of the products and the condition concerned to professionals to help them better serve their patients. We furthermore have train-the-trainer modules, which we use for the education of caretakers and prescribers. Direct group companies educate professionals such as nurse practitioners through clinical lessons, workshops and e-learning modules. We emphasise the quality of care for the patient and correct use of medical devices to facilitate safe and effective care. In 2010, for example, more than 1,400 nurses were trained by CombiCare in the Netherlands in clinical lessons and workshops. These lessons are mainly theoretical and focus on pathology and physiology with a view to improving the professional expertise of nurse practitioners. Our institutional group companies also offer educational programmes to professionals to teach them how to apply the products we sell, which is for the benefit of the patient. In Denmark, product specialists educate care institutions and general practitioners on the correct use of products for wound care and disinfection for instance, or medical compression and enteral nutrition. In the Netherlands, Medeco College offers e-learning and workshops to healthcare professionals, purchasers and facility managers in fields such as anatomy, wound care, incontinence care and critical care.

WE WORK ON AWARENESS

Mediq aims to increase patient awareness of health and health risks. We do so by giving patients opportunities to participate in health screening programmes and patient information sessions as well as by providing information online and through patient magazines.

Diabetes provides an example of the role of awareness in effective treatment. During the diabetes week in November, patients can come to our Dutch pharmacies for a blood sugar test. In 2010, 16,500 patients visited our pharmacies to get tested. Furthermore, our pharmacies organise local information sessions on diabetes services. Mediq Direkt Diabetes in Germany takes part in information events twice a year with healthcare groups comprising existing and potential customers to provide information on living with diabetes.

WE AIM TO EXCEED CUSTOMER EXPECTATIONS

We see it as our responsibility to deliver products and services that live up to the specific wishes of our patients and institutional customers. We want to know what customers think of the way we do our work and whether we meet their expectations. For this reason, we conduct customer surveys and engage in an ongoing dialogue with patients and patient organisations.

Many of our group companies perform regular customer satisfaction surveys. The results show how highly patients and our institutional customers value us and the opportunities for improvement. We intend to carry out surveys at all of our group companies in 2011. Our Dutch pharmacies conduct surveys on an annual basis. A minimum level has been set in our Polish pharmacies for customer service and is used as one of the targets in the bonus system for pharmacy employees. Within our direct companies, Tefa, for example, measures the satisfaction of professionals it works with as well as that of patients. Byram Healthcare in the USA sends around 2,000 surveys per month to randomly selected patients.

We have customer complaint procedures in place for customers to report their concerns. We take all complaints seriously and learn from them in order to prevent similar problems in the future. The Dutch pharmacies have a central care registration system, which in 2010 was linked to the national databank of the Royal Dutch Pharmaceutical Society KNMP for the registration of medication incidents. Mediq Direct in the Netherlands handles complaints as part of its quality procedures. We comply with international guidelines for medical devices regarding complaints registration (MEDDEV). Quality managers monitor correct and timely complaints handling.

LATINO DIABETES PROGRAMME IN THE USA

Byram Healthcare, our group company in the USA, has a Latino programme in place to enhance access to care and remove language barriers for diabetes patients. Features of the programme include: dedicated phone lines that connect the patient directly with Spanish-speaking customer service centres, Spanish medication labels and clinical instructions, bilingual diabetes educators and support lines as well as Spanish-speaking coordinators who place follow-up calls to assess patients' ongoing needs. Byram Healthcare developed its programme based on a clear understanding of changing demographics. There is a high incidence of diabetes among the Latino population, at two to four times that of non-Latino Caucasians. Research has shown that better outcomes can be achieved with early intervention.

WE GUARANTEE PRODUCT QUALITY AND SAFETY

As orchestrator of the supply chain, we feel responsible for the supply of safe products to the market. The measures we take regarding quality and safety are:

- Compliance with laws and regulations
- Internal guidelines and external certification schemes
- Evaluation of suppliers to ensure quality and prevent counterfeiting

Because we deliver products in the medical field, we have to comply with strict laws and regulations on quality and safety. In addition, we have quality managers in the businesses who monitor performance on internally defined KPIs. We also comply with external standards. Our Dutch pharmacies are HKZ-certified. Most of our group companies are certified according to ISO 9001-2008 or a similar standard. Several group companies that sell medical devices also comply with ISO 13485. This standard represents the specific requirements for medical devices. Furthermore, our wholesale activities in the Netherlands and Poland comply with Good Distribution Practices for pharmaceutical products according to EU standards.

We hired a Corporate Director Quality Assurance and Safety in 2010 to further strengthen our group-wide quality procedures and governance.

We feel responsible for the health and safety of our patients and therefore source our products with the utmost care. The services of suppliers are evaluated on a regular basis. Furthermore, we take measures to prevent counterfeit products from entering the market. We have systems in place to verify the authenticity of pharmaceuticals and medical devices.

In 2010 we started with the implementation of our Code of Ethics for suppliers, which represents the ethical and social standards which we want our suppliers to comply with. In 2011 we want to complete this implementation.

KPIS FOR 2011

We have defined the following KPIs for the focus area 'Caring for the Patient', which we will report on annually from 2011.

- Percentage of group companies that perform regular customer satisfaction surveys
- Percentage of group companies with a quality certification

PROVIDING A GOOD WORKING ENVIRONMENT

Mediq's human resources policy aims to develop its employees in such a way that they contribute to the objectives of the organisation while at the same time developing their skills and competences. It is important to strike the right balance between Mediq's ambitions and those of its employees, using the Mediq core values as a basis. We try to create a working environment in which employees feel challenged, where they can develop their skills and competences and be successful.

ORGANISATIONAL DEVELOPMENTS IN 2010

Reorganisations

Changes in the health care market influence Mediq's activities and employees. In 2010, we made further progress with the reorganisation launched at our Dutch pharmaceutical activities in 2008 in response to the preference policy pursued by healthcare insurance companies and the resulting decrease in prices and profitability. Since mid-2008, the workforce has been reduced by 417 FTEs out of a total planned reduction of 450 FTEs, of which 167 in 2010. This process will be completed by the end of 2011. Reorganisations were also needed at Medeco in the Netherlands and at our wholesale operations in Poland. In Poland, a reduction of 140 FTEs in total was initiated in the third quarter of 2010, while a reduction of 40 FTEs was achieved at Medeco.

A changing market creates opportunities and challenges for employees, and helping them to respond to change is one of the key challenges of our HR policy. We make every effort during reorganisations to support employees in finding another job within the company. A mobility desk was set up in the Netherlands by the corporate HR department, through which we arranged new positions for 25% of the employees at Pharmacies Netherlands who lost their job. We also offered assistance in helping employees find jobs outside Mediq by working with employment agencies.

Acquisition in the Nordics and Baltics

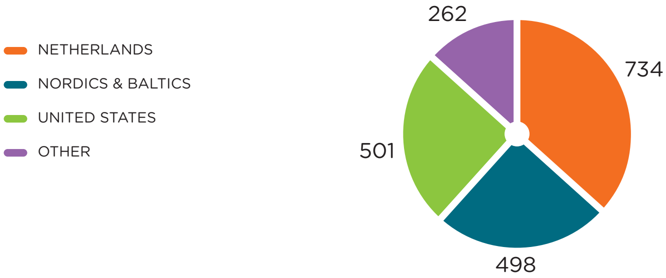
The acquisition we carried out in the Nordics and Baltics in 2010 added approximately 445 FTEs to our workforce. Management from those countries was invited to an orientation day at our head office in June 2010. To further facilitate the integration, several employees from these new group companies joined international networks and business leadership programmes.

DIVERSITY

We employ people in 14 different countries who come from an even wider range of nationalities. While we have many female employees, their numbers within top management are limited. We try to identify female talent at an early stage and stimulate them to move on to key positions. Our ambition is to increase the proportion of women in senior management positions.

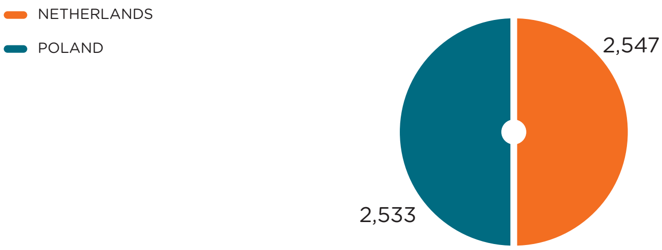
NUMBER OF EMPLOYEES BY COUNTRY DIRECT & INSTITUTIONAL

IN FTEs, AVERAGE, INCLUDING TEMPORARY



NUMBER OF EMPLOYEES BY COUNTRY PHARMACIES

IN FTEs, AVERAGE, INCLUDING TEMPORARY



A working environment in which employees can develop their skills and competences

EDUCATION

Medeco College offers e-learning and workshops to health professionals in areas such as anatomy, wound care and critical care, so that they can better serve their patients.

RECRUITMENT AND RETENTION

Mediq aims to attract capable people who want to work in a company that combines healthcare and entrepreneurial drive. We seek employees who are flexible, ambitious and passionate about working in the healthcare business.

In the Netherlands and Poland, we cooperate with pharmaceutical academies, universities and lower educational institutions to attract new employees. Social and educational programmes align pharmaceutical education more closely with the trends in the pharmaceutical market. A specific example is the exclusive cooperation agreement with ROC (regional training centre) Central Netherlands which aims to improve the quality of training of pharmacy assistants.

We make working at Mediq more attractive by offering international networking and exchange assignments. Several international network meetings (logistics, finance, marketing and communication) and the annual business leadership programme for senior management were held in 2010. New meetings will be planned for 2011, including an HR network event.

Our group companies have remuneration policies in place that are up to market standards. They also use performance management tools aimed at employee development. Byram Healthcare in the USA, for example, uses a profile performance system, which assists succession planning and helps recognise leadership potential. The remuneration of our Dutch and Danish employees is linked to their yearly performance appraisals. We intend to link remuneration to performance appraisals in all our group companies over the next couple of years.

EMPLOYEE ENGAGEMENT

Our ambition is to have highly competent, committed and proud employees who identify with the company's strategy. Mediq carries out employee satisfaction surveys in a number of the countries in which we are active. We want our employees to be satisfied about their work and working conditions. Over the coming years we will implement such surveys in all countries, to be held every other year.

EMPLOYEE DEVELOPMENT

At an international level we focus on safeguarding the required high-level performance in key functions for the long term (succession planning). The talent review process helps us to identify talented employees at an international level. Development programmes seek to ensure that employees are motivated to perform well and that talents are triggered and challenged. We organise a yearly business programme for talents, exchange programmes, as well as the international network meetings referred to above.

The Mediq Academy, which is part of Mediq Pharmacies Netherlands, was founded in 2004 to provide courses and training. The group companies of Mediq Direct in the Netherlands have training programmes directed mainly at increasing specific expertise and knowledge about the products and related service. ACP Pharma in Poland organises training courses focused on managerial competences. At Byram Healthcare in the USA, employee development needs are addressed by the profile performance system mentioned earlier.

HEALTH AND SAFETY

The overall sickness rate during 2010 was 3.6 (this percentage represents 88% of the total number of FTEs). In the Netherlands, steps have been taken in cooperation with Achmea Vitale to reduce absenteeism. Improvements have been made, including strengthening the role of managers in improving absenteeism rates. Additional steps will be taken in 2011.

All group companies have safety procedures and carry them out conscientiously. These procedures are described in handbooks and quality systems. Safety training is used to educate logistics employees. Mediq Denmark has a certified occupational health and safety management system. In Sweden, representatives of the employer and employees engage in active dialogue in safety committees.

Training programmes have been developed at Mediq Pharmacies in the Netherlands for employees on how to cope with aggression (aggression at the front desk, robbery, threats etc). Mediq Pharmacies have close relationships with local police and municipal councils to offer proper care to employees.

EMPLOYEE COMPLAINTS

In line with our Code of Conduct we operate a whistleblowers procedure. Employees who do not feel free to speak with line management can file a complaint with the Management Board. To facilitate and stimulate employees to voice their complaints, a third party was contracted in 2009. This party offers both telephone and internet-based options for submitting complaints, if desired on an anonymous basis.

BUSINESS LEADERSHIP PROGRAMME FOR TALENTS

In line with our international character we have a business leadership programme for talents. Twenty-five talented employees, representing almost all countries in which Mediq is active, meet to discuss strategy, change and innovation. The focus of this programme is leadership development and developing an awareness of their role as future leaders. Through this yearly programme we give them an opportunity to advance their international careers, to broaden their international network and stimulate international exchange of knowledge, experience and skills.

Currently this system is operational in the Netherlands, the United States, Poland, Denmark, Norway and Hungary. We will continue to roll it out in 2011. Complaints are handled by the Company secretary on behalf of the Chairman of the Management Board. If considered appropriate, local management is involved in addressing and resolving the issue concerned. All submissions made in 2010 were processed and finalised within two months.

EMPLOYEE REPRESENTATION

The Central Works Council (COR) discussed various issues with management in 2010, including the HR policy of the company and the way in which it is applied, the financial results, the increased cooperation within the company, trends in the pharmacy market in the Netherlands including the ongoing preference policy of the insurance companies, and the resulting reorganisation. The COR has evaluated Mediq's remuneration policy in line with the Harrewijn Act.

There are four active work councils in the Netherlands: at the group companies Medeco, Red Swan, Mediq Apotheken and the cluster of the direct group companies in the Netherlands. In Poland and Norway, quarterly meetings were held between the management and the local works councils. The main items discussed in Poland related to the workforce reduction by 140 FTEs. In Norway, the results, the bonus systems and the budget were discussed. In Mediq Suomi, a committee representing both employee and employer representatives was set up in 2010 following the acquisition by Mediq.

KPIS FOR 2011

We have defined the following KPIs for the focus area 'Providing a good working environment', which we will report on annually from 2011.

- Sickness rate
- Lost time injury (LTI) rate
- Percentage of employees who have participated in an employee satisfaction survey
- Employee turnover rate
- Percentage of employees who have had a performance appraisal

MINIMISING OUR ENVIRONMENTAL IMPACT

While our own operations have a relatively low impact on the environment, we are alert to opportunities to reduce our environmental impact in areas where we have the greatest influence. These have been defined as packaging, waste, and transport (input – throughput – output). We aim to measure our impact on and progress in these areas for the first time in 2011.

PACKAGING

Mediq is responsible for the purchasing and distribution of pharmaceuticals and medical devices. We receive goods and use different kinds of packaging materials at our distribution centres to prepare them for further shipment. Packaging can be either for multiple use or single use. Multiple use packaging is mainly used within our B2B process and is reused in our processes. Single use packaging is packaging that we use and pass through to the customer. Packaging materials used consist of materials such as cardboard, paper and plastics. In our B2B segment, we apply mostly multiple use packaging materials.

WASTE

The goods that we purchase are delivered in packages that we unwrap and repackage. The unwrapping process leads to waste. Our distribution activities are responsible for most of the waste that we generate. A significant amount of the waste we produce, such as paper and cardboard, is suitable for reuse. Aside from reusable waste, we also produce some non-reusable waste related to our core business, for instance medication waste. We aim to increase the proportion of waste suitable for reuse. To this end, our policy involves raising internal awareness about waste management and working with reputable waste collectors that have an environmental focus.

TRANSPORT

Our logistics processes are part of our core business. We distribute goods to businesses and organisations including hospitals, care homes and pharmacies as well as directly to patients. Transport is mainly by trucks and vans and, depending on the local situation, is fully or partly outsourced. Our influence is greatest on transport that we carry out

MEDECO INVESTS IN GREEN TRUCK

As a supplier of medical devices to institutions in the Netherlands, Medeco uses around 20 trucks for the distribution of goods. In 2010, Medeco invested in a truck that uses CNG (compressed natural gas) together with long-time transporter Van der Mark. Driving on CNG reduces CO_2 emissions by 80%. With this first investment in green transport, Medeco has put its corporate social responsibility intentions into practice.

ourselves and transport which is outsourced, but solely carries Mediq goods. We have less influence on group transport in which shipments from various companies are combined.

In the Netherlands, where we hardly use group transport, the distances travelled are decreasing because of our focus on better planning. There is close monitoring and guidance on kilometres travelled. The transport planning system we introduced in 2008 for our pharmaceutical wholesale activities in the Netherlands helped us reduce CO_2 emissions in three consecutive years. In 2010, we reduced CO_2 emissions by 100 tons compared to the previous year. In the coming years, we will continue to focus on decreasing the transport distances we can most readily influence in our worldwide group companies.

KPIS FOR 2011

We have defined the following KPIs for the focus area 'Minimising our environmental impact', which we will report on annually from 2011.

- Total purchased packaging material in kg per €1,000 net sales, divided by category
- Kg of waste type as % of total waste, divided by category
- Total transport CO_2 emissions in tons per €1,000 net sales

MAKING A DIFFERENCE IN THE COMMUNITY

As a company working in the healthcare sector, we are very much aware of our social role. We show this by supporting projects that are close to our business.

YOUNGSTERS WITH DIABETES

In 2010, Mediq started to roll out projects aimed at youngsters with diabetes. Young people with diabetes have a special place in our hearts. Diabetes is a serious chronic disease which affects people's everyday lives. They need to measure blood sugar levels and inject insulin on a daily basis. This is challenging, especially when you are young.

Youngsters with diabetes do not want to be different. They sometimes rebel against the requirements dictated by their disease. They may, for instance, fail to check their blood sugar levels or to inject insulin on time. This can lead to dangerous situations such as hypo- or hyperglycemia (blood sugar levels that are too low or too high, respectively), and when they are older, to complications such as coronary artery disease, kidney disease, eye problems and nerve disease.

Mediq developed www.diabetesshout.nl, a website for youngsters with diabetes where they can share their thoughts and feelings: when they are insecure or happy and when they would rather get advice from their peers. Soon after its launch in 2010, 145 youngsters had signed up (out of a total of around 5,000 youngsters with diabetes in the Netherlands). Mediq will continue to promote the website through our youngsters with diabetes council and diabetes nurses.

In the Netherlands, we have a council including youngsters with diabetes, in which they interact with us on diabetes-related issues. These youngsters help us to keep abreast of the needs of young people with diabetes. The council's members are also active on www.diabetesshout.nl.

Mediq has also organised theatre performances for youngsters with diabetes in collaboration with the Dutch Diabetes Fund (Diabetes Fonds). Candy is a touching and comical performance, which is uplifting for young people with diabetes. Mediq brought Candy to theatres in seven cities in the Netherlands and several hospitals, inviting young diabetics for a fun night at the theatre together with friends and family. The play was a huge success. Over 1000 people saw Candy: youngsters with diabetes but also their parents, friends, diabetes nurses and our guests during the official opening of the new head office.

In all countries in which we are active in the direct distribution of diabetic supplies, we work closely with local diabetes organisations: the Dutch Diabetes Fund, the Dutch Diabetes Federation (NDF), the Danish Diabetes Association and Juvenile Diabetes Research Foundation (JDRF), the American Diabetes Association and the Deutscher Diabetiker Bund (DDB) and Deutsche Diabetes Gesellschaft (DDG). Additionally, several group companies organise projects for young diabetics ranging from sailing trips and cooking classes to summer camps.

DONATIONS IN KIND

As Mediq is an expert in distributing pharmaceuticals and medical devices, we can donate these items in times of need. The Haiti earthquake in January 2010 was a catastrophe that affected an estimated 3 million people. Mediq donated medical devices such as bandages, infusion materials and pharmaceuticals. An initiative taken by Tefa was the donation of respiratory equipment to a hospital in Suriname. In Poland, Mediq Apteka donated pharmaceuticals to nursing homes for mentally ill patients. Mediq Norge donated 60 first aid hypothermia blankets to homeless people in Oslo during the recent extremely cold winter.

LOCAL INITIATIVES

Mediq supports many local initiatives. Medeco, Pharmacies Netherlands and Mediq Apteka in Poland for example sponsor local sports teams and Medeco also supports healthcare initiatives, including as ice skating with autistic children or volunteering in a healthcare institution. Furthermore, our Dutch pharmacies support Amber Alert, a warning system used by the police when a child is missing. Warnings are shown through narrowcasting in our pharmacies. Mediq Suomi donated money to Mannerheimin Lastensuojeluliitto, the largest child welfare organisation in Finland.

ACTIVITIES 2011

We will continue to dedicate time and attention to youngsters with diabetes in 2011, for example by expanding our activities in this field internationally, especially in the USA, Denmark, Germany and Poland. We want to further develop councils that bring youngsters with diabetes together. Interacting with these young people helps guide our activities so that we can increase awareness and understanding amongst young diabetics and others involved in their lives, for instance at home or at school. In addition to expanding the scope of our existing council in the Netherlands, we intend to introduce the concept in other countries. In the Netherlands, we will actively promote and improve www.diabetesshout.nl and in the USA we will launch www.diabetesshout.com. We will facilitate six more Candy theatre performances and we will expand our support to other projects for youngsters with diabetes.

Mediq wants to make a difference for youngsters with diabetes

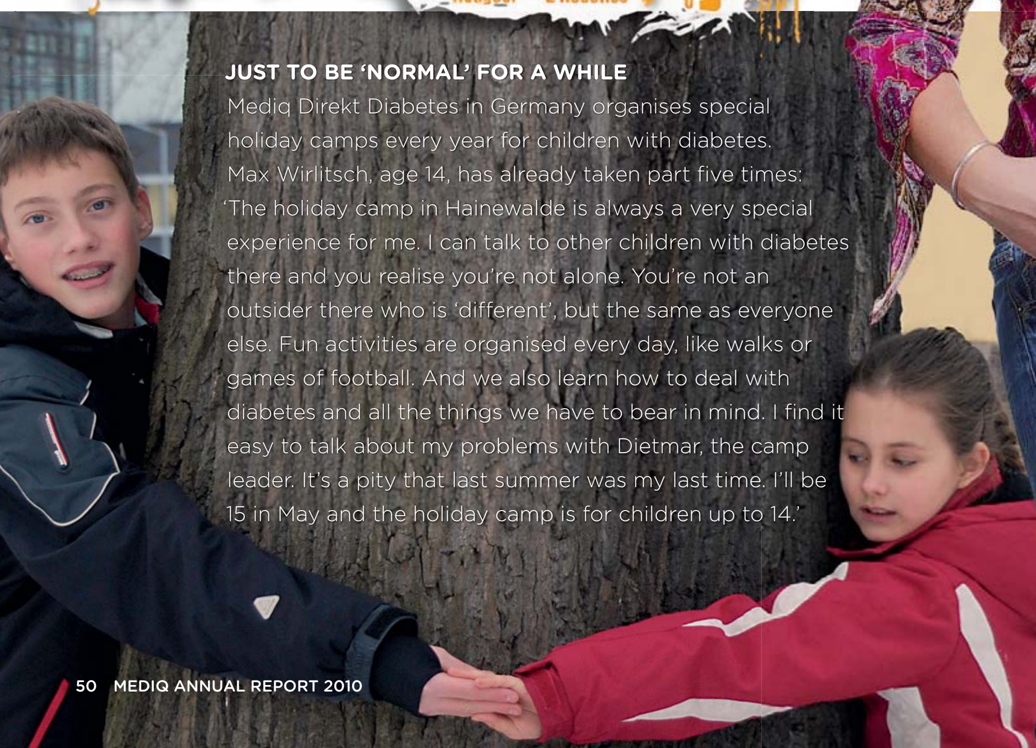
WORLDWIDE, AROUND 285 MILLION PEOPLE HAVE DIABETES. THE INTERNATIONAL DIABETES FEDERATION EXPECTS THIS NUMBER TO REACH 438 MILLION IN 2030, OR ABOUT 8% OF THE WORLD'S POPULATION. IT IS ONE OF THE WORLD'S MOST WIDESPREAD ILLNESSES. IN ADDITION TO CAUSES SUCH AS HEREDITARY FACTORS, DIABETES SEEMS TO BE BECOMING A REAL LIFESTYLE DISEASE CAUSED BY POOR DIETARY HABITS AND LACK OF EXERCISE.

Grip on risks

Therapy adherence particularly difficult among young people

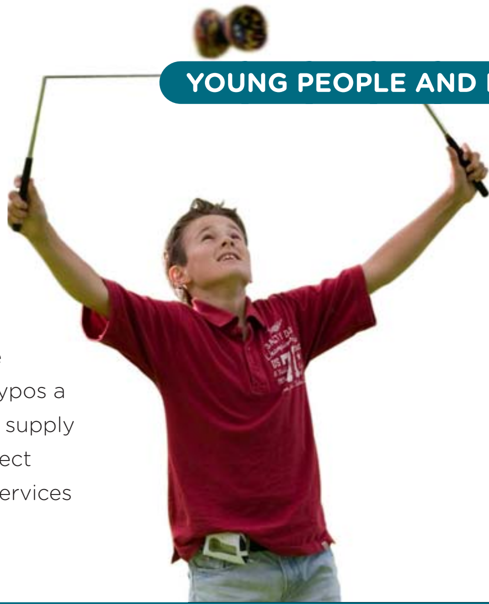
It is very important for diabetics to inject their insulin on time. But young people often have trouble with this. They don't want to be different from their peers, they don't want to stick out by visibly using injection needles or insulin pumps.

Talks with young people and healthcare professionals and scientific research show that communication between parents, healthcare practitioners and juveniles in their puberty is often compromised. Young people can rebel against the lifestyle rules imposed by diabetes, for instance by failing to check their blood glucose levels and injecting insulin on time. Becoming fat is also major fear. According to research by Danish specialist Henrik Skovlund, more than nine out of ten young people with type 1 diabetes skip injections at least once a month to keep their weight in check. Not wanting to be different is very important for this age group. Mediq developed www.diabetesshout.nl as a platform for juvenile diabetics to get in touch with each other and share their own stories and emotions. A peer panel of young diabetics keeps an eye on the placements and responds or intervenes where necessary. The website will be launched in the US as well. The panel also advises on the activities that Mediq organises and hosts for juvenile diabetics.



JUST TO BE 'NORMAL' FOR A WHILE

Mediq Direkt Diabetes in Germany organises special holiday camps every year for children with diabetes. Max Wirlitsch, age 14, has already taken part five times: 'The holiday camp in Hainewalde is always a very special experience for me. I can talk to other children with diabetes there and you realise you're not alone. You're not an outsider there who is 'different', but the same as everyone else. Fun activities are organised every day, like walks or games of football. And we also learn how to deal with diabetes and all the things we have to bear in mind. I find it easy to talk about my problems with Dietmar, the camp leader. It's a pity that last summer was my last time. I'll be 15 in May and the holiday camp is for children up to 14.'



A PUMP AND A SENSOR

Increasingly, diabetics are opting for an insulin pump, which they carry with them 24 hours a day. The pump administers insulin through a tube connected to the body. This is suitable for people whose condition is hard to regulate or who have irregular lifestyles and/or diets, for instance. The pump can be combined with a glucose sensor. The sensor measures the blood glucose level every three to five minutes and the pump can respond as required immediately, making hypos a thing of the past. The Mediq companies specialising in medical devices supply pumps and sensors of a range of brands. In the Netherlands, Mediq Direct Diabetes has a direct line to the special pharmacy Red Swan Pharma Services for the required medication. Convenient and efficient.

Not as innocent as it seems ...

Around 50% of diabetics with type 2 are not aware that they have it, as they experience no symptoms. So at first sight diabetes can seem quite innocent. But that is far from the truth: diabetes can cause serious complications over time, including cardiovascular disease, kidney conditions, eye diseases and nerve diseases. Timely and above all regular medication is therefore immensely important.

WHAT IS DIABETES?

Food and drink are converted into glucose in the body. This gives us energy to move. The body creates insulin to transport glucose to body cells via the blood. Diabetes mellitus means that the body has a deficiency of insulin or the insulin available is not functioning effectively and blood glucose levels rise. This can only be controlled by adding insulin.

There are different types of diabetes. With type 1 diabetes, the body no longer creates any insulin. Type 1 quickly leads to symptoms and is therefore readily recognised. It occurs mainly in young people. In people with type 2, the thyroid gland produces too little insulin or the body fails to respond to its own insulin. Type 2 diabetes occurs mainly in elderly people and people who are overweight, which increasingly includes young children and juveniles. Around 90% of all diabetes patients have type 2 diabetes. The onset of type 2 diabetes is usually slow (taking years) and people are usually not aware of it. Meaning that a great deal of damage can already have been silently done, and making it all the more important to diagnose it as early as possible.

Another form is gestational diabetes, which can arise after the 20th week of the pregnancy due to hormonal changes. Its incidence is around 1 in every 20 pregnant women. While this form of diabetes disappears after again after childbirth, it does increase the chance of developing type 2 diabetes within 10 years by 50%.

CANDY

A moving and funny theatre show about the impact of diabetes on young people

In 2010 Mediq joined forces with the Diabetes Fund to organise seven free theatre shows for young people with diabetes. 'Candy' is rooted in young people's experience of life, and particularly life with diabetes.

The show is moving and comical at the same time and very recognisable. The roles are played by the Dutch actors Izaira Kersten (herself a diabetic) and Floris van Tilburg, and the director is Barry Atsma. The shows were a huge success in 2010 and will be continued in hospitals throughout the Netherlands in 2011. Candy is not just fun for young diabetics but for friends, parents, teachers and diabetes nurses as well.

Diabetes Fonds

PERSONAL PARTICULARS SUPERVISORY BOARD

S. van Keulen, Chairman (1946)
Dutch, appointed in 2010
Present term expires in 2014
Current position: Chairman of Holland Financial Center

Supervisory Directorships/other offices
- Member of the Supervisory Board of APG Groep
- Member of the Supervisory Board of Heijmans N.V.
- Committee member of Stichting Health Insurance Fund
- Chairman of Investment Fund for Health in Africa
- Director of Stichting Natuur en Milieu
- Member of the Supervisory Board of the WWF
- Advisor of Pharm Access International

B.T. Visser, Vice-Chairman (1952)
Dutch, appointed in 2003
Present term expires in 2011
Current position: Chief Executive Officer of Aap implantate AG

Supervisory Directorships/other offices
- Pharmacist member of the Supervisory Committee of Stichting Gedragscode Farmaceutische Bedrijfstak
- Chairman of the Supervisory Board of HZPC Holland BV
- Director Actavis Holding Sarl
- Member of the Supervisory Board of Kreatech Holding BV

W.M. van den Goorbergh (1948)
Dutch, appointed in 2006
Present term expires in 2014
Last position held: Vice-Chairman of the Executive Board and Chief Financial Officer of Rabobank Nederland

Supervisory Directorships/other offices
- Chairman of the Supervisory Board of NIBC Bank NV
- Chairman of the Supervisory Board of DELA
- Member of the Supervisory Board of Bank Nederlandse Gemeenten NV
- Chairman of the Supervisory Board of De Welten Groep Holding BV
- Vice-Chairman of the board of the Catholic University of Nijmegen Foundation (Radboud University and Saint Radboud Academic Hospital)

M.J.M. van Weelden-Hulshof (1952)
Dutch, appointed in 2009
Present term expires in 2013
Current position: Community pharmacist in Ermelo

Supervisory Directorships/other offices
- Member of the Coordination Platform for Healthcare Standards
- Chairman of the programme committee of the Dutch Diabetes Action Programme

F.K. De Moor (1962)
Belgian, appointed in 2008
Present term expires in 2012
Current position: Chief Executive Officer of Macintosh Retail Group NV

Supervisory Directorships/other offices
- Member of the Supervisory Board of Sligro Food Group NV
- Member of the Managing Committee of the Dutch Retail Council
- Member of the Managing Board of Electronic Commerce Platform
- Board member of the Foundation for the Chair in Retail Marketing

O.R. Stuge (1954)
Norwegian, appointed in 2008
Present term expires in 2012
Current position: Chief Executive Officer of Impulse Dynamics NV

Supervisory Directorships/other offices
- Executive Chairman of the Supervisory Board of BoneSupport AB
- Member of the Supervisory Board of Nobel Biocare AG
- Strategic advisor Uptake Medical Inc
- Founding board member Quentiq AG

The members of the Audit Committee are Mr van den Goorbergh (Chairman) and Mr De Moor.
The members of the Selection and Appointment Committee are Mr Stuge (Chairman) and Ms van Weelden.
The members of the Remuneration Committee are Mr Visser (Chairman) and Mr van Keulen.

REPORT OF THE SUPERVISORY BOARD

Strategy implementation driven forward

WE TAKE PLEASURE IN PRESENTING MEDIQ'S FINANCIAL STATEMENTS 2010, PREPARED BY THE MANAGEMENT BOARD AND SIGNED BY US PURSUANT TO SECTION 101 (2) OF BOOK 2 OF THE DUTCH CIVIL CODE. KPMG NV AUDITED THESE FINANCIAL STATEMENTS AND ISSUED AN UNQUALIFIED AUDITOR'S REPORT ON THEM.
THE SUPERVISORY BOARD HAS DISCUSSED THE FINANCIAL STATEMENTS2010, INCLUDING THE PROFIT APPROPRIATION PROPOSED BY THE MANAGEMENT BOARD. WE WILL PRESENT THE FINANCIAL STATEMENTS 2010 TO THE GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, 13 APRIL 2011. WE RECOMMEND THAT THE GENERAL MEETING OF SHAREHOLDERS ADOPT THESE FINANCIAL STATEMENTS 2010 WITHOUT CHANGE.

COMPOSITION OF THE SUPERVISORY BOARD

Mr Wim van den Goorbergh's first term of office ended after the close of the General Meeting of Shareholders of 8 April 2010, in accordance with the schedule for retirement by rotation. Mr van den Goorbergh has stated his intention to stand for reappointment. Mr van den Goorbergh qualifies as a financial expert, within the meaning given to this term in best-practice provision III.3.2, and he is Chairman of the Audit Committee. On the basis of its experience of Mr van den Goorbergh as a member of the Supervisory Board and Chairman of the Audit Committee, the Board has nominated him for re-appointment. This nomination was made in accordance with the enhanced right of recommendation of the Central Works Council. The General Meeting of Shareholders approved the reappointment of Mr van den Goorbergh for a term of four years on 8 April 2010.

