Q1

Celesio AG
Quarterly financial report as of 31 March 2014

Events 2014

First quarter

- McKesson new majority shareholder
- Profit matches last year's figure
- EPN 2014 roll-out started

Second quarter

Third quarter

Fourth quarter

About Celesio Group

Celesio is a leading international wholesale and retail company and provider of logistics and services to the pharmaceutical and healthcare sectors. The proactive and preventive approach ensures that patients receive the products and support that they require for optimum care.

We operate in 14 countries around the world and employ some 39,000 employees. Every day, we look after over 2 million customers at just under 2,200 pharmacies of our own and around 4,200 participants in brand partnership schemes. With approximately 130 wholesale branches, we supply some 65,000 pharmacies and hospitals every day with up to 130,000 pharmaceutical products. The services benefit a patient pool of about 15 million per day.

Celesio at a glance

KEY FIGURES OF THE CELESIO GROUP

		1st quarter 2013	**1st quarter 2014**	Change on EUR basis %	Change in local currency %
Continuing operations					
Revenue	EUR m	5,361.6	**5,379.5**	0.3	2.1
Gross profit	EUR m	577.8	**576.7**	−0.2	1.3
adjusted 1)	EUR m	577.8	**576.7**	−0.2	1.3
EBITDA	EUR m	126.6	**118.0**	−6.9	−7.4
adjusted 1)	EUR m	126.6	**125.0**	−1.3	−1.8
EBIT	EUR m	95.1	**88.6**	−6.9	−8.1
adjusted 1)	EUR m	95.1	**95.6**	0.5	−0.7
Profit before tax	EUR m	63.9	**69.1**	8.1	/
adjusted 1)	EUR m	63.9	**76.1**	19.1	/
Net profit/loss	EUR m	41.7	**44.0**	5.3	/
adjusted 1)	EUR m	41.7	**51.0**	22.2	/
Earnings per share (basic)	EUR	0.23	**0.23**	−2.7	/
Earnings per share (basic), adjusted 1)	EUR	0.23	**0.26**	13.6	/
Cash outflow from operations	EUR m	−89.5	**−126.5**	−41.3	/
Cash inflow/outflow from investments	EUR m	16.8	**−28.2**	/	/
Free cash flow	EUR m	−82.2	**−186.7**	>−100	/
Employees (full-time equivalents) 3)		28,588	**28,622**	/	/
Retail pharmacies 3)		2,178	**2,180**	/	/
Wholesale branches 3)		136	**133**	/	/
Discontinued operations					
Net profit/loss	EUR m	−0.3	**−0.9**	>−100	/
Earnings per share (basic)	EUR	0.00	**−0.01**	>−100	/
Employees (full-time equivalents) 3)		65	**/**	/	/
Continuing and discontinued operations					/
Balance sheet total	EUR m	7,598.3 2	**7,679.1 3**	1.1	/
Equity capital	EUR m	2,192.0 2	**2,875.7 3**	31.2	/
Equity ratio	%	28.8 2	**37.4 3**	/	/
Employees (full-time equivalents) 3)		28,653	**28,622**	/	/
Employees 3)		38,650	**38,581**	/	/
Net profit/loss	EUR m	41.4	**43.1**	4.2	/
Earnings per share (basic)	EUR	0.23	**0.22**	−3.7	/

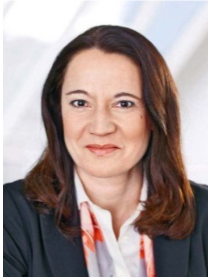
1) Adjusted for special effects from certain non-recurring expenses and income (including tax effect).
2) Closing figures as at 31 December 2013.
3) Closing figures at the end of the reporting period.

To our shareholders

Celesio AG

1st quarter 2014

Letter from the Speaker of the Management Board



Dear Shareholders,
Ladies and Gentlemen,

Having successfully completed the realignment last year, we have established a sound basis for further growth.

Operational development proceeded as planned in the first quarter. As expected, revenue matched last year's figure and actually rose slightly after adjustments for currency and consolidation effects.

Despite the influenza season being less severe this year and a further intensification in the discount competition in Germany compared with the prior-year period, adjusted EBIT remained unchanged year-on-year. This was achieved primarily thanks to the positive performance in the United Kingdom. Here, we are increasingly benefiting from the decision to combine the management of our retail and wholesale unit. Apart from cost benefits, we have also significantly improved our market presence. We expect a gradual cooling in the unabatedly intense competition in Germany from the second half of the year.

Over the coming months, we shall focus our efforts on implementing our Top-in-Class procurement initiatives, optimising the value chain as well as on the more rapid realisation of the European Pharmacy Network, as announced.

Celesio and McKesson are expecting synergies from the opportunity for joint global purchasing in particular. The domination and profit and loss transfer agreement with McKesson, which is currently being prepared, will provide the basis for full realisation of the potential synergies. The extent to which and when synergies can actually be realised will only become clear over the course of discussions and cooperation with McKesson.

I would like to take this opportunity to thank our shareholders, customers, partners and employees for their support and commitment in recent months. We are doing all we can to justify the trust you have placed in us and look forward to opening a new chapter with you at our side.

STUTTGART, MAY 2014

SPEAKER OF THE MANAGEMENT BOARD

Stock market environment & Celesio share

Stock market environment

The stock market environment was distinctly mixed in the first quarter of 2014. Initial euphoria at the beginning of the year gave way to concerns about future economic growth in China and the emerging countries. In February, this downward trend was reinforced by disappointingly weak economic figures from the USA. Prices on equity markets only posted substantial gains once more in the second half of the month. Uncertainties concerning the mounting crisis in the Crimea and possible geopolitical consequences associated therewith depressed performance over the rest of the first quarter.

On 17 January 2014, the DAX closed at 9,742 points – its annual and all-time high to date – and posted its lowest level so far this year, at 9,017 points on 13 March 2014. It closed the first quarter of 2014 virtually unchanged on the beginning of the year at 9,555 points.

The performance of the MDAX, on which the Celesio share is listed, followed a similar course. However, it ended the first quarter at 16,461 points and is therefore slightly down (0.7%) on its level at the end of 2013.

Celesio share price performance and takeover offer

The Celesio share was heavily influenced by the takeover by McKesson in the first quarter and was largely able to decouple from developments on the MDAX and DAX. Influenced by the takeover situation and much speculation among market participants, the share price performed correspondingly positively. While January was a very volatile month, the share price rose to EUR 25.64 in February, falling back to EUR 24.81 by 31 March 2014.