Also, a proposal was submitted to the General Meeting of Shareholders on 8 April 2010 to appoint Mr van Keulen as a new member of the Supervisory Board. Sjoerd van Keulen (1946) is Chairman of the Holland Financial Center and has held various management positions in the Dutch banking industry, most recently as Chairman of the Executive Board of SNS Reaal Groep, a listed company. The nomination for appointment was made in preparation for the departure of the Chairman of the Supervisory Board, Mr van Duyne, at the end of the summer. The Supervisory Board is confident that Mr van Keulen possesses the required specific expertise and experience to serve as Chairman of the Supervisory Board. The Central Works Council has recommended Mr van Keulen for appointment to the Board. The General Meeting of Shareholders approved the appointment of Mr van Keulen for a term of four years.

The term of office of the Chairman, Mr van Duyne, was set to end after the close of the General Meeting in 2011, but he had already made it clear on his reappointment that he would not necessarily be serving the full term. Mr van Duyne stepped down with effect from 6 September 2010. The Board is very grateful to him for his unstinting service to the company during a period of no fewer than fifteen years. As a member of the Board, and as its Chairman since 2004, he made an invaluable contribution both to effective cooperation within the Board and contacts with the Management Board. In addition, his knowledge and experience have aided and advanced the progress the company has achieved in the past few years, in particular its internationalisation. His international experience and proven management skills have been of great importance for Mediq. Its growth, the far-reaching choice for a single name for the entire group and its ability to withstand considerable pressure from the outside are indubitably partly due to his insightfulness, resilience and versatility. He was highly adept at supporting the Management Board, sometimes from up close and sometimes from a judiciously chosen distance, with advice and assistance as well as critical challenge. He was the first Chairman of the Supervisory Board who was not a pharmacist. His unique combination of natural seniority and professionalism enabled him to fulfil this role outstandingly well. The company and its Supervisory Board are very grateful to him for this.

The performance of the Supervisory Board was evaluated in November. A concise questionnaire was used by all of the members individually to provide their assessment of the Board as a whole, of the interaction and cooperation between its members, of the interaction with the Management Board and of the provision of information. This was discussed by the Board in a separate meeting on the basis of the aggregated results.

In the judgement of the Supervisory Board, its current size and composition are appropriate to the nature and size of the company. The Board's composition reflects all aspects covered in the profile, including current senior management experience, executive responsibility in a large internationally operating company, expertise in fields including finance, human resources, organisation, ICT and international commerce and marketing, familiarity with the political decision-making process and specific expertise with respect to relationships within the supply of pharmaceuticals and the health care sector in the Netherlands; in particular, the public pharmacy sector.

MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board met seven times in 2010. Six of those meetings were regular, scheduled meetings and one was called at short notice. The reason for this additional meeting was the proposal for the acquisition, including the financing, of the healthcare trade activities of the Finnish company Oriola-KD (in Sweden, Finland and the Baltics).

Three members of the Board were each unable once, on separate occasions, to attend a meeting of the Supervisory Board. The members who were absent informed the Chairman in advance of their comments and views on the items on the agenda. All meetings were held in the presence of the members of the Management Board and the Company secretary. On one occasion, the Chief Financial Officer was unable to attend and the Group controller attended on his behalf. The performance of the Board was assessed in November. The members of the Management Board and the Company secretary were not present while this was discussed.

New chairman Supervisory Board

The principal matters discussed during the regular meetings were as follows:

- group strategy and strategic developments at group companies;
- acquisition strategy and potential acquisitions;
- quarterly results reports of the group;
- current developments with a material impact on group results;
- human resources policy;
- communication with shareholders;
- budgets;
- quality of the organisation.

In addition the following matters were discussed:
The meeting in February was largely devoted to the full-year results and the annual report for the 2009 financial year, preparations for the General Meeting of Shareholders and related matters. Accordingly, the part of the meeting devoted to discussing the financial statements was also attended, for the last time, by the relevant partners of PricewaterhouseCoopers Accountants NV.
PwC have served as auditors of the company for more than thirty years, to the Board's full satisfaction. KPMG, the company's new auditors as from the year under review, have made an excellent start. The meeting in February also considered the reorganisation at Medeco, the decision to offer an optional stock or cash dividend in future and the level of variable remuneration to be set for the Management Board for 2009. The composition of the Supervisory Board was also

discussed at this meeting, as Mr van den Goorbergh would be standing for reappointment. In addition the succession of Mr van Duyne was discussed. He had stated earlier that he wished to step down from his position in 2010, and the selection of a member of the Supervisory Board and the succession of Mr van Duyne as Chairman were therefore discussed. On the basis of the profile that had been formulated, a thorough and diligent process was followed under the leadership of the Selection and Appointment Committee. Interviews were held with various candidates and after careful consideration a nomination for the preferred candidate was submitted to the full Supervisory Board. After it had endorsed the nomination, the candidate was presented to the Central Works Council, which issued a positive recommendation. Consequently it was decided to submit Mr van Keulen's nomination for appointment to the General Meeting of Shareholders. In addition, the intention was expressed to appoint Mr van Keulen as Chairman when Mr van Duyne stepped down.

The meeting at the end of April discussed solvency control and the progress of the proposed acquisition of the healthcare trade activities of the Finnish company Oriola-KD. It also discussed the progress of the reorganisation under way at Pharmacies Netherlands since mid-2008, including the workforce reduction as a result of further standardisation and centralisation of processes, among which the central processing of repeat medication at a single location in the Netherlands, and the consequences and (quality) risks of the preference policy. The Board expressed its concern about the future of the pharmacy sector in the Netherlands, given the sustained pressure on profitability due to the preference policy pursued by healthcare insurers. The contracts signed with Achmea, Agis and CZ in mid-2009 as an alternative to the preference policy are operating to both party's satisfaction. In addition, a number of specific acquisition candidates were discussed in brief.

The next meeting was at the start of June. Its specific focus was on human resource management, addressing succession policy and career development in particular. The responsible Executive vice president Jesper Boysen discussed the integration plan for the acquired activities in the Nordics and Baltics. The acquisition and integration will be evaluated in the first quarter of 2011. Gerben Klein Nulent also discussed the situation of the pharmacy activities in both the Netherlands and Poland. Lastly, a presentation was held on the results of recent customer satisfaction surveys in the Netherlands.

The meeting at the end of July discussed the reporting on the first six months of the year, further to which healthcare insurers' influence on community pharmacies in the Netherlands was singled out for special attention. Another focus area were the imminent regulations regarding the funding of expensive pharmaceuticals in the Netherlands, which entails consequences for the business model of the group company Red Swan. The start-up problems at the new national distribution centre in Warsaw, Poland, were also considered, as were IT issues involved in the integration process within Mediq of the acquired activities in the Nordics and Baltics. A number of acquisition opportunities were also reviewed and the financing of the company was discussed.

Mr van Keulen took up his duties as Chairman of the Supervisory Board on 6 September. Immediately before that the Board, together with the Management Board, visited Denmark. The departure of Mr van Duyne as Chairman and member of the Board was commemorated in combination with a visit to Mediq Danmark.

The meeting at the end of October was the first one to be chaired by Mr van Keulen. It considered the report on the third quarter of 2010, and especially the imminent changes referred to above at Red Swan and the situation at the new national distribution centre of ACP Pharma. The management held a presentation on the strategy for Direct & Institutional.
The Management Board's proposal to sell the non-strategic equity interest in Andreae Noris Zahn AG was approved.
This was prompted by the announcement of the public offer made by AllianceBoots for all Anzag shares.

The last regular, scheduled meeting was held at the end of November. The remuneration of the Management Board was discussed, in the presence of advisers from TowersWatson. Principles of remuneration and several variants of remuneration were reviewed. The outcome of this discussion led to the proposal from the Remuneration Committee to continue the present remuneration policy. This was followed by a discussion of the budget for 2011. At that time the dispensing fee to be applied in the Netherlands for 2011 had not yet been set. After the Dutch Healthcare Authority had announced its decision on the dispensing fee, the budget for 2011 proposed by the Management Board was adopted in a meeting held by telephone.

There was regular contact outside the meetings between members of the Supervisory Board and the members of the Management Board, especially between their Chairmen. This was all the more opportune given the change of the Chairman of the Supervisory Board. An extensive induction programme was put together for Mr van Keulen. Mr van Keulen visited various group companies in the Netherlands

NEW NAME, NEW IDENTITY

The acquired activities in the Nordics and Baltics swiftly adopted the new name and housestyle..

and abroad to meet their management and to receive information on the specific operating activities and market conditions. As stated above, the full Supervisory Board visited Mediq Danmark. Several of its members visited Mediq Central Filling Pharmacy in Almere, in the Netherlands, where they were informed of the advantages of this new logistics approach for Dutch community pharmacies.

THE COMMITTEES

The composition of the three committees changed only in that Mr van Duyne was succeeded by Mr van Keulen as a member of the Remuneration Committee.

AUDIT COMMITTEE

Mr van den Goorbergh is the Chairman of the Audit Committee. Mr van den Goorbergh qualifies as the financial expert as referred to in the Dutch Corporate Governance Code. Mr De Moor is a member of the Committee.

The Committee held two meetings during the financial year. The meeting in February discussed the financial statements and the directors' report for 2009 and the meeting in July 2010 discussed the results for the first six months. The meetings are always attended by the company's auditors, the members of the Management Board, the Group controller and the Corporate Director Internal Audit. In addition, the Committee also always speaks separately with the company's auditors.

Recurring items on the agenda were:

- legal proceedings;
- provisions;
- business incidents;
- the financial statements and the directors' report;
- the proposal for profit appropriation;
- the internal audit programme;
- the nature and extent of follow-up of audit recommendations;
- the auditor's report;
- the performance of the audit;
- irregularities and any special accounting matters with a (potentially) material impact.

The meeting in February was attended by the auditors from PricewaterhouseCoopers. That meeting specifically discussed the control framework for tax matters and for Mediq as a whole and the optional stock or cash dividend that was made available for the first time. During the period under review the internal audit department was strengthened by the addition of several specialised employees. This expansion means that more tasks are performed internally. For instance, a control framework was developed and implemented at the group companies. The settlement that Mediq Pension Fund reached with the US asset management company State Street in mid-January was welcomed. This brought to an end the uncertainty for the pension fund regarding a substantial portion of the assets invested that had become part of the bankruptcy of the US merchant bank Lehman Brothers.
At the end of 2008 this was the main and most urgent reason for the company to agree a financial support programme with the board of the pension fund. At the time, the pension fund had become underfunded. Without the auditors from PricewaterhouseCoopers being present, the engagement of a new auditor with effect from the financial year 2010 was also discussed. This Committee chose KPMG in a selection process conducted with great diligence. Emphasising the importance of an effective and trouble-free transition from PricewaterhouseCoopers to KPMG was an intrinsic part of that careful selection process.

The meeting in July was the first meeting attended by the auditors from KPMG. Special topics addressed were the process of transition relating to the change of external auditor, the accounting organisation of the Dutch pharmacy activities (the AIKIDO project) and the status of the pension plans within the company in the Netherlands.

The CFO and the Chairman of the Committee had regular contact outside the meetings on topical items and developments within the company.

The Group controller acts as secretary to this Committee.

SELECTION AND APPOINTMENT COMMITTEE

Mr Stuge is the Chairman of the Selection and Appointment Committee. Ms van Weelden is a member of the Committee.

In the early part of the year, great effort and care were devoted to the succession of Mr van Duyne later in the year under review. The Committee formulated a profile. The key elements in the profile formulated were senior management experience, specific expertise in the field of human resources, organisation, commerce and marketing. The selection was also geared to filling the position of Chairman after Mr van Duyne stepped down. Mr van Keulen has the required specific expertise and experience to act as Chairman of the Supervisory Board.

The selection process was started after this had been discussed and approved by the full Supervisory Board. Interviews were held with several candidates. This led to the nomination of Mr van Keulen being put to the Supervisory Board, then to the Central Works Council and lastly to the General Meeting of Shareholders.

The Committee met in October to discuss the succession policy. For these purposes, a distinction was drawn between replacements in urgent cases and long-term succession in senior management positions, which includes the members of the Executive Board and of the Management Board.
The management at the level below the Executive Board has been strengthened in view of to the progressive

internationalisation and growth of the group. At the holding company level, new corporate directors were appointed in the fields of IT, logistics and quality management.

The Company secretary acts as secretary to this committee.

REMUNERATION COMMITTEE

Mr Visser is the Chairman of the Remuneration Committee. Mr van Keulen succeeded Mr van Duyne as a member of the Committee as of 6 September 2010. Biense Visser is a former member of the company's Management Board. This would be undesirable pursuant to Code provision III.5.11. In view of the fact however that Mr Visser already left the company as a member of the Management Board in 1998 and none of his former fellow members of the Management Board are still active in the Company, the Board decided in 2009 to have this position filled by him.

The Committee held one meeting in January 2010 to close the financial year 2009. The personal targets for the Management Board were also set in that meeting. Midway through 2010 the Chairman of the Committee spoke with the members of the Management Board about the attainment of the targets of the Management Board up to that time. In the autumn the Committee initiated a discussion about the question whether the remuneration policy for the Management Board required review. The Committee was assisted by TowersWatson on this. Specific guiding principles were that alignment was to be sought with the remuneration structure for senior management within the company, that the remuneration policy had to be tailored to the specific circumstances of the company and to the phase (of its development) it is in, with the medium term as the chosen benchmarking timeframe. In November the meeting of the full Supervisory Board, led by the advisers from TowersWatson, discussed the principles and building blocks of the desired remuneration policy for the Management Board. This resulted in a proposal from the Remuneration Committee to the full Supervisory Board not to change the existing remuneration policy and to reconsider it in three years' time, unless intervening developments provided reason for doing so earlier. The Board has decided to adopt this proposal by the remuneration committee.

To conclude the financial year, the extent of attainment of the quantitative and the personal, qualitative targets of the members of the Management Board for 2010 was determined. The Committee is pleased to report that these targets were attained to a high degree. The annual salaries for 2011 for both members of the Management Board were determined and their individual and joint performance was discussed with them. In the Committee's judgement the composition of the Management Board is suitably balanced and it is adequately equipped to manage the company. In the Committee's judgement the close cooperation between the Management Board and the three Executive vice presidents is effective and constructive.

The Company secretary acts as secretary to this Committee.

CONTACTS AND CONSULTATION WITH THE CENTRAL WORKS COUNCIL

Two members of the Supervisory Board each attended a consultative meeting of the Central Works Council. Mr van den Goorbergh discussed the results of 2009, in the meeting leading up to the meeting of shareholders in which his reappointment was to be considered. Wim van den Goorbergh was nominated by the Supervisory Board for appointment at that time with the enhanced right of recommendation of the Central Works Council. Mr Visser visited the Central Works Council in the latter part of the year. This consultative meeting discussed the 2011 budget and Mediq's policy on corporate social responsibility.

EMPLOYEES

The Board is keenly aware that employees and their loyalty are crucial to attaining the group's defined objectives and achieving progress. A company's employees are supremely important to its success. Mediq is therefore very grateful again this year to its employees for their commitment and dedication. The shared name Mediq that has now been adopted by most group companies provides a new showcase for the passion and pride our employees display in working for our company. The Supervisory Board values this greatly.

Utrecht, 16 February 2011

Supervisory Board
S. van Keulen, Chairman
B.T. Visser, Vice-Chairman
W.M. van den Goorbergh
F.K. De Moor
O.R. Stuge
M.J.M. van Weelden-Hulshof

OUR PHARMACIES IN THE NETHERLANDS, BRANDED MEDIQ APOTHEEK, OFFER CONVENIENCE FOR REPEAT MEDICATION. PATIENTS USING MULTIPLE PHARMACEUTICALS ON A LONG-TERM BASIS ARE AUTOMATICALLY NOTIFIED THAT THEIR STOCKS OF MEDICATION HAVE NEARLY RUN OUT, THAT NEW SUPPLIES WILL BE ORDERED AND WHEN THEY CAN BE COLLECTED OR DELIVERED. THIS COMBINED DISPENSING AND BATCHING OF THE DIFFERENT PHARMACEUTICALS AT FIXED TIMES PROVIDES EXTRA CONVENIENCE FOR PATIENTS AND REDUCES COSTS AS WELL. HEALTHCARE DELIVERY AS IT SHOULD BE.

Healthcare delivery as it **should be**

THE ADDED VALUE OF THE PHARMACY

Of course you can also order pharmaceuticals via the Internet. And widely used pharmaceuticals such as paracetamol and ibuprofen are also available from supermarkets or chemists. But nothing beats the advice and extra information that you get at a pharmacy. In the pharmacy, knowledgeable staff can check for interactions with other medication you may be using. In the pharmacy, they can advise you on painkillers that might be more effective in your case. The same applies for the wide range of self-care pharmaceuticals available in a Mediq Pharmacy. Advice that is professional and reliable. For instance for skin conditions, including allergies. The right products, and the right care to with them.

ADVISORY ROLE

'I turned to my pharmacy first when my asthma got worse. And you know what? I was only using a puffer that widened the airways to provide immediate relief. The pharmacist told me that taking an anti-inflammatory drug was in fact even more important, as it would help prevent new attacks. It takes a few days for the effect to set in, but now that I am using one every day, I rarely need the other medicine.'

Annabel de Jong, teacher and a Mediq Apotheek customer

ATTRACTIVE PRICING

Mediq is developing a strong, professional private label in the pharmacy channel for self-care products. The range carried under the names Mediq Apotheek in the Netherlands and Mediq Apteka in Poland includes painkillers, cold medicines, food supplements and similar products. An alternative that offers good quality and attractive pricing.

Successful campaign at Mediq Apteka

Whereas prescription pharmaceuticals are largely reimbursed by healthcare insurers in the Netherlands, patients in Poland are required to pay a part of these pharmaceuticals themselves. This is an opportunity for Mediq Apteka to attract customers by offering pharmaceuticals at lower prices. One of its successful campaigns for diabetes patients combined attractive pricing for insulin with pharmaceutical advice, support and good communication with the GPs. Mediq Apteka have already been working to market their diabetes expertise more vigorously to diabetics. And again, the response has been good.

THE NORMAL BRAND OF PHARMACEUTICAL, AS USUAL

Mediq Pharmacies works closely with other parties in the market to optimise healthcare. For instance, in the Netherlands Mediq Pharmacies was the first to agree a 'package arrangement' with healthcare insurer Achmea. This means that a pharmacy receives a fixed fee per package, regardless of the type of medicine, brand, purchase price or medical indication. The main advantage for patients is that the brand of pharmaceutical will often remain the same and not change every time the healthcare insurer manages to exact more favourable terms from another manufacturer. A safe feeling.

Greater co-operation

'In this changing market, co-operation between various parties is growing increasingly important. Other joint projects have been developed for pharmacies in addition to the package arrangement and we are continually looking for innovative ways to improve care for patients at acceptable cost levels. One of the most successful projects is the asthma/ COPD check-up that our customers were able to get at Mediq Apotheek in Amsterdam and Rotterdam. They received instruction on how to use their medication more effectively; patients with an elevated risk profile were referred to the GP. The extensive support for patients increased the effectiveness of their treatment and may also have prevented complications. Check-ups like this allow us to clearly set ourselves apart as a healthcare insurer for our customers.'

Marjolein Verstappen
member of the executive board of Agis Zorgverzekeringen

ALLERGIES ON THE RISE

Worldwide, 15-20% of all people suffer from allergic symptoms, and that number is certain to rise further. That is why allergy is sometimes called the illness of the 21st century. Polluted air does not actually cause the symptoms but does make them worse. Pollen floating in polluted air clings to soot and dust particles. These can change the structure of pollen, which then develops into stronger allergens.

CORPORATE GOVERNANCE

Mediq complies with Dutch corporate governance code

THE ORGANISATION OF MANAGEMENT AT MEDIQ, THE SUPERVISION THEREOF AND RELATIONS WITH SHAREHOLDERS ARE IN LINE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE DUTCH CORPORATE GOVERNANCE CODE

In 2004 a Dutch corporate governance code took effect that established principles and best practice provisions with which the government deems compliance to be desirable. An updated version of the Code has applied as from 2010. Compliance means that the provisions of the Code are applied or that, in accordance with the 'apply or explain' principle, deviations are or will be presented and explained to shareholders. Mediq fully complies with the Corporate Governance Code on that basis.

Mediq NV is subject to the two-tier board regime pursuant to the provisions of the Dutch Civil Code. In terms of governance this means mainly that the Supervisory Board is not only responsible for exercising supervision, as in other public limited companies, but also for appointing and dismissing members of the Management Board, the nomination of members of the Supervisory Board and approving various decisions of the Management Board.

MANAGEMENT BOARD

The Management Board manages the company and has full responsibility for this under the Articles of Association.
Its main duties include, inter alia, developing strategy, setting policies for achieving business objectives, the associated risk profile, external reporting, and the design and operation of the internal risk management and control systems.
The Management Board is accountable for this to the Supervisory Board.
The Management Board has two members, who are supported by three Executive vice presidents. The Management Board and the Executive vice presidents make up the Executive Board. The Executive Board performs the day-to-day operational management of the company, without detracting from the Management Board's responsibilities under law and the Articles of Association.

SUPERVISORY BOARD

The Supervisory Board supervises the policy of the Management Board and the general affairs of the company. The Supervisory Board appoints the members of the Management Board after notifying the General Meeting of Shareholders.
The Supervisory Board has set up three committees drawn from its members for the selection and appointment of members of the Management Board and the Supervisory Board (Selection & Appointment Committee), remuneration (Remuneration Committee) and reporting and risk management (Audit Committee). The function of the committees is to prepare for decision-making by the Supervisory Board in these areas. Decisions are always taken by the full Supervisory Board.

The Corporate Governance Code requires companies to make a statement in the annual report on the independence of the members of its Supervisory Board. The Code requires all members or all but one member to be able to act critically and independently of one another, the management board and partisan interests. The Supervisory Board of Mediq meets this requirement as only one member, Mrs Van Weelden-Hulshof, is not independent as defined by the Code. Mrs Van Weelden-Hulshof is a customer, as an independent pharmacist, of our pharmaceutical wholesaling activities in the Netherlands.

GENERAL MEETING OF SHAREHOLDERS

The powers of the General Meeting of Shareholders include appointing Supervisory Board members on a nomination of the Supervisory Board (whether or not with the enhanced right of recommendation of the Central Works Council), adopting the financial statements and endorsing the conduct of affairs during the financial year by the Management Board and the supervision thereof exercised by the Supervisory Board. The annual report, the policy on reserves and dividends and the proposal to distribute a dividend are discussed with the General Meeting of Shareholders. The Management Board and the Supervisory Board report to the General Meeting of Shareholders on the corporate governance structure. In accordance with the Code, significant changes in the identity of the business are presented to the General Meeting.

CORPORATE GOVERNANCE CODE

There are a number of deviations from the principles and recommendations of the Corporate Governance Code that have already been explained in previous General Meetings of Shareholders. These three deviations are as follows:

- At Mediq, shares granted to members of the Management Board under the remuneration policy applying before 2007 as variable long-term income must be held for periods of at least five years. The lock-up continues if the employment ends but ceases in the event of death or on a change of control of the company. In this respect, Mediq's arrangements are stricter than the provisions of the Code. (II.2.5)

The three deviations have been explained

- Mr van Gelder's contract of employment was amended in 2006. The contract of employment is for an indefinite period. His appointment as a member of the Management Board is for four years from 1 January 2009, the date of his reappointment. This ensures that his performance as a Board member is regularly discussed without the contract of employment having to be a subject of assessment as well. Termination by Mediq would lead to compensation based on the "sub-district court formula" of a minimum of twelve times the relevant monthly salary. Arrangements covering a change of control of Mediq have been added to the contract of employment. If the contract of employment is terminated by either party for that reason, the member of the Management Board will receive a compensation amounting to one year's salary per annum for the period from the date of termination to the date on which the Board member reaches the age of 65, subject to a maximum of three years. In addition, Mediq will continue the applicable accrual of pension or provide alternative arrangements. Further, the Supervisory Board has discretionary authorisation to award the Board member a bonus, considering the terms of the transaction in which control of Mediq was transferred and any additional value arising from it for the parties involved. These arrangements are the same as those that existed for incumbent members of the Management Board before the first Dutch Corporate Governance Code took effect in 2004 (II.2.8).

  The aforesaid arrangement has applied to both members of the Management Board since the approval of the current remuneration policy in the General Meeting of Shareholders of 2 April 2008.

JOINT PROPOSITION

Increasingly, the direct and pharmacy busines units are combining their services for patients. The information magazine about diabetes published jointly by Mediq Direct Diabetes and Mediq Apotheek is an example.

- Since June 2009 the Remuneration Committee has been chaired by Mr Visser. Mr Visser is a former member of the company's Management Board. This would be undesirable pursuant to Code provision III.5.11. In view of the fact however that Mr Visser already left the company as a member of the Management Board in 1998 and none of his former fellow members of the Management Board are still active in the company, it was decided to have this position filled by him. This was approved by the General Meeting of Shareholders on 8 April 2010.

Best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 have been complied with.

We refer to the section 'Statement by the Management Board' for the statement by the company's management on the internal risk management and control systems.

In the section 'Remuneration Report' we report on the remuneration policy for members of the Management Board and Supervisory Board members, in conformity with the Code.

STICHTING PREFERENTE AANDELEN MEDIQ

We refer to the Stichting Preferente Aandelen Mediq with respect to the recommendation that all existing or potential anti-takeover measures have to be disclosed.

Mediq NV has entered into an agreement with the Stichting Preferente Aandelen Mediq (the "foundation") under which the company has granted an option to the foundation for the purchase of cumulative preference shares up to the total nominal amount of issued shares at the time of exercise. In accordance with the provisions of the Disclosure of Major Holdings in Listed Companies Act, notification has been made by the foundation to the Netherlands Authority for the Financial Markets that the foundation holds an option for Mediq cumulative preference shares. This enables it to acquire 100% of the share capital issued at that time, i.e. 50% control.

The foundation can exercise the option right and thereby acquire 50% of control if doing so is desirable in its judgement with a view to safeguarding the interests of the company and the businesses directly or indirectly maintained by the company, in such a way that the interests of the company and the businesses and all the parties involved in them are safeguarded as much as possible, and that influences that could harm the independence and/or the continuity as going concerns and/or the identity of the company and those businesses in contravention of those interests, are warded off to the greatest possible extent.

We expressly see this as a temporary measure to create a period of consultation and be able to consider alternatives. The Management Board will publicly disclose the preparation by third parties of a take-over by way of a public bid if it becomes aware of it. We likewise intend to submit any such offer or potential alternatives to the General Meeting of Shareholders for approval, since we consider that the appropriate forum for proposals for major changes in the company's identity. In the view of the company's management, a friendly public bid, possibly including an acquisition premium, will reflect the market value of the company after negotiations have been completed. This will not necessarily be the case for a hostile bid. In the event of a hostile bid in particular, the board of Stichting Preferente Aandelen Mediq can use the preference shares to force a period for consultation and for consideration of possible alternatives. It would allow the Management Board to assess the potential take-over and the alternatives from the perspective of all the company's stakeholders.

The board of the foundation comprises Mr A.L. Asscher (Chairman), Mr H. Visser, Mr R. Zwartendijk, Mr J. van den Belt and Mr W. van Vonno. There were no changes in the membership of the board in the year under review.

Both the Management Board and the foundation's board consider the foundation to be independent of Mediq within the meaning of the Financial Supervision Act.

Apart from a public bid, a majority shareholder position, and therefore control of the company, can also be attained by acquiring Mediq shares on the stock market. Obviously, this approach would not give rise to an acquisition premium. Invoking the option right of Stichting Preferente Aandelen Mediq could also be an effective measure in such a situation. Each year, the board of the foundation subjects the reasons for the foundation's existence and for the current option right and the membership of the board of the foundation to review.

Mediq has decided to grant the foundation the right to submit a request for an inquiry on the basis of Section 346 (c) of Book 2 of the Dutch Civil Code. This enables the foundation to achieve its object without necessarily having to exercise the option right granted to it. Depending on circumstances, it can be desirable not (yet) to exercise the option right.

DECREE ON ARTICLE 10 INFORMATION REQUIRED BY THE DIRECTIVE ON TAKEOVER BIDS

Members of the Management Board are appointed, suspended and dismissed by the Supervisory Board (Articles of Association, article 13). Members of the Supervisory Board are appointed by the General Meeting of Shareholders, suspended by the Supervisory Board and dismissed by the Enterprise Section of the Amsterdam Court of Appeal (Articles of Association, articles 19 and 20). The General Meeting of Shareholders can effect the dismissal of the Supervisory Board (Articles of Association, article 22). Amendments of the Articles of Association are effected by the General Meeting of Shareholders (Articles of Association, article 31.5).

The powers of the Management Board relating to the issue of shares of the company are set out in article 4 of the Articles of Association and those relating to the acquisition by the company of shares in its own capital are set out in article 6 of the Articles of Association.

Mediq has a credit facility from a consortium of banks, as well as a non-bank loan. The facilities are described in the financial statements. The terms of both loans include a 'change of control' clause. As soon as a party obtains more than half of the issued share capital or voting rights in Mediq, the lenders are entitled to demand immediate repayment of the loans.

CORPORATE GOVERNANCE STATEMENT

The Tabaksblat Code on Corporate Governance was updated by the Monitoring Committee Corporate Governance (' Frijns Committee') in December 2008. On 10 December 2009 the updated Code ('Frijns Code ' or 'Code') was designated by a governmental decree as the new code of conduct as referred to in Book 2, Section 391 of the Dutch Civil Code.

CORPORATE GOVERNANCE STATEMENT

This is a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports as last amended on 1 January 2010 ('Decree'). This statement forms part of Mediq's 2010 annual report. The information required to be included in this corporate governance statement, as referred to in articles 3, 3a and 3b of the Decree, can be found in the following sections, parts and pages of Mediq's 2010 annual report, and is to be considered incorporated and repeated here:

- Information on compliance with the principles and best practice provisions of the corporate governance code (article 3 of the Decree) is to be found in the section Corporate governance.
- Information on the main elements of the internal risk management and control framework for the group's financial reporting process (article 3a (a) of the Decree) is to be found in the section Risk Management.
- Information on the functioning of Mediq's General Meeting of Shareholders and its main powers, and the rights of shareholders and how these can be exercised (article 3a (b) of the Decree), is to be found in the relevant parts of the section Corporate governance.
- Information on the composition and functioning of the Board of Management, Supervisory Board and its Committees (article 3a (c) of the Decree) is to be found in the section Corporate governance, the Report of the Supervisory Board and on pages 21 and 52.
- The information as referred to in the Decree Article 10 EU Takeover Directive (article 3b of the Decree) is to be found in the section Corporate governance.

CENTRAL FILLING

In the Netherlands we improve cost efficiency by processing a large proportion of repeat medication at a central location. This reduces time spent on picking and packaging in the pharmacy and frees up more time for serving patients.

REMUNERATION REPORT

THE AIM OF THE REMUNERATION POLICY IS TO ATTRACT AND RETAIN WELL-QUALIFIED MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD FOR THE COMPANY. THE VARIABLE REMUNERATION ENCOURAGES THE MEMBERS OF THE MANAGEMENT BOARD TO WORK FOR THE CONTINUITY OF THE COMPANY AND CREATE LONG-TERM VALUE GROWTH.

The General Meeting of Shareholders on 2 April 2008 approved the remuneration policy. By providing a mix of short-term and long-term components, the variable remuneration is intended to stimulate reinforcement of the long-term market positions of the company and the achievement of value growth for shareholders, as well as financial results in the short term.

MANAGEMENT BOARD

The remuneration policy is designed to motivate the members of the Management Board to work to reinforce the company's long-term market positions and create value growth.
The Supervisory Board is convinced that this best serves the interests of the company's various stakeholders.
The remuneration package for the Board members is based on a market comparison carried out by independent external consultants. Its competitiveness is reviewed every three years by reference to data collected by the consultants on a group of 25 listed and non-listed Dutch companies of a similar size to Mediq (the 'peer group').

The remuneration structure has three basic components:

- A fixed salary. In addition, the members of the Management Board have fringe benefits similar to those for most Mediq employees.
- Variable remuneration in cash, related to performance in the previous year (short-term remuneration). This depends on the weighted score on the following criteria: the average net result, economic profit, average working capital as a percentage of sales and individual performance. 45% to 100% of the fixed salary is available for this for performance on or above target.
- Variable long-term remuneration in cash, related to three-year averages of growth in net earnings per share; Total Shareholder Return (TSR) related to comparable international companies and TSR Amsterdam Midcap Index

(AMX). 45% to 120% of the fixed salary is available for this for performance on or above target.

The variable short-term remuneration in 2010 depended on a weighted score on the following criteria: net result, economic profit, average working capital as a percentage of sales and individual performance, each criterion carries the same weight. The same criteria and weighting apply in 2011. Individual performance is measured by criteria that may differ from person to person. In line with recommendation II.2.10 of the Frijns Committee, the Supervisory Board is authorised to raise or lower the variable remuneration for the Management Board at its discretion if it considers that to be justified.

If all four targets are met in full, variable income is 45% of the fixed salary. If the targets are missed or exceeded, the variable remuneration is as in the tables alongside.

On the advice of the Remuneration Committee the Supervisory Board decided to apply a separate table for the average working capital. This improves the weighting of the results achieved by management in terms of working capital. It is more in line with the targets set as the influence of movements in average working capital resulting from acquisitions, divestments and exchange rates is minimised.

Variable short-term income

1. AVERAGE WORKING CAPITAL AS % OF SALES

TARGET REALISATION	PAYMENT OF FIXED SALARY
< 90%	0%
90%	23%
100%	45%
110%	100%
> 110%	100%

2. OTHER CRITERIA

TARGET REALISATION	PAYMENT OF FIXED SALARY
< 80%	0%
80%	23%
100%	45%
120%	100%
> 120%	100%

Payments for performance between the percentages in the table are interpolated.

Payment of variable long-term remuneration will be based on the three-year averages of the following three performance measures:

- Growth in earnings per share (weighting 50%). The basic target is 8% growth a year in earnings per share.
- Total Shareholder Return (TSR) related to a reference group of companies similar to Mediq consisting of the following international listed companies: McKesson (USA), Cardinal Health (USA), Walgreens (USA), Celesio (D), United Drug (IRL) and Galenica (CH) (weighting 25%). The base target is to be ranked fourth in this reference group.
- TSR related to a reference group comprising companies listed in the AMX (weighting 25%). The base target is to be ranked twelfth in this reference group.

TSR is a measure of returns to shareholders and comprises both changes in the share price and dividend income, for which purposes dividends are assumed to be reinvested in shares of the company when shares are listed ‘ex-dividend’. TSR performance will be measured over a three-year period, with the average for the full (three-year) period being determined for Mediq and the selected reference group companies.

The General Meeting of Shareholders on 8 April 2009 approved calculation of the three-year averages as follows: only the year 2008 will be applied as ‘average’ for 2008, 2008 and 2009 as average for 2009, and 2008, 2009 and 2010 as average for 2010 and subsequently the three-year average will be rolled forward.

In addition, earnings per share growth in 2008 is set at 0% for the purposes of computing the long-term remuneration for the years 2009 and 2010, and earnings per share growth will temporarily be maximised at 8%. The reason for this is that 2008 was an exceptional year, mainly due to the goodwill impairment and the impact of the preference policy. Setting earnings per share growth in 2008 at 0% achieves the dual goal of reflecting the impact of the negative results of 2008 in 2009 and 2010, and motivating members of the Management Board by facilitating a payment in 2009 and 2010.

If all of these three targets are met in full, the variable long-term remuneration is 45% of fixed salary. The maximum is 120% of fixed salary.

It has been agreed with the members of the Management Board that they will use the variable long-term remuneration in the next few years to build up share interests in Mediq amounting to twice their fixed annual salary. Mr van Gelder increased his share interest in 2010 by 5,441 shares from 44,337 shares to 49,778 shares. Mr Janssen increased his share interest in 2010 by 3,000 shares from 20,000 shares to 23,000 shares.

No options are awarded under the remuneration policy.

Variable long-term income

1. GROWTH IN EARNINGS PER SHARE

REALISATION	PAYMENT OF FIXED SALARY (WEIGHTING 50%)
< 4%	0%
4%	23%
8%	45%
12%	68%
16%	90%
20%	120%
> 20%	120%

2. TSR REFERENCE GROUP OF PEER COMPANIES

REALISATION	PAYMENT OF FIXED SALARY (WEIGHTING 25%)
1e	120%
2e	90%
3e	68%
4e	45%
5e	23%
6e	0%
7e	0%

3. TSR AMX REFERENCE GROUP

REALISATION	PAYMENT OF FIXED SALARY (WEIGHTING 25%)
1e	120%
2e	113%
3e	106%
4e	100%
5e	93%
6e	86%
7e	79%
8e	72%
9e	65%
10e	59%
11e	52%
12e	45%
13e	34%
14e	23%
15th – 26th	0%

All components together lead to the following remuneration for the members of the Management Board for 2010:

X € 1,000	2010	2009
M.C. VAN GELDER		
Gross salary	510	500
Variable short-term remuneration	431	452
Total short-term remuneration	**941**	**952**
Total long-term remuneration	115	113
Pension contribution (excluding employee's contribution)	104	134
J.G. JANSSEN		
Gross salary	350	315
Variable short-term remuneration	296	285
Total short-term remuneration	**646**	**600**
Total long-term remuneration	79	71
Pension contribution (excluding employee's contribution)	72	84

Mr van Gelder's fixed salary for 2010 was € 510,000 and Mr Janssen's was € 350,000. These fixed salaries have been set at € 550,000 and € 375,000 for 2011. The Board is confident that the remuneration of the members of the Management Board is competitive in view of the company's development and ambitions.

The variable short-term income of the two members of the Management Board in 2010 was 85% of the gross salary, in line with the total payments on the four criteria in accordance with the table referred to earlier. The long-term remuneration of both members of the Management Board for 2010 is 23% of the gross salary. This percentage corresponds to the total of the payments on the three criteria as stated in line with the tables referred to earlier. It is not in the company's interest to publish further details. However, we can confirm that the Supervisory Board is convinced that the members of the Management Board have performed satisfactorily.

In the opinion of the Supervisory Board, the remuneration policy in place in 2010 was effective.

SUPERVISORY BOARD

The remuneration of the Supervisory Board was changed as from 6 April 2005 and is based on a fixed fee, supplemented by a fee for service as a committee member. The Supervisory Board believes that the fees are a responsible way of paying its members at a level that is broadly in line with that of Mediq's peer group. The remuneration system for the members of the Supervisory Board applied since 2005 and throughout 2010 is as set out below:

FIXED REMUNERATION		FEE PER COMMITTEE MEMBERSHIP	
Chairman	€ 40,000	Committee Chairman	€ 5,000
Vice-Chairman	€ 35,000	Committee members	€ 4,000
Members	€ 30,000		

The remuneration of committee members is also paid to the Chairman and Vice-Chairman of the Supervisory Board if they are members of a committee. The remuneration of the members of the Supervisory Board disclosed in the financial statements was set in accordance with the above table in 2010.

OVER THE PAST FEW YEARS, CARE IN HOSPITALS AND INSTITUTIONS HAS UNDERGONE RAPID CHANGE. IN HOSPITALS, AN INCREASING NUMBER OF DISEASES ARE BEING TREATED SUCCESSFULLY AND SOMETIMES EVEN CURED WITH THE HELP OF MODERN EQUIPMENT, NEW DRUGS AND NEW TREATMENT METHODS. DEMAND FOR BETTER CARE IN NURSING HOMES IS ALSO INCREASING ALL THE TIME. IT IS OBVIOUS THAT THIS WILL BE EXPENSIVE. THE CHALLENGE TO HEALTHCARE PROVIDERS IS TO FIND AN ACCEPTABLE BALANCE IN TREATMENT AND CARE METHODS WITHIN THE HEALTHCARE BUDGETS. BECAUSE THIS IS DIFFICULT ENOUGH IN ITSELF, IT IS ADVISABLE TO OUTSOURCE MORE PRACTICAL PROBLEMS TO A RELIABLE PARTNER WHEREVER POSSIBLE.

DELIVERIES TO ELEVEN COUNTRIES

In recent years, Mediq has acquired a number of companies in Northern Europe. Mediq is now represented in the institutional channel in 11 countries: the Netherlands, Sweden, Denmark, Norway, Switzerland, Belgium, Estonia, Finland, Latvia, Lithuania and Germany. Mainly due to the addition of Sweden, Finland and the Baltic states, Mediq took a major step forward in 2010.

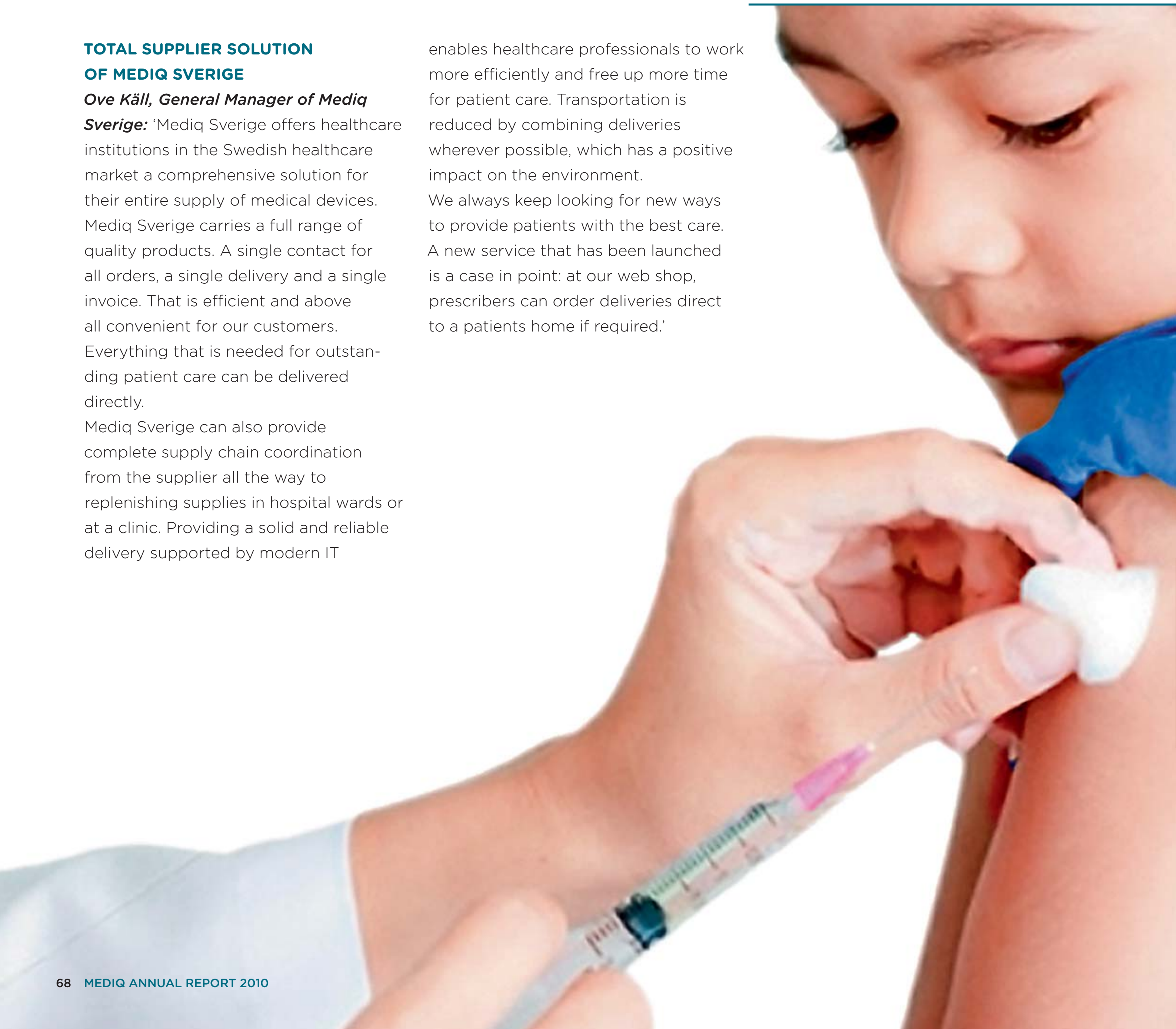
Reliable deliveries

TOTAL SUPPLIER SOLUTION OF MEDIQ SVERIGE

Ove Käll, General Manager of Mediq Sverige: 'Mediq Sverige offers healthcare institutions in the Swedish healthcare market a comprehensive solution for their entire supply of medical devices. Mediq Sverige carries a full range of quality products. A single contact for all orders, a single delivery and a single invoice. That is efficient and above all convenient for our customers. Everything that is needed for outstanding patient care can be delivered directly.

Mediq Sverige can also provide complete supply chain coordination from the supplier all the way to replenishing supplies in hospital wards or at a clinic. Providing a solid and reliable delivery supported by modern IT enables healthcare professionals to work more efficiently and free up more time for patient care. Transportation is reduced by combining deliveries wherever possible, which has a positive impact on the environment.

We always keep looking for new ways to provide patients with the best care. A new service that has been launched is a case in point: at our web shop, prescribers can order deliveries direct to a patients home if required.'



Safe healthcare

Medeco has regular contact with Professor Jan Klein. He is an anaesthesiologist and has been Professor in Safety in Healthcare at the Institute of Health Policy and Management at Erasmus University since November 2010. His inaugural lecture was entitled 'Caught between the mud of the practice and the beautiful science.'

'In the past twenty years good new therapies have been developed in the form of new tests, new drugs and new technology. Increasingly, health professionals are trained in a specific area to apply these. Patients with complex diseases are treated by a large number of practitioners, often from different departments and organisations. Of course, these new developments bring healthcare gains, but their introduction often resembled an explosion in a glass factory. The number of patients that dies or is permanently harmed by potentially preventable causes is considerable. Although safety in healthcare is high on the national and international agenda and there are already many initiatives, it is unclear whether patient safety is better than it was before. It is a problem we can solve only by a concerted effort on the part of healthcare professionals, scientists and manufacturers. Eventually, the benefits will be huge: safe healthcare.'

Prof. Jan Klein

Relationship built on trust

Teleflex is a global provider of medical technology products, specialised in medical devices and services for vascular access, respiratory care, general and regional anaesthesia, cardiac care, urology and surgery. Mediq is exclusive distributor of many Teleflex products in the Nordic and Baltic area.

Jan Verstreken, Regional Vice President en General Manager, Teleflex Medical, EMEA: 'Our relationship with Mediq dates back to 1968 when Meteko started to sell Teleflex products in Sweden. Later our co-operation was expanded to Finland, Denmark and the Baltic states. We expect our distributors to know their markets, to be open in their communication, to employ qualified personnel to promote our products, and to be committed to our shared targets. We shared these values first with Oriola-KD companies and now we share them with Mediq. Our mutual target is to further develop and grow our businesses, whilst reducing hospital infections and improving the safety of patients and healthcare providers by facilitating less invasive procedures.'

FROM MANDRAKE TO NERVE BLOCK...

From time immemorial, people have looked for ways to alleviate pain. They experimented with soporific agents, such as poppy and mandrake. Ether and nitrous oxide were used to sedate patients only since the 19th century. Anaesthesia began as an inhalation technique. Much later it was applied intravenously. Today the focus is primarily on regional anaesthesia, in which part of the body becomes insensitive by injecting an anaesthetic around a nerve. Barbaric surgery without anaesthesia is fortunately long gone.

Greek doctors put the **mandrake root** in wine and used this brew as a narcotic.

Medieval quacks operated **without anaesthesia**. A patient was beaten unconscious or at best got to drink a lot of alcohol.

In 1846 **ether** was officially used for the first time, by the dentist and medical student William Morton..

Modern anaesthesia techniques are less invasive for the patient. By **blocking nerves** only one part of the body is made numb.

RISK MANAGEMENT

DOING BUSINESS MEANS TAKING RISKS IN A RESPONSIBLE WAY. WE USE A RISK MANAGEMENT AND CONTROL SYSTEM THAT PROVIDES INFORMATION ON THE ACHIEVEMENT OF OUR OBJECTIVES, AND IDENTIFY, ENTER INTO AND WHERE NECESSARY MANAGE RISKS IN A STRUCTURED WAY.

RISK MANAGEMENT AND CONTROL SYSTEMS

Our risk management and control systems are in line with the COSO Enterprise Risk Management (COSO ERM) framework for risk management and control. We identify business risks, assess the likelihood of their occurrence and their potential impact and where possible take steps to manage or mitigate these risks and monitor their timely resolution.
This approach is embedded in our organisation as follows.

CORE VALUES

Integrity and openness are important core values within our organisation. We have incorporated these values in the company code "Mediq - the essence". In 2010 we updated the Mediq management charter and the business incident procedure, in which these core values are developed in greater detail, and rolled them out within the organisation.
A whistleblowers procedure is in place under which any incidents in the Netherlands, Poland, Denmark, Norway, United States and Hungary can be reported, anonymously if desired, to an external reporting line. It will be rolled out further within the group in 2011.

PLANNING & CONTROL CYCLE

At set times in the year, all group companies draw up business plans, budgets and forecasts, which incorporate both financial and operational objectives. Discussions take place at regular intervals with the management of the group companies on the general business developments, including the attainability of forecasts issued and strategic choices, and the mitigation of business risks. We apply scenario analyses for developments with a potential significant impact on our financial results.

INTERNAL GUIDELINES AND EXTERNAL STANDARDS

Uniform operational and financial guidelines and procedures are in place that apply to all group companies, such as guidelines for the operational design of business processes and financial reporting, investments, financing and – more generally – long-term liabilities.

We perform a due diligence review as a standard procedure for acquisitions. We have an integration plan ready at the time of acquisition. In addition, periodical evaluations are performed to establish to what extent the intended objectives of acquisitions have actually been attained.

We have a code for information and data security, both inside and outside the ICT environment. There is a business incident procedure for central reporting of incidents that could harm our patients' health, could cause financial damage or could threaten our reputation.

We are bound to stringent statutory and regulatory requirements for quality and safety on the storage and delivery of our products. The majority of our Dutch pharmacies have HKZ certification (harmonisation of quality assessment in healthcare). Many of our group companies are certified to ISO standards. Our wholesaling operations in the Netherlands and Poland meet GDP standards (Good Distribution Practices). In 2010 the number of group companies with official certification was further increased both in the Netherlands and abroad.

INSURANCE AND TREASURY POLICY

We apply a group-wide policy on insurance of business risks, with guidelines for group companies. We prevent a substantial impact on results by means of insurance policies including policies for risks of professional, product, and general liability, business, transport and directors' liability, and financial loss in respect of assets. In 2010 we completed the integration of all insurance policies in our corporate insurance programme, as a result of which all insurable risks are insured worldwide under the same cover and with the same and acceptable limits for uninsured risks.

We apply a group-wide treasury policy for adequate management of our cash flows and financing flows and the financial risks relating to them, including (re)financing risks, currency risks and interest rate risks. In 2010 we integrated our foreign group companies in our cash pooling, which has enabled us to significantly reduce the capital required for operating activities and the related interest expense.

RISK TOLERANCE

We stimulate the pursuit of new opportunities and accept the associated risks provided they contribute to the attainment of our strategic and operational objectives. The requirement we impose is that associated risks are identified and managed.

We apply stringent financial criteria for acquisitions and investments: acquisitions must not only satisfy strategic criteria but also generate a return on average capital employed of at least 15% before tax within a limited number of years. We are prepared to accept the risk of several concurrent acquisition processes, as long as these satisfy our targets in terms of returns, management and other criteria.

Our approach to risk is also influenced by a number of internal and external factors, such as our financial results and operating cash flows, our financing options, economic developments and statutory and regulatory requirements.

ASSESSMENT

The group companies are themselves responsible for the design and operating effectiveness of the risk management and control systems in their company, within central group guidelines. As part of the annual planning process, they annually perform a self-assessment of the principal risks for business objectives, the results of which are discussed with the Executive Board. In addition, group companies report annually on the quality of their risk management and control systems by means of a letter of representation.

The group companies are responsible for the implementation of the Mediq control framework, which contains controls relating of their risk management process. This control framework is aimed in the present phase primarily at financial reporting risks, but will be gradually widened into a business control framework also including controls aimed at operational risks.

Our internal audit department regularly performs risk-based reviews at our group companies, which contribute to assessing and where necessary further improving the design and operating effectiveness of our risk management and control systems. Our external auditor assesses our risk management and control systems relating to financial reporting risks, as far as relevant for an efficient execution of their audit of the financial statements.

The results of our internal audit department's reviews and the progress of the improvement measures are discussed with the responsible management and at least twice a year with the Audit Committee.

Once a year we discuss the overall design and operating effectiveness of our risk management and control systems with the Audit Committee, as well as any significant shortcomings identified and improvement measures already implemented or intended. The most important specific improvement measures are disclosed in the 'Statement by the Management Board'.

RISK PROFILE

Doing business means taking risks. The attainment of our objectives depends in part on external economic factors, market developments, local regulations and other factors. A summary is provided below of the main risks relating to our objectives, categorised as market risks, strategic and operational risks, financial risks and risks relating to financial reporting and compliance with statutory and regulatory requirements. We also state how we manage these risks.

MARKET RISKS

Local regulations and price pressure

Government regulations play an important role in the markets in which we operate.

Pharmacies Netherlands has been subject to very substantial price pressure, particularly since mid-2008, as a result of the preference policy pursued by healthcare insurers. In some cases prices fell by more than 90%. This will be exacerbated by the Dutch Healthcare Authority's decision in December 2010 to reduce the dispensing fee, which has become the main source of income of Dutch pharmacies, in 2011. The market conditions and margins for pharmacies in the Netherlands have changed fundamentally in the past few years as a result, and further stepped up the pressure on the earnings capacity of Dutch pharmacies. Our efforts are directed at establishing a new business model that does justice to the role of pharmacists as both providers of healthcare and entrepreneurs.

The requirements for medical devices imposed by healthcare insurers in the Netherlands are likewise continually becoming more stringent in terms of documenting and monitoring their usage by patients.

We are also experiencing increasing pressure on our margins in the other countries in which we are active, owing to the accession of new market parties, increased purchasing power of healthcare insurers and government institutions, often originating in the political wish to reduce the costs of healthcare for the benefit of taxpayers or those paying the premiums. Accordingly, governments and insurers are increasingly inviting tenders, putting further pressure on prices.

We limit the potential negative effects of these risks as much as possible by improved purchasing terms with manufacturers, efficiency improvements, deploying private label products and investing in high-quality services at competitive prices. That is because patients who increasingly act as healthcare consumers will determine their choice of healthcare providers on the basis of the convenience and service on offer.

We are represented in various relevant national and international industry associations and umbrella organisations, which enables us to participate in establishing regulations and to position ourselves opportunely for future developments.

Economic conditions and financing

The above developments have led to pressure on prices and therefore on our results. By contrast, the effect of the current challenging economic conditions on our results was only limited. Our volumes continued to grow under the influence of increasing ageing and changing lifestyles.

A further economic downturn can adversely impact our results. This can arise from declining sales of self-care pharmaceuticals and products towards which customers are required to contribute a co-payment, especially in Poland and the USA. The economic downturn is also leading to increasing debtor risks, mainly at pharmacies in the Netherlands and Poland and Dutch healthcare institutions. To minimise the consequences, we have tightened the monitoring of our debtor positions and loans provided to customers, and apply more stringent procedures for cash management and working capital management.

In addition, our potential for acquisitions may be limited if our results decline. We will therefore assess any acquisition opportunities selectively.

We have a relatively healthy financing position to which, alongside a healthy cash flow, the sale & leaseback of a large number of business properties in the Netherlands, the sale of our stake in Anzag and the creation of a worldwide cash pool have contributed. At the end of 2010 a number of loans were refinanced at favourable terms and partly raised, providing sufficient financing headroom for funding acquisitions or temporary working capital fluctuations.

STRATEGIC AND OPERATIONAL RISKS

Growth of direct and institutional activities

We are aiming to reduce the dependence on the Dutch market by specifically growing internationally. We are actively seeking acquisition opportunities in the segment Direct & Institutional. Our prime focus with a view to acquisitions is on the countries in which we already have a presence. We see the greatest opportunities in Germany, the Nordics and the USA. As stated under the heading 'Economic conditions and financing', if our results decline, our potential for acquisitions may be limited. We will therefore assess the latter selectively, with acquisitions having to satisfy stringent criteria (as stated under 'Risk Tolerance'). There is moreover a risk that completed acquisitions will fail to match expectations. This risk is limited as much as possible by continual international market reviews, thorough screening of suitable acquisition targets and a focus on integrating newly acquired subsidiaries as quickly and thoroughly as possible, both in terms of control and in terms of commercial approach.

The administration of the ICT applications of the group companies acquired in 2010 in Sweden and Finland is still being carried out by the former owner at present. A plan is currently being developed to end this dependence as soon as possible.

The growth of the number of group companies entails an increase in the number of risks in terms of control in fields including IT, quality management, and reputation. This requires sound management of the group companies and an adequate project approach for change processes. We have accordingly further strengthened our organisation with Corporate Directors in the fields of IT, logistics and quality.

The staffing of key positions in our business units is very important to achieving our objectives, at both existing and newly-acquired business units. Increasingly, systematic processes are being adopted to ensure appropriate succession in key positions and improve the availability of internationally deployable managers.

Strengthening leading pharmacy formula

One of our strategic spearheads is the further strengthening of the Mediq Pharmacy formula. We expect our transparent, high-quality services to position us strongly towards patients and insurers. In the Netherlands in particular, we are also working on cooperation with patient associations, insurers, manufacturers and GPs, aiming to improve quality for patients. These measures are instrumental for Dutch pharmacies to switching successfully from a business model based mainly on purchasing margins to a model based on fees for services provided.

NURSING SUPPORT

We not only provide medical devices and pharmaceuticals, but information, instruction and, where appropriate, nursing support as well.

We therefore signed contracts with a number of insurers in 2009, under which we retain responsibility for the purchasing and logistical handling of goods with a fixed fee for products and services provided.

There is a risk that we will not be sufficiently able to meet the needs of patients, other healthcare providers, manufacturers and insurers with our group-owned and franchise pharmacies. We limit this risk by expanding the brand recognition of our Mediq Pharmacy brand, optimising chain management and chain control, expanding the franchise model, developing pharmaceutical patient care programmes and further standardising our processes.

The increasing differentiation in policy at healthcare insurers and growing compliance requirements are continually increasing the number of accounting and administration and monitoring tasks at Pharmacies Netherlands.

The accounting, logistics and commercial systems in our Dutch pharmacies are not yet fully integrated. We have implemented various controls to reduce the associated operational and financial risks, including a further standardisation and centralisation of accounting processes. We expect to complete the implementation of a number of ICT applications and process improvements in 2011, following which the internal control of money-goods movements within pharmacies will be further improved.

Efficiency improvement

Guided by integrated logistical concepts, we aim to improve our logistical performance and to mitigate margin erosion by price reductions, as there is a risk that price erosion cannot be compensated by efficiency measures and will eventually lead to margin erosion. To prevent this, we are working continually to realise efficiency improvements, for instance by optimising and integrating our logistics concepts, further standardising processes, group-wide purchasing of medical devices and expanding our range of private label products. We are also optimising cooperation and the exchange of knowledge between the various group companies.

We are working to sharply reduce our operating costs at Pharmacies Netherlands by further centralising and standardising our operations. In 2010 the processes relating to repeat medication and magisterial preparations were largely centralised. Since mid-2008 we have reduced the workforce by 417 fulltime equivalents (FTEs), and the overall reduction by 450 FTEs is expected to be completed by the end of 2011 as planned.

We use various ICT systems within the group. In order to reduce the risks associated with ICT systems that are not optimally integrated, we are continually working on further standardising our information processes and ICT systems as much as possible. ICT systems of acquired companies are integrated as quickly as possible in existing platforms. We are aiming to reduce the number of ICT platforms in due course; we will only do this when existing platforms are due for replacement, to avoid unnecessary costs. We will further tighten our IT strategy, in which the future IT landscape will be defined together with the migration process for reaching it in a systematic manner.

We closed a number of local distribution centres in Poland in 2010 and integrated them in the new nationwide distribution centre. This integration has proved to be more complex than originally expected, leading to temporarily higher costs. Initiatives are being taken to address the identified points for improvement.

FINANCIAL RISKS

Our financing structure is directed at maintaining a balance between the leverage of loan capital and sufficient available funding. The covenants applying to our loans and credit facilities are a maximum net debt/ EBITDA ratio of 3.5 and a minimum interest cover of 5.0 (EBITDA/interest charges). At year-end 2010 these ratios were 1.1 and 11.8 respectively.

Our total credit facilities, consisting of long-term loans from institutional investors and medium-term and short-term banking facilities, amounted to € 432 million (2009: € 445 million) at 31 December 2010, of which € 115 million was freely available under the committed facilities.

Our policy aims to consistently hedge currency risks arising from trading transactions or loans not denominated in the local currency of the group company concerned, usually by forward foreign exchange transactions. We do not hedge translation risks. We regard our positions in other countries (in this case outside the euro zone) as strategic and assume that, over the longer term, currency fluctuations will on balance be neutral. We have limited our interest rate risks by using interest rate swaps or other derivatives where necessary.

In the area of tax, we use facilities offered by tax legislation and regulations without incurring unnecessary risks. We are supported by external tax advisers in assessing the legal opportunities and reviewing our compliance with tax law. We consult regularly with the tax authorities on the interpretation of tax rules and the outcome cannot always be reliably predicted. Changes in the corporate income tax rate in the countries in which we are active could lead to favourable and/or adverse changes in the tax positions in our balance sheet.

As regards pension risks: our employees are entitled to either the defined benefit plans or defined contribution plans. The defined benefit plans mainly relate to Dutch entities that are members of Stichting Pensioenfonds Mediq ('Mediq Pensionfund'). The number of participants concerned is around 4,600 (active and non-active). The pension obligations of Dutch group companies not falling within the scope of the Mediq Collective Labour Agreement and of international group companies are generally insured with separate industrial pension funds or insurance and reinsurance companies, or are insured via local governments. The boards of the pension funds are responsible for the policy pursued. The main risks of pension funds relate to longevity risks, interest rate risks, cash flow risks and investment risks. These risks are limited as much as possible, for instance by analysing life and mortality developments, performing Asset Liability Management studies and by optimum implementation of an adequate investment policy. In the event of underfunding at the Mediq Pensionfund, financing is arranged for this on the basis of the administration agreement with Mediq.

The Mediq Pensionfund suffered major asset losses in 2008 due to the fact that a large part of the assets had been transferred by the asset manager, without the pension fund's knowledge, to Lehman Brothers, which was declared bankrupt in September 2008. The pension fund drew up a recovery plan in 2008, under which Mediq made one-off contributions in 2008 and 2009 of € 5 million and € 2.5 million respectively. Further to the settlement agreed in January 2010 between the pension fund and the asset manager State Street the coverage ratio of the pension fund improved substantially and no further contributions were required from Mediq.

For a further discussion and quantification of the financial risks referred to above we refer to the notes to the financial statements 2010 under 'Other provisions' and 'Other disclosures: risk management and financial instruments'.

RISKS RELATING TO FINANCIAL REPORTING AND COMPLIANCE WITH STATUTORY AND REGULATORY REQUIREMENTS

Reliable financial reporting is essential for internal management information and as a basis for external reporting. The financial reporting by the group companies is subject to group-wide guidelines, based on IFRS. Extensive checks and balances reduce the risk of errors.

Progress was achieved in the past year in implementing the Mediq control framework. The focus in 2011 will be on embedding these controls in the business processes, and in addition on the implementation of controls in the field of IT general controls and the tax control framework.

In view of the industry in which we are active, careful compliance with statutory and regulatory requirements and our code of conduct is of the utmost importance. We propagate its importance within the group through guidelines, including our company code, 'Mediq – the essence'. Employees are able to report (anonymously if desired) actual breaches or possible breaches under the whistleblowers procedure. In addition our 'business incident' procedure also informs the responsible managers at the most senior level of breaches of statutory and regulatory requirements. These tools help us to limit the risk of fraud as much as possible (alongside other controls).

As a logistics service provider we have distribution centres that are required to comply with local statutory and regulatory requirements in the field of safety (for instance working conditions) and the environment (for instance transport and waste). If regulations in these fields become more stringent, this may require us to make additional investments to ensure continued compliance with these laws and regulations.

In response to the counterfeit insulin needles that were found in 2009 we have taken various steps to prevent distribution of counterfeit medical devices in future, including tighter purchasing and product recall procedures, the drafting and start of the implementation of a Code of Ethics for suppliers, and recruiting a quality manager for the group. In 2010 the quality systems were improved further to enable early identification of any counterfeit products purchased.

We ourselves are responsible for the quality standards of private label products manufactured on our behalf. In view of the volume growth of these products we will further tighten our quality standards for this category in the coming year.

The number of compliance checks by healthcare insurers on the correctness of invoices is continually increasing, especially in the USA and the Netherlands. We have strict procedures and controls to limit compliance risks.

STATEMENT BY THE MANAGEMENT BOARD

We are responsible as Management Board for the development, implementation and operating effectiveness of the risk management and control systems aligned to our business activities. These systems are designed with a view to identifying significant risks in a timely manner and managing them as adequately as possible. They provide insight with reasonable assurance to what extent strategic, operational and financial objectives will be attained, financial reporting is reliable, and relevant statutory and regulatory requirements are complied with. These systems have been developed on the basis of COSO ERM.

For a description of our risk management and risk profile we refer to the section 'Risk management'. The internal letters of representation issued by the group companies, periodic risk assessments and the quarterly discussions with the management are an integral part of our risk management approach. Once a year we discuss the overall design and operating effectiveness of our risk management and control systems with the Audit Committee, as well as any significant shortcomings identified and improvement measures already implemented or intended.

As stated in previous years, no complete reconciliation is in place yet between the accounting, logistical and commercial systems in our Dutch pharmacies. We have implemented various controls to reduce the associated operational and financial risks, including a further standardisation and centralisation of accounting processes. We expect to complete the implementation of a number ICT applications and process improvements in 2011, following which the internal control of money-goods movements within pharmacies will be further improved.

With due consideration of the above, we believe that our risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems relating to financial reporting risks operated properly in the year under review.

Our risk management and control systems can however not provide absolute certainty that the strategic, operational and financial objectives will be fully attained and that statutory and regulatory requirements are always fully complied with. Nor will the systems be able to prevent all human errors, including errors of judgement and mistakes. It is moreover inherent in doing business that costs must always be weighed up against benefits in accepting risks and implementing controls.

Based on the above, in our opinion we meet best practice provisions II.1.3, II.1.4 and II.1.5 of the Dutch Corporate Governance Code.

We are signing the financial statements pursuant to Section 101 (2) of Book 2 of the Netherlands Civil Code and Section 5:25c (2c) of the Financial Supervision Act.
In addition thereto we declare, in accordance with section 5.25c of the Financial Supervision Act, that to the best of our knowledge:

- the financial statements give a true and fair view of the assets, liabilities and financial position as at 31 December 2010 and the result for 2010 of Mediq NV and the entities included in the consolidation; and
- the annual directors' report gives a true and fair view of the situation as at 31 December 2010, the developments during 2010 at Mediq NV and its related companies, whose information is included in the financial statements, and that the annual directors' report for 2010 describes the principal risks which Mediq NV faces.