As of 31 March 2014, the market capitalisation was EUR 5.04bn (prior year EUR 2.49bn). In the reporting period, the average number of Celesio shares traded on Xetra stood at 695,286 per day, which is 77% up on the prior-year period of 392,013 shares per day.

History of the takeover offer

The takeover offer by McKesson started on 5 December 2013. It was subject to the condition that McKesson succeeded in achieving a minimum acceptance threshold of 75% of the Celesio shares on a fully diluted basis by the deadline of 9 January 2014. Since the threshold of 75% was not reached, the takeover offer could not be completed.

On 23 January 2014, Franz Haniel & Cie. GmbH announced that they held 75.99% of the shares in Celesio AG on 22 January 2014. Likewise, on 23 January 2014, McKesson announced that the company has a stake of around 75% on a fully diluted basis (following the conversion of Celesio convertible bonds into shares) in Celesio by means of various share purchase agreements. Firstly, McKesson (or its company Dragonfly GmbH & Co KGaA) concluded a share purchase agreement for the acquisition of 75.99% (undiluted) with Franz Haniel & Cie. GmbH. Secondly, McKesson concluded purchase agreements with the Elliott hedge fund group for the acquisition of 4,840 of the 7,000 convertible bonds maturing in October 2014 and for the acquisition of 2,180 of the 3,500 convertible bonds maturing in April 2018.

McKesson also intended to issue another voluntary takeover offer via its subsidiary Dragonfly with a consideration of EUR 23.50 per share. This voluntary takeover offer started on 28 February 2014 and ended on 2 April 2014 and was not subject to any closing conditions. On 7 April 2014, the McKesson Corporation announced the result of the voluntary takeover offer. The takeover offer for a total of 1,567,026 Celesio shares was accepted up to the reporting date. This equates to a stake of 0.77 % of the share capital issued on the reporting date and of the voting rights in Celesio.

McKesson and the companies attributable to it therefore held 153,898,831 Celesio shares on the reporting date. This equates to a stake of 75.75 % of the share capital issued on the reporting date and of the voting rights in Celesio.

Further information on the takeover offer can be found in the section entitled events after the reporting period.

CELESIO SHARE PRICE PERFORMANCE, DAX, MDAX
XETRA CLOSING PRICES 02/01/2014 – 31/03/2014 (ONLY TRADING DAYS),
INDEXED TO PRICE OF CELESIO AG

Exercise of conversion rights

On 28 January and on 12 February 2014, Celesio AG and Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 3.75% convertible bonds maturing in October 2014 and their 2.50% convertible bonds maturing in April 2018.

The control date within the meaning of Section 11 (d) of the respective issue conditions for the convertible bonds was 10 and 24 March 2014 respectively.

Because of the change of control, creditors of the convertible bonds were entitled to demand premature repayment of their convertible bonds or to exercise their conversion right on the basis of adjusted conversion prices (EUR 21.66 and EUR 19.05 respectively).

Several conversion declarations were received at Celesio AG up to and including 31 March 2014. This resulted in the issue of 33,078,694 new shares on the basis of the conversion rights exercised. The share capital of Celesio AG was increased accordingly by EUR 42,340,728.32 to EUR 260,068,728.32. The contingent capital was reduced accordingly. The outstanding nominal volume of the two convertible bonds still totalled EUR 3.8m as of 31 March 2014 (of which convertible bond 2014: EUR 2.0m; convertible bond 2018: EUR 1.8m). Therefore only 0.5% of the original nominal volume of the two convertible bonds is still outstanding.

Further information on the convertible bonds can be found in the section entitled events after the reporting period.

Shareholder structure

On 6 February 2014, the McKesson Corporation, San Francisco, USA announced the completion of the acquisition of more than 75% of Celesio shares. McKesson, a leading North American enterprise in the healthcare services and information technology sectors, is therefore the new majority shareholder in Celesio. As of 2 April 2014, the McKesson Corporation, San Francisco, USA, and the companies attributable to it held 153,898,831 Celesio shares. This equates to a stake of 75.75 % of the share capital issued on the reporting date and of the voting rights in Celesio.

On 3 April 2014, Magnetar Financial LLC, Evanston, Illinois, USA, notified us that the share of the voting rights held by it and companies attributable to it amounted to 3.14% (which equates to 6,387,521 voting rights) on 27 March 2014.

On 2 April 2014, the free float of Celesio stood at 21.11% of the shares.

Annual General Meeting

The 2014 Annual General Meeting of Celesio AG will take place on 15 July 2014 in the Porsche-Arena in Stuttgart. As usual, we shall publish all documentation and information on the Annual General Meeting on the Internet at celesio.com.

Dividend

The Management Board and Supervisory Board will propose the payment of a dividend of EUR 0.30 per share for the 2013 fiscal year to the Annual General Meeting on 15 July 2014.

Investor Relations

The aim of the work undertaken by Celesio AG to maintain good investor relations is to communicate promptly and comprehensively with the financial community, to maintain continuity and to achieve the greatest possible transparency. These aims are implemented though continuous dialogue with analysts as well as existing and potential investors. These principles represent our paramount premises in our daily work and in contact with the capital market.

On the topic of Investor Relations, we provide additional information on our company and our share online at celesio.com, in the section entitled Investor Relations. In addition to current news and dates, you can also find presentations and speeches as well as our annual reports and quarterly financial reports. Anybody wishing to keep up-to-date with developments at all times can also register for our free e-mail service and will then receive corporate notifications and information by e-mail.

INFORMATION ON THE SHARE

Type of share	No-par value registered shares
Share capital in EUR on 31 March 2014	260,068,728
ISIN	DE000CLS1001
WKN	CLS 100
Ticker symbol	CLS1
Indices (selection)	MDAX, MSCI Germany Index, FTSE4Good, ECPI Ethical Index EMU

KEY SHARE FIGURES

		1st quarter 2013	1st quarter 2014
Number of shares outstanding [1]	million	170.1	203.2
Market capitalisation [1]	EUR m	2,492.0	5,040.9
Closing price [1] [2]	EUR	14.65	24.81
High [2]	EUR	14.68	25.64
Low [2]	EUR	13.05	21.40
Average Xetra trading volume per day	shares	392,013	695,286

1) Closing figures as of 31 March.
2) Xetra-closing rate, source: Bloomberg.