Utrecht, 16 February 2011

Marc van Gelder, Chairman of the Management Board
Hans Janssen, Chief Financial Officer

FINANCIAL STATEMENTS 2010

CONSOLIDATED INCOME STATEMENT

X € 1,000	NOTE		2010		2009
Net sales	5		2,633,940		2,602,712
Cost of sales			2,043,306		2,056,728
Gross profit			**590,634**		**545,984**
Other income	6		**14,164**		**26,396**
Personnel costs	7		294,182		281,007
Depreciation and amortisation	8		32,267		26,221
Impairment of non-current assets	9		3,547		–
Other operating expenses	10		160,267		149,098
Total operating expenses			**490,263**		**456,326**
Operating result			**114,535**		**116,054**
Finance income	11		1,269		1,077
Finance costs	11		– 14,731		– 15,637
Net finance costs			**– 13,462**		**– 14,560**
Share of profit of associates	12		**1,099**		**1,127**
Profit before income tax			**102,172**		**102,621**
Income tax expense	13		– 23,814		– 25,819
Profit for the period			**78,358**		**76,802**
Attributable to:					
Owners of the Company (net result)			76,662		74,530
Non-controlling interests			1,696		2,272
Total			**78,358**		**76,802**
IN EUROS					
Basic earnings per share attributable to owners of the Company	14		1.30		1.27
Diluted earnings per share attributable to owners of the Company	14		1.30		1.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

X € 1,000	NOTE	2010	2009
Profit for the period		**78,358**	**76,802**
Other comprehensive income			
Actuarial gains and losses:	28		
• Actuarial gains and losses on defined benefit pension plans		– 14,967	14,218
• Tax effect on actuarial gains and losses		3,817	– 3,624
Cash flow hedges:	28		
• Net change in fair value of cash flow hedges reclassified to profit or loss		– 909	– 263
• Tax effect on cash flow hedges		232	67
Foreign currency translation differences	28	4,810	1,627
Other comprehensive income for the period		**– 7,017**	**12,025**
Total comprehensive income for the period		**71,341**	**88,827**
Total comprehensive income attributable to:			
Owners of the Company		69,227	86,304
Non-controlling interests		2,114	2,523
Total comprehensive income for the period		**71,341**	**88,827**

CONSOLIDATED BALANCE SHEET

X € 1,000	NOTE	31.12.2010	31.12.2009
Non-current assets			
Property, plant and equipment	15	109,824	123,903
Investment property	16	1,796	2,158
Goodwill	17	364,529	293,556
Other intangible assets	18	39,539	34,583
Investments in associates	19	7,204	7,192
Deferred tax assets	31	28,588	25,919
Pension benefit surplus	32	–	5,426
Receivables	20	4,050	5,842
Investments	21	–	16,670
Derivative financial instruments	30	356	–
		555,886	**515,249**
Current assets			
Inventories	22	231,809	210,629
Trade receivables	23	297,405	263,655
Corporate income tax		10,745	1,247
Other receivables	24	32,394	36,068
Derivative financial instruments	30	81	–
Cash and cash equivalents	25	67,196	109,737
Non-current assets held for sale	26	297	2,850
		639,927	**624,186**
Total assets		**1,195,813**	**1,139,435**
Equity			
Share capital and share premium	27	107,154	107,154
Reserves	28	384,862	331,414
Total equity attributable to owners of the Company		**492,016**	**438,568**
Non-controlling interests		18,207	15,539
Total equity		**510,223**	**454,107**
Non-current liabilities			
Borrowings	29	210,545	195,490
Derivative financial instruments	30	6,732	8,844
Deferred tax liabilities	31	22,059	14,384
Retirement and other employee benefit obligations	32	12,080	2,428
Provisions	33	4,247	1,712
		255,663	**222,858**
Current liabilities			
Credit institutions		462	1,731
Borrowings due within one year	29	32,075	82,015
Derivative financial instruments	30	1,577	1,304
Trade payables and other current liabilities	34	360,267	329,892
Corporate income tax liability		1,350	9,833
Other taxes and social security charges		25,564	20,679
Provisions	33	8,632	17,016
		429,927	**462,470**
Total equity and liabilities		**1,195,813**	**1,139,435**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

X € 1,000								2009
Note: 27, 28	PAID-UP SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR TRANSLATION DIFFERENCES	HEDGING RESERVE	OTHER RESERVES	TOTAL ATTRIBUTABLE TO OWNERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balance at 1 January 2009	**14,625**	**91,263**	**– 1,824**	**– 3,026**	**263,865**	**364,903**	**14,142**	**379,045**
Profit for the period					**74,530**	**74,530**	**2,272**	**76,802**
Other comprehensive income:								
• Actuarial gains and losses on defined pension benefit plans					14,218	14,218		14,218
• Tax effect on pension actuarial gains and losses					– 3,624	– 3,624		– 3,624
• Net change in fair value of cash flow hedges				– 263		– 263		– 263
• Tax effect on cash flow hedges				67		67		67
• Foreign currency translation differences			1,376			1,376	251	1,627
Other comprehensive income			**1,376**	**– 196**	**10,594**	**11,774**	**251**	**12,025**
Total comprehensive income			**1,376**	**– 196**	**85,124**	**86,304**	**2,523**	**88,827**
Transactions with owners:								
• 2008 final dividend					– 7,628	– 7,628		– 7,628
• Converted by owners of the Company	46	1,220			– 505	761		761
• Acquisitions							– 806	– 806
• Dividend and subscribed capital							– 320	– 320
• Transactions with non-controlling interests					– 50	– 50		– 50
• Distribution of 2009 interim dividend					– 5,869	– 5,869		– 5,869
• Other movements					147	147		147
Total transactions with owners of the Company	**46**	**1,220**			**– 13,905**	**– 12,639**	**– 1,126**	**– 13,765**
Balance at 31 December 2009	**14,671**	**92,483**	**– 448**	**– 3,222**	**335,084**	**438,568**	**15,539**	**454,107**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

X € 1,000								2010
Note: 27, 28	PAID-UP SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR TRANS-LATION DIF-FERENCES	HEDGING RESERVE	OTHER RESERVES	TOTAL ATTRI-BUTABLE TO OWNERS	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
Opening balance at 1 January 2010	**14,671**	**92,483**	**- 448**	**- 3,222**	**335,084**	**438,568**	**15,539**	**454,107**
Profit for the period					**76,662**	**76,662**	**1,696**	**78,358**
Other comprehensive income:								
• Actuarial gains and losses on defined benefit pension plans					- 14,967	- 14,967		- 14,967
• Tax effect on pension actuarial gains and losses					3,817	3,817		3,817
• Net change in fair value of cash flow hedges				- 909		- 909		- 909
• Tax effect on cash flow hedges				232		232		232
• Foreign currency translation differences			4,392			4,392	418	4,810
Other comprehensive income			**4,392**	**- 677**	**- 11,150**	**- 7,435**	**418**	**- 7,017**
Total comprehensive income			**4,392**	**- 677**	**65,512**	**69,227**	**2,114**	**71,341**
Transactions with owners:								
• 2009 final dividend	151	- 151			- 11,527	- 11,527		- 11,527
• Acquisitions							71	71
• Dividend and subscribed capital							- 737	- 737
• Transactions with non-controlling interests							1,427	1,427
• Distribution of 2010 interim dividend	90	- 90			- 4,227	- 4,227		- 4,227
• Other movements					- 25	- 25	- 207	- 232
Total transactions with owners of the Company	**241**	**- 241**			**- 15,779**	**- 15,779**	**554**	**- 15,225**
Balance at 31 December 2010	**14,912**	**92,242**	**3,944**	**- 3,899**	**384,817**	**492,016**	**18,207**	**510,223**

CONSOLIDATED STATEMENT OF CASH FLOWS

X € 1,000	NOTE	2010	2009
Profit for the period		78,358	76,802
Adjustments for:			
Net finance costs	11	13,462	14,560
Share of profit of associates	12	– 1,099	– 1,127
Income tax expense	13	23,814	25,819
Depreciation of non-current assets	8	19,442	18,151
Amortisation of intangible assets	8	12,825	8,070
Impairment of non-current assets	9	3,547	–
Book gain on sale of group companies	6	– 460	– 7,453
Book gain on sale of non-current assets	6	– 4,668	– 7,527
Profit on investments	6	– 2,568	– 3,869
Movements:			
Movements in provisions		– 857	2,998
Movements in inventories	35	– 1,651	5,758
Movements in current receivables	35	– 6,348	17,204
Movements in current liabilities	35	4,531	– 2,392
Operating cash flow		**138,328**	**146,994**
Finance cost paid		– 13,463	– 14,985
Tax paid on operating result		– 42,089	– 27,309
Cash flows from operating activities		**82,776**	**104,700**
Additions to non-current assets	15, 16, 17	– 20,619	– 33,022
Acquisitions less cash and cash equivalents	4	– 90,413	– 538
Finance income received		1,355	403
Dividends received	6, 19	1,920	1,537
Sale of group companies	4	460	21,576
Disposals of non-current assets	15, 16, 18, 21	41,779	24,146
Loans granted	20	– 735	– 653
Payments received on loans	20	2,574	3,573
Tax paid on investing activities		–	– 77
Cash flows from investing activities		**– 63,679**	**16,945**
Proceeds from share issues		–	1,266
Converted by owners of the Company		–	– 505
Dividends paid	28	– 15,754	– 13,497
Proceeds from borrowings	29	40,000	1,544
Repayments of borrowings	29	– 85,217	– 971
Movements in non-controlling interests		595	– 852
Cash flows from financing activities		**– 60,376**	**– 13,015**
Net cash flow		**– 41,279**	**108,630**

CONSOLIDATED STATEMENT OF CASH FLOWS

X € 1,000	2010	2009
Reconciliation with the balance sheet:		
Net cash flow	**– 41,279**	**108,630**
Foreign currency translation differences in net cash or cash equivalents	7	– 3,552
Subtotal	**– 41,272**	**105,078**
Net cash or cash equivalents at beginning of period		
Cash and cash equivalents	109,737	28,356
Credit institutions	– 1,731	– 25,428
	108,006	**2,928**
Net cash or cash equivalents at end of period		
Cash and cash equivalents	67,196	109,737
Credit institutions	– 462	– 1,731
	66,734	**108,006**
Movement in net cash or cash equivalents in the balance sheet	**– 41,272**	**105,078**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 REPORTING ENTITY

Mediq NV ('Mediq') has its registered office in Utrecht, the Netherlands. The consolidated financial statements of the group for 2010 include the holding company and all its group companies. In addition Mediq holds interests in third parties (investments in associates). A list of the most significant associates can be found in the notes.

2 BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The 2010 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs).

The Supervisory Board discussed the draft financial statements with the Management Board. Following the discussion, the Management Board released the full-year results for publication on 16 February 2011. The annual report will be submitted for adoption to the General Meeting of Shareholders on 13 April 2011.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the basis of the historical cost convention, except for the following material balance sheet items:

- Non-current financial assets that are investments are carried at fair value with fair value changes taken through profit or loss;
- Derivatives (derivative financial instruments) are carried at fair value.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The financial statements are prepared in euros, Mediq's functional and reporting currency. All financial information in euros is rounded to the nearest thousand.

USE OF ESTIMATES AND JUDGEMENTS

The financial statements are prepared in accordance with EU-IFRSs. In doing so, management has to make certain assumptions and estimates that affect the value of assets and liabilities, the determination of results, and the disclosure of contingent assets and liabilities. The actual outcomes can differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions of estimates are recognised in the period in which the estimates are revised and in future periods affected by the revision.

Information on the assumptions and uncertainties in estimates that the Management Board judges to be the most critical to fairly presenting the financial position and that require subjective or complex judgement by management are included in the following sections of the notes:

- Note 4: acquisitions: mainly the valuation of customer relationships
- Note 17: key assumptions used for cash flow forecasts at discounted value for impairment tests
- Note 23: collectibility of receivables due
- Note 31: utilisation of carry-over losses
- Note 32: measurement of defined pension benefit obligation
- Note 33 and Note 37: provisions and contingent liabilities

CHANGES IN ACCOUNTING POLICIES

Accounting for business combinations

IFRS 3 Business Combinations (2008) has been adopted with effect from the financial year 2010. This revision of IFRS 3 (IFRS 3R) has been applied prospectively and has not materially affected the result, with the exception of acquisition-related costs.

Acquisitions are accounted for using the acquisition method as of the date of acquisition, i.e. the date on which control is transferred to Mediq. Mediq has control if we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, we take account of potential voting rights exercisable at the time concerned.

Acquisitions on or after 1 January 2010

Goodwill is measured as follows for acquisitions on or after 1 January 2010:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the acquisition is achieved in stages, the fair value of the previously held equity interest in the acquiree; net of
- the net recognised amount (generally fair value) of the identifiable assets acquired and the liabilities assumed.

If the difference is negative, a book gain is recognised immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs, other than costs relating to share or bond issues, are recognised in profit or loss when incurred.

The fair value of a contingent consideration is recognised on the acquisition date. A contingent consideration classified as equity is not subsequently revalued and changes are accounted for within equity. All other subsequent changes after initial recognition are taken through profit or loss.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill is the excess of the acquisition price over the group's interest in the carrying amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. If the difference was negative, a book gain was immediately recognised in profit or loss as a bargain purchase gain.
Acquisition-related costs, other than costs relating to share or bond issues, were recognised as part of the acquisition price.

Accounting for acquisitions of non-controlling interests

IAS 27 Consolidated and Separate Financial Statements (2008) has been applied as of 1 January 2010 for the acquisition of non-controlling interests. The change has been applied prospectively and has not materially affected the result.

The new standard requires acquired non-controlling interests to be recognised as equity transactions with owners in their capacity as owners and hence no goodwill is recognised on such transactions. Adjustments of the non-controlling interests are based on a proportionate amount of the subsidiary's net assets.

Goodwill was previously recognised on the acquisition of a non-controlling interest in a subsidiary, representing the excess of the carrying amount of the interest over the net assets acquired on the acquisition date.

Statement of cash flows
As of the financial year 2010 the format of the consolidated statement of cash flows has been changed in line with the most recent interpretations of EU-IFRSs. The statement of cash flows is prepared on the basis of the profit after income tax. The comparative figures have been restated accordingly.

3 SIGNIFICANT ACCOUNTING POLICIES

We explain below the main policies used in preparing the consolidated financial statements. The group companies have consistently applied these policies for the periods included in these consolidated financial statements, unless stated otherwise.

BASIS OF CONSOLIDATION

Group companies
The consolidation includes the financial information of Mediq and of companies controlled by the company. In general, the company holds, directly or indirectly, more than 50% of the voting rights in these companies. The assets, liabilities and results of these companies ("group companies") are consolidated in full. Transactions, balances and unrealised results between group companies are eliminated. Non-controlling interests in the consolidated results and equity are stated separately.

Acquisitions
Mediq has changed its accounting policy for acquisitions. See note 2 (Accounting for business combinations) for more information.

Disposals
The financial information of group companies that have been sold is included in the consolidation up to the date that control ends. On the sale of a group company, the difference between the sale proceeds and carrying amount, including goodwill and accumulated translation differences, is recognised in profit or loss. If the group retains an interest in the former subsidiary, the interest is recognised at fair value as from the date that control ends.

Investments in associates
An associate is an entity over whose financial and operating policies the group has significant influence, but not control, because of its equity interest in the entity. Investments in associates are recognised on the basis of the equity method, together with the goodwill purchased on acquisition, less any impairment losses on individual assets.

The value of associates according to the equity method is determined in conformity with the group's accounting policies. The initial value of an associate is set at cost, which is allocated according to the fair value of the net assets at the date of acquisition. Subsequent valuations are based on fair values determined in the same way.

We determine the share of profit of associates in accordance with Mediq's accounting policies. For these interests, we present pro rata amounts in the income statement based on the equity method. Dividend distributions received from associates are set off against the carrying amounts of the investments in them.
If our share in losses exceeds the value of the interest in the associate, the carrying amount of the entity is written down to nil and no further losses are recognised, except if we have entered into a legally enforceable or constructive obligation or have made payments on behalf of an associate. Transactions with our associates are carried out at arm's length.

Elimination of intra-group transactions

Intra-group balances and transactions, any unrealised income and expenses on intra-group transactions or gains or losses from such transactions are eliminated in preparing the consolidated financial statements. Unrealised profits and losses arising from transactions with associates are eliminated in proportion to the group's interest in the investment.

FOREIGN CURRENCY TRANSLATION

Transactions and balance sheet positions

Trading transactions and balance sheet positions in foreign currencies by individual companies are recorded in the local accounting records in the functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates at that date. The resulting translation differences and the foreign exchange differences arising on settlement of such transactions are recognised in profit or loss.

Group companies

The results and balance sheet items of all group companies that report in a functional currency other than the euro are translated into euros as follows:

- assets and liabilities are translated into euros at the exchange rate ruling on the balance sheet date;
- income statement items are translated into euros at the exchange rate that approximates the exchange rate on the transaction date;
- gains and losses arising on the translation of the net asset value of consolidated entities are recognised directly in equity.

On the disposal of all or part of a foreign entity resulting in a loss of control, any cumulative currency translation differences are recognised in profit or loss as part of the gain or loss on the sale.

Goodwill arising on the acquisition of a foreign activity and adjustments to its fair value are part of the investment in the foreign activity. They are translated into euros at the exchange rate ruling on the balance sheet date.

The following exchange rates have been used in these financial statements for the main countries in which Mediq is active:

IN EUROS

		BALANCE SHEET AT 31.12.2010	INCOME STATEMENT 2010	BALANCE SHEET AT 31.12.2009	INCOME STATEMENT 2009
US dollar (USD)	100	74.84	75.35	69.42	71.64
Polish zloty (PLN)	100	25.16	24.93	24.36	23.07
Danish krone (DKK)	100	13.42	13.43	13.44	13.43
Norwegian krone (NOK)	100	12.82	12.46	12.05	11.40
Swedish krone (SEK)	100	11.15	10.73	–	–
Swiss franc (CHF)	100	79.97	72.74	67.40	66.41

STATEMENT OF CASH FLOWS

The statement of cash flows is drawn up using the indirect method. The cash items in the statement of cash flows comprise cash and cash equivalents, the bank credits and money market borrowings included under current liabilities. Cash flows in foreign currencies are translated at the exchange rate ruling at the time of the transaction.

Investments in group companies are included at the cost of acquisition of equity instruments or - if applicable - capital employed, plus interest-bearing debts acquired and less cash and cash equivalents held by the acquired company.

PROPERTY, PLANT AND EQUIPMENT

We value property, plant and equipment at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognised as an expense and calculated on a straight-line basis taking into account useful life and any residual value. Land is not depreciated. Buildings are depreciated over a period of between 10 and 33 years. Plant, equipment and other operating assets are depreciated over periods ranging from 3 to 10 years.

Maintenance, repairs and refurbishments are generally treated as costs in the period in which they are carried out. Major refurbishments are capitalised as part of the carrying amount of the assets to which they relate, if it is reasonable to assume that the future economic benefits will exceed the original carrying amount. They are depreciated over their residual lives but not exceeding the remaining useful lives of the respective assets concerned.

All residual values and useful lives are reviewed at the end of each year. In the case of revised expectations, the differences are treated as changes in accounting estimates.

Fair value is reviewed at intervals of a few years by independent experts.

INVESTMENT PROPERTY

The carrying amount of investment property is determined using the cost model and the same accounting policies that are applied to property, plant and equipment.

GOODWILL

Intangible assets include goodwill purchased on acquisitions. Goodwill on acquisitions of associates is recognised under investments in associates. Goodwill is calculated as the difference between the cost of acquisition at the date of acquiring a company and the group's share of the fair value of the identifiable assets and liabilities. After initial recognition, goodwill is carried at cost less accumulated impairment losses.
For the sale of an entity over which we have control, the amount of goodwill written off is in proportion to the entity's share in the total value of the cash generating unit to which it belongs.

OTHER INTANGIBLE ASSETS

Intangible assets other than goodwill, such as software, websites and identified assets on investments in group companies, customer relationships for example, are valued at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised as a cost and calculated on a straight-line basis over the asset's expected useful life, which is estimated at five years for software and websites. The amortisation period for customer relationships depends on the customer attrition rate estimated in advance.

NON-CURRENT FINANCIAL ASSETS

Financial assets are recognised in the balance sheet up to their date of settlement. The group holds financial assets in the following categories:

- Receivables
  After initial recognition at fair value plus directly attributable transaction costs, receivables included in this category are carried at amortised cost, net of a provision for doubtful debts where necessary. All differences between the amount loaned (after settlement of any premium or discount) and the scheduled repayments to be received are recognised in profit or loss during the term of the receivable in accordance with the effective interest method. Receivables due within one year are classified as current assets.

- Investments
  These financial assets are recognised at fair value. We recognise the gains and losses on investments (including dividends received) directly in profit or loss.

IMPAIRMENT OF NON-CURRENT ASSETS

At each balance-sheet date, the group assesses whether there are indications that an asset should have been impaired. If such an indication exists, the recoverable amount of the asset is calculated. If it is not possible to determine the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. Goodwill is tested annually for impairment even if there are no such indications.

For goodwill impairment tests, the determining factor is the level on which we monitor goodwill within the company. In line with this approach, a chain of pharmacies, as opposed to the individual pharmacies, is treated as a single unit for the purpose of impairment testing. The individual group company is treated as cash-generating unit for our other activities.
An impairment loss arises if the net carrying amount of an asset exceeds its realisable value, where the realisable value is the higher of the fair value less costs to sell and its value in use.
If the realisable value is less than the net carrying amount, the asset is written off to its realisable value (that is, an impairment loss is recognised). Impairment losses are taken directly to profit or loss.

Should the circumstances that led to the impairment change to such an extent that the realisable value increases, the impairment is fully or partly reversed, except in the case of goodwill. In such cases, the carrying amount of the asset is increased to the revised realisable value, subject to a maximum of the carrying amount that would have been determined had no impairment loss been recognised for the asset.

INVENTORIES

Inventories (raw materials and consumables, finished products and trade stocks) are recognised at the lower of their weighted average cost and realisable value. The average cost includes freight charges, excise duties, discounts, bonuses, and manufacturing and repackaging costs to the extent that they are directly attributable to the inventory. The realisable value is the estimated selling price under ordinary business conditions, less the estimated completion and costs to sell.

TRADE RECEIVABLES

After their initial recognition at fair value, trade receivables are carried at amortised cost less any collection costs. A provision for doubtful debts is formed if it appears likely that the group will not be able to collect the full amount of a trade receivable. The size of the provision is the difference between the net carrying amount of the trade receivables and the present value of the expected cash flows. Additions to the provision are charged to profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and bank balances and other demand deposits. Cash and cash equivalents are carried at face value.

NON-CURRENT ASSETS HELD FOR SALE

Assets are classified as ‘held for sale’ if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the appropriate level of management must be committed to sell the asset, and an active programme to locate a buyer and complete the transaction must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. If events or circumstances beyond the group’s control prevent the sale from being completed within one year, but all other criteria for classification as “held for sale” are still met in full, the period required to complete the sale is extended. These assets are valued at the lower of their carrying amount and fair value less costs to sell on the date they are classified as ‘held for sale’.

EQUITY

If the group purchases its own shares, the price paid for them is deducted from other reserves, until those shares are cancelled or sold. If the purchased shares are sold, the sale proceeds are added to other reserves.

For the buyout or sale of non-controlling interests in an entity over which we already have control, the difference between the fair value and carrying amount is recognised directly in equity.

The owners of the Company are entitled to dividend as finalised by the General Meeting of Shareholders. The dividend distribution is recognised in the consolidated balance sheet as a liability in the period in which the dividend distribution is approved by the General Meeting of Shareholders.

LONG-TERM BORROWINGS

We recognise long-term borrowings initially at fair value less transaction costs. Subsequently, they are carried at amortised cost. All differences between the amounts received (net of transaction costs) and the repayment obligations are recognised in profit or loss during the term of the debt in accordance with the effective interest method. Long-term liabilities repayable within one year are classified as current liabilities.

FINANCE LEASES

Lease contracts under which substantially all the risks and rewards of ownership of the asset have been transferred to the group are included in the balance sheet at the commencement of the lease contract at the lower of the fair value of the asset and the present value of the minimum number of lease payments. The lease payments are apportioned between a repayment component and a finance charge, based on an implicit interest rate. We recognise long-term lease commitments, excluding the interest components, under long-term liabilities. Lease payments due within one year are included under current liabilities. The interest component of the lease payment is recognised in profit or loss. The corresponding assets are depreciated over their remaining useful life or, if shorter, the remaining term of the lease contract.

OPERATING LEASES

We recognise lease contracts under which the risks and rewards of ownership of the asset are not essentially transferred in full to the group as operating leases. Operating lease commitments are recognised in profit or loss on a straight-line basis over the term of their respective lease contracts.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are recognised at fair value. The treatment of the related results depends on the type of hedged position and whether hedge accounting applies to the derivative.

In principle, we apply hedge accounting to all long-term interest rate swaps. This relates to cash flow hedges in all cases. At the inception of the hedge transaction, the relationship between the derivative and the hedged item is recorded, as well as the risk management objective for the hedge position and the general strategy for entering into hedge transactions. At the inception of the hedge and subsequently, we record whether the derivatives involved in the hedge transactions effectively hedge the fluctuations in the cash flows, including the results of the testing. In this way, the criteria for applying hedge accounting are satisfied. If a hedge is effective, changes in the fair value of the derivative are recognised in income, taken directly to equity and presented in the hedging reserve. We recognise the potential gain or loss on the ineffective portion of a hedge (i.e. if the hedge relationship is deemed ineffective) directly in profit or loss as part of the financial result. If a derivative expires or is sold, or if it no longer meets the criteria for hedge accounting, all related accumulated gains or losses that have been taken to equity will be recognised in profit or loss. If we no longer expect an intended transaction to take place, the total related accumulated gains or losses recognised in equity are taken directly to profit or loss.

We do not apply hedge accounting to forward currency contracts. The results on these derivatives are recognised directly in profit or loss as part of the financial result. Derivatives used for hedging long-term positions are presented as non-current assets or non-current liabilities. If a derivative is used for hedging a short-term position, we present the instrument under current assets or current liabilities.

INCOME TAXES

Income taxes comprise taxes payable and taxes deductible for the financial year and deferred taxation. The income tax expense is in principle recognised in the income statement. However, income taxes relating to items taken directly to equity are likewise taken direct to equity.

Taxes payable and deductible for the financial year consists of income taxes on the taxable profit, which is calculated on the basis of tax rates enacted or substantively enacted at the end of the reporting period. In addition, adjustments to prior-year taxation can be included.

We use the liability method when forming a provision for deferred tax assets and liabilities relating to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes on the one hand and the values for tax purposes on the other, and also when carry-forward tax losses are available. Deferred tax items reflecting temporary differences are calculated using the tax rates ruling at the end of the reporting year or the tax rates applicable for the next year that have already been enacted in law.
Deferred tax assets and liabilities within the same fiscal unit are netted off only if Mediq has an enforceable right to do so and intends to settle them on a net basis. We recognise deferred tax assets, including those relating to tax losses carried forward, if it is probable that future profits will be realised to enable us to utilise the temporary differences. They are valued at the statutory tax rate at the time when realisation is expected to take place. A provision for deferred tax is formed for temporary differences arising on investments in group companies, where the fair value of the assets and liabilities acquired differs from their carrying amounts.

Deferred tax items are carried at nominal value.

RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

The group has defined contribution plans as well as defined benefit plans.

Defined contribution plans

Defined contribution plans are plans for which the group has no legal or constructive obligation to pay further contributions if the pension fund does not hold sufficient assets to pay all employee benefits relating to employee service. Obligations for payments to defined contribution plans are recognised in profit or loss for the period in which they arise. Under such plans, fixed contributions are paid to a pension fund or insurance company.

Defined benefit plans

If a pension plan does not qualify as a defined contribution plan, it is deemed a defined benefit plan. In that case, we include all obligations under it relating to the current and prior periods in the balance sheet. The pension obligations are determined actuarially using the Projected Unit Credit Method. The present value of an obligation is calculated using a discount rate based on the interest rate on high grade corporate bonds whose terms are comparable to that of the pension obligation. The fair value of the investment portfolio held by the pension fund to cover the pension obligations is deducted from the total value of these obligations. These valuations are requested at least once a year, and the year-end values are in any event always determined.

A retirement benefit surplus is recognised as an asset if the contribution paid by the company is likely to be lower in the future than the service costs of the plan or if reductions in contributions and/or payments flow back to the entity in another way.

The actuarial gains and losses on defined benefit plans are recognised in other comprehensive income. The pension charges for defined benefit plans are based on the expected current service costs, the expected interest costs on the benefit obligations and the expected return on the plan assets.

Other employee benefits

Obligations relating to early retirement and future service anniversary payments are determined on the basis of actuarial calculations. The expected costs of these benefits are allocated to the period of service, using the same valuation principles as for the defined benefit plans. Actuarial differences arising from changes in assumptions are taken directly to the income statement.

PROVISIONS

Provisions are defined as constructive or legally enforceable obligations arising as a result of a past event for which it is probable that an outflow of resources will be necessary and management can make a reliable estimate of the size of the obligation. If the impact is material, provisions are carried at the present value of the expected expenditure required to settle the obligation. We treat the increase in the provision over time as an interest expense and present it under finance income and costs.

TRADE PAYABLES AND OTHER CURRENT LIABILITIES

After their initial recognition at fair value, trade payables and other current liabilities are carried at amortised cost applying the effective interest method.

NET SALES

Income from the supply of goods is recognised when:

- all significant risks and rewards of ownership of the goods are transferred to the buyer;
- the amount of the revenue can be determined reliably and it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred or to be incurred in respect of the transaction can be determined reliably.

Income from the rendering of services is recognised pro rata based on the stage of completion of the services at the balance sheet date compared with the total services to be rendered.

Net sales represents the income from the supply of goods and services, after deduction of discounts and the like, taxes levied on revenue, and elimination of intra-group sales.

COST OF SALES

Cost of sales represents the purchase price of trade stocks, including additional costs such as incoming freight, handling and other charges directly attributable to the purchase of the goods, and downward value adjustments to inventories. The purchase price is net of discounts and supplier bonuses.

OTHER INCOME

Profit on investments comprises dividends received by the group, likewise net of taxes applicable to them, and changes in the market values of investments.

Dividends on investments are recognised when the group has acquired the right to receive them.

Gains and losses on the sale of interests are the results arising from the sale of group companies. The gain or loss is the difference between the proceeds and the net carrying amount (including goodwill and cumulative translation differences) at the time of transfer of control.

Income from interest-bearing receivables is calculated using the effective interest method.

PERSONNEL COSTS

The costs relating to long-term remuneration concern the rights attributed to the reporting period and future entitlements of members of the Management Board, executive vice presidents and certain senior managers of the group. The costs are based on various remuneration arrangements under which participants can opt for full settlement in cash or settlement in cash of the payroll tax payable and in shares of the remainder. The expense in respect of rights granted and future entitlements is based on service in the current reporting period and amortised over the period in which the performance is assessed.

FINANCE INCOME

Finance income includes the interest received from credit institutions on temporary debit balances. This item also includes exchange gains and losses on cash balances in foreign currencies.

FINANCE COSTS

Finance costs represent the interest owed on debts and are calculated using the effective interest method, the interest portion of the finance lease payments and exchange differences on currency transactions.

SHARE OF PROFIT OF ASSOCIATES

Share of profit of associates represents the group's share, calculated pro rata, of net result of non-consolidated interests and gains and losses on the sale of associates over whose policy the group exercises significant influence, net of the applicable taxes.

EARNINGS PER SHARE

Mediq reports both earnings per share and diluted earnings per share. Earnings per ordinary share are calculated on the basis of the profit or loss attributable to the owners of the Company of the group, divided by the weighted average number of ordinary shares in issue during the reporting period (adjusted for treasury shares held). To calculate earnings per share after dilution, the weighted average number of ordinary shares in issue during the reporting period (adjusted for treasury shares held) are adjusted for all potentially dilutive effects on the ordinary shares.

SEGMENT REPORTING

Segment information is provided on the operating segments of the group. An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the group. In line with the management approach the operating segments are based on the structure of the internal management reporting as provided to the Management Board to facilitate strategic decision-making and to assess performance.

NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

We are currently assessing the consequences for the group of other interpretations and changes to published standards becoming effective in 2011 or later. These changes are expected to have no or limited consequences for the group.

HOLDING COMPANY INCOME STATEMENT FORMAT

As the 2010 income statement of the holding company is incorporated in the consolidated financial statements, an abbreviated income statement is presented here in accordance with Section 402 of Book 2 of the Dutch Civil Code.

4 CHANGES IN THE COMPOSITION OF MEDIQ

ACQUISITIONS

Mediq completed acquisitions totalling € 96.3 million in 2010. Of this total, € 85.4 million related to 100% of the shares of the healthcare activities of Oriola-KD in Finland, Sweden and Denmark and certain assets in the Baltics. The remaining amount of € 10.9 million related to acquisitions in the direct and institutional channel in the Netherlands, Denmark and Germany, and of pharmacies in Poland and the Netherlands.

Acquisition of healthcare activities of Oriola-KD

On 31 May 2010 Mediq acquired the healthcare activities of Oriola-KD in the Nordics and the Baltics. The acquisition amount of € 85.4 million was paid fully from own funds. This acquisition has made Mediq the largest supplier of medical devices to hospitals and other healthcare institutions in Finland, Sweden, Denmark, Norway and the Baltics. Around 47% of sales in 2009 were generated in Finland, 45% in Sweden, 2% in Denmark and 6% in the Baltics. It employs around 440 FTEs.

The business model of the acquired company largely matches the existing operating activities of Mediq. The acquired activities include the marketing, sale, distribution and service for medical devices and laboratory equipment to hospitals, other healthcare institutions and laboratories. Logistics services to third parties in Sweden and Finland are a further key activity. The acquisition is in line with Mediq's growth strategy and will help to strengthen Mediq's market position in the direct and institutional markets in Europe.

In the seven months up to 31 December 2010 the acquired activities contributed € 121.5 million to sales and € 4.1 million to operating result (excluding one-off acquisition costs of € 0.9 million and amortisation of customer relationships of € 2.9 million). If the acquired activities had been included as from 1 January 2010, the contributions to consolidated sales and the operating result would have been € 212.8 million and € 7.0 million (excluding one-off acquisition costs and excluding amortisation of customer relationships) respectively. These estimates are based on the assumption that the valuation of the acquired activities as of 1 June 2010 would be the same if the acquisition had occurred on 1 January 2010.

Other acquisitions

The other acquisitions related to our direct activities in the Netherlands (Medisource), Denmark (Opco A/S), and Germany (Krämer Medizintechnik) and our pharmacy activities in Poland (Corda) and the Netherlands (5 individual pharmacies). The aggregate acquisition amount for these companies was € 10.9 million and was paid fully from own funds. Separately, these acquisitions are not material. The aggregated contributions of these acquisitions in 2010 were € 20.5 million to sales and € 0.4 million to operating result (excluding one-off acquisition costs of € 0.1 million). If the acquired activities had been included as of 1 January 2010, their contributions to consolidated sales and to operating result would have been € 23.5 million and € 0.5 million respectively. These estimates are based on the assumption that the provisional valuation of the acquired activities as of 1 June 2010 would be the same if the acquisition had occurred on 1 January 2010.

ACQUISITION-RELATED COSTS

Acquisition-related costs (external legal services, due diligence and transfer tax) amounted to a total of € 2.0 million and are reported under other operating expenses (of which € 0.9 million in the segment Direct & Institutional and the remainder in Other).

EFFECT OF ACQUISITIONS ON ASSETS AND LIABILITIES

Identifiable assets acquired and liabilities assumed

The fair values of the acquired assets and liabilities assumed were as follows at the time of acquisition:

X € 1,000	NOTE	HEALTHCARE ACTIVITIES ORIOLA-KD	OTHER ACQUISITIONS	TOTAL
Property, plant and equipment	15, 16	3,992	949	4,941
Intangible assets	18	11,891	1,151	13,042
Deferred taxation	20	–	7	7
Inventories	22	17,047	1,257	18,304
(Trade) receivables	23, 24	20,127	1,856	21,983
Cash and cash equivalents	25	6,073	– 166	5,907
Deferred tax liabilities	31	– 3,065	– 253	– 3,318
(Trade) payables	34	– 25,860	– 2,906	– 28,766
Provisions	33	– 378	–	– 378
Net identified assets/liabilities		**29,827**	**1,895**	**31,722**

In addition to the amount paid for the assets and liabilities identified as part of these acquisitions, we paid an amount for the location, the expertise of the incumbent management and future demographic changes. If such an intangible item is identifiable, it is included in the balance sheet as an intangible asset, subject to three criteria. First, the asset has to be separable or arise from a contractual or other legal right. Second, it has to be likely that the future economic benefits of the intangible asset will accrue to the group. Third, it must be possible to determine the cost of the asset reliably.

The fair value of the customer relationship was determined using a number of variables, the most significant being the expected cash flows attributable to the customer relationship, the customer attrition rate and the discount rate used.

The future cash flows were based on the most recent long-term forecasts from the perspective of the purchased entity before acquisition. The customer attrition rate was based on the historical data collected by the acquired entity, supplemented with empirical data from group companies and generally expected market developments. The discount rate used was our estimate of the weighted average cost of capital for the unit concerned. It is possible that the above assumptions might not hold in the future.

The trade receivables comprise gross contractual receivables of € 19.9 million, with no material amount expected to be uncollectible at the acquisition date.

Goodwill

The goodwill relating to the acquisitions in 2010 is as follows:

X € 1,000	HEALTHCARE ACTIVITIES ORIOLA-KD	OTHER ACQUISITIONS	TOTAL
Total consideration transferred	85,438	10,882	96,320
Fair value of identifiable net assets/liabilities	29,827	1,895	31,722
Goodwill	**55,611**	**8,987**	**64,598**

The value of intangible assets that are not identifiable in the balance sheet, such as location or the quality of the incumbent management, is included in the item goodwill. Goodwill also relates to aspects not directly linked to the acquired business, such as demographic developments, insofar as these are expected to contribute to the realisable cash flow. The carrying amount of the goodwill is not expected to be deductible for tax purposes.

DISPOSALS

There were no disposals of group companies in 2010.

EFFECT OF ACQUISITIONS ON CASH FLOWS

The changes in the composition of Mediq had the following effects on cash flows:

X € 1,000	HEALTHCARE ACTIVITIES ORIOLA-KD	OTHER ACQUISITIONS	TOTAL
Net identified assets/liabilities	29,827	1,895	31,722
Goodwill on acquisitions	55,611	8,987	64,598
Cash and cash equivalents paid	**85,438**	**10,882**	**96,320**
Cash and cash equivalents acquired	– 6,073	166	– 5,907
Net cash outflow	**79,365**	**11,048**	**90,413**

The cash inflow in 2010 for disposals of group companies relates to the settlement of disposals in the preceding financial year.

CHANGES IN PHARMACY CHAINS

The number of pharmacies in our pharmacy chain in the Netherlands remained level in 2010 at 225. Of these, eight pharmacies are not included in the consolidation as we do not have control (2009: 8). During the financial year five pharmacies were acquired, four comparatively small pharmacies were converted into dispensing points and one underperforming pharmacy was closed.

Eight new pharmacies were acquired in Poland as part of the acquisition of Corda, and one underperforming pharmacy was closed. This brought the total number of pharmacies at year-end to 199 (2009: 192).

ACQUISITIONS AND DISPOSALS IN PRECEDING FINANCIAL YEAR

No material acquisitions took place in 2009. Only Medsen Central Filling (which we renamed Mediq Central Filling Apotheek) and one pharmacy were acquired in the segment Pharmacies Netherlands.

Our Belgian activities in the field of pharmaceuticals distribution were sold in 2009. This included both the wholesaler Laboratoria Flandria (as of 1 October 2009) and the pharmacies (as of 1 August 2009). The activities of the pharmaceutical wholesaler and the pharmacies, together with the employees, were taken over by Celesio and Sodiap cvba (a subsidiary of Febelco cvba) respectively. Laboratoria Flandria and Mediq Belgium were part of the segment Pharmacies International. They had a total of around 180 employees. The book gain on the sale was € 7.7 million. The land and buildings of Laboratoria Flandria were not included and were sold separately.

The acquisitions and disposals in 2009 had the following effects on the assets and liabilities of Mediq at the time of acquisition or disposal:

X € 1,000	AQUISITIONS PHARMACIES NETHERLANDS	DISPOSALS PHARMACIES INTER-NATIONAL
Property, plant and equipment	109	– 1,682
Intangible assets	–	– 6,811
Deferred taxation	–	– 161
Inventories	353	– 12,062
(Trade) receivables	13	– 22,998
Cash and cash equivalents	2	– 10,916
Borrowings	–	329
Deferred tax liabilities	–	56
Loans maturing within 1 year	–	12
(Trade) payables	– 296	28,588
Provisions	–	559
Net identified assets/liabilities	**181**	**– 25,086**
Goodwill on acquisitions	359	–
Book gain on disposals	–	7,582
Cash and cash equivalents received / (paid)	**– 540**	**32,668**
Consideration receivable outstanding	–	– 176
Cash and cash equivalents acquired / (sold)	2	– 10,916
Net cash inflow / (cash outflow)	**– 538**	**21,576**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5 SEGMENT REPORTING

The group has three reportable segments that jointly form the group's strategic divisions: Direct & Institutional, Pharmacies Netherlands and Pharmacies International. These operational segments generate revenues from the sale of pharmaceuticals, medical devices and related services to patients at home or to hospitals and nursing homes (Direct & Institutional) and the sale of pharmaceuticals and medical devices via pharmacies and wholesalers (Pharmacies Netherlands and Pharmacies International).

Direct & Institutional is treated as a single operating segment on the basis of the structure of the management information and the nature of its activities. Medical devices, pharmaceuticals and related services are delivered via both the direct and institutional channels. Purchasing is largely performed centrally and the other processes are likewise largely similar. The institutional channel provides support to the direct channel, with the institutional channel ensuring the substantial critical purchasing mass required to pursue a private label strategy. Lastly, the regulations for products and processes for direct and institutional activities are largely similar within the various countries.

Information on sales and assets is provided for each material geographical area. This is done on the basis of the location of the group company in line with reporting in prior years. The customers of our group companies are predominantly established in the country where the group company concerned is also established.

The activities of the holding company are group-wide activities including finance, human resource management, marketing and purchasing of non-trading goods, as well as our interest in the shares of Anzag, which was sold in the fourth quarter of 2010. Costs incurred at a group level for business units have wherever possible been allocated to the business units concerned. The results of these activities are reported separately to the Management Board and are presented in the segment summary in the column 'holding company and eliminations'.

A summary is provided below of the results of the reportable segments. The Management Board assesses the performance of the operating segments on the basis of the operating result. The accounting policies applied by the operating segments are identical to those of the group. The operating result per segment includes the costs allocated at the group level.

Finance income and costs, share of profit of associates and taxes are not included in the operating result per segment. Net finance income and costs and the share of profit of associates are however assessed for each operating segment.

Transactions between segments are at arm's length.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

X € 1,000,000	DIRECT & INSTITUTIONAL		PHARMACIES NETHERLANDS		PHARMACIES INTERNATIONAL	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Net sales, third parties	1,028.3	870.5	1,080.3	1,069.2	525.3	663.0
Net sales, intercompany	12.3	11.0	0.9	0.8	0.0	0.2
Total net sales	**1,040.6**	**881.5**	**1,081.2**	**1,070.0**	**525.3**	**663.2**
Cost of sales plus operating expenses	– 954.5	– 800.8	– 1,054.2	– 1,051.5	– 524.9	– 647.8
Operating result	**86.1**	**80.7**	**27.0**	**18.5**	**0.4**	**15.4**
Profit/ (loss) for the period	**81.9**	**79.1**	**20.8**	**7.4**	**- 1.8**	**13.7**
Total assets	**694.6**	**370.8**	**485.1**	**505.8**	**214.3**	**201.5**
Total liabilities	**488.4**	**314.6**	**541.9**	**575.9**	**140.3**	**121.3**
Total investments in associates	–	–	7.0	7.0	–	–
Acquisitions	85.1	–	1.5	0.5	3.8	–
Additions to non-current assets	7.2	6.3	10.4	12.8	1.9	8.3
Amortisation	8.6	6.2	2.5	1.4	0.4	0.3
Depreciation	5.0	4.0	11.2	10.8	2.4	2.1
Impairment of non-current assets	–	–	1.3	–	2.2	–
Operating margin	8.3%	9.2%	2.5%	1.7%	0.1%	2.3%
Capital employed	302.5	210.3	296.2	329.3	121.4	103.4
Return on average capital employed	31.4%	36.3%	8.2%	5.5%	0.3%	14.4%
Average working capital as percentage of sales	3.0%	3.3%	9.1%	10.5%	8.8%	6.0%

The group is active in fourteen different countries. The activities in Norway, Sweden, Finland, Denmark, Estonia, Latvia and Lithuania are combined in 'Nordics & Baltics' in the summary below. Germany, Hungary, Switzerland and Belgium are included in 'Other countries'.

X € 1,000,000	NETHERLANDS		POLAND		NORDICS & BALTICS	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Net sales	1,639.2	1,602.1	525.3	494.0	272.3	141.4
Capital employed	347.4	368.2	121.4	103.4	144.3	49.7
Total assets	532.8	598.2	214.3	201.2	231.9	83.5
Acquisitions	4.0	0.5	3.8	–	82.1	–
Additions to non-current assets	14.6	21.0	1.9	8.1	2.8	1.5

TOTAL OPERATING SEGMENTS		HOLDING COMPANY & ELIMINATIONS		CONSOLIDATED	
2010	**2009**	**2010**	**2009**	**2010**	**2009**
2,633.9	2,602.7	–	–	2,633.9	2,602.7
13.2	12.0	– 13.2	– 12.0	–	–
2,647,1	**2,614,7**	**– 13.2**	**– 12.0**	**2,633.9**	**2,602.7**
– 2,533.6	– 2,500.1	14.2	13.5	– 2,519.4	– 2,486.6
113.5	**114.6**	**1.0**	**1.5**	**114.5**	**116.1**
100.9	**100.2**	**1.3**	**2.4**	**102.2**	**102.6**
1,394.0	**1,078.1**	**– 198.2**	**61.3**	**1,195.8**	**1,139.4**
1,170.6	**1,011.8**	**– 485.0**	**– 326.5**	**685.6**	**685.3**
7.0	7.0	0.2	0.2	7.2	7.2
90.4	0.5	–	–	90.4	0.5
19.5	27.4	1.1	5.6	20.6	33.0
11.5	7.9	1.3	0.2	12.8	8.1
18.6	16.9	0.8	1.3	19.4	18.2
3.5	–	–	–	3.5	–
–	–	–	–	4.3%	4.5%
720.1	643.0	20.9	26.3	741.0	669.3
–	–	–	–	15.4%	16.9%
–	–	–	–	6.7%	7.0%

USA		OTHER		CONSOLIDATED	
2010	**2009**	**2010**	**2009**	**2010**	**2009**
124.8	114.5	72.3	250.7	2,633.9	2,602.7
98.7	96.6	29.2	51.4	741.0	669.3
123.6	114.0	93.2	142.5	1,195.8	1,139.4
–	–	0.5	–	90.4	0.7
1.1	1.7	0.2	0.7	20.6	33.0

6 OTHER INCOME

x € 1,000	2010	2009
Book gain on sale of assets	4,668	7,527
Provision of information	2,100	1,501
Profit on investments	1,829	3,130
Services	1,553	979
Income from overdue payments by customers	861	1,484
Interest on loans receivable	836	641
Investment dividend	739	739
Book gain on sale of group companies	460	7,453
Grants	116	79
Income from claims	–	2,143
Miscellaneous income	1,002	720
Total	**14,164**	**26,396**

The gain of € 4.7 million on the sale of assets comprises € 2.0 million from the sale & leaseback transaction of 32 pharmacy properties in the Netherlands that was completed in November 2010 and € 2.4 million from the settlement of the sale of properties in Belgium.

The profit on investments of € 1.8 million and investment dividend of € 0.7 million are attributable to our 6.29% (2009: 6.29%) interest in Andreae-Noris Zahn AG (Anzag). In December 2010 we sold this interest, which had not been part of the core activities for some time.

The gain of € 0.5 million on the sale of group companies arose largely on the settlement of the sale in 2009 of our Belgian pharmaceutical activities.

The interest on loans receivable relates to loans issued that are classified as financial assets.

7 PERSONNEL COSTS

x € 1,000	2010	2009
Wages and salaries	207,182	196,943
Social security charges	28,601	28,158
Cost of temporary staff	18,762	21,036
Charges for defined contribution plans	9,098	7,517
Charges for defined benefit plans	10,050	7,672
Long-term remuneration	1,302	959
Other personnel costs	19,187	18,722
Total	**294,182**	**281,007**

Long-term remuneration for 2010 relates to rights granted and future entitlements of the members of the Management Board, executive vice presidents and certain senior managers of the group. This comprises unconditional remuneration and an estimate of long-term remuneration payable over a period of three years.

The remuneration of the Management Board and the Supervisory Board is disclosed in the note on related parties (see note 39).

NUMBER OF EMPLOYEES

IN FTEs	YEAR-END		AVERAGE	
	2010	2009	2010	2009
Direct & Institutional	2,187	1,635	1,943	1,632
Pharmacies Netherlands	2,518	2,603	2,547	2,657
Pharmacies International	2,428	2,511	2,533	2,589
Other	51	64	52	66
Total	**7,184**	**6,813**	**7,075**	**6,944**

The number of employees in fulltime equivalents working at an establishment abroad at year-end 2010 was 3,944 (2009: 3,486). The corresponding average for 2010 is 3,795 (2009: 3,544).

8 DEPRECIATION AND AMORTISATION

X € 1,000	2010	2009
Property, plant and equipment	19,404	17,987
Intangible assets	12,825	8,070
Investment property	38	164
Total	**32,267**	**26,221**

The amortisation of € 8.0 million of customer relationships is included in the amortisation of intangible assets (2009: € 4.9 million).

9 IMPAIRMENT OF NON-CURRENT ASSETS

X € 1,000	2010	2009
Goodwill impairment for Pharmacies International	2,219	–
Write down of Pharmacies Netherlands investment property	540	–
Write down of Pharmacies Netherlands intangible assets	788	–
Total	**3,547**	**–**

The impairment tests performed at year-end 2010 have led to an impairment of € 2.2 million for the segment Pharmacies International, relating entirely to goodwill. See note 17 for a discussion of the assumptions applied and this impairment.

The other write downs relate to the segment Pharmacies Netherlands. In 2010, following to a fair value review by independent experts, the fair value of some land and buildings was determined to be lower than their carrying amount. The write down of intangible assets relates to software in development.

10 OTHER OPERATING EXPENSES

x € 1,000	2010	2009
Selling expenses	59,526	57,958
Accommodation costs	44,946	39,014
Costs of licences and minor purchases	21,775	19,423
General expenses	34,020	32,703
Total	**160,267**	**149,098**

11 FINANCE INCOME AND COSTS

x € 1,000	2010	2009
Finance costs		
Interest expense on borrowings measured at amortised cost and related derivatives	– 13,109	– 14,938
Net change in fair value of financial instruments	– 1,353	– 221
Exchange differences on foreign currency transactions	–	– 423
Other finance costs	– 269	– 55
Subtotal	**– 14,731**	**– 15,637**
Finance income		
Interest income on bank loans and current accounts	476	155
Exchange differences on foreign currency transactions	793	42
Net change in fair value of financial instruments	–	880
Subtotal	**1,269**	**1,077**
Total finance income and costs	**– 13,462**	**– 14,560**

Fair value changes in financial instruments also include exchange gains or losses on the US dollar borrowings from institutional investors as well as the related currency component in the combined currency and interest rate swap. Both the exchange loss of € 4.1 million (2009: € 1.8 million) on the borrowings and the change in the currency component of the currency and interest rate swap, a gain of € 4.1 million (2009: € 1.8 million), were recognised in 2010.

12 SHARE OF PROFIT OF ASSOCIATES

x € 1,000	2010	2009
Share of profit of associates among Dutch pharmacies	1,207	1,092
Share of profit of other associates	– 108	35
Total	**1,099**	**1,127**

13 INCOME TAX EXPENSE

X € 1,000	2010	2009
Current tax		
Current tax due for current financial year	19,411	29,992
Tax on prior year results	– 2,362	2,640
	17,049	**32,632**
Deferred tax		
Recognition and reversal of temporary differences	7,524	– 5,192
Income from changes in tax loss carry forward positions	– 1,120	– 1,621
Reduction in tax rate	361	–
	6,765	**– 6,813**
Total	**23,814**	**25,819**

In the table below, we show the reconciliation between the average nominal and effective corporate income tax rates for the group, together with the corresponding amounts. This is based on the profit before income tax.

X € 1,000	RATES		AMOUNT	
	2010	2009	2010	2009
Weighted average corporate income tax rate	25.8%	25.2%	26,369	25,893
Effects of:				
• tax on prior year results	– 2.3%	2.6%	– 2,362	2,640
• participation exemption	– 2.1%	– 3.2%	– 2,110	– 3,284
• taxfree income	– 0.5%	– 0.8%	– 556	– 827
• partly deductible costs	1.2%	0.6%	1,225	602
• goodwill impairment	0.4%	–	422	–
• reduction in tax rate	0.4%	–	361	–
• losses not capitalised	0.2%	0.2%	162	195
• other	0.2%	0.6%	303	600
Effective tax rate	**23.3%**	**25.2%**		
Total			**23,814**	**25,819**

The effect of tax on prior years relates to a release to profit of previously formed accruals for tax liabilities in the Netherlands and Germany.

The participation exemption relates to the completion of the sale of the property related to our pharmaceutical activities in Belgium, divested in 2009, and the exempt sale of our interest in the listed German company Andreae-Noris Zahn AG (Anzag).

The amount of deferred taxes included in the income statement consists of the following items:

x € 1,000	2010	2009
Property, plant and equipment	1,166	– 66
Intangible assets	– 1,549	– 1,196
Goodwill	7,419	– 9,584
Financial assets	– 26	56
Trade receivables	– 354	1,502
Inventories	– 306	– 44
Tax losses	1,120	1,621
Other assets	84	132
Retirement and other employee benefits	159	435
Provisions	– 32	– 149
Other liabilities	– 916	480
Total	**6,765**	**– 6,813**

14 NET EARNINGS PER SHARE

x € 1,000	2010	2009
Net earnings per share		
Result for the year attributable to owners of the Company	76,662	74,530
Average number of A shares	59,194	58,592
Average number of B shares in fully paid-up equivalents	–	40
Total average number of shares	**59,194**	**58,632**
Net earnings per share (basic) (x € 1)	**1.30**	**1.27**
Diluted net earnings per share		
Result for the year attributable to owners of the Company	76,662	74,530
Average number of A shares	59,194	58,592
Conversion of B shares to A shares	–	200
Total average number of shares after conversion	**59,194**	**58,792**
Diluted net earnings per share (x € 1)	**1.30**	**1.27**

Net earnings per share is calculated by dividing the company's net result by the average number of A shares and B shares in fully paid-up equivalents (59,193,717 shares). Net earnings per share in 2010 were € 1.30 (2009: € 1.27). There was no dilution of earnings per share in 2010.

In 2009, the conversion of a full annual tranche of B shares into A shares took place for the seventh and final time. After the conversion, no more B shares were issued and the A shares were converted to ordinary shares.

Diluted net earnings per share in 2009 were calculated by dividing net result by the average number of A shares and B shares (58,792,150 shares). For this calculation, the B shares are considered as having been converted to A shares if the conversion would respectively lower or increase the earnings or loss per share. In 2009 the average number of B shares formed a very small fraction of the average total number of shares, and the effect of the dilution is consequently minimal. Diluted net earnings per share are therefore equal to net earnings per share based on the average number of A shares and B shares in fully paid-up equivalents.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15 PROPERTY, PLANT AND EQUIPMENT

X € 1,000					2009
	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER	PROPERTY, PLANT AND EQUIPMENT UNDER CON-STRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
Cost	120,231	33,868	68,418	7,395	229,917
Accumulated depreciation	– 31,078	– 25,017	– 41,934	–	– 98,034
Carrying amount at 1 January 2009	**89,153**	**8,851**	**26,484**	**7,395**	**131,883**
Acquisitions	66	–	43	–	109
Additions	3,087	2,948	6,562	14,750	27,347
Sale of group companies	– 633	– 483	– 158	–	– 1,274
Disposals	– 14,962	– 40	– 544	– 149	– 15,695
Depreciation	– 6,345	– 3,015	– 8,627	–	– 17,987
Foreign currency translation effects	1,416	70	– 44	863	2,305
Reclassified to non-current assets held for sale	– 2,459	–	–	–	– 2,459
Other reclassifications	71	– 839	414	28	– 326
Assets taken into use	11,032	2,486	7,656	– 21,174	–
Carrying amount at 31 December 2009	**80,426**	**9,978**	**31,786**	**1,713**	**123,903**
Cost	115,747	28,322	80,487	1,713	226,269
Accumulated depreciation	– 35,321	– 18,344	– 48,701	–	– 102,366
Carrying amount at 31 December 2009	**80,426**	**9,978**	**31,786**	**1,713**	**123,903**

X € 1,000					2010
	LAND AND BUILDINGS	PLANT AND EQUIPMENT	OTHER	PROPERTY, PLANT AND EQUIPMENT UNDER CON-STRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT
Cost	115,747	28,322	80,487	1,713	226,269
Accumulated depreciation	– 35,321	– 18,344	– 48,701	–	– 102,366
Carrying amount at 1 January 2010	**80,426**	**9,978**	**31,786**	**1,713**	**123,903**
Acquisitions	591	3,738	585	27	4,941
Additions	2,866	4,228	6,208	3,044	16,346
Disposals	– 15,114	– 849	– 139	– 171	– 16,273
Depreciation	– 6,505	– 3,778	– 9,123	–	– 19,406
Impairment	– 415	–	–	–	– 415
Foreign currency translation effects	193	145	439	7	784
Reclassified to non-current assets held for sale	– 9	–	–	–	– 9
Other reclassifications	– 68	– 16	– 544	580	– 47
Assets taken into use	–	1,774	1,242	– 3,016	-
Carrying amount at 31 December 2010	**61,965**	**15,220**	**30,454**	**2,184**	**109,824**
Cost	98,742	35,626	79,437	2,184	215,994
Accumulated depreciation	– 36,777	– 20,406	– 48,983	–	– 106,170
Carrying amount at 31 December 2010	**61,965**	**15,220**	**30,454**	**2,184**	**109,824**

The depreciation rates applied are as follows:

Land	0%
Buildings	3% – 10%
Plant and equipment	10% – 33%
Other operating assets	10% – 33%

The fair value of land and buildings is € 77.9 million, including the value of non-current assets held for sale (2009: € 107.9 million). The fair value of other property, plant and equipment does not differ materially from the carrying amount.

The carrying amount of assets under finance leases is € 0.9 million (2009: € 0.6 million). These assets are virtually all classified under plant and equipment.

As was the case in the previous financial year, no property has been provided as security. The total commitment for the purchase of property, plant and equipment amounts to € 0.3 million (2009: € 2.0 million).

16 INVESTMENT PROPERTY

X € 1,000	2010	2009
Cost	2,682	3,063
Accumulated depreciation	– 524	– 491
Carrying amount at 1 January	**2,158**	**2,572**
Additions	–	280
Sale of group companies	–	– 408
Disposals	– 199	– 361
Depreciation	– 38	– 164
Impairment	– 125	–
Other reclassifications	–	239
Carrying amount at 31 December	**1,796**	**2,158**
Cost	2,452	2,682
Accumulated depreciation	– 656	– 524
Carrying amount at 31 December	**1,796**	**2,158**

Investment property is depreciated on a straight-line basis. The depreciation rates applied for investment property are 3% - 10%.

The fair value of investment property was € 1.8 million at 31 December 2010 (2009: € 2.3 million).

The rental income and operating costs for property investments are not material.

17 GOODWILL

x € 1,000	2010	2009
Cost	493,153	500,625
Accumulated impairments	– 199,597	– 199,583
Carrying amount at 1 January	**293,556**	**301,042**
Acquisitions	64,598	359
Sale of group companies	–	– 6,600
Adjustment for prior year	–	139
Impairment	– 2,219	–
Foreign currency translation effects	8,594	– 1,384
Carrying amount at 31 December	**364,529**	**293,556**
Cost	566,394	493,153
Accumulated impairments	– 201,865	– 199,597
Carrying amount at 31 December	**364,529**	**293,556**

The acquisitions in 2010 relate mainly to the segment Direct & Institutional. The impairment relates to the segment Pharmacies International. Foreign exchange effects were largely caused by the appreciation of the US dollar and the Polish zloty.

Goodwill is specified in the table below by operating segment:

x € 1,000	DIRECT & INSTITUTIONAL	PHARMACIES NETHERLANDS	PHARMACIES INTER-NATIONAL	TOTAL
Netherlands	23,345	111,773	–	135,118
USA	75,121	–	–	75,121
Poland	–	–	47,046	47,046
Nordics & Baltics	92,567	–	–	92,567
Other countries	14,677	–	–	14,677
Total	**205,710**	**111,773**	**47,046**	**364,529**

For impairment tests, the deciding factor is the level where, from a strategic and operational perspective, the management activities are carried out. In line with this approach, a chain of pharmacies, as opposed to the individual pharmacies, is treated as a single unit for the purpose of impairment testing.

ASSUMPTIONS

The framework for tests of impairment comprises the existing activities excluding results on future acquisitions and/or disposals. We also assume an increase in market volume (due to population ageing and rising consumption) and take into account the growing market pressure on prices, government-induced or otherwise. This basis is valid in the long term for our activities in all countries where we operate.

In all the impairment tests performed, value in use is determined by calculating the present value of expected future cash flows. The expected cash flows for each of the next five years are calculated separately. The 2011 budget is the guideline for the coming year. The cash flows for subsequent years are based on the latest strategic and financial long-term plans, taking into account the responsible management's assessments. The cash flow for the sixth and subsequent years is assumed to be equal to that of the fifth. In our opinion, this leads to the best possible estimates of future developments at the present time.

The tests are carried out in the local currency. The discount rate is based on the weighted average cost of capital before tax that is relevant to the assets of the unit. The applicable interest rate per country is taken into account for that purpose. No account is taken in determining the discount rate of market risks per country because the specific market risks (caused for instance by countries, currencies, prices, etc.) are included in determining expected future cash flows.

The operating result is a major determinant of future cash flows. The operating margin varies between 1.4% and 5.1% for the impairment tests carried out for the pharmacy chains. Average expected sales growth for our pharmacies ranges between 2.0% and 6.5%.

The other main assumptions in the calculations are as follows:

	WEIGHTED AVERAGE COST OF CAPITAL BEFORE INCOME TAX	EXPECTED ANNUAL LONG-TERM INFLATION	EXPECTED SALES GROWTH 2011-2015
Netherlands	8.7%	1.5% – 2.0%	2.0% – 8.0%
USA	10.9%	1.5%	2.7% – 7.0%
Poland	11.8%	2.6%	6.0% – 6.5%
Nordics & Baltics	8.7% – 9.7%	1.5% – 2.3%	2.0% – 6.5%
Other countries	9.6% – 12.5%	1.4% – 3.0%	3.5% – 6.0%

Impairment testing in 2010 led to an impairment in the segment Pharmacies International. The carrying amount of our Polish wholesaling activities, which are defined a separate cash-generating unit, exceeded its realisable value based on value in use. Consequently an impairment of € 2.2 million was recognised, prompted by revised assessments of sales developments for the pre-wholesale activities. The discount rate did not differ significantly from that applied in previous years. The impairment has been allocated in full to goodwill and comprises all the goodwill relating to wholesaling activities. Goodwill was not impaired in 2009.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

An impairment test of goodwill is carried out at least once a year or when required because of changed circumstances. Any test of impairment inevitably involves factors that have to be estimated. The realisable value is influenced by factors such as our prognosis for future economic conditions and expectations regarding market developments and operations. The estimates made for these factors may change over time, which could lead to an impairment recognised in profit or loss. The realisable value also depends on the discount rate used, which is our estimate of the weighted average cost of capital for the unit concerned.

It is inherent in the method of computation used that a change in the assumptions may lead to a different conclusion on the impairment required. If the discount rate is assumed to be 1 percentage point higher than assumed in the individual impairment tests, no additional impairment would have been required. The impairment tests performed separately would not indicate any additional impairment if the actual future cash flows were set 10% lower than assumed.

18 OTHER INTANGIBLE ASSETS

x € 1,000				2009
	SOFTWARE AND WEBSITES	SOFTWARE AND WEBSITES UNDER CON-STRUCTION	CUSTOMER RELATION-SHIPS	TOTAL
Cost	21,168	3,282	36,405	60,855
Accumulated amortisation	– 13,748	–	– 9,316	– 23,064
Carrying amount at 1 January 2009	**7,420**	**3,282**	**27,089**	**37,791**
Additions	2,348	2,774	273	5,395
Disposals	– 353	– 6	–	– 359
Amortisation	– 3,133	–	– 4,937	– 8,070
Foreign currency translation effect	48	– 1	– 256	– 209
Reclassifications	41	– 6	–	35
Assets taken into use	2,572	– 2,572	–	–
Carrying amount at 31 December 2009	**8,943**	**3,471**	**22,169**	**34,583**
Cost	23,409	3,471	36,343	63,223
Accumulated amortisation	– 14,466	–	– 14,174	– 28,640
Carrying amount at 31 December 2009	**8,943**	**3,471**	**22,169**	**34,583**

x € 1,000				2010
	SOFTWARE AND WEBSITES	SOFTWARE AND WEBSITES UNDER CON-STRUCTION	CUSTOMER RELATION-SHIPS	TOTAL
Cost	23,409	3,471	36,343	63,223
Accumulated amortisation	– 14,466	–	– 14,174	– 28,640
Carrying amount at 1 January 2009	**8,943**	**3,471**	**22,169**	**34,583**
Acquisitions	115	–	12,927	13,042
Additions	1,868	1,930	475	4,273
Disposals	– 32	–	–	– 32
Amortisation	– 4,787	–	– 8,038	– 12,825
Impairment	–	– 788	–	– 788
Foreign currency translation effect	98	22	1,119	1,239
Reclassifications	626	– 579	–	47
Assets taken into use	3,239	– 3,239	–	–
Carrying amount at 31 December 2010	**10,070**	**817**	**28,652**	**39,539**
Cost	29,647	817	51,257	81,721
Accumulated amortisation	– 19,577	–	– 22,605	– 42,182
Carrying amount at 31 December 2009	**10,070**	**817**	**28,652**	**39,539**

The item software and websites concerns intangible assets with a limited useful life. They are amortised at 20% per annum.

The item customer relationships concerns intangible assets with a limited useful life. The value of a customer relationship is mainly determined by logistics performance, products and service provided and accessibility via Internet and telephone. These factors jointly determine customers' assessment of the entities concerned and what motivates them to remain a customer. The amortisation rate is between 12.5% and 50.0%.