Group interim management report

Celesio AG

1st quarter of 2014

Economic report

Economy picking up in the first quarter of 2014

By and large, the first quarter of 2014 was characterised by a recovery in the economic environment despite the difficulties in the emerging countries, occasional uncertainties about economic growth in the USA because of the persistent cold spell and the geopolitical crisis in Ukraine. Driven by strong domestic demand, the German economy is also enjoying an upturn. However, this growth is facing headwinds from economic policy. There was an improvement in economic activity throughout the euro zone, which also spread to European countries outside the euro zone. In the United Kingdom, the economy was stimulated in particular by measures to make it easier for companies and private households to borrow. However, the emerging countries remain a risk factor for global economic growth. There, perceptible capital outflows and currency devaluation are depressing economic growth. Domestic demand has weakened as a result of adjustments to interest rates in some countries. Combined with stagnant commodity prices, the outlook for commodity-exporting countries has deteriorated. Nevertheless, emerging countries continue to post higher growth rates than more developed industrial countries.

Monetary policy remains expansionary in the advanced countries. The ECB cut its main refinancing operations rate to 0.25% last November. Market participants were surprised by the Federal Reserve Bank's announcement that its key interest rates could increase earlier than expected in 2015 as a consequence of the normalisation in US economic growth.

Revenue and operating results

Course of business

The course of business in the first quarter of 2014 was still characterised by the intense competition in Germany.

However, the sales trend was better than expected despite the absence of a serious outbreak of influenza. There was even a 2.1% increase in revenue after adjustments for currency and deconsolidation effects. Because of the good performance in the United Kingdom adjusted EBIT was kept at the level of the prior-year period despite the discount competition in Germany moving up yet another gear compared with the prior-year period.

More detailed information on the course of business of the individual segments can be found in the comments about the divisional revenue and operating results figures → from page 22 and → from page 25.

In the income statement, we show defined non-recurring expenses and income as a special effect in profit before the investment result, taxes and interest (EBIT). Additional special effects amounting to EUR 7.0m, in particular for legal and other consultancy expenses in connection with the planned and completed takeover by the McKesson Corporation, weighed on earnings in the first quarter of 2014.

Revenue

Despite the deconsolidation of the Irish wholesale business in May 2013 and negative currency effects overall, group revenue in the first quarter of 2014, was slightly up, at EUR 5,379.5m, by 0.3%, on the figure for the prior-year period of EUR 5,361.6m. Increased revenue from generic drugs and services in the United Kingdom and strong market growth in Germany and Brazil as well as increases in market share in some countries made a significant contribution to this increase. In the process, it over-compensated for the French market, which is continuing to decline, and the fact that the influenza season was less severe throughout Europe this year. After adjustment for negative currency effects, largely due to the Brazilian real, revenue increased by 2.1%. Following further adjustment for changes in the consolidated group, revenue even increased sharply by 3.3%.

GROUP REVENUE BY COUNTRY	1st quarter 2013 EUR m	**1st quarter 2014 EUR m**	Change on EUR basis %	Change in local currency %
United Kingdom	1,077.8	**1,175.3**	9.0	6.1
France	1,579.4	**1,559.7**	−1.2	−1.2
Germany	1,052.9	**1,098.9**	4.4	4.4
Brazil	442.0	**389.2**	−11.9	8.2
Norway	289.8	**286.0**	−1.3	10.9
Austria	272.4	**277.8**	2.0	2.0
Others	647.3	**592.6**	−8.5	−8.2
Group	**5,361.6**	**5,379.5**	**0.3**	**2.1**

Gross profit

Gross profit in the first quarter of 2014 fell slightly by 0.2% from EUR 577.8m to EUR 576.7m. At 10.7%, the gross profit margin in the past quarter virtually matched last year's figure. Increased revenue from services and a positive mix effect from the improved sales trend in the United Kingdom as well as positive contributions from our central purchasing activities were sufficient to offset entirely the negative effects of the ferocious discount competition in the German wholesale business. After adjustments for currency effects, the gross profit increased by 1.3%. You can find more detailed information on the gross profit trend in the first quarter of 2014 in the comments on the divisions from → page 22 and from → page 25.

Other operating income

In the first quarter of 2014, other operating income fell by 5.4% to EUR 44.4m (PY EUR 47.0m). After adjustments for special effects, other operating income fell by 5.6%. Currency effects and the deconsolidation of the Irish wholesale business were major factors here. After adjustments for currency effects, other operating income fell by 3.4%.

Other operating expenses

At EUR 193.0m, other operating expenses were slightly up, by 1.0%, on the prior year's figure of EUR 191.3m. There were no adjustments in the prior year; in the first quarter of 2014, there were adjustments of EUR 5.8m, for legal and other consultancy expenses in connection with the preparation of the planned and completed takeover by the McKesson Corporation, in particular. After adjustments for special effects, they decreased in the reporting period by 2.1%. Lower impairment losses on receivables in Germany in the first quarter of 2014 and the deconsolidation of the Irish wholesale business in May 2013 were crucial factors here. After adjustment for currency effects, a fall in other operating expenses of 1.3% was reported.

Personnel expenses

At EUR 310.1m, personnel expenses have risen slightly by 1.0% compared with the prior year's figure of EUR 306.9m. After adjustments for special effects, personnel expenses rose by 0.6% in comparison with the prior year's figure. The increase in personnel expenses was primarily the result of the trend in salaries in Brazil and Norway and of filling vacant posts in the United Kingdom and in the holding company. After adjustments for currency effects, personnel expenses increased by 2.4%.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell sharply in comparison with the prior-year period by 6.9% from EUR 126.6 m to EUR 118.0m. After adjustments for special effects, EBITDA fell by 1.3 % to EUR 125.0m compared with EUR 126.6m in the first quarter of 2013. After adjustments for currency effects, adjusted EBITDA fell by 1.8%.

Depreciation and amortisation

Scheduled depreciation and amortisation including impairment losses fell by 6.8% from EUR 31.5m to EUR 29.4m in the reporting period. The full scheduled depreciation of some intangible assets in the previous year was largely responsible for this drop. After adjustments for currency effects, scheduled depreciation and amortisation decreased by 5.1%.

Unscheduled depreciation and amortisation on intangible assets did not decrease either in the prior-year period or the first quarter of 2014.

EBIT

Earnings before interest and taxes (EBIT) posted a fall of 6.9% from EUR 95.1m to EUR 88.6m. After adjustments for special effects, EBIT was EUR 95.6m and was consequently 0.5% above the prior year's figure of EUR 95.1m. Following further adjustment for currency effects, adjusted EBIT fell by 0.7%. The earnings situation is still significantly affected by the challenging conditions of the still ferocious discount competition in the German wholesale business, which was largely compensated for by the good performance in the United Kingdom.