As in the previous year, no intangible assets have been pledged as security for liabilities. In 2010 an impairment was recognised for the item software and websites under construction. There were no impairments in 2009.

19 INVESTMENTS IN ASSOCIATES

X € 1,000			
Balance at 1 January 2009	7,039		
Acquisitions	59		
Share of profit of associates	1,127		
Carrying amount of disposals	– 282		
Dividends received	– 798		
Other	47		
Balance at 31 December 2009	**7,192**		
Acquisitions	140		
Share of profit of associates	1,099		
Carrying amount of disposals	– 41		
Dividends received	– 1,181		
Other	– 5		
Balance at 31 December 2010	**7,204**		

Associates at 31 December 2010 includes an amount of € 3.9 million of goodwill (2009: € 3.9 million).

The principal associates of the group are shown below. None of them are listed companies.

		2010		2009
NAME	LOCATION	% SHARE HOLDING		% SHARE HOLDING
Apotheek Heer	Maastricht	49%		49%
Apothekengroep Noord-Holland	Noord-Holland	50%		50%
Apotheek Axel	Axel	50%		50%
Apotheek Willekens	Vught	50%		50%
Apotheek Binnendijk	Nijmegen	49%		49%
Apotheek de Eendracht	Klundert	50%		50%
Politheek Lievensberg	Bergen op Zoom	50%		50%

The size of the individual associates is immaterial.

The aggregate figures of the above-mentioned interests are shown below, broken down into total assets and liabilities (excluding goodwill) and the most important items in the income statement.

X € 1,000	2010		2009
Assets	9,241		11,155
Liabilities	5,359		6,793
Sales	25,254		24,888
Net result	1,494		2,051

20 RECEIVABLES

X € 1,000	LOANS TO CUSTOMERS	CUSTOMER SUPPLY COMMITMENTS	OTHER RECEIVABLES	TOTAL
Balance at 1 January 2009	8,109	522	116	8,747
Loans granted	623	30	–	653
Repayments	– 3,028	– 545	–	– 3,573
Deducted for doubtful debts	– 268	–	–	– 268
Fair value changes	–	51	–	51
Reclassification to current	48	182	– 14	216
Foreign currency translation effect	16	–	–	16
Balance at 31 December 2009	**5,500**	**240**	**102**	**5,842**
Loans granted	735	–	–	735
Acquisitions	–	–	7	7
Repayments	– 2,244	– 326	– 4	– 2,574
Deducted for doubtful debts	466	–	–	466
Fair value changes	–	16	–	16
Reclassification to current	– 557	110	– 37	– 484
Foreign currency translation effect	15	–	27	42
Balance at 31 December 2010	**3,915**	**40**	**95**	**4,050**

The receivables are non-current financial assets carried at amortised cost. The current portion of loans to customers is € 3.6 million (2009: € 3.6 million) and is included in current assets.

Loans granted to customers have an average term of 3.2 years (2009: 3.7 years), relate mainly to loans issued in the Netherlands, and carry interest at an average rate of 5.9% (2009: 6.0%). The fair value of loans granted to customers approximates their carrying amount.

The item loans granted to customers includes an amount of € 0.4 million (2009: € 0.8 million) for loan default. The decrease in 2010 relates to a release and a reclassification to current of € 0.4 million net. The loan outstanding is provided for in full for some of these customers. There are no loans to customers for which repayment is partly past due and which have not been provided for. The borrowers have provided security for the large majority of the loans to customers. The fair value of this security cannot be estimated with sufficient reliability.

The customer supply commitments have an average term of 1.5 years (2009: 1.7 years). Supply commitments represent future purchase discounts paid in advance to pharmacies in exchange for a commitment by the pharmacies to make purchases during the agreed period. We recognise settlements of these supply commitments as discounts granted. No provision for doubtful debts was recognised for this either in 2009 or in 2010. The fair value of the supply commitments is in line with the carrying amount. No security has been provided by the debtors.

There is no concentration of credit risks relating to loans and customer supply commitments, as the number of debtors is large. See note 38 for further details.

CONDITIONS AND REPAYMENT TERMS

X € 1,000	TOTAL	< 1 YEAR	NON-CURRENT RECEIVABLES	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
Loans to customers	7,864	3,591	4,273	1,390	1,766	1,117
Customer supply commitments	255	215	40	39	1	–
Other receivables	345	250	95	23	72	–
	8,464	**4,056**	**4,408**	**1,452**	**1,839**	**1,117**
Provision for doubtful debts	– 625	– 267	– 358			
Total	**7,839**	**3,789**	**4,050**			

21 INVESTMENTS

X € 1,000	
Balance at 1 January 2009	13,506
Increase in shareholding	34
Fair value changes	3,130
Balance at 31 December 2009	**16,670**
Disposal	– 18,499
Fair value changes	1,829
Balance at 31 December 2010	**-**

These are non-current financial assets at fair value with fair value changes taken through profit or loss under other income.

The investments relate to our interest of 6.29% (2009: 6.29%) in Andreae-Noris Zahn A.G. (established in Frankfurt, Germany). As this pharmaceutical wholesaler is listed on Deutsche Börse in Frankfurt, it is carried at market capitalisation, a reliable estimate of fair value. We sold our interest in Anzag, which had not been part of the core activities for some time, in December 2010.

22 INVENTORIES

X € 1,000	31.12.2010	31.12.2009
Finished products and trade stocks	218,167	196,295
Raw materials and consumables	13,642	14,334
Total	**231,809**	**210,629**

We carry a very limited portion of the inventories at realisable value, which is lower than the weighted average cost. In 2010, a charge of € 2.8 million (2009: € 2.6 million) was recognised in profit or loss as a write down of inventories. The value of inventories carried at a lower realisable value is € 10.7 million (2009: € 8.7 million).

The inventories are not pledged as security for liabilities.

The cost of the inventories included in the income statement under cost of sales amounted to € 2,043.3 million (2009: € 2,056.7 million).

23 TRADE RECEIVABLES

x € 1,000	31.12.2010	31.12.2009
Trade receivables	308,511	277,772
Less: provision for doubtful debts	11,106	14,117
Total	**297,405**	**263,655**

The provision for doubtful debts provides a good reflection of the risk of uncollectibility at the balance sheet date. Accordingly, the carrying amount of the trade receivables is approximately equal to their fair value. The provision has been recognised at nominal value, given its current nature.

BREAKDOWN OF TRADE RECEIVABLES BY AGE

x € 1,000	31.12.2010	31.12.2009
Not overdue	257,221	215,981
Past due < 30 days	30,479	35,283
Past due > 30 < 60 days	4,867	6,098
Past due > 60 < 90 days	3,620	2,684
Past due > 90 days	12,324	17,726
Provision for doubtful debts	– 11,106	– 14,117
Total	**297,405**	**263,655**

The working capital tied up in trade receivables is expressed in terms of days by means of DSO (Days of Sales Outstanding). The average DSO for 2010, measured on the basis of a 13-point average, was 36.8 days (2009: 35.1 days).

The balance of trade receivables that was not settled on the contractually agreed date as at the balance sheet date is € 51.3 million (2009: € 61.8 million). At the balance sheet date, 17% (2009: 22%) was not paid by the stated due date. Items that are considered doubtful have been fully provided for. Estimates and assumptions are applied to determine the size of the provision. These are based on an age analysis and specific developments in terms of market conditions and credit risk. In the judgement of Mediq, the credit quality for receivables past due at the balance sheet date but not provided for is sufficient.

The provision for doubtful debts relates entirely to trade receivables past the contractually agreed due date for payment. Of the receivables more than 90 days past due, € 0.8 million (2009: € 1.1 million) relates to cash to be collected on behalf of third parties. Due to the nature of the agreement, no risk is incurred on the collection of these receivables.

PROVISION FOR DOUBTFUL DEBTS

x € 1,000	2010	2009
Balance at 1 January	14,117	15,276
Acquisitions	15	–
Addition	1,249	3,266
Use	– 2,513	– 1,965
Release	– 2,046	– 2,359
Foreign currency translation effects	391	– 45
Other movements	– 107	– 56
Balance at 31 December	**11,106**	**14,117**

In the 2010 financial year, a net amount of € 0.8 million from the provision for doubtful debts was added to profit or loss (2009: € 0.9 charged to profit or loss).

See note 38 for further details on credit concentration and credit risks.

24 OTHER RECEIVABLES

x € 1,000	31.12.2010	31.12.2009
Prepayments	16,783	18,428
Loans to customers (current portion of long-term loans)	3,324	3,290
Bonuses receivable	3,101	4,294
Contributions to be received from Stichting Samenwerking Apothekers OPG (SSAO)	3,101	3,101
Other taxes and social security charges	1,347	999
Outstanding settlements of acquisitions and disposals	645	2,526
Customer supply commitments (current portion of long-term loans)	215	327
Other	3,878	3,103
Total	**32,394**	**36,068**

The fair value of the other receivables is equal to their carrying amount, owing to their short-term nature. The current portion of non-current loans to customers includes an amount of € 0.5 million as a provision for doubtful debts.

Settlements to be received from acquisitions and disposals relate mainly to the disposal of our Belgian activities.

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists mainly of current accounts held at banks and time deposits with short maturities. All the balances are at the free disposal of the group.

26 NON-CURRENT ASSETS HELD FOR SALE

This item relates to land and buildings that are not used directly in operations and have been put up for sale. At year-end 2010 the carrying amount comprised a former distribution centre in Germany (€ 0.3 million).

The land and buildings from our former activities in Belgium, which were up for sale as at the end of 2009, were sold in March of the year under review.

27 SHARE CAPITAL AND SHARE PREMIUM

See the consolidated statement of changes in equity for information on the composition, amount and changes of equity.

Details of the share capital and share premium are set out below. Information on other elements of equity (reserves) is set out in note 28.

X € 1,000	NUMBER OF SHARES IN FULLY PAID-UP EQUIVALENTS (X 1,000 SHARES)	PAID-UP SHARE CAPITAL		SHARE PREMIUM	TOTAL SHARE CAPITAL AND SHARE PREMIUM
		A SHARES	B SHARES		
Opening balance at 1 January 2009	58,459	14,571	54	91,263	105,888
Converted by owners of the Company	225	100	– 54	1,220	1,266
Balance at 31 December 2009	**58,684**	**14,671**	**–**	**92,483**	**107,154**
Opening balance at 1 January 2010	58,684	14,671	–	92,483	107,154
Dividend paid out in shares	962	241	–	– 241	–
Balance at 31 December 2010	**59,646**	**14,912**	**–**	**92,242**	**107,154**

OPTIONAL DIVIDEND

Distributions of dividend with the option of settlement in cash or in shares were available for the first time in 2010, as a consequence of which 962,016 A shares were newly issued in 2010.

PAID-UP SHARE CAPITAL

As at 31 December 2010, 59,646,252 shares (with a nominal value of € 0.25 each) had been issued and fully paid up.

SHARE PREMIUM

The share premium can be distributed tax free.

TREASURY SHARES

The company held no treasury shares at 1 January 2010. It did not purchase any shares in its own capital during the financial year, and accordingly held no treasury shares at 31 December 2010.

28 RESERVES

Direct changes in equity are recognised net of tax effects. Transactions with holders of non-controlling interests involving buyouts or sales of non-controlling interests in entities over which we have control includes the difference between the carrying amounts and fair values of the non-controlling interests in question.

The item dividend and subscribed capital includes the dividend received by the holders of non-controlling interests and the subscribed capital set off against their share of the equity of the company in which they have a non-controlling interest.

RESERVE FOR TRANSLATION DIFFERENCES

The reserve for translation differences is for all cumulative translation differences relating to the translation of the financial statements of non-Dutch activities. It is not freely distributable.

The translation differences included in the comprehensive income for the year under review are € 4.8 million. This amount includes € 0.4 million in respect of holders of non-controlling interests.

HEDGING RESERVE

The hedging reserve consists of the effective portion of the cumulative net change in the fair value of cash flow hedges relating to hedged transactions that have not yet taken place.

OTHER RESERVES

The other reserves comprise a statutory reserve not freely distributable of € 0.7 million (2009: € 1.5 million) for retained earnings of subsidiaries whose distribution cannot be effected without limitation by Mediq.

APPROPRIATION OF 2009 PROFIT

After deduction of the final dividend of € 0.34 per share adopted by the General Meeting of Shareholders on 8 April 2010, the profit of € 63.0 million was added to other reserves.

Part of the final dividend for 2009 was distributed in cash and amounted to € 11.5 million (€ 0.34 per share). The remainder was distributed in shares, resulting in the issue of 604,389 Mediq shares and reducing the share premium by € 0.2 million. In addition, an interim dividend was paid in 2010, partly in cash (a total of € 4.2 million, € 0.15 per share) and partly in shares (issue of 357,627 Mediq shares). A final dividend of € 0.31 per share will be proposed to the General Meeting of Shareholders. The proposed final dividend has not yet been included in the financial statements. The final dividend will be made available in cash or in the form of shares, at the option of the owners of the Company.

29 NON-CURRENT LIABILITIES

X € 1,000	31.12.2010	31.12.2009
Borrowings from institutional investors	76,129	72,062
Borrowings from banks	160,102	197,556
Advance discounts	4,946	5,624
Other non-current liabilities	1,443	2,263
	242,620	**277,505**
Less: portion of borrowings due within one year	32,075	82,015
Total	**210,545**	**195,490**

The non-current liabilities can be broken down by currency as follows:

X € 1,000	31.12.2010	31.12.2009
Euros	100,426	145,616
US dollars (year-end 2010 and year-end 2009 USD 190.0 million)	142,194	131,889
Total	**242,620**	**277,505**

BORROWINGS

These relate to:

- borrowings amounting to € 76.1 million (2009: € 72.1 million) from institutional investors in the USA and England. If this financing is viewed in conjunction with the forward currency contracts linked to these borrowings, future repayment obligations amount to € 77.7 million, unchanged from 2009;
- borrowings of € 160.1 million (2009: € 197.6 million) from Dutch banks and a Scottish bank.

In 2010, € 80 million was repaid in expiring bilateral bank loans and new committed facilities of € 107 million were entered into, of which € 40 million was drawn.

All borrowings as at 31 December 2010 had been concluded at market rates of interest. Risks from foreign exchange differences on the result and cash flows are fully hedged by currency swaps.

The change in the borrowings from institutional investors is attributable in full to the valuation of the US dollar loans. Exchange gains or losses on loans concluded in US dollars are reported and discussed under finance income and costs (see note 11).

The average rate of interest on the bank and non-bank borrowings in 2010 was 4.1% (2009: 4.6%). A portion of the borrowings was entered into at a fixed rate of interest. The borrowings at a variable rate of interest have been fixed for the entire term by means of interest rate swaps. The current portion of long-term debt, € 32.1 million, is included in current liabilities.

No security has been provided for bank or other borrowings. The main credit facilities are subject to the same ratios: a maximum debt cover of 3.5 and a minimum interest cover of 5. In addition, the usual negative pledge, cross default and pari passu clauses, adapted as appropriate, are part of the loan agreements concluded with the various lenders. The borrowings under these facilities are repayable on demand if the set ratios cease to be met.

At 31 December 2010, the debt cover and interest cover were 1.1 and 11.8 respectively. At 31 December 2009, they were 1.3 and 8.9 respectively. See the Glossary of Terms for more information on the definitions of debt cover and interest cover.

30 DERIVATIVE FINANCIAL INSTRUMENTS

X € 1,000	2010	2009
Non-current liabilities relating to derivative financial instruments	6,732	8,844
Current liabilities relating to derivative financial instruments	1,577	1,304
Non-current assets relating to derivative financial instruments	– 356	–
Current assets relating to derivative financial instruments	– 81	–
Total	**7,872**	**10,148**

The table below shows derivatives classified by type:

X € 1,000	CARRYING AMOUNT AT 31.12.2010	CARRYING AMOUNT AT 31.12.2009
Interest rate swaps	6,751	5,159
Forward currency contracts	1,037	104
Combined currency/interest rate swaps	84	4,885
Total	**7,872**	**10,148**

The carrying amounts of the various derivatives at 31 December 2010 and 31 December 2009 were equal to their fair values.

We use interest rate swaps and forward currency contracts to manage interest rate and currency risks. Receivables under derivatives are presented in non-current and current assets.

Interest rate swaps have been entered into for the full term of all variable-rate loans from banks outstanding to swap the 1-month Euribor paid on those loans for a fixed interest.

Forward exchange contracts hedge the risk of volatility of future transactions in foreign currencies. Such future transactions can be both trade activities with third parties or financing transactions with various group companies. Financing transactions with group companies always take place in the functional currency of the group company concerned, with forward exchange contracts as a hedge of the risk of volatility in foreign currencies. The amount disclosed relates mainly to positions in PLN, SEK, NOK and USD.

The combined currency and interest rate swaps have been entered into on the USD loans from institutional investors to convert the principal and fixed interest in USD to a principal and fixed interest in euros. See note 38 for more information on risk management and financial instruments.

31 DEFERRED TAXES

We only net off deferred tax assets and liabilities within the same fiscal unit if the group has an enforceable right to do so and intends to settle them on a net basis.

The positions are provided below:

X € 1,000	2010		2009
Deferred tax assets after netting	28,588		25,919
Deferred tax liabilities after netting	– 22,059		– 14,384
Total	**6,529**		**11,535**

Terms

X € 1,000					2009
	TOTAL	< 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
Deferred tax assets	25,919	4,159	5,069	15,586	1,105
Deferred tax liabilities	– 14,384	– 2,526	– 1,257	– 3,857	– 6,744
Total	**11,535**	**1,633**	**3,812**	**11,729**	**– 5,639**

X € 1,000					2010
	TOTAL	< 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
Deferred tax assets	28,588	9,546	4,535	13,213	1,294
Deferred tax liabilities	– 22,059	– 3,408	– 2,316	– 2,762	– 13,573
Total	**6,529**	**6,138**	**2,219**	**10,451**	**– 12,279**

The changes in net deferred tax assets and liabilities can be broken down as follows:

x € 1,000	2010	2009
Balance at 1 January	11,535	9,849
Taken/charged to profit or loss	– 6,765	6,813
Taken/charged to equity	4,359	– 3,586
Acquisitions and sales of group companies	– 3,318	– 158
Disposals	929	– 1,241
Foreign currency translation effect	– 211	– 142
Balance at 31 December	**6,529**	**11,535**

The change charged to the profit or loss in 2010 relates largely to the partial write down for tax purposes of goodwill at Pharmacies Netherlands. This led to a decrease in deferred tax assets.

The deferred tax assets and liabilities, before netting, relate to the following items:

x € 1,000	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
Property, plant and equipment	1,281	1,287	– 5,531	– 4,632
Intangible assets	810	1,062	– 8,847	– 7,248
Goodwill	18,748	25,062	– 11,663	– 10,458
Financial assets	1,678	1,316	– 524	– 481
Trade receivables	874	363	– 489	– 384
Inventories	670	354	30	22
Tax losses	3,410	4,316	613	381
Other assets	40	242	–	– 118
Employee benefit obligations	2,696	542	32	– 1,715
Provisions	1,259	1,086	1	88
Other liabilities	1,196	1,474	245	– 1,024
Deferred tax assets/liabilities	**32,662**	**37,104**	**– 26,133**	**– 25,569**
Netting of deferred tax items	– 4,074	– 11,185	4,074	11,185
Net deferred tax assets/liabilities	**28,588**	**25,919**	**– 22,059**	**– 14,384**

Deferred tax assets are recognised if it is probable that they will be realised. In determining this, we take into account various factors such as future taxable income, tax planning and possible adjustments to prior years' tax returns.

The deferred tax assets relate mainly to goodwill that can be amortised for tax purposes and goodwill purchased before 2001. The decrease in 2010 relates to the write-down of goodwill for tax purposes due to changes in the dispensing fee in the Netherlands.

A total of € 1.6 million of the amount of available tax losses relates to the acquisition of Byram Healthcare in 2008 (2009: € 2.7 million), and the remainder relates mainly to available tax losses in Poland and Germany. On the basis of the actual results we expect to set off these tax losses in full in future periods.

Given that the set off of tax losses against future tax profits is uncertain and also that such loss relief may be possible only in the long term, potential tax losses in Poland and the Netherlands for a non-discounted amount of € 12.7 million (2009: € 15.5 million) have not been recognised as deferred tax assets. They expire as follows:

X € 1,000	TOTAL	< 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
Tax losses not recognised	**12.693**	3,331	3,034	3,816	2,512

32 RETIREMENT AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

The retirement and other employee benefit obligations include the obligations under defined benefit plans and other employee benefits. The other employee benefits relate to early retirement and a provision for future service anniversary benefits.

DEFINED BENEFIT PLANS

Net obligation at balance sheet date

X € 1,000	2010	2009
Present value of funded obligations	296,994	250,011
Fair value of plan assets	285,859	254,463
Retirement benefit surplus or obligation	**11,135**	**– 4,452**
Retirement benefit surplus recognised	–	5,426
Net retirement benefit obligation	**11,135**	**974**
Other employee benefits	945	1,454
Balance at end of period	**12,080**	**2,428**

PENSION PROVISION

A defined benefit plan applies to a part of Mediq’s workforce.

The liability recognised at year-end 2010 for defined benefit plans relates mainly to the Dutch entities that are members of Stichting Pensioenfonds Mediq. The number of insurees concerned is approximately 4,600, of which some 1,300 are active participants. The remaining retirement benefit obligation relates to partial defined benefit obligations of Mediq Norge A/S, in Norway, with some 100 participants.

The obligation or surplus for the defined benefit plans is included in the balance sheet. The obligation or surplus is the balance of the fair value of plan assets and the present value of the defined benefit obligation at the balance sheet date, after adjustment for actuarial gains and losses. For this purpose we assess expected returns, expected wage increases, career prospects and the likelihood of dismissals. The pension cost calculated in advance is reported as an expense in the income statement.

The changes in obligations included on the balance sheet can be broken down as follows:

Present value of funded obligations

x € 1,000	2010	2009
Balance at 1 January	250,011	221,222
Interest expense	12,899	12,412
Current service cost	4,404	3,060
Contribution by participants	1,956	2,458
Actuarial gains and losses	34,969	18,923
Benefits paid	– 7,293	– 6,907
Foreign currency translation effect	48	110
Sale of group companies	–	– 1,267
Balance at 31 December	**296,994**	**250,011**

Fair value of plan assets

x € 1,000	2010	2009
Balance at 1 January	254,463	204,173
Expected return on plan assets	8,703	9,243
Pension contributions	11,434	17,174
Benefits paid	– 7,293	– 6,907
Actuarial gains and losses	20,002	33,162
Other costs	– 1,450	– 1,443
Sale of group companies	–	– 939
Balance at 31 December	**285,859**	**254,463**

None of the plan assets in 2010 or 2009 were shares in Mediq. The actual return on the plan assets in the year under review was € 28.7 million (+ 11.2%) and was € 5.0 million (+ 2.4%) in the previous year.

The actuarial and demographic assumptions set out below relate to the Dutch entities.

Financial assumptions
The main actuarial assumptions at the balance sheet date:

	2010	2009
Discount rate at 31 December	4.7%	5.1%
Expected return on plan assets	3.9%	3.4%
Future salary increases	2.5%	2.5%
Future pension increases	2.5%	2.5%

The discount rate of 4.7% is based on the return on high-grade corporate bonds. The average term of the obligations matches the average term of the bonds on whose return the discount rate is based. Based on the asset mix, the return assumed on the plan assets is 3.9%. This return is determined from the best possible estimates of the long-term development of returns on the principal asset categories.

The rate of future salary increase of 2.5% is based on general salary increases and individual age-dependent increases.

Demographic assumptions

The probability rates for disability were derived from the report the Dutch Association of Insurers. They were adapted to Wholesale Sector II, but without industry-specific adjustments.

In August 2010, the Actuarial Association issued a new generation table (Forecast table 2010-2060). This table was applied to calculate the year-end 2010 obligation for defined benefit plans the Dutch entities that are members of Stichting Pensioenfonds Mediq.

The average life expectancy of participants by category:

	2010	2009
Active participants		
Average age	42.5	42.0
Average future life expectancy	44.9	42.9
Non-active participants		
Average age	48.6	47.7
Average future life expectancy	38.7	37.1
Pensioners		
Average age	71.5	71.1
Average future life expectancy	16.7	15.3
Dependants		
Average age	71.0	70.4

Accumulated actuarial gains and losses including tax effect

x € 1,000	2010	2009
Actuarial gains and losses in equity at beginning of year	12,907	2,313
Actuarial gains and losses in total comprehensive income for the year	11,150	10,594
Actuarial gains and losses in equity at end of year	**1,757**	**12,907**

Value of plan assets

The value of the plan assets relates only to the Dutch entities and can be broken down as follows:

x € 1,000	2010		2009	
Fixed-interest securities	209,459	73%	186,297	73%
Shares and derivatives	73,072	26%	24,747	10%
Other	3,328	1%	43,069	17%
Total	**285,859**	**100%**	**254,113**	**100%**

The expected return on assets is based on an estimate of the expected long-term return on fixed-interest securities and shares for the strategic asset mix. Fixed-interest securities consist mainly of government bonds. The shares comprise mainly investments in equity funds and property. Other consists mainly of cash and cash equivalents.

Multi-year summary

x € 1,000	2010	2009	2008	2007	2006
Present value of funded obligations	296,994	250,011	221,222	214,342	243,775
Fair value of plan assets	285,859	254,463	204,173	220,202	218,255
Retirement benefit surplus or obligation	**11,135**	**– 4,452**	**17,049**	**– 5,860**	**25,520**
Experience adjustment of the obligations	8,758	18,869	– 4,397	– 37,086	– 10,405
Experience adjustment of plan assets	20,002	33,162	– 35,653	– 9,149	– 1,783

The experience adjustments relate to changes in the principles and assumptions used to determine the benefits granted.

Income statement costs
The costs included in the income statement under personnel costs can be broken down as follows:

x € 1,000	2010	2009
Interest expense on obligations	12,899	12,412
Current service cost	4,404	3,060
Expected return on plan assets	– 8,703	– 9,243
Other costs	1,450	1,443
Total	**10,050**	**7,672**

The pension obligations of the Dutch business units falling within the scope of the group's collective labour agreement are administered by the Mediq company pension fund, a foundation that makes its decisions independently.

The back-service and other pension obligations are fully funded by the foundation. The total contribution to the Mediq pension fund in 2010 was 24% of the relevant salary bill. After deduction of the employees' contributions totalling some 5%, the balance of around 19% was contributed by the employer. The total contribution to the Mediq pension fund in 2011 is expected to be € 14.0 million, around 28% of the relevant salary bill. The financing of the pension fund is laid down in a cooperation agreement with Mediq.

The provisional cover ratio, in line with the requirements of the Financial Assessment Framework of De Nederlandsche Bank (the Dutch central bank), was around 112.3% at 31 December 2010 (definitive cover ratio at year-end 2009: 113.6%).

DEFINED CONTRIBUTION PLANS

The pension obligations of Dutch business units not falling within the scope of the Mediq Collective Labour Agreement and foreign business units are generally insured with separate industrial pension funds or insurance and reinsurance companies, or are insured via local governments. The pension obligations for the large majority of the employees at our Dutch pharmacies are largely insured with an industrial and an occupational pension fund. In addition to the employees in the Netherlands who are entitled to the Dutch state old-age pension, the employees of our foreign group companies are as a rule also entitled to a state pension.
As well as the state pension in Poland, the government mandates a pension bonus. Norway operates a pension plan based on government-regulated pension accrual. In connection with this plan, the company includes a provision for pensions in its balance sheet.

In our view the pension plans of the industrial pension fund for pharmacy assistants and the occupational pension fund for pharmacists (both in the Netherlands) qualify as defined benefit plans. No information has been received from either fund on the valuation of their assets. The funds state that their pension plans are defined contribution plans and not defined benefit plans. They also state, however, that they are unable to provide the information required, as they have no objective formula for calculating the portions attributable to Mediq. Accordingly, we recognise these two pension plans as defined contribution plans in the financial statements of Mediq.

33 PROVISIONS

X € 1,000	RESTRUCTURING	LEGAL ISSUES	TAX	MISCELLANEOUS	TOTAL
Balance at 1 January 2009	2,426	1,776	4,381	870	9,453
Addition	5,765	175	4,015	1,981	11,936
Use	– 1,242	– 249	–	–	– 1,491
Release	– 494	– 519	–	– 313	– 1,326
Accrued interest	–	–	149	–	149
Foreign currency translation effect	4	2	–	1	7
Balance at 31 December 2009	**6,459**	**1,185**	**8,545**	**2,539**	**18,728**
Addition	4,504	110	1,237	1,459	7,310
Use	– 5,265	–	–	– 460	– 5,725
Release	– 1,607	– 20	– 2,015	– 74	– 3,716
Accrued interest	–	–	163	–	163
Foreign currency translation effect	–	–	–	72	72
Reclassification	–	–	– 5,043	1,090	– 3,953
Balance at 31 December 2010	**4,091**	**1,275**	**2,887**	**4,626**	**12,879**

BREAKDOWN OF THE PROVISION

X € 1,000	2010	2009
Non-current	4,247	1,712
Current	8,632	17,016
Total	**12,879**	**18,728**

Reorganisations

The implementation of the second and third step of the reorganisation programme of Pharmacies Netherlands and the reorganisation at the institutional activities in the Netherlands led to an amount of € 5.3 million being utilised and a remaining amount of € 1.6 million being released in 2010. Moreover an addition of € 4.5 million was made to the provision for follow-up steps in the reorganisation programme of Pharmacies Netherlands. The reorganisation costs comprise mainly severance costs and are based on a detailed redundancy plan.

Legal issues

The provision for legal issues changed slightly owing to a release following a settlement of legal proceedings, and an addition for new legal proceedings. The assumptions underlying the provisions are supported by the opinion of external experts wherever possible.

Taxation

A provision was raised in 2008 for a risk relating to corporate income tax, for which a cash outflow was more likely to occur than not. Agreement was reached with the tax authorities in 2010 on the tax treatment. As a result the amount added to the provision in 2008, after being increased for interest, was reclassified and reported under current liabilities. The addition in 2010 is for a risk relating to corporate income tax in several countries. The 2010 closing balance also includes a provision for dividend tax raised in 2009. This last risk concerns the past conversion of B shares into A shares as part of the transition from a co-operative to a public limited liability company.

Miscellaneous

Miscellaneous provisions include a provision for an ongoing inquiry by healthcare insurers into the correctness of amounts received in the past in the USA, long-term remuneration for directors and a provision for an onerous contract. Wherever possible, provisions are supported by the opinion of internal or external experts or by the use of other sources. Ultimately the assumptions are inevitably partly based on the management's judgement.

34 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

x € 1,000	31.12.2010	31.12.2009
Trade payables	305,480	282,220
Accrued fixed allowances and holiday entitlements	19,014	18,519
Interest payable	1,705	2,365
Commitments in respect of acquisitions	364	1,005
Other	33,704	25,783
Total	**360,267**	**329,892**

The working capital tied up by trade payables is expressed in days by means of DPO (Days of Payables Outstanding).
The average DPO for 2010, which is measured on the basis of a 13-point average, was 42.5 days (2009: 43.0 days).

The commitments in respect of acquisitions relate to acquisition amounts not yet paid. Their fair value is equal to their carrying amount, owing to their short-term nature.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

35 RECONCILIATION OF CASH FLOW CHANGES WITH BALANCE SHEET CHANGES

The statement of cash flows is drawn up using the indirect method, based on the result for the financial year. Operating cash flow is then adjusted for non-cash components in the result, and for components relating to capital expenditure. For most of the components of the statement of cash flows, direct references are included to the notes to the consolidated income statement or the notes to the consolidated balance sheet.

Additional information is set out below for other material components for which further details can improve the required disclosure.

CASH FLOW FROM OPERATING ACTIVITIES

The change of the provisions included in the statement of cash flows relates to retirement and other employee benefit obligations and other provisions. The change relates on the one hand to the application of the provision and the payment of pension contributions (cash flows) and on the other to an adjustment of the operating result for additions or releases taken through profit or loss (non-cash changes).

The changes relating to working capital can be reconciled as follows with the balance sheet items relating to them:

X € 1,000,000	INVENTORIES	TRADE RECEIVABLES AND OTHER RECEIVABLES	TRADE PAYABLES AND OTHER CURRENT LIABILITIES
Balance at 1 January 2010	210,629	299,723	– 329,892
Acquisitions	18,304	21,983	– 28,766
Foreign currency translation differences	1,225	1,726	1,964
Other non-cash movements	–	19	958
Cash flow movements	1,651	6,348	– 4,531
Balance at 31 December 2010	**231,809**	**329,799**	**– 360,267**

CASH FLOW FROM INVESTING ACTIVITIES

The item acquisitions is determined on the basis of enterprise value, which provides information on the capital requirement resulting from acquisitions. Except for cash and short-term deposits and interest-bearing debt, all balance sheet changes arising from an acquisition are included under this item. The above likewise applies to the item sale of group companies and interests. See note 4 Changes in the composition of Mediq NV for a reconciliation with the statement of cash flows.

Disposals of non-current assets relate to the sale of assets carried under property, plant and equipment, investment property, intangible assets, investments and assets held for sale.

OTHER DISCLOSURES

36 CREDIT FACILITIES AND SECURITY PROVIDED

We manage the major credit facilities centrally. They are partly long-term non-bank borrowings and partly credit facilities arranged with three Dutch financial institutions and one Scottish financial institution. The latter facilities are lines of credit for short-term and medium-term borrowings. The main credit condition provisions of the various institutions are similar to each other and to those applying to non-bank borrowings. At year-end 2010, we comfortably satisfied these conditions.