Investment result

At EUR 3.2m, the investment result was up on the prior year's figure of EUR 1.9m. The gratifying performance by the Dutch investment Brocacef Holding N.V. in the reporting period, which was helped by market conditions, was primarily responsible for this.

Financial result

The financial result, i.e. the balance of interest expenses, interest income and other financial results, improved to EUR – 22.7m compared with EUR – 33.1m in the prior-year period. This was primarily due to the fall in interest expenses resulting from the full effects of converting convertible bonds into shares in the first quarter of 2014. The corresponding interest cover ratio came to 4.2 (PY 2.9).

Profit before tax

In the past quarter, profit before tax increased by 8.1% from EUR 63.9m to EUR 69.1m. After adjustments for special effects, profit before tax increased by 19.1%.

Tax expenditure

At EUR 25.1m (PY EUR 22.2m), tax expenditure in the first quarter of 2014 rose sharply by 13.3%. This resulted in a notional tax ratio of 36.3% for the reporting period, compared with 34.7% in the prior-year period. After adjustments for special effects, the tax ratio amounted to 33.0% after 34.7% in the 2013 reporting period. This improvement is primarily attributable to fiscal optimisation measures and the changes in the composition of the earnings contributions of the individual country units.

Profit from continuing operations

The profit from the Celesio Group's continuing operations amounted to EUR 44.0m and equates to an increase of 5.3% compared with the EUR 41.7m figure for the prior-year period. After adjustments for special effects, the profit from continuing operations, at EUR 51.0m, was 22.2% up on the prior year's figure of EUR 41.7m. The undiluted earnings per share of the Celesio Group came to EUR 0.23 and consequently matched the figure for the prior-year period.

Profit from discontinued operations

The profit from discontinued operations came to EUR – 0.9m compared with EUR – 0.3m in the prior year and consequently amounted to (undiluted and diluted) EUR – 0.01 per share compared with EUR 0.00 in the prior-year period. The result is largely due to provisions for the expected occurrence of risks in relation to the activities disposed of.

Net profit/loss

The net profit/loss as the profit from continuing and discontinued operations came to EUR 43.1m compared with EUR 41.4m in the first three months of 2013. Accordingly, undiluted earnings per share came to EUR 0.22 compared with EUR 0.23 in the prior-year period.

CELESIO GROUP REVENUE AND OPERATING RESULTS	1st quarter 2013		1st quarter 2014		Change on EUR basis	Change in local currency
	EUR m	of revenue %	EUR m	of revenue %	%	%
Revenue	5,361.6	100.0	5,379.5	100.0	0.3	2.1
Gross profit	577.8	10.8	576.7	10.7	−0.2	1.3
adjusted 1)	577.8	10.8	576.7	10.7	−0.2	1.3
EBITDA	126.6	2.4	118.0	2.2	−6.9	−7.4
adjusted 1)	126.6	2.4	125.0	2.3	−1.3	−1.8
EBIT	95.1	1.8	88.6	1.6	−6.9	−8.1
adjusted 1)	95.1	1.8	95.6	1.8	0.5	−0.7
Profit before tax	63.9	1.2	69.1	1.3	8.1	/
adjusted 1)	63.9	1.2	76.1	1.4	19.1	/
Profit from continuing operations	41.7	0.8	44.0	0.8	5.3	/
adjusted 1)	41.7	0.8	51.0	0.9	22.2	/
Profit from discontinued operations	−0.3	0.0	−0.9	0.0	>−100	/
Profit/loss from continuing and discontinued operations	**41.4**	**0.8**	**43.1**	**0.8**	**4.2**	**/**

1) Adjusted for special effects from certain non-recurring expenses and income (including tax effect).

Consumer Solutions division

Market environment and business development

Celesio is one of the largest pharmacy operators in Europe and, as of 31 March 2014, has 2,180 of its own retail pharmacies (PY 2,178) in six countries.

Our paramount aim is to supply our customers with the best possible pharmaceutical products and provide them with the best possible advice. In choosing the location of our pharmacies, we take account of proximity to our customers, medical practices or healthcare centres in particular.

Healthcare policy measures in the United Kingdom and Ireland in particular and the accompanying savings depressed the market in the first quarter of 2014. The substitution of cheaper generic drugs for original products also continued. In the United Kingdom, in particular, rapid growth in revenue was achieved by higher sales volumes and an increase in service agreements.

Despite the tough economic environment and continuing cutbacks in many countries, the Consumer Solutions division performed well in the first quarter of 2014. After adjustments for currency effects, there was a perceptible increase in revenue, which was also reflected in a gratifying increase in operating results.

Revenue and operating results

Revenue

In the first quarter of 2014, revenue in the Consumer Solutions division increased by 4.5% from EUR 828.0m to EUR 865.6m. Service contracts with hospitals and the provision of homecare (Evolution Homecare) had a particularly positive effect on revenue in the United Kingdom. After adjustments for currency effects, revenue increased by 4.7%.

Gross profit

The division's gross profit improved slightly in the first quarter of 2014 by 4.1% from EUR 285.9m to EUR 297.5m. There were no adjustment issues in either the first quarter of 2014 or in the prior-year period. The gross profit margin in the past quarter was 34.4% and consequently virtually matched last year's figure.

The governmental measures applicable in the United Kingdom since October 2013 certainly continue to depress the gross profit margin. However, this was offset by our central purchasing activities and an improved product mix in many countries. After adjustments for currency effects, the gross profit even increased sharply by 4.5% compared with the prior-year period.

EBITDA

Compared with the prior year, the division's earnings before interest, taxes, depreciation and amortisation (EBITDA) increased sharply in comparison with the prior-year period by 7.5% from EUR 62.6m to EUR 67.3m. After adjustments for currency effects, EBITDA increased by 7.3%.

EBIT

Earnings before interest and taxes (EBIT) came to EUR 52.8m, compared with the prior year's figure of EUR 47.8m. This equates to a marked increase of 10.4%. This good performance is largely due to growth in the United Kingdom. When adjusted for currency effects, EBIT rose by 10.2%.

CONSUMER SOLUTIONS REVENUE AND OPERATING RESULTS	1st quarter 2013		1st quarter 2014		Change on EUR basis %	Change in local currency %
	EUR m	% of revenue	EUR m	% of revenue		
Revenue	828.0	100.0	**865.6**	**100.0**	4.5	4.7
Gross profit	285.9	34.5	**297.5**	**34.4**	4.1	4.5
adjusted [1]	285.8	34.5	**297.5**	**34.4**	4.1	4.5
EBITDA	62.6	7.6	**67.3**	**7.8**	7.5	7.3
adjusted [1]	62.6	7.6	**67.2**	**7.8**	7.4	7.2
EBIT	47.8	5.8	**52.8**	**6.1**	10.4	10.2
adjusted [1]	47.8	5.8	**52.7**	**6.1**	10.3	10.1

1) Adjusted for special effects from certain non-recurring expenses and income (including tax effect).

Performance in the individual countries

For Celesio, the **United Kingdom** is still the most important market in the Consumer Solutions division. Operationally, Lloydspharmacy performed well in the past quarter, as expected. The increase in services, particularly in contracts with hospitals and the provision of homecare as well as higher sales of generic drugs significantly overcompensated for the negative effects of government measures. Central purchasing activities also improved earning power.

For Celesio, **Norway** is the second most important pharmacy market. At the same time, despite a less severe influenza season, an increase in sales of 4.4% in local currency was achieved. This is mainly attributable to the increase in the non-prescription and service business. However, higher personnel expenses continued to weight on earnings.

In **Italy**, there was a pleasing increase in revenue from non-prescription products in the reporting period thanks to implementation of the European Pharmacy Network. However, this did not completely offset the simultaneous fall in revenue from prescription drugs resulting from government cutbacks.

The **Swedish pharmacy business** continued to do well as expected. While revenue increased overall, an additional increase in the gross profit margin was achieved. Together with further optimisation of cost structures, this led to another marked improvement in the contribution to earnings.

Pharmacy Solutions division

Market environment and business development

Celesio combines its wholesale activities involving pharmaceutical products in the Pharmacy Solutions division. Here, we supply pharmacists with the key products that they need for their business. The pharmaceutical wholesale business is a crucial link in supplying patients with drugs between drug manufacturers and pharmacies.

With 133 wholesale branches (PY 136) subsidiaries of Celesio operate in ten European countries as well as Brazil, supplying approximately 65,000 pharmacies every day.

The pharmaceutical wholesale business operates in a relatively stable market environment that is not directly and immediately dependent on the economy. However, the business is adversely affected by governmental measures in some countries. In Europe, cheaper generic drugs are increasingly supplanting original products. In France, in particular, this (combined with weak growth in the quantities of drugs consumed) is leading to a declining market. The intensive discount competition in Germany, which continued in the first quarter, still presents the entire sector with major challenges.

Therefore, as expected, there were two sides to the story in the Pharmacy Solutions division in the first quarter of 2014. The pleasing trend in earnings in many countries, in particular the United Kingdom, was offset by the problems caused by unremittingly intense competition in Germany.

Revenue and operating results

Revenue

In the first quarter of 2014, revenue in the Pharmacy Solutions division amounted to EUR 4,513.9m compared with EUR 4,533.7m in the prior-year period. As a result, revenue fell slightly by 0.4%. Currency effects, mainly caused by the Brazilian real, as well as the deconsolidation of the Irish wholesale business in May 2013, had an adverse impact on business development in the reporting period. After adjustment for currency effects, revenue increased by 1.6%. By contrast, following additional adjustment for the effects resulting from the change in the consolidated group from the sale of the Irish wholesale business, in particular, revenue increased sharply by 3.1%. The French market saw a decline, which was mainly due to the substitution of patent-protected medicines with generic products. Meanwhile, Germany posted markedly positive sales growth. In the United Kingdom, rapid growth in revenue was achieved on the basis of higher sales of generic drugs. We also achieved a positive performance in Brazil, Norway and Austria.

Gross profit

In the first quarter of 2014, the division's gross profit fell by 4.4% from EUR 291.9m to EUR 279.2m. There were no adjustments in either reporting period. At 6.2%, the gross profit margin in the first quarter of 2014 remained slightly below the figure for the prior year of 6.4%. Here, the trend in the margin was adversely affected by a further intensification in the discount competition in Germany compared with the prior-year period. By contrast, the gross profit margin in the United Kingdom developed positively because of increasing sales of higher margin generic drugs. After adjustment for currency effects, the gross profit decreased by 1.9%.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by 7.7% from EUR 83.2m to EUR 76.8m compared with the prior-year period. After adjustments for currency effects, EBITDA decreased by 8.3%.

EBIT

The division's earnings before interest and taxes (EBIT) fell by 6.6% from EUR 69.7m to EUR 65.1m in the first quarter of 2014. As was shown by the trend in gross profit, this development is largely due to the German business. After adjustment for currency effects, EBIT fell by 8.1%.

PHARMACY SOLUTIONS REVENUE AND OPERATING RESULTS	1st quarter 2013		1st quarter 2014		Change on EUR basis	Change in local currency
	EUR m	% of revenue	EUR m	% of revenue	%	%
Revenue	4,533.7	100.0	**4,513.9**	**100.0**	−0.4	1.6
Gross profit	291.9	6.4	**279.2**	**6.2**	−4.4	−1.9
adjusted [1)]	291.9	6.4	**279.2**	**6.2**	−4.4	−1.9
EBITDA	83.2	1.8	**76.8**	**1.7**	−7.7	−8.3
adjusted [1)]	83.2	1.8	**76.8**	**1.7**	−7.8	−8.4
EBIT	69.7	1.5	**65.1**	**1.4**	−6.6	−8.1
adjusted [1)]	69.7	1.5	**65.1**	**1.4**	−6.7	−8.2

1) Adjusted for special effects from certain non-recurring expenses and income (including tax effect).

Performance in the individual countries

The market continued to decline in **France**. However, we succeeded in compensating for these negative effects through consistently applied measures to increase efficiency. Additional services for pharmacists as well as better procurement benefits also made a contribution here.

Our **British** wholesale activities posted a significant increase in revenue following higher sales of generic drugs. Here, the more favorable product mix, together with better purchasing and additional efficiency increases, contributed to a gratifying rise in earnings.

Continuing intensive discount competition in **Germany** had a huge negative impact on earnings in spite of solid market growth. The negative effects of this could not even be sufficiently counteracted by a rigorously pursued cost reduction policy.

Our activities in **Brazil** generated growth in revenue in the first quarter of 2014. However, profitability was also depressed by the inflation-driven increase in personnel expenses.

Financial position

Statement of cash flows

The cash outflow from operations for continuing operations came to EUR – 126.5m in the first quarter of 2014. This compared with a cash outflow of EUR – 89.5m in the prior-year period. This trend was primarily the result of changes in net operating assets. In the first quarter of the prior year, there was a reporting date-related improvement in trade liabilities, which did not occur again in the reporting period. The cash inflow from operations in the reporting period was solely attributable to continuing operations. In contrast, the cash inflow from discontinued operations in the prior year was EUR 7.1.