At 31 December 2010 Mediq had issued bank guarantees on behalf of third parties for an amount of € 9.0 million (2009: € 8.0 million). Of this, € 7.0 million are bank guarantees in respect of legal disputes.

37 RIGHTS AND COMMITMENTS NOT SHOWN IN THE BALANCE SHEET

OPERATING LEASE AND RENTAL COMMITMENTS

The commitments not shown in the balance sheet amounted to € 176 million at 31 December 2010 (at 31 December 2009: € 156 million) and can be broken down as follows:

X € 1,000,000	31.12.2010	31.12.2009
Lease and rental commitments		
• Due within one year	38	29
• Due between one and five years	87	77
• Due after more than five years	48	45
Other	3	5
Total	**176**	**156**

Operating lease charges totalling € 5.9 million (2009: € 5.9 million) and rental commitments of € 30.0 million (2009: € 24.8 million) were taken to profit or loss in the financial year.

The increase compared to 2009 is due chiefly to additional rental commitments as a result of acquisitions made in 2010 and the effect of sale & leaseback transactions in the Netherlands and Norway.

CONTINGENT LIABILITIES

Mediq is involved in a number of legal cases and ongoing disputes or potential legal proceedings. Where necessary, sufficient provisions have been formed for legal issues (see note 33 for more information). Based on a review of these issues, the Management Board considers that further additions are not necessary.

After the beginning of the financial year Mediq established that there is a possible risk relating to dividend tax. The possible liability for dividend tax concerns the conversion of B shares into A shares, which took place in the period from 2003 to the end of 2009 (following the conversion from co-operative into a public limited liability company) and which was carried out in a variety of ways. A provision was raised for this risk (see other provisions). Consultations with the tax authorities in connection to this subject took place in 2010. This has not yet led to a definitive conclusion. This matter is complex in terms of the facts and applicable tax rules, and besides further analysis and consultation with external advisers also requires – partly in view of the consultation engaged in for the conversion into a public limited liability company in 2001 – additional consultation with the tax authorities. Consequently the possible further extent of the risk and the amount involved cannot be sufficiently reliably determined at present.

General guarantees within the meaning of Section 403 of Book 2 of the Dutch Civil Code have been issued by Mediq NV on behalf of virtually all its group companies established in the Netherlands, except for group companies that we do not wholly own, specifically a number of pharmacies in Pharmacies Netherlands.

38 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

GENERAL

In the implementation of our strategy we target average long-term growth in net earnings per share of 8% per year. In addition, we set a financial target for return on average capital employed (based on the operating result) of at least 15% before tax. We aim to distribute around 35% of net result as dividend.

No significant changes in terms of capital management were effected in the year under review. An enabling condition in our policy is a healthy financing structure that maintains a balance between adequate solvency, the leverage of loan capital and sufficient available funding. We aim to continue to be rated by the market as ‘investment grade’, as this provides us with comparatively low financing costs as well as flexibility in implementing our growth strategy. Our balance sheet and cash flow are strong. This enables us to continue to grow through acquisitions.

As a result of its activities, Mediq is exposed to various financial risks. We apply a group-wide treasury policy for adequate management of our cash flows and financing flows and the financial risks relating to them, including (re)financing risks, currency risks and interest rate risks.

In addition, price risks are relevant for the group. The fee systems for pharmaceuticals and medical products in the various countries are complex. Prices are determined to a significant extent by the government and insurers. The section ‘System of fees and reimbursements’ in the directors’ report provides an overview of the key legislation, regulations and payers in the most relevant countries in this context.

A summary is provided below of the main financial risks relating to our objectives, categorised as liquidity risks, currency risks, interest rate risks and credit risks. We also state how we manage these risks.

LIQUIDITY RISK

Liquidity risk is the risk that Mediq is unable at the required time to meet its financial obligations. Liquidity management is based on the principle that sufficient liquidity is maintained in the form of credit facilities or cash and cash equivalents to meet the obligations in both normal and exceptional circumstances. Cash flows are forecasted within the group on a regular basis and the extent is determined to which the group has sufficient liquidity for the operating activities while maintaining sufficient credit facilities (headroom).

Our total credit facilities, comprising long-term borrowings from institutional investors, and medium-term and current bank facilities, amounted to € 432 million as at 31 December 2010 (2009: € 445 million), with headroom of € 115 million under the committed facilities at year-end 2010 (2009: € 63 million). The company therefore has credit facilities that are sufficient for the existing and expected credit requirements of the group.

The extent of the risk that the ratios agreed with lenders are exceeded is regularly determined. With the present net debt position of € 177.5 million, the ratios for interest cover and debt cover are respectively 11.8 and 1.1. This is comfortably within the limits agreed with the various lenders of a minimum interest cover of 5.0 and a maximum debt cover of 3.5. These agreed limits are the same for the main lenders.

A 10% fall in our operating result (defined for this purpose as operating result before depreciation of property, plant and equipment and amortisation of intangible assets and impairments) would reduce interest cover by 0.9 points, at unchanged interest rates on interest-bearing debt. The agreed minimum interest cover of 5.0 would only be reached if the operating result fell by more than 58%. A 10% fall in our operating result would increase debt cover by 0.2 percentage points. The agreed maximum debt cover of 3.5 would be reached if the operating result fell by more than 67%.

The expected cash flows of the financial obligations as at 31 December 2010, including estimated interest payments, are as follows:

X € 1,000	CARRYING AMOUNT	EXPECTED CASH FLOW	< 1 YEAR	1 - 2 YEARS	2 - 3 YEARS	3 - 4 YEARS	4 - 5 YEARS	MORE THAN 5 YEARS
Borrowings from institutional investors	76,213	85,049	33,423	2,116	2,116	47,394	–	–
Borrowings from banks	166,853	179,063	6,174	6,174	154,602	442	442	11,229
Other non-current liabilities	1,443	1,443	262	1,181	–	–	–	–
Other derivative financial instruments	1,037	1,037	1,037	–	–	–	–	–
Credit institutions	462	462	462	–	–	–	–	–
Trade payables and other current liabilities, excluding interest	358,562	358,562	358,562	–	–	–	–	–
Total financial liabilities	**604,570**	**625,616**	**399,920**	**9,471**	**156,718**	**47,836**	**442**	**11,229**

The expected cash flows for borrowings from institutional investors and the borrowings from banks are reported together with the interest rate swaps and combined currency-interest rate swaps. These interest rate swaps and combined currency-interest rate swaps exactly match the repayment amounts and interest payment dates on the hedged positions. Therefore the carrying amount of the borrowings from institutional investors in this summary includes the combined currency-interest rate swaps and the carrying amount of the borrowings from banks includes the interest rate swaps. This presentation does justice to the fact that on balance, as a result of the cash flow hedges, we pay fixed interest on the loans.
The other derivates, which are forward currency contracts, all expire within a period of one year.

CURRENCY RISKS

Mediq is subject to currency risks on sales, purchases and loans denominated in currencies other than the functional currency of the Mediq entity concerned. Currency risks relate mainly to the US dollar, the Polish zloty and the Swedish krona.

Our policy is aimed at systematic hedging of currency risks arising from trade transactions or loans in currencies other than the own currency of the group company concerned, often by means of forward currency transactions. We do not hedge translation risks. We regard our positions in other countries (in this case outside the euro area) as strategic and assume that over the longer term, currency fluctuations will on balance have a neutral effect.

The currency exposure within the group from trade activities is limited. Cash flows arising from the operation of forward currency contracts match as far as possible but offset those of the hedged position. No hedge accounting is applied for these derivatives.

Within the combined currency and interest rate swap, changes in the fair value concerning the currency component of the derivative on the one hand and the hedged position on the other are reciprocally neutralised in full.

The sensitivity of the operating result in respect of the currency risk of our positions outside the euro area to a 10% change in the exchange rate of the euro is approximately € 2.9 million. This relates entirely to translation risks. Gains or losses on forward currency contracts offset the currency risk from purchasing contracts in foreign currencies. The remaining currency risk in respect of net result is consequently restricted to translation risks and amounts to € 1.4 million.

OTHER DISCLOSURES

INTEREST RATE RISKS

We use various financial instruments within the group to manage interest rate risks. In the Netherlands, the cash flows of the group companies were already centralised by the use of cash pools. In 2010 the foreign group companies introduced this as well to reduce the capital required from operating activities and the related interest expense.
The risk policy is aimed at limiting the short-term impact of interest rate fluctuations on results and at locking in the interest rate for the long term. In principle, hedge accounting is applied for interest rate swaps (cash flow hedging). To avoid exposure to market fluctuations, variable interest rates are swapped into fixed rate contracts.

The schedule of repayments and interest payments of the hedge position is taken fully into account for interest rate swaps used to prevent interest rate risks. As a result the hedge is prospectively effective. We apply hedge accounting to all interest rate swaps. The hedges were all effective in both 2010 and in 2009.

On the basis of the financing position as at year-end 2010, we estimate that an increase or decrease of 1 percentage point in the euro money market interest rates will have an effect of approximately € 0.6 million on net finance costs. Fluctuations in long-term interest rates had a limited direct effect on the result in 2010, as the interest rate terms are fixed for the remaining maturity of virtually all existing medium and long-term borrowings.

CREDIT RISKS

Credit risk is the risk of financial loss if a customer or counterparty in a financial instrument fails to meet its contractual obligations. The risk for Mediq arises mainly from trade receivables, for which credit concentration is limited however.
Our wholesaling activities in the pharmaceutical and institutional markets have a large number of customers and accordingly there is no concentration of credit risk. A total of some 38% (2009: 43%) of trade receivables relate to these activities.

Trade receivables at our pharmacies and direct activities in the Netherlands often relate to receivables from healthcare insurers. Deliveries from our pharmacies in Poland are often settled in cash. The receivables due from the five largest healthcare insurers in the Netherlands account for 27% (2009: 29%) of the trade receivables. The largest party has a share of 7%. These healthcare insurers are subject to supervision by the Dutch Central Bank. We consider the credit risk with these parties to be limited.

The maximum credit risk is equal to the carrying amount of each financial instrument on the balance sheet and relates to the following items:

x € 1,000	31.12.2010	31.12.2009
Loans to customers	3,915	5,500
Customer supply commitments	40	240
Other receivables, non-current assets	95	102
Trade receivables	297,405	263,655
Other receivables, current assets	32,394	36,068
Total	**333,849**	**305,565**

The group limits its credit risk exposure on financial instruments by setting credit limits for each counterparty and concluding contracts only with respected parties. The position at the balance sheet date is a good reflection of the positions in the past financial year.
Security has been provided by the borrowers for the majority of the loans issued. The majority of security provided consists in pledges of shares of the second rank. In addition the borrowers have provided security in the form of entries in the mortgage register in the second rank. The fair value of this security cannot be sufficient reliably estimated. No security has been provided for a portion of the loans granted to customers and the customer supply commitments.

In terms of risk management for trade receivables outstanding the analysis of Days of Sales Outstanding (DSO) is an important measure of items outstanding. In the past year it moved between 34.9 days and 38.6 days (2009: between 30.9 days and 37.6 days). The analysis of the DSO is a standard performance indicator in the monthly results to be reported by group companies. These provide the most senior management with a continuous insight into the relative capital tied up in, and the velocity of, debtors.

FINANCIAL INSTRUMENTS BY CATEGORY

The table below sets out the carrying amount of the various financial instruments by category as at the balance sheet date.

x € 1,000	31.12.2010	31.12.2009
Financial asset at fair value through profit or loss		
Investments (Anzag)	-	**16,670**
Held-to-maturity investments	–	–
Available-for-sale financial assets	–	–
Receivables and loans		
Loans to customers	3,915	5,500
Customer supply commitments	40	240
Other receivables, non-current assets	95	102
Derivative financial instruments, non-current assets	356	–
Trade receivables	297,405	263,655
Other receivables, current assets	32,394	36,068
Derivative financial instruments, current assets	81	–
Cash and cash equivalents	67,196	109,737
Total assets, financial instruments	**401,482**	**431,972**
Borrowings, long-term liabilities	210,545	195,490
Derivative financial instruments, long-term liabilities	6,732	8,844
Credit institutions	462	1,731
Borrowings due within one year	32,075	82,015
Derivative financial instruments, current liabilities	1,577	1,304
Trade payables	305,480	282,220
Other payables, current liabilities	54,787	47,671
Total liabilities, financial instruments	**611,658**	**619,275**

Of the financial instruments listed above, investments and derivatives are measured at fair value. Cash and cash equivalents are likewise carried at fair value. The other items are measured at fair value on initial recognition only and subsequently at amortised cost. See the accounting policies for further details.

METHOD FOR FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

We use a three-level fair value hierarchy:

- Level 1: fair value is determined by reference to quoted prices in active markets for identical assets and liabilities.
- Level 2: fair value is determined on the basis of other inputs than quoted prices that are observable (direct and indirect sources).
- Level 3: fair value is determined on the basis of inputs that are not based on observable market data.

Level 1

The financial asset at fair value through profit or loss is measured by reference to quoted prices in an active market. This relates to our investment in Anzag for which an external market price is available in the form of an official quotation. The fair value is derived from this quotation. This interest was sold at the end of 2010.

Level 2

As there are no external market prices on which to base the value of receivables, borrowings and commitments relating to derivatives, their fair value is determined from generally accepted valuation models. The value determined in this way is equal to the price at which the derivative can be sold in a transparent market. We set the values regularly in consultation with accepted external market parties.

We calculate the fair value of the interest rate swaps as the present value of the future cash flows from the derivative, using discount rates in line with the interest rate curve based on the risk free yields (i.e. the zero coupon curve) at the balance sheet date. For the valuation of forward currency contracts, the future cash flows in the contract currency are discounted at a rate based on the term and contract currency. The present value at the balance sheet date in the contract currency is translated at the closing exchange rate ruling on the same day. In the combined currency and interest rate swaps, all interest rate effects, including differences between the forward and closing exchange rates, are allocated to the interest rate swap. As a result, the currency swap in the combined currency and interest rate swaps is valued at the closing exchange rate ruling on the balance sheet date.

The fair value of all currency and interest rate swaps is reviewed independently based on the specific characteristics of the contracts concluded. The review did not indicate any reason to adjust the fair value calculated by the group.

Level 3

Financial instruments carried at fair value determined by reference to input that is not based on observable market data do not apply to Mediq.
The other receivables, borrowings and commitments are carried at amortised cost. The fair value of the long-term liabilities is some € 7.4 million higher than the carrying amount. This difference is due to a lower market rate of interest, linked to the agreed terms, than the contractually agreed interest rate.
The fair values of the other items do not differ materially from their carrying amounts.

39 RELATED PARTY TRANSACTIONS

The following related parties of the group can be distinguished: subsidiaries, associates, the members of the Management Board and the members of the Supervisory Board.

The remuneration of the Management Board and the Supervisory Board can be broken down as follows

x € 1,000	2010	2009
Management Board		
Wages and salaries	1,587	1,552
Pension charges	176	245
Long-term remuneration	194	183
Other personnel costs	11	11
Subtotal	**1,968**	**1,991**
Supervisory Board		
Salaries and social security charges	234	229
Total remuneration of the Management Board and the Supervisory Board	**2,202**	**2,220**

Further details of the remuneration are set out below:

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

x € 1,000	2010	2009
M.C. van Gelder		
Gross salary	510	500
Variable short-term remuneration	431	452
Total short-term remuneration	**941**	**952**
Total long-term remuneration	115	113
Pension contribution	104	134
J.G. Janssen		
Gross salary	350	315
Variable short-term remuneration	296	285
Total short-term remuneration	**646**	**600**
Total long-term remuneration	79	71
Pension contribution	72	84

The total remuneration of the members of the Management Board, special compensation and the contributions under the pension plans was € 2.0 million (2009: € 2.0 million).

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

X € 1,000	2010		2009
J.F. van Duyne (until 31 August 2010)	29		46
S. van Keulen (as from 1 April 2010)	27		–
B.T. Visser	40		40
W.M. van den Goorbergh	35		35
O.R. Stuge	35		35
F.K. de Moor	34		32
M.J.M van Weelden-Hulshof	34		25
S.C. Huibers (to 1 April 2009)	–		10
P.J.T.T.M. van Bakel (to 1 March 2009)	–		6
Total	**234**		**229**

One of the members of the Supervisory Board, Mrs M.J.M. van Weelden-Hulshof, is a customer of the group in her capacity as a community pharmacist.

The remuneration report provides details of the remuneration policy for members of the Management Board and members of the Supervisory Board. No shares were awarded for 2010 to the members of the Management Board as part of the remuneration system.

The members of the Supervisory Board of Mediq held a total of 75,050 shares in Mediq as at 31 December 2010 (31 December 2009: 87,550). The number of shares held by present members of the Management Board at 31 December 2010 totalled 72,778 (31 December 2009: 64,337).

The numbers of shares per member of the Management Board and the blocked shares held by former members of the Management Board at year-end 2010 were as follows:

	SHARE-HOLDING AT YEAR-END 2010	OF WHICH BLOCKED UNDER SHARE PLAN	RELEASED 2011	RELEASED 2012	RELEASED 2013
M.C. van Gelder	49,778	38,337	14,456	13,608	10,273
J.G. Janssen	23,000	–	–	–	–
Former members of the Management Board	47,203*	47,203	29,804	10,208	7,191
Total	**119,981**	**85,540**	**44,260**	**23,816**	**17,464**

* Relates only to the number blocked for former members.

It has been agreed with the members of the Management Board that they will build up share interests in Mediq amounting to twice their fixed annual salary over the next years. Mr van Gelder increased his share interest in 2010 by 5,441 shares from 44,337 shares to 49,778 shares. Mr Janssen increased his share interest in 2010 by 3,000 shares from 20,000 shares to 23,000 shares.

Mr van Gelder is a member of the Supervisory Board of Maxeda BV, with which an agreement has been signed for the joint purchasing of non-trading goods. Maxeda receives a reasonable and arm's length fee for services rendered in this respect. Mr van Gelder receives no compensation whatsoever in connection with this agreement.

Other related party transactions

X € 1,000,000	Transaction value		Balance outstanding at 31 December	
	2010	2009	2010	2009
Sales of products and services				
Associates	16.4	17.2	1.3	1.5
Other related parties	5.2	4.4	0.3	0.4

The transactions with these related parties are at arm's length.

STICHTING SAMENWERKING APOTHEKERS OPG

Stichting Samenwerking Apothekers OPG ("Foundation") was established in 1992 under a different name when Mediq was listed on the stock exchange. The member pharmacists at the time donated part of the reserves in Mediq to the Foundation in the form of Mediq securities.
The object of the Foundation is now to support projects benefiting the pharmacy profession in the Netherlands. This includes professional practice, in particular, increasing the quality and effectiveness of the pharmacy business. The Board of the Foundation consists of three independent pharmacists, one of whom is the chairman, and three members appointed by Mediq. In the event of a tied vote, the chairman has the casting vote. The Foundation operates independently of Mediq, which has no control over the Foundation's policy.

No donations were received in 2010. In 2010, as in 2009, the group did not purchase any Mediq shares from the Foundation.

40 EVENTS AFTER THE BALANCE SHEET DATE

ACQUISITION OF ROMEDIC

On 1 February 2011 Mediq acquired Romedic B.V. in the Netherlands. Mediq bought 100% of the shares.

Romedic has 14 employees and is the market leader in the Netherlands in the field of nebuliser therapy. This acquisition is comparatively limited in terms of size and has no material impact on the group's sales, the result and assets and liabilities.

HOLDING COMPANY BALANCE SHEET

before profit appropriation

x € 1,000	NOTE	31.12.2010	31.12.2009
Non-current assets			
Property, plant and equipment	41	6,317	6,225
Intangible assets	42	379	288
Interests in group companies	43	325,030	238,596
Receivables from group companies	43	–	478
Pension asset		–	5,426
Derivative financial instruments		356	–
Deferred tax assets		8,228	6,392
		340,310	**257,405**
Current assets			
Receivables from group companies		633,350	526,170
Other receivables		11,283	5,339
Derivatives		81	–
Cash and cash equivalents		1,363	78,562
		646,077	**610,071**
Total assets		**986,387**	**867,476**
Equity	44		
Paid-up share capital		14,912	14,671
Share premium		92,242	92,483
Reserve for translation differences		3,944	– 448
Reserve for cash flow hedges		– 3,899	– 3,222
Other reserves		308,154	260,554
Retained earnings		76,662	74,530
		492,016	**438,568**
Provisions	45	**16,379**	**11,775**
Non-current liabilities			
Borrowings	46	120,589	107,008
Derivative financial instruments		6,732	8,844
		127,321	**115,852**
Current liabilities			
Borrowings due within one year		30,486	80,520
Derivative financial instruments		421	1,244
Trade payables		1,060	1,630
Amounts owed to group companies		304,454	199,362
Taxes and social security charges		1,248	12,390
Other payables		13,002	6,135
		350,671	**301,281**
Total equity and liabilities		**986,387**	**867,476**

HOLDING COMPANY INCOME STATEMENT

X € 1,000	2010		2009
Results of group companies after tax	82,069		76,095
Other income and expense after tax	– 5,407		– 1,565
Net result	**76,662**		**74,530**

NOTES TO THE HOLDING COMPANY FINANCIAL STATEMENTS

ACCOUNTING POLICIES FOR THE HOLDING COMPANY FINANCIAL STATEMENTS

GENERAL

The company financial statements of Mediq NV are prepared in accordance with the statutory provisions of Part 9 of Book 2 of the Dutch Civil Code. In this connection, we utilise the option afforded by Section 362(8) of Book 2 of the Dutch Civil Code to apply the accounting policies used for the consolidated financial statements to the holding company financial statements. The policies include those covering the presentation of financial instruments as equity or loan capital.

DETAILS OF ACCOUNTING POLICIES

The accounting policies for the holding company financial statements are the same as those for the consolidated financial statements. If an accounting policy is not set out in detail, please refer to the accounting policy of the same name for the consolidated financial statements.

Shareholdings

This includes group companies as well as associates.

We include investments in group companies on the balance sheet at their net asset value. On the acquisition of a group company, its individual assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. If the cost of acquisition is higher than the fair value of the group's share in the separately identifiable net assets, the excess is recognised as goodwill. Goodwill is capitalised. After initial recognition, goodwill is carried at cost less accumulated impairment losses. If the acquisition price is lower than the net fair value of the identifiable net assets, we recognise the difference directly in profit or loss. On the sale of a group company, we recognise the difference between the sale proceeds and carrying amount, including goodwill and accumulated translation differences, in profit or loss.

NOTES TO THE HOLDING COMPANY INCOME STATEMENT

INCOME STATEMENT FORMAT

As the 2010 income statement of the holding company is incorporated in the consolidated financial statements, an abbreviated income statement is presented here in accordance with Section 402 of Book 2 of the Dutch Civil Code.

NOTES TO THE HOLDING COMPANY BALANCE SHEET

41 PROPERTY, PLANT AND EQUIPMENT

x € 1,000	2010	2009
Cost	7,090	1,765
Accumulated depreciation	– 865	– 820
Carrying amount at 1 January	**6,225**	**945**
Additions	934	5,325
Depreciation	– 842	– 45
Carrying amount at 31 December	**6,317**	**6,225**
Cost	7,127	7,090
Accumulated depreciation	– 810	– 865
Carrying amount at 31 December	**6,317**	**6,225**

Property, plant and equipment relate to other operating assets.

42 INTANGIBLE ASSETS

x € 1,000	2010	2009
Cost	2,141	4,920
Accumulated amortisation	– 1,853	– 1,608
Carrying amount at 1 January	**288**	**3,312**
Additions	203	145
Reclassification	–	– 2,924
Amortisation	– 112	– 245
Carrying amount at 31 December	**379**	**288**
Cost	2,344	2,141
Accumulated amortisation	– 1,965	– 1,853
Carrying amount at 31 December	**379**	**288**

Intangible assets relate to software and websites.

43 NON-CURRENT FINANCIAL ASSETS

INTERESTS IN GROUP COMPANIES

X € 1,000	2010	2009
Balance at 1 January	238,596	161,081
Share of profit	82,069	76,095
Foreign currency translation effect	4,391	1,376
Other movements	– 26	44
Balance at 31 December	**325,030**	**238,596**

Interests in group companies are carried at net asset value.

RECEIVABLES FROM GROUP COMPANIES

X € 1,000	2010	2009
Balance at 1 January	478	13,226
Loans granted	–	–
Loans repaid	– 478	– 12,748
Balance at 31 December	**–**	**478**

44 EQUITY

X € 1,000									2009
	PAID-UP SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR TRANSLATION DIFFERENCES	HEDGING RESERVE	STATUTORY RESERVE FOR INVESTMENTS IN ASSOCIATES	OTHER RESERVES	TOTAL	RETAINED EARNINGS	TOTAL EQUITY
Opening balance at 1 January 2009	14,625	91,263	– 1,824	– 3,026	1,257	390,499	492,794	– 127,891	364,903
Other comprehensive income:									
• Actuarial gains and losses on defined benefit plans						14,218	14,218		14,218
• Tax effect on actuarial gains and losses						– 3,624	– 3,624		– 3,624
• Net change in fair value of cash flow hedges reclassified to profit or loss				– 263			– 263		– 263
• Tax effect on cash flow hedges				67			67		67
• Foreign currency translation differences			1,376				1,376		1,376
Other comprehensive income			**1,376**	**– 196**		**10,594**	**11,774**		**11,774**
Profit/ (loss) for the period								74,530	74,530
Total comprehensive income			**1,376**	**– 196**		**10,594**	**11,774**	**74,530**	**86,304**
Transactions with owners, recognised directly in equity									
• 2008 final dividend								– 7,628	– 7,628
• Addition to reserves						– 135,519	– 135,519	135,519	–
Converted by owners of the Company	46	1,220				– 505	761		761
Transactions with non-controlling interests						– 50	– 50		– 50
Distribution of 2009 interim dividend						– 5,869	– 5,869		– 5,869
Other movements					252	– 105	147		147
Balance at 31 December 2009	**14,671**	**92,483**	**– 448**	**– 3,222**	**1,509**	**259,045**	**364,038**	**74,530**	**438,568**

X € 1,000									2010
	PAID-UP SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR TRANSLATION DIFFERENCES	HEDGING RESERVE	STATUTORY RESERVE FOR INVESTMENTS IN ASSOCIATES	OTHER RESERVES	TOTAL	RETAINED EARNINGS	TOTAL EQUITY
Opening balance at 1 January 2010	14,671	92,483	– 448	– 3,222	1,509	259,045	364,038	74,530	438,568
Other comprehensive income:									
• Actuarial gains and losses on defined benefit plans						– 14,967	– 14,967		– 14,967
• Tax effect on actuarial gains and losses						3,817	3,817		3,817
• Net change in fair value of cash flow hedges reclassified to profit or loss				– 909			– 909		– 909
• Tax effect on cash flow hedges				232			232		232
• Foreign currency translation differences			4,392				4,392		4,392
Other comprehensive income			**4,392**	**– 677**		**– 11,150**	**– 7,435**		**– 7,435**
Profit/(loss) for the period								76,662	76,662
Total comprehensive income			**4,392**	**– 677**		**– 11,150**	**– 7,435**	**76,662**	**69,227**
Transactions with owners, recognised directly in equity									
• 2009 final dividend	151	– 151						– 11,527	– 11,527
• Addition to reserves						63,003	63,003	– 63,003	–
Transactions with non-controlling interests									
Distribution of 2010 interim dividend	90	– 90				– 4,227	– 4,227		– 4,227
Other movements					– 859	833	– 25		– 25
Balance at 31 December 2010	**14,912**	**92,242**	**3,944**	**– 3,899**	**650**	**307,505**	**415,354**	**76,662**	**492,016**

PAID-UP SHARE CAPITAL

X € 1,000	NUMBER OF SHARES IN FULLY PAID-UP EQUIVALENTS	PAID-UP SHARE CAPITAL	
		A SHARES	B SHARES
Opening balance at 1 January 2009	58,459	14,571	54
Converted by owners of the Company	225	100	– 54
Balance at 31 December 2009	**58,684**	**14,671**	**–**
Opening balance at 1 January 2010	58,684	14,671	–
Converted by owners of the Company	962	241	–
Balance at 31 December 2010	**59,646**	**14,912**	**–**

PAID-UP SHARE CAPITAL

As at 31 December 2010, 59,646,252 shares (with a nominal value of € 0.25 each) had been issued and fully paid up.

SHARE PREMIUM

The share premium can be distributed tax-free.

STATUTORY RESERVE FOR INVESTMENTS IN ASSOCIATES

This reserve relates to retained earnings of investments in group companies whose distribution cannot be effected by Mediq without limitation. This applies only to group companies with associates. The statutory reserve is reduced by the dividend – from these investments – to which a right has arisen up to the date on which the financial statements are adopted.

TREASURY SHARES

The company held no treasury shares at 1 January 2010. It did not purchase any shares in its own capital during the financial year, and accordingly held no treasury shares at 31 December 2010.

The members of the Supervisory Board of Mediq held a total of 75,050 shares in Mediq as at 31 December 2010 (31 December 2009: 87,550). The number of shares held by present members of the Management Board at 31 December 2010 totalled 72,778 (31 December 2009: 64,337).

APPROPRIATION OF 2009 PROFIT

After deduction of the final dividend of € 0.34 per share set by the General Meeting of Shareholders on 8 April 2010, the profit of € 63.0 million was added to other reserves.

We refer to the consolidated statement of changes in equity for information on the composition, amount and changes of equity.

45 PROVISIONS

x € 1,000	31.12.2010	31.12.2009
Provision for tax liabilities	370	3,218
Provision for pension obligations	10,625	–
Other provisions	5,384	8,557
Total	**16,379**	**11,775**

The provision for tax liabilities relates to deferred taxes. The other provisions relate principally to provisions for retirement and other employee benefits and risks in respect of corporate income tax and dividend tax.

46 LONG-TERM DEBTS

Long-term debts consist of borrowings amounting to € 70.0 million (2009: € 30.0 million) from Dutch banks and one Scottish bank and non-bank borrowings amounting to € 46.2 million from four institutional investors in the USA and the UK (2009: € 72.1 million). If this financing is viewed in conjunction with the forward currency contracts, future repayment obligations amount to € 77.7 million, unchanged from 2009. In addition, € 4.4 million in advance rental discounts was recognised under non-current liabilities (2009: 4.9 million). As in 2009, there are no long-term debts repayable to group companies.

The remaining terms of the long-term debts can be broken down as follows:

x € 1,000	31.12.2010	31.12.2009
Due between one and five years after the balance sheet date		
Borrowings from banks	70,000	30,000
Borrowings from institutional investors	46,193	72,062
Advance rental discounts	2,198	2,198
Due after more than five years after the balance sheet date		
Borrowings from banks	–	–
Borrowings from institutional investors	–	–
Advance rental discounts	2,198	2,748
Total	**120,589**	**107,008**

In addition, an amount of approximately € 30.5 million relating to these long-term debts is included under current liabilities.

The long-term debts can be broken down by currency as follows:

X € 1,000	31.12.2010	31.12.2009
Euros	94,397	54,946
US dollars	26,192	52,062
Total	**120,589**	**107,008**

The foreign exchange risks in respect of the result and cash flows are fully hedged by currency swaps. The average rate of interest on these long-term borrowings is 4.2% (2009: 4.5%). The interest rate risk on these borrowings has been largely hedged by interest rate swaps.
The conditions attached to borrowings are a maximum debt cover 3.5, a minimum interest cover of 5.0, and the usual negative pledge, cross default and pari passu clauses.

47 COMMITMENTS NOT SHOWN IN THE BALANCE SHEET

GARANTEES AND COMMITMENTS

General guarantees within the meaning of Section 403 of Book 2 of the Dutch Civil Code have been issued by Mediq NV on behalf of virtually all its group companies established in the Netherlands, except for group companies that we do not wholly own, specifically a number of pharmacies in Pharmacies Netherlands. In addition, Mediq NV has commitments under lease contracts for cars and rental commitments for the group's new head office building in Utrecht.

X € 1,000	31.12.2010	31.12.2009
Lease commitments		
• Due within one year	306	344
• Due between one and five years	279	517
	585	**861**
Rental commitments		
• Due within one year	2,467	2,158
• Due between one and five years	9,868	8,632
• Due after more than five years	9,868	10,790
	22,203	**21,580**
Total	**22,788**	**22,441**

FISCAL UNIT

Mediq and virtually all its wholly owned subsidiaries in the Netherlands form a fiscal unit for corporate income tax and VAT purposes. The group and its group companies forming part of this fiscal unit are jointly and severally liable for each other's debts in respect of corporate income tax and VAT.

48 AUDITOR'S FEES

The fees of KPMG Accountants amounted to € 0.9 million in 2010. The fees of PricewaterhouseCoopers Accountants amounted to € 1.0 million in 2009. They comprised the following:

X € 1,000			2010			2009
	KPMG ACCOUNTANTS NV	OTHER KPMG NETWORK	TOTAL KPMG	PWC ACCOUNTANTS NV	OTHER PWC NETWORK	TOTAL PWC
Audit of financial statements	284	369	653	370	318	688
Other audit services	58	14	72	114	45	159
Tax advisory services	–	–	–	–	35	35
Other non-audit services	165	35	200	8	113	121
Total	**507**	**418**	**925**	**492**	**511**	**1,003**

The fees for 2010 are included in full in general expenses. The fees for other audit procedures relate mainly to 'purchase price allocation'. The other non-audit services comprise fees for due diligence, agreed-upon procedures and advisory services.