The cash outflow from investments for continuing operations came to EUR – 28.2m in the reporting period, while the cash inflow in the prior year was EUR 16.8 m. In the prior-year period, the cash inflow mainly resulted from cash received from the sale of subsidiaries through the sale of the wholesale and pharmacy business in the Czech Republic. Compared with the prior-year period, higher investment led to an increase in payments for investments in the reporting period. The cash inflow from investment in the reporting period was solely attributable to continuing operations, while in the prior year payments received for the mail-order pharmacy DocMorris, in particular, led to a cash inflow of EUR 8.7m.

Free cash flow for continued operations as the balance from the cash inflow from operations, the cash outflow for investment and interest paid and received came to EUR – 186.7m in the first quarter of 2014 compared with EUR – 82.2m in the prior-year period. The change was mainly the result of an increase in the cash outflow from operations and the increased cash outflow for investment, which compares with a cash inflow in the prior-year period resulting from payments received from the sale of subsidiaries.

In the reporting period, the cash inflow from financing activity came to EUR 0.7m compared with a cash outflow of EUR – 42.3m in the prior-year period. The cash inflow in the reporting period was solely attributable to continuing operations, as was the cash outflow in the prior year. Compared with the prior-year period, the cash inflow from borrowing decreased by EUR 15.9m, while the cash outflow for the repayment of outstanding debt fell by EUR 81.5m. This resulted primarily from the repayment of two 'Schuldschein' note loans and a bank loan in the prior year. The payment dates set by the British healthcare authority, the NHS, mean that we always post weaker free cash flow in the first quarter of the year, since we only receive two incoming payments instead of three.

Assets position

On 31 March 2014, the balance sheet total of the Celesio Group came to EUR 7,679.1m and was therefore EUR 80.8m above the comparable figure as at 31 December 2013.

On the reporting date, 31 March 2014, the gearing, i.e. the ratio of net outstanding debt to equity capital, was 0.32 and had consequently improved compared with the gearing as at 31 December 2013 of 0.62, not least due to the conversion declarations concluded relating to the convertible bonds.

Compared with the end of 2013, non-current assets increased by EUR 18.8m to EUR 3,056.6m. Of this figure, EUR 22.3m was attributable to currency effects. A further EUR 11.1m was attributable to investment in tangible fixed assets and to the reclassification of a loan of EUR 9.7m from current to non-current. This was offset by planned depreciation and amortisation of intangible assets held as non-current assets and on property, plant and equipment totalling EUR 29.4m.

As at 31 March 2014, current assets stood at EUR 4,622.5m and were therefore up EUR 62.0m compared with 31 December 2013. Trade receivables rose by EUR 191.3m to EUR 2,274.0m, primarily caused by an increase in receivables, particularly in the United Kingdom as a result of the later scheduled incoming payment from the British healthcare authority, the NHS, and due to higher receivables in Germany, triggered by revenue growth. Currency effects of EUR 13.1m also accrued. The increase in inventories of EUR 12.2m to EUR 1,610.0m as at 31 March 2014 is mainly attributable to currency effects of EUR 12.9m. As at 31 March 2014, cash and cash equivalents stood at EUR 383.5m compared with EUR 535.7m on 31 December 2013. This equates to a fall of EUR 152.2m and is mainly due to a reporting date-related subsequent scheduled incoming payment from the British healthcare authority, the NHS. In addition, the premature termination of an interest-rate swap led to a compensatory payment of EUR 27.2m. As at 31 March 2014, other receivables and other assets fell by EUR 0.1m to EUR 322.8m. Currency effects were a critical factor here. As at 31 March 2014, the Celesio Group reported certain assets as held for sale in the amount of EUR 0.9m. The fall of EUR 1.6m compared with 31 December 2013 is due to the sale of property held for sale.

As at the reporting date, an increase in equity capital of EUR 683.7m to EUR 2,875.7m was apparent, compared with the end of 2013. This trend is primarily attributable to the conversions of convertible bonds concluded. The equity ratio stood at 37.4% on 31 March 2014. This equates to an increase of 8.6 percentage points compared with the end of December 2013.

In total, non-current liabilities fell by EUR 301.7m to EUR 1,536.9m. In the process, long-term debt decreased by EUR 309.6m to EUR 1,086.4m mainly due to the conversions of convertible bonds that have taken place. On the balance sheet date, deferred tax liabilities also decreased by EUR 8.4m to EUR 33.3m. This was offset by an increase in pension provisions of EUR 15.4m to EUR 352.2m because of pension expenses exceeding pension payments as well as interest and currency effects.

Current liabilities stood at EUR 3,266.5m on the balance sheet date and were consequently EUR 301.2m down on the level at the end of 2013. Current debt decreased by EUR 271.8m to EUR 231.3m in comparison with 31 December 2013. This is primarily attributable to the conversions of convertible bonds concluded. Essentially, currency and reporting date-related effects from operations were apparent in trade liabilities (EUR 2,303.7m on 31 March 2014 compared with EUR 2,384.6m at the end of 2013) and in other liabilities (EUR 516.3m compared with EUR 472.6m on 31 December 2013).

Employees

On 31 March 2014, 28,622 employees (measured in full-time equivalents) worked for Celesio, which is 0.1% fewer than on the prior-year reporting date (28,653 employees). At the end of the reporting period, 14,985 employees (PY 14,663 employees) worked for the Consumer Solutions division. At the end of the quarter, the Pharmacy Solutions division numbered 13,323 employees (PY 13,664 employees). The other employees are attributable to holding functions.

Boards

On 14 March 2014, John H. Hammergren, Chairman and Chief Executive Officer of the McKesson Corporation was elected as the new Chairman of the Supervisory Board. He succeeds Stephan Gemkow, who resigned his seat as of 13 March 2014. At the same time, Paul C. Julian, Executive Vice President and Group President of McKesson Corporation, and Professor Dr Wilhelm Haarmann, Partner of Linklaters LLP law firm, joined the Supervisory Board as additional shareholder representatives. They followed Dr Florian Funck and Hanspeter Spek, who have also retired from the Supervisory Board at Celesio AG.

Research and development

In the context of our operations as a services company, we do not need and do not conduct any research and development. Of course, we develop our range of services and our IT infrastructure constantly.