Utrecht, 16 February 2011

Management Board
M.C. van Gelder, Chairman
J.G. Janssen

Supervisory Board
S. van Keulen, Chairman
B.T. Visser, Vice-Chairman
W.M. van den Goorbergh
F.K. De Moor
O.R. Stuge
M.J.M. van Weelden-Hulshof

OTHER INFORMATION

PROPOSED PROFIT APPROPRIATION AND DIVIDEND

Pursuant to Article 37 of the Articles of Association of the company the Management Board will propose the following appropriation of the profit for approval by the General Meeting of Shareholders on 13 April 2011:

X € 1,000	2010
Net result attributable to owners of the Company	76,662
Available for dividend (€ 0.46 per share)	27,383
	49,279

On the basis of this proposal, a dividend of € 0.46 (€ 2009: 0.44) will be distributed per share of € 0.25 nominal value in the form of a dividend that owners of the Company can elect to receive in cash or shares. This represents a pay-out of 35%, which is in line with our target. An amount of € 0.15 per share has already been distributed as interim dividend. The final dividend of € 0.31 (2009: € 0.34) will be made payable on 9 May 2011 in cash or in the form of shares, at the option of the shareholder.

EVENTS AFTER THE BALANCE SHEET DATE

For information on events after the balance sheet, please see note 40.

INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Shareholders of Mediq NV

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2010 of Mediq NV, Utrecht as set out on pages 77 to 151. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Management's responsibility

The Board of Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mediq NV as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Mediq NV as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Management, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the director's report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 16 February 2011

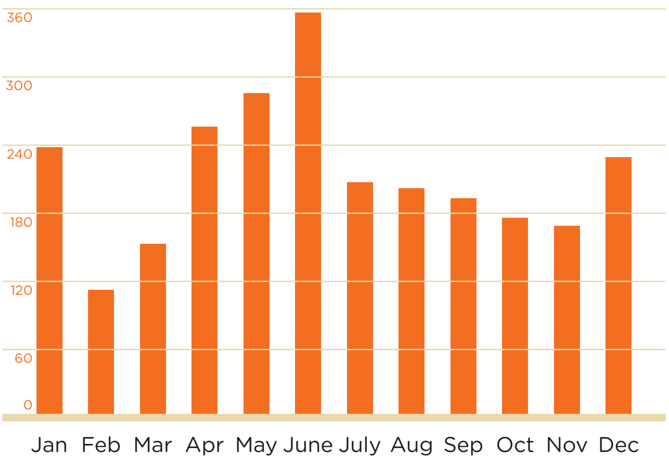
KPMG ACCOUNTANTS NV
E. Eeftink RA

INFORMATION FOR SHAREHOLDERS

MEDIQ'S INVESTOR RELATIONS POLICY IS INTENDED TO PROVIDE TIMELY, FULL AND CONSISTENT INFORMATION TO CURRENT AND POTENTIAL SHAREHOLDERS. WE WANT TO ENABLE THEM TO DEVELOP A CLEAR UNDERSTANDING OF OUR ACTIVITIES, HISTORICAL PERFORMANCE AND OUTLOOK FOR THE FUTURE.

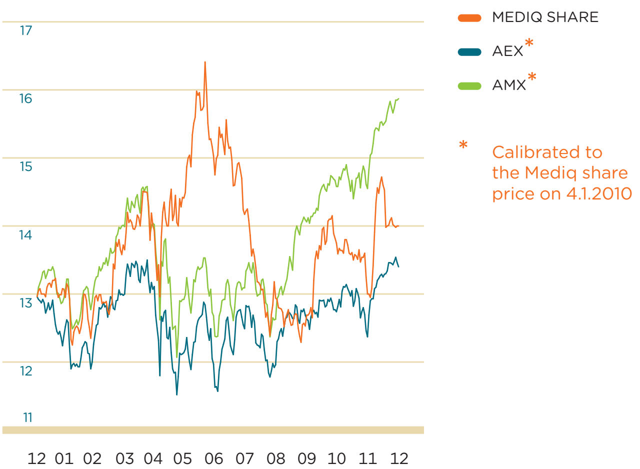
AVERAGE DAILY TRADING ON EURONEXT AMSTERDAM 2010

X 1,000 SHARES



SHARE PRICE 2010

X € 1



We regularly organise presentations and meetings for investors and analysts, including those to announce results. Analysts' presentations are broadcast live on the internet. We hold road shows in the Netherlands and abroad to meet existing and potential institutional investors following publication of the results for the second and fourth quarters. In 2010, there were around 145 meetings with institutional investors during road shows. conferences and company visits.

We carry out the above activities in strict accordance with the requirements of Euronext and the Netherlands Authority for the Financial Markets. We comply with all best practice provisions in the new Dutch Corporate Governance Code that concern the relations of a company with its shareholders. We have drawn up a clear disclosure policy in which we describe how we provide information to investors, analysts, financial institutions, the press and other stakeholders. For more information, including press releases, presentations and the disclosure policy, please see www.mediq.com.

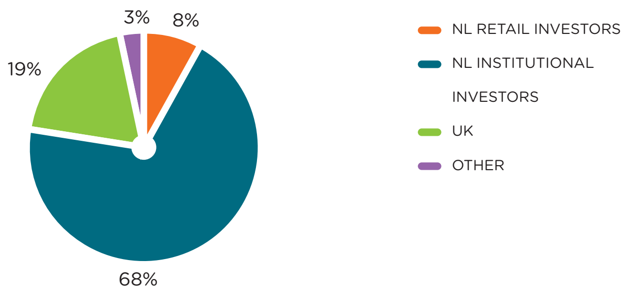
Last year we won the Henri Sijthoff-Prize for the best financial reporting on the year 2009 in the mid- and small cap category. The jury singled out the readability, the sound business and economic analysis and the instructive Report of the Supervisory Board, in which Mediq did not shy away from pointing out weaknesses. Mediq's website was ranked best in its category and Mediq is in fact the only non-AEX listed company in the top 10 of best financial websites.

SHARE CAPITAL

The authorised share capital of Mediq NV amounts to € 60 million, divided into 100 million ordinary shares with a nominal value of € 0.25 each, 5 million financing preference shares of € 1 each and 30 million preference shares of € 1 each. At 31 December 2010, 59,646,252 ordinary shares had been issued. of which 59,137,608 bearer shares and 508,644 registered shares. None of the financing preference shares and preference shares have been issued. Stichting Preferente Aandelen Mediq has an option to acquire preference shares. See the section 'Corporate governance' for more information.

Until 1 March 2009 B shares were also in issue. These were registered shares and were exclusively in the name of Dutch and Belgium community pharmacists. This was a residual consequence of the period in which Mediq was a cooperative.

DISTRIBUTION OF HOLDINGS OF SHARES* AT YEAR-END 2010



* On the basis of anonymous data provided by custodian banks.

LISTING ON STOCK EXCHANGE

The ordinary shares have been listed on the NYSE Euronext Amsterdam stock exchange since 1992 and have been included in the Amsterdam Mid Cap Index since September 2008 (AMX). The ticker symbol is MEDIQ and the ISIN code is NL0009103530.

Mediq has an options listing on the NYSE Liffe options exchange in Amsterdam since October 2009. This meets the demand from the market for this type of investment product. Trading in options on the shares raises Mediq's visibility in the financial world and can increase the liquidity of the shares.

The share price rose by 9% in 2010. This increase was slightly higher than the 6% increase of the AEX. The AMX rose by 25% in the same period.

Pursuant to the Disclosure of Major Holdings in Listed Companies Act, the following investors have notified the Netherlands Authority for the Financial Markets of their holding of more than 5% in the issued share capital of Mediq NV (situation at the date of notification, except for Stichting Samenwerking Apothekers OPG whose exact holding is known to the company):

Aviva Plc	5.57%	(1 November 2006)
Delta Lloyd Deelnemingen Fonds	5.02%	(24 August 2010)
Navitas B.V.	5.13%	(1 November 2006)
ING Investment Management	10.01%	(25 July 2008)
Silchester Investors International Limited	6.81%	(1 November 2010)
Stichting Samenwerking Apothekers OPG	5.77%	(3 May 2010)

STICHTING SAMENWERKING APOTHEKERS OPG

Stichting Samenwerking Apothekers OPG was set up, under a different name, upon flotation in 1992. The then member-pharmacists donated part of the reserves to the foundation in the form of Mediq shares.
The foundation's object is to support projects in the field of pharmacy to enhance its quality and effectiveness. The board consists of three independent pharmacists, including the chairman, and three board members appointed by Mediq.

The chairman has a casting vote in the event of a tie. The foundation operates independently of Mediq. Mediq cannot exercise any dominant influence on the policy of Stichting Samenwerking Apothekers OPG.

The foundation owned 3,460,790 shares at the end of 2010.

RELEVANT TRADING DATA	2010	2009
Number of shares at year-end	59,646,252	58,684,236
Highest price on Euronext Amsterdam	16.41	13.20
Lowest price on Euronext Amsterdam	12.25	6.08
Year-end price on Euronext Amsterdam	14.00	12.89
Price-earnings ratio at year-end	10.8	10.1
Market capitalisation at year-end (x € 1,000)	835,048	756,440
Average daily trading on Euronext Amsterdam (shares)	99,957	157,440

The lower average daily trading volume on NYSE Euronext Amsterdam is partly due to an increase in traded volumes on alternative trading platforms.

DIVIDEND POLICY

We aim to distribute about 35% of the net result as dividend, provided the result permits this. We distribute an interim dividend equal to one third (rounded) of the total dividend of the previous year, also provided that the profit reasonably permits this.

The proposed dividend for 2010 is € 0.46 per share, An increase of 5% per share. This represents a payout ratio of 35%, which is in line with our target ratio. An amount of € 0.15 per share has already been distributed as interim dividend. Shareholders can elect to receive dividends in cash or in shares.

INFORMATION PER SHARE x € 1	2010	2009
Net earnings	1.30	1.27
Diluted net earnings*	1.30	1.27
Dividend	0.46	0.44
Pay-out ratio	35%	35%

* See note 14 to the Financial Statements for more information on the effect of dilution.

FINANCIAL CALENDAR

The General Meeting of Shareholders is planned to take place on 13 April 2011 at 2:30 p.m. at Mediq's head office, Hertogswetering 159 in Utrecht. The agenda will be available from 2 March on www.mediq.com

17 February 2011	Publication of 2010 full-year results
13 April 2011	General Meeting of Shareholders
15 April 2011	Ex-dividend date
19 April 2011	Dividend record date
20 April 2011	Start of cash or stock dividend option period
27 April 2011	Publication of first quarter 2011 results
4 May 2011	End of cash or stock dividend option period
5 May 2011	Publication of exchange ratio for final dividend
9 May 2011	Final dividend payable
28 July 2011	Publication of second quarter 2011 results
1 August 2011	Ex-dividend date
3 August 2011	Dividend record date
5 August 2011	Start of cash or stock dividend option period
19 August 2011	End of cash or stock dividend option period
22 August 2011	Publication of exchange ratio for interim dividend
24 August 2011	Interim dividend payable
26 October 2011	Publication of third quarter 2011 results
16 February 2012	Publication of 2011 full-year results
11 April 2012	General Meeting of Shareholders
13 April 2012	Ex-dividend date
17 April 2012	Dividend record date
25 April 2012	Publication of first quarter 2012 results
26 July 2012	Publication of second quarter 2012 results
26 October 2012	Publication of third quarter 2012 results

Dates subject to change.

CONTACT

For more information please contact:
Ms Catrien van Buttingha Wichers
Corporate Communications Director
Telephone +31 (0)30 282 16 09
Fax +31 (0)30 282 16 60
www.mediq.com
info@mediq.com

GROUP COMPANIES

At 1 February 2011

DIRECT & INSTITUTIONAL

All Mediq group companies focusing on the direct channel are brand neutral and offer comprehensive services. This includes not only advice but also technical support and intensive guidance of patients in home healthcare situations where necessary. These activities were offered in close co-operation with prescribers and healthcare insurers.

DIRECT & INSTITUTIONAL NETHERLANDS

CombiCare (direct)
Marketing and sales organisation for ostomy, incontinence and wound treatment products.
PO Box 468, 2800 AL Gouda
Telephone +31 (0)182 62 24 44
E-mail info@combicare.nl
Website www.combicare.nl

Tefa (direct)
Marketing and sales organisation for sale and leasing of medical devices for use in intensive home healthcare, in the fields of respiratory care, nutrition and infusion therapies.
PO Box 43050, 3540 AB Utrecht
Telephone +31 (0)30 282 13 00
E-mail reactie@tefa.nl
Website www.tefa.nl

Mediq Direct Diabetes (direct)
Marketing and sales organisation for diabetes supplies.
PO Box 211, 6900 AE Zevenaar
Telephone +31 (0)316 58 26 90
E-mail info@mediqdirect.nl
Website www.mediqdirect.nl

Medisource (direct)
Medisource is a secondment agency deploying healthcare staff.
PO Box 1174, 2280 CD Rijswijk
Telephone +31 (070) 340 83 33
E-mail info@medisource.nl
Website www.medisource.nl

ZorgService NL (direct)
Marketing and sales organisation specialising in providing services and products to nursing homes (in the fields of incontinence, diabetes, ostomy and wound treatment).
PO Box 427, 6900 AK Zevenaar
Telephone +31 (0)316 58 26 58
E-mail info@zorgservice.nl
Website www.zorgservice.nl

Medeco (institutional)
Supplier of a wide range of healthcare disposables to hospitals, healthcare institutions, pharmacies and home healthcare organisations. Medeco is also active in Belgium.
PO Box 1555, 3260 BB Oud-Beijerland
Telephone +31 (0)186 63 44 00
E-mail info@medeco.nl
Website www.medeco.nl

Red Swan (direct)
Logistics service provider for third parties, primarily for manufacturers. Also supplier of biotech pharmaceuticals to patients at home.
PO Box 40347, 3504 AC Utrecht
Telephone +31 (0)30 247 31 11
E-mail info@red-swan.nl
Website www.red-swan.nl

OPG Distrimed (institutional)
Full-range pharmaceuticals wholesaler for hospitals and nursing homes. For its logistics processes, OPG Distrimed uses the storage and distribution facilities of OPG Groothandel.
PO Box 2775, 3500 GT Utrecht
Telephone +31 (0)30 282 18 88
E-mail info@opgdistrimed.nl
Website www.opgdistrimed.nl

DIRECT & INSTITUTIONAL INTERNATIONAL

Byram Healthcare - United States (direct)
Marketing and sales organisation for medical supplies in the fields of ostomy, incontinence, diabetes, wound treatment and enteral nutrition.
120 Bloomingdale Road, White Plains, NY 10605, USA
Telephone +1 914 284 20 00
E-mail sales@byramhealthcare.com
Website www.byramhealthcare.com

Mediq Eesti - Estonia (institutional)
Supplier of medical devices to healthcare institutions, GPs and laboratories.
Kungla 2, 76505 Saue, Harjumaa, Estonia
Telephone +372 6 51 51 51
E-mail mediq@mediq.ee
Website www.mediq.ee

Mediq Sverige - Sweden (institutional)
Supplier of medical devices and logistics solutions to healthcare institutions and suppliers.
Taljegårdsgatan 11a, SE-431 53 Mölndal, Sweden
Telephone +46 31 88 70 00
E-mail info@mediqsverige.se
Website www.mediqsverige.se

Meteko - Sweden (institutional)
Supplier of medical devices to healthcare institutions, GPs and laboratories, often on a exclusive basis.
PO Box 410, SE-129 04 Hagersten, Sweden
Telephone +46 8 88 03 60
E-mail marknad@meteko.se
Website www.meteko.se

Mediq Suomi - Finland (institutional)
Supplier of medical devices and logistics solutions to healthcare institutions and suppliers. Also supplier of laboratory products and medical equipment (including installation and maintenance).
PO Box 115, FI-02201 Espoo, Finland
Telephone +358 10 429 99
E-mail asiakaspalvelu@mediq.fi
Website www.mediq.fi

Mediq Latvija - Latvia (institutional)
Supplier of medical devices to healthcare institutions, GPs and laboratories.
Dzelzavas iela 120 M, LV-1021 Riga, Latvia
Telephone +371 67 80 24 63
E-mail mediq@mediq.lv
Website www.mediq.lv

Mediq Lietuva - Lithuania (institutional)
Supplier of medical devices to healthcare institutions, GPs and laboratories.
Laisves pr. 7UAB, LT-06144 Vilnius, Lithuania
Telephone +370 5 268 84 51
E-mail mediq@mediq.lt
Website www.mediq.lt

Mediq Direkt Diabetes - Germany (direct)
Marketing and sales organisation for diabetes supplies.
Bärensteinerstraße 27-29, 01277 Dresden, Germany
Telephone +49 351 257 89 12
E-mail info@mediqdirekt.de
Website www.mediqdirekt.de

Mediq Danmark - Denmark (direct & institutional)
Supplier of medical devices for home healthcare, healthcare institutions, GPs and bandagists.
Kornmarksvej 15-19, 2605 Brøndby, Copenhagen, Denmark
Telephone +45 36 37 92 00
E-mail info@mediqdanmark.dk
Website www.mediqdanmark.dk

Mediq Norge - Norway (direct & institutional)
Supplier of healthcare disposables to patients in home healthcare settings, healthcare institutions, GPs, pharmacies and bandagists.
PO Box 113, NO-2041 Kløfta, Norway
Telephone +47 67 02 43 00
E-mail kundeservice@mediqnorge.no
Website www.mediqnorge.no

Mediq Direkt - Hungary (direct)
Marketing and sales organisation for medical devices, including wound treatment, ostomy and incontinence products.
2040 Budaörs Vasút u. 11., Hungary
Telephone +36 23 80 28 81
E-mail secretary@mediqdirekt.hu
Website www.mediqdirekt.hu

Mediq Suisse – Switzerland (institutional)
Supplier of medical devices to nursing and care homes, at the field of incontinence, wound treatment and skin care.
PO Box 2004, 8502 Frauenfeld, Switzerland
Telephone +41 52 720 25 26
E-mail info@mediqsuisse.ch
Website www.mediqsuisse.ch

PHARMACIES

The activities in the pharmacy channel also include our wholesale activities for pharmacies.

PHARMACIES NETHERLANDS

Mediq Apotheken
Pharmacy chain owned by Mediq throughout the Netherlands. The Mediq Pharmacy formula is also offered to independent pharmacies.
PO Box 2450, 3500 GL Utrecht
Telephone +31 (0)30 282 19 11
E-mail info@mediq.nl
Website www.mediq-apotheek.nl

Polyfarma
Trading organisation specialising in the direct import of medicines from other EU member states. The medicines are marketed as specialities in the Netherlands.
PO Box 5024, 9700 GA Groningen
Telephone +31 (0)50 368 64 64
E-mail info@polyfarma.nl

OPG Groothandel
Full-range pharmaceuticals wholesaler serving pharmacies. OPG Groothandel has two distribution centres, in Staphorst and Oss.
PO Box 2450, 3500 GL Utrecht
Telephone +31 (0)30 282 18 88
E-mail info@opggroothandel.nl
Website www.opggroothandel.nl

Systemfarma
A specialised pharmacy that packs regular oral medication for chronically ill people at a patient level and by time of ingestion.
PO Box 231, 3360 AE Sliedrecht
Telephone +31 (0)184 49 38 38
E-mail info@systemfarma.nl
Website www.systemfarma.nl

OPG Medico
Full-range pharmaceuticals wholesaler, exclusively supplying dispensing GPs. For its logistics processes, OPG Medico uses the storage and distribution facilities of OPG Groothandel.
PO Box 8523, 3503 RM Utrecht
Telephone +31 (0)30 282 18 88
E-mail info@opgmedico.nl
Website www.opgmedico.nl

Mediq Central Filling Apotheek
Specialised pharmacy handling the routine procedures relating to repeat medication on an almost fully-automated basis, for both Mediq Pharmacies and independent customers of OPG Groothandel.
Antennestraat 44, 1322 AE Almere
Telephone +31 (0)36 536 49 57
E-mail m.de.loos@mediq.com

PHARMACIES INTERNATIONAL

ACP Pharma - Poland
Full-service wholesaler for pharmacies and service provider for the pharmaceuticals industry. ACP Pharma also operates a chain of pharmacies where the brand Mediq Apteka is currently being rolled out.
ul. Domaniewska 50, 02-672 Warschau, Poland
Telephone +48 22 611 47 60
E-mail poczta@acppharma.pl
Website www.acppharma.pl

Senior management Mediq, Mediq Business Leadership Program, December 2010

TEN-YEAR SUMMARY *

X € 1,000,000	IFRS		
	2010	2009	2008
BALANCE SHEET			
Intangible assets	404.1	328.1	338.8
Property, plant and equipment	111.6	126.1	134.5
Non-current financial assets	11.3	29.7	29.3
Current assets	639.9	624.2	592.5
Derivative financial instruments	0.4	–	0.1
Deferred tax and pension assets	28.6	31.3	22.0
Total assets	**1,195.8**	**1,139.4**	**1,117.1**
Total equity	**510.2**	**454.1**	**379.1**
Non-current liabilities			
Borrowings	210.5	195.5	280.1
Derivative financial instruments	6.7	8.8	7.9
Deferred tax	22.1	14.4	12.2
Retirement and other employee benefit obligations	12.1	1.3	17.8
Other provisions	12.9	19.8	9.4
Current liabilities	421.3	445.5	410.7
Total equity and liabilities	**1,195.8**	**1,139.4**	**1,117.1**
Capital employed	741.0	667.4	706.1
Working capital	185.2	151.2	180.6
INCOME STATEMENT			
Net sales	2,633.9	2,602.7	2,730.2
Gross profit	590.6	546.0	543.2
Operating expenses	476.1	429.9	646.1
Operating result	114.5	116.1	– 102.9
Net result	76.7	74.5	– 127.9
OTHER KEY FIGURES			
Balance sheet			
AS % OF TOTAL ASSETS			
Total equity	42.7%	39.9%	33.9%
Capital employed	62.0%	58.6%	63.2%
Working capital	15.5%	13.3%	16.2%
Income statement			
AS % OF NET SALES			
Operating result	4.3%	4.5%	– 3.8%
Net result	2.9%	2.9%	– 4.7%
GROWTH IN %			
Net sales	1.2%	– 4.7%	10.2%
Operating result	– 1.3%	> 100%	<-100%
Net result	2.9%	> 100%	<-100%

IFRS				NL RJ			
2007	**2006**	**2005**	**2004**	**2004**	**2003**	**2002**	**2001**
435.0	364.9	321.5	292.9	282.4	245.9	208.1	116.1
119.2	103.4	102.2	98.5	105.6	113.4	94.7	95.4
48.5	51.8	49.6	48.3	35.8	41.3	48.5	59.0
538.2	497.3	478.4	445.1	443.7	425.4	440.7	415.9
		2.4					
31.3	33.4	14.5	9.7				
1,172.2	**1,050.8**	**968.4**	**894.4**	**867.5**	**826.0**	**792.0**	**686.4**
578.3	**511.2**	**440.4**	**393.6**	**404.6**	**364.5**	**324.6**	**270.0**
164.6	131.9	109.5	98.3	98.6	39.7	55.5	34.5
4.5	2.0		2.6				
19.3	7.8	8.8	12.6				
2.0	26.4	38.2	39.4				
5.4	10.1	9.3	15.2	31.6	46.7	49.3	18.7
398.1	361.4	362.3	332.6	332.8	375.1	362.6	363.2
1,172.2	**1,050.8**	**968.4**	**894.4**	**867.5**	**826.0**	**792.0**	**686.4**
787.8	700.5	636.5	615.9	591.2	559.4	490.2	382.3
152.5	146.1	147.5	166.1	165.7	157.1	134.3	104.2
2,476.7	2,281.0	2,229.0	2,071.3	2,072.1	2,098.3	2,093.5	1,937.6
494.8	448.3	410.9	387.1	387.7	389.5	348.7	309.7
360.3	318.1	298.8	287.7	310.7	294.1	268.1	229.1
134.5	130.2	112.1	99.4	77.0	95.5	80.6	80.6
93.0	99.9	81.8	67.1	53.2	61.7	64.0	69.3
49.3%	48.6%	45.5%	44.0%	46.6%	44.1%	41.0%	39.3%
67.2%	66.7%	65.7%	68.9%	68.2%	67.7%	61.9%	55.7%
13.0%	13.9%	15.2%	18.6%	19.1%	19.0%	17.0%	15.2%
5.4%	5.7%	5.0%	4.8%	3.7%	4.5%	3.9%	4.2%
3.8%	4.4%	3.7%	3.2%	2.6%	2.9%	3.1%	3.6%
8.6%	2.3%	7.6%	N/A	- 1.2%	0.2%	8.0%	15.0%
3.3%	16.1%	12.8%	N/A	- 19.3%	18.5%	0.0%	11.7%
- 6.9%	22.1%	21.8%	N/A	- 13.9%	- 3.6%	- 7.6%	37.0%

X € 1,000,000	IFRS		
	2010	2009	2008
Ratios			
Return on average equity	16.9%	18.6%	– 27.0%
Return on average capital employed	15.4%	16.9%	– 13.1%
Total asset turnover rate	2.3	2.3	2.4
Capital employed turnover rate	3.8	3.8	3.7
Interest cover	11.8	8.9	7.6
Yield on equity certificates **			
X 1,000			
Nominal average number of shares in fully paid-up equivalents ***	59,646	58,632	58,438
PER SHARE, X € 1			
Net earnings	1.30	1.27	– 2.19
Dividend	0.46	0.44	0.30
Equity	8.25	7.48	6.25
X 1,000			
Nominal average number of shares assuming all converted ***	59,219	58,792	59,305
PER NOMINAL SHARE, X € 1			
Net diluted earnings	1.30	1.27	– 2.19
PER SHARE, X € 1			
Market price – high	16.41	13.20	19.80
Market price – low	12.08	6.08	8.40
Market price – year-end	14.00	12.89	9.29
Price/earnings ratio at year-end	10.8	10.1	– 8.7
Employees			
IN FTES			
Average number of employees (excluding hired-in)	6,346	6,273	6,386
PER EMPLOYEE, X € 1,000			
Gross profit	93.1	87.0	85.0
Wage costs	40.4	38.4	37.3

* The figures in this summary have not been restated for changes in accounting policies implemented during the ten-year period.

** Recalculated for the 4:1 share split as from 17 April 2007.

*** Calculated under Dutch GAAP based on the number of shares at the end of the year.

	IFRS				NL RJ			
	2007	2006	2005	2004	2004	2003	2002	2001
	17.6%	21.7%	20.7%	19.6%	14.9%	19.4%	23.7%	32.5%
	18.1%	19.5%	17.9%	16.9%	13.4%	18.2%	18.5%	23.8%
	2.2	2.3	2.4	2.4	2.5	2.6	2.8	3.2
	3.4	3.4	3.6	3.5	3.6	4.0	4.8	5.7
	14.5	17.2	15.2	15.7	20.0	29.4	15.8	19.0
	58,380	58,372	58,120	57,784	57,944	57,568	56,592	56,110
	1.59	1.71	1.41	1.16	0.93	1.07	1.13	1.24
	0.54	0.50	0.43	0.36	0.37	0.36	0.35	0.34
	9.61	8.47	7.32	6.28	6.47	5.90	5.45	4.32
	59,837	60,776	61,760	62,872	62,708	63,376	63,420	63,475
	1.55	1.64	1.32	1.07	0.84	0.98	1.01	1.10
	28.50	22.58	16.84	11.19	11.19	9.13	11.98	10.75
	18.50	15.05	10.71	8.88	8.88	6.15	7.38	7.25
	19.00	22.25	15.08	10.75	10.75	9.01	8.20	9.69
	11.9	13.0	10.7	9.2	11.7	8.3	7.3	7.8
	5,830	5,462	5,169	5,015	5,017	4,920	4,535	3,985
	85.1	83.0	79.5	77.2	77.3	79.2	76.9	77.7
	34.1	33.1	32.1	31.9	32.2	31.9	31.2	29.7

GLOSSARY OF TERMS

The terms defined here fall into two categories: financial concepts and general definitions used in the markets where Mediq operates.

FINANCIAL

Acquisition value – Acquisition amount plus cash and cash equivalents.

Capital employed – Property, plant and equipment, and intangible assets, plus financial assets (excluding derivative financial instruments), working capital, assets available for sale and deferred tax assets.

Capital employed turnover rate – Net sales plus other income for the current financial year divided by average capital employed calculated on the basis of the balances at the end of the previous and current financial years.

Customer relationship – Comprises an intangible asset whose value depends largely on logistical performance, service supplied and accessibility via Internet and telephone. These factors in combination determine customers' assessment of the entities concerned and what motivates them to remain a customer.

Days of Payables Outstanding (DPO) – Reflects the amount of trade payables expressed as cost of sales per day. A higher DPO signifies lower working capital tied up.

Days of Sales Outstanding (DSO) – Reflects the amount of trade receivables expressed as net sales to third parties per day. A higher DSO signifies a higher payment term for customers and higher working capital tied up.

Debt cover – The debt cover has been agreed with the principal providers of interest-bearing debt to the group and is included in the relevant finance contracts. Debt cover is calculated as follows:

x € 1,000	2010	2009
Net debt	177,450	175,130
Operating result before depreciation, amortisation and impairment	150,349	142,275
Plus: share of profit of associates	1,099	1,127
Plus: operating result on acquisitions and disposals translated to a full reporting period	3,750	- 9,817
Subtotal	**155,198**	**133,585**
Debt cover	**1.1**	**1.3**

EBITA – Operating result before amortisation of customer relationships.

Economic profit – Consists of the surplus of the operating result (including depreciation, amortisation and impairments) net of the return on capital invested demanded by investors.

Effective tax pressure – Reflects reported income tax expense divided by profit before income tax.

Enterprise value

On acquisitions

Fair value acquired plus goodwill paid plus interest-bearing debts acquired less cash and cash equivalents.

On the disposal of group companies and associates

Net asset value transferred plus gain/loss on sale plus interest-bearing debts transferred less cash and cash equivalents transferred.

Free cash flow – Cash flow from operating activities less additions to non-current assets.

Fully paid-up equivalents – The nominal number of shares adjusted for the extent to which they are paid up.

Interest-bearing debt – Long-term debts plus amounts owed to credit institutions, adjusted for the currency swaps hedging these borrowings.

Interest cover – The interest cover has been agreed with the principal providers of interest-bearing debt to the group and is included in the relevant finance contracts. Interest cover is calculated as follows:

x € 1,000	2010	2009
Operating result before depreciation, amortisation and impairment	150,349	142,275
Plus: share of profit of associates	1,099	1,127
Plus: operating result on acquisitions and disposals translated to a full reporting period	3,750	- 9,817
Subtotal	**155,198**	**133,585**
Interest on interest-bearing debt and finance lease	13,159	14,975
Interest cover	**11.8**	**8.9**

Net debt – The net debt level has been agreed with the principal providers of interest-bearing debt to the group and is included in the relevant finance contracts. Net debt is calculated as follows:

x € 1,000	2010	2009
Interest-bearing debt	243,083	279,236
Less: cash and cash equivalents	67,196	109,737
Plus: currency component of the combined currency and interest rate swap	1,563	5,631
Net debt	**177,450**	**175,130**

Operating margin – Operating result as a percentage of net sales.

Provisions

Addition

Increase in a provision charged to profit or loss or to equity.

Use

Reduction in a provision as a result of actual expenditure.

Release

Reduction in a provision released to profit or loss or to equity.

Return on average capital employed – Operating result for the current financial year divided by average capital employed calculated on the basis of the balances at the end of the previous and current financial years.

Return on average equity – Net result for the current financial year divided by average equity calculated on the basis of the balances at the end of the previous and current financial years.

Total assets – Balance sheet total.

Total asset turnover rate – Net sales plus other income for the current financial year divided by average capital employed calculated on the basis of the balances at the end of the previous and current financial years.

Total number of ordinary shares after conversion – The nominal number of shares assuming that all outstanding B shares are converted into A shares and the premium still to be paid has been remitted.

Weighted Average Cost of Capital – The return on capital assumed by Mediq to be required, based on a normative ratio of equity to loan capital.

Working capital – Current assets (excluding cash and cash equivalents, assets available for sale, derivative financial instruments and deferred tax assets) less current debt (excluding amounts owed to credit institutions and derivative financial instruments).

GENERAL

Baltics – Estonia, Latvia and Lithuania.

Biopharmaceuticals – High-value pharmaceuticals manufactured using living organisms such as yeasts and bacteria.

COSO – The Committee of Sponsoring Organisations of the Treadway Commission. This organisation provides a framework for enterprise management.

Direct channel – A channel by which supplies are delivered directly to people in home healthcare settings.

Enteral nutrition – Drink and tube feeding. Tube feeding uses flexible thin tubing through which the liquid food reaches the stomach or intestine.

GLOSSARY OF TERMS

Generic pharmaceuticals – Pharmaceuticals whose patent has expired and which may, therefore, be developed and produced by other manufacturers. A generic pharmaceutical has to go through the same approval procedure as the original branded product before it can be put on the market.

HKZ – Stichting Harmonisatie Kwaliteitsbeoordeling in de Zorgsector (for the harmonisation of quality assessment in the healthcare sector). An organisation that has set standards for a certification scheme for Dutch community pharmacies, known as HKZ certification.

Institutional channel – A channel by which supplies are delivered to end-users through hospitals and other institutions.

Medical devices – A collective name for a wide range of products that people need to continue functioning independently. Mediq focuses mainly on disposables and nutritional products such as ostomy aids, incontinence materials, aids for people with diabetes, enteral feeding, and infusion and breathing equipment.

Nordics – Norway, Sweden, Denmark and Finland. Iceland is formally also part of the Nordics but at present we do not have any activities there.

OTC products – Over the counter (OTC) products are healthcare products obtainable without a prescription, such as paracetamol, cough mixtures, skin care products, homeopathic remedies and other pharmacy items.

Pre-wholesale – An additional link in the logistics chain between manufacturer and wholesaler.

Self-care products – Healthcare products obtainable without a prescription.

Wholesale market – The market for wholesaling activities serving pharmacies and dispensing GPs.

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