Risk and opportunities report

As a company operating internationally, we encounter a variety of opportunities and risks as part of our various operations. We identify, assess and pursue them with the help of our internal risk management system. The key opportunities and risks for us are presented in detail in our Annual Report 2013 from page 170. In essence, there has been no change here. In particular, the following opportunities and risks are relevant to our business development and earnings in the 2014 fiscal year:

- The healthcare sector is a very dynamic market with constantly changing framework conditions.
- Overall, the business of Celesio is subject to fierce competition. The operations of Celesio's competitors may affect its earnings. This is particularly apparent in Germany.
- We operate in markets where payment structures are largely regulated by government. Possible changes to these payment systems may affect our trend in earnings.
- Patent protection for a number of top-selling original products is currently expiring and will expire over the next few years. As a result, the proportion of cheaper generic drugs on the market is increasing. In the medium term, this could have an adverse impact on revenue and, depending on the local reimbursement system, also on operating results.
- Celesio operates in various currency areas. Major changes in exchange rates affect our earnings. The pound sterling is the most relevant currency because of the substantial proportion of our earnings attributable to our business in the United Kingdom. It is followed by the Norwegian krone and the Brazilian real.
- Changes in the market conditions in the healthcare sector are considered as critical to our success and may affect earnings. Among others, these include business combinations between pharmaceutical manufacturers and exclusive distribution models in wholesale business. The intensification of competition in the logistics sector as well as selective relaxations of the rules ensuring that prescription drugs can only be sold in pharmacies are also of relevance.
- Our revenue from OTC (over the counter) sales can also be affected by fluctuations in the economy. At present, they make up some 20% of revenue in the Consumer Solutions division.

Events after the reporting period

Supplementary information on the bonds maturing in 2016 and 2017

On 12 February 2014, Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 4.00% bonds maturing on 18 October 2016 and their 4.50% bonds maturing on 26 April 2017.

In the event that, in addition to the change of control, a rating event should occur within 90 days of the change of control (as defined in the issue conditions of the bonds), the creditors of the bonds are entitled to request early repayment of their bonds as detailed in the issue conditions. If such a rating event should occur, Celesio Finance B.V. will publish a further notice within 21 days of expiry of the 90 day deadline triggered by the change of control.

Such a rating event is expected to have occurred by 12 May 2014. Both the bonds are nevertheless recognised as long-term debt.

Voting rights announcement

On 3 April, Magnetar Financial LLC, Evanston, Illinois, U.S.A. notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), that its share of the voting rights in Celesio AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 27 March 2014 and amounted to 3.14% (that equates to 6,387,521 voting rights) on this date.

Announcement of the preliminary outcome of the voluntary takeover offer

On 7 April 2014, the McKesson Corporation announced the result of the voluntary takeover offer. At the end of the acceptance period, on 2 April 2014, 24:00 hours, the bidder held 152,331,805 Celesio shares; this equates to a stake of 74.97% of the share capital issued on the reporting date and of the voting rights in Celesio. These voting rights are attributable to Dragonfly Verwaltungs GmbH, Cougar I UK Limited, Cougar II UK Limited, Cougar III UK Limited, McKesson US Finance Corporation and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act.

McKesson International Holdings IV S.à.r.l., an entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, also held 972,040 Celesio shares on the reporting date; this equates to a stake of 0.48% of the share capital issued on the reporting date and the voting rights in Celesio. These voting rights are attributable to McKesson International Holdings, McKesson International Bermuda IP2A Limited and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act. McKesson International Holdings IV S.à.r.l. has accepted the takeover offer for the 972,040 Celesio shares held by it.

The takeover offer for a total of 1,567,026 Celesio shares was accepted up to the reporting date. This equates to a stake of 0.77% of the share capital issued on the reporting date and of the voting rights in Celesio.

The total number of the Celesio shares held by the bidder and entities acting jointly with it and their subsidiaries on the reporting date plus the Celesio shares for which the takeover offer has been accepted up to the reporting date, comes to 153,898,831 Celesio shares. This equates to a stake of 75.75% of the share capital issued on the reporting date and of the voting rights in Celesio.

Supplementary information on the convertible bonds maturing in 2014 and 2018

As a result of the conversion declarations of the two outstanding convertible bonds, 33,078,694 new shares were issued up to 31 March 2014 and the share capital of Celesio AG was increased accordingly by EUR 42,340,728.32 to EUR 260,068,728.32. The contingent capital was reduced accordingly. Cash compensation payments totalling EUR 31,666,152.98 were paid up to 10 April 2014 for conversion declarations relating to the convertible bond maturing on 7 April 2018, which could not be serviced with shares.

On 11 April 2014, Celesio Finance B.V. announced that it will make use of its right to cancel all outstanding securities of its 3.75% convertible bonds maturing on 29 October 2014 as well as all outstanding securities of its 2.50% convertible bonds maturing on 7 April 2018 pursuant to Section 5(c) of the respective issue conditions. The total nominal amount of the outstanding convertible bonds has fallen to less than 15% of the total nominal amount of the bonds which were originally issued. The date chosen for repayment of both convertible bonds is 12 May 2014. The convertible bonds were repaid on 12 May 2014 at their fixed nominal value (i.e. EUR 100,000 and EUR 50,000 each convertible bond) plus the interest accrued up to the end of the day preceding the day chosen for repayment (i.e. EUR 239.73 and EUR 1,001.71 each convertible bond).

Following the announcement of the notice of termination, several conversion declarations concerning the outstanding convertible bonds maturing in October 2014 and for the convertible bonds maturing on 7 April 2018 were received by Celesio AG up to 6 May 2014. The nominal volume of the convertible bonds registered for conversion amounts to EUR 2.4m. From this 42,238 new shares were issued and the share capital of Celesio AG increased by EUR 54,064.64 to EUR 260,122,792.96 (new total number of outstanding shares: 203,220,932). The contingent capital 2009 was reduced accordingly. In addition, cash compensation payments will be paid for conversion declarations relating to the convertible bond maturing on 7 April 2018, which could not be serviced with shares.

Announcement of the final outcome of the voluntary takeover offer

On 25 April 2014, the McKesson Corporation announced the result of the voluntary takeover offer. At the end of the additional acceptance period, on 22 April 2014, 24:00 hours (local time Frankfurt am Main) ("reporting date"), the bidder held 152,331,805 Celesio shares; this equates to a stake of 74.97% of the share capital issued on the reporting date and of the voting rights in Celesio. These voting rights are attributable to Dragonfly Verwaltungs GmbH, Cougar I UK Limited, Cougar II UK Limited, Cougar III UK Limited, McKesson US Finance Corporation and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act.

McKesson International Holdings IV S.à.r.l., an entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, also held 972,040 Celesio shares on the reporting date; this equates to a stake of 0.48% of the share capital issued on the reporting date and the voting rights in Celesio. These voting rights are attributable to McKesson International Holdings, McKesson International Bermuda IP2A Limited and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act. McKesson International Holdings IV S.à.r.l. has accepted the takeover offer for the 972,040 Celesio shares held by it.

The takeover offer for a total of 1,946,081 Celesio shares was accepted up to the reporting date. This equates to a stake of 0.96% of the share capital issued on the reporting date and of the voting rights in Celesio.

The total number of the Celesio shares held by the bidder and entities acting jointly with it and their subsidiaries on the reporting date plus the Celesio shares for which the takeover offer has been accepted up to the reporting date, comes to 154,277,886 Celesio shares, whereby shares that are subject to several of the issues mentioned above are only counted once. This equates to a stake of 75.93% of the share capital issued on the reporting date and of the voting rights in Celesio.

Judgment on the antitrust case – Slovenia

On 28 April 2014 the administrative court has delivered its judgment on the antitrust case against Kemofarmacija from 2010. The court upheld the decision of the antitrust authority regarding the violation of Slovenian antitrust law against our wholesale subsidiary. Kemofarmacija is checking the possibilities for the revision at the Supreme Court. The administrative proceedings regarding a fine could potentially be initiated by the authority. As regards the violation of European Antitrust Law the court has remanded the decision back to the competition authority. A new decision by the antitrust authority is expected within the next months. The outcome of the case can still not be reliably determined neither the amount nor the range of these actions. Consequently no provision was recognized for these risks.

Forecast report

Overall economic prospects

Growth in the global economy should gather more momentum over the rest of 2014. Both continuation of the expansionary monetary policy adopted throughout the world and a relaxation in countries' austerity measures will provide major impetus. The Kiel Institute for the World Economy (IfW) is also making the following assumptions:

It expects a stabilisation in the European employment market, which not least should have a positive impact on disposable income and private consumer expenditure. For Germany, the experts at the IfW expect a sharp rise in gross domestic product of 1.7% (2014) and 2.5% (2015).

Economic growth should also continue to gather momentum on a sustainable basis in the United Kingdom. Growth in gross domestic product of 2.0% (2014) and 2.3% (2015) is expected. In particular, there should be a perceptible fall in the unemployment rate, which should boost consumption by private households.

France is unlikely to be able to participate in this growth to the same extent and will post growth in gross domestic product of 0.8% (2014) and 1.4% (2015). Gross domestic product in the crisis-ridden countries around the Mediterranean should also pick up once more – for example, the increase in gross domestic product in Portugal is estimated at 0.7% (2014) and 1.2% (2015). Experts expect only a moderate rise in consumer prices in 2014 and consequently inflation will stand at 1.3%. It is only expected to increase slightly to 1.7% in 2015 as economic growth picks up.

In the USA, a budget compromise for 2014 was reached in December, however, it is highly likely that fiscal restrictions will come into effect once more at the beginning of the year, which are largely the result of measures adopted in the previous negotiations. Another increase in the debt ceiling is still outstanding; however, experts expect a sustainable solution to be reached on the basis of the agreement on the federal budget.

The emerging and developing countries in Latin America should also report faster economic growth in 2014 which will be supported by positive growth in the traditional industrial countries among other factors. For the area as a whole, experts expect an increase in gross domestic product of 3.9% (2014) and 4.4% (2015). Brazil will probably post below-average growth in 2014 and report an increase in gross domestic product of 3.5% (2014) and 4.5% (2015).

Our industry: growth in pharmaceutical markets, consolidation and internationalisation

As a consequence of the global economic and financial crisis in 2008/09, the expiry of many patents and because of governments' austerity measures, growth in pharmaceutical markets slowed throughout the world. However, IMS Health expects growth to pick up again over the next few years, particularly in the developing and emerging countries. For instance, IMS Health is forecasting average annual growth in global pharmaceutical markets of 5.3% up to 2017. Largely double-digit growth in the markets of Asia, India and Latin America, which will be driven firstly by a steady increase in population and secondly by an increase in quality and improved access to the healthcare system, is crucial to this development. IMS Health is forecasting an annual growth rate of 12.7% for Brazil up to 2017, while annual average growth of 12.5% and 16.7% is expected for India and China. By comparison, in Europe, IMS Health only expects annual growth of 0.9% up to 2017 and growth of 2.2% per year for the USA.

Demographic change remains a key factor in the development of the global pharmaceutical and healthcare markets. Admittedly, viewed globally, the generation of people aged over 64 currently only accounts for just over 8% of the world's population. However, this percentage will increase over the coming years to around 9% in 2017. In industrial countries, the percentage of people aged over 80 in the population will increase from the current 4.5% to 9.5% by 2050. In the developing and emerging countries, the percentage of people aged over 80 will increase by 2 percentage points to 3.2% by 2050; in absolute figures this means that while there are currently around 63 million people in the 80+ age group, there will be 268 million in 2050 (for comparison: in industrial countries, it will only be 124 million people in 2050.). This trend will lead to an increase in demand for the treatment of chronic and age-related illnesses, which result in long-term medical treatment. This will lead to a considerable increase in costs, since expenditure for older people is well above the average per capita expenditure.

In addition to demographic change, changes to lifestyle habits and to consumer behavior in both developing and western industrial countries and the increase in lifestyle diseases associated therewith are resulting in increased demand for healthcare services and drugs. In 2013, for instance, 382 million people throughout the world were suffering from diabetes. This figure will increase to 592 million throughout the world by 2035. In Europe alone, the number of sick people will increase from the current 56.3 million people (approximately 8.5% of the population) to 68.9 million people (approximately 10% of the population) by 2035.

A steady increase in health awareness in industrial countries and increasing willingness on the part of consumers to spend their own money on healthcare services are other factors that will influence the sector long-term and drive growth on the pharmaceutical and healthcare markets.

Another growth driver are biotechnology-based drugs and drugs to treat complex, frequently chronic diseases such as cancer, HIV or multiple sclerosis. These so-called "speciality pharmaceuticals" are comparatively expensive and place particular demands on transport and storage (short shelf-life, requiring refrigeration at all times), which can generate value added in the pharmaceutical supply chain in particular. According to IMS Health, average annual growth in the "speciality pharmaceuticals" segment in the eight largest developed pharmaceutical markets will amount to around 8% between 2010 and 2020 compared with growth of 4% for traditional drugs.

The central challenge for pharmaceutical and healthcare markets and, in particular, for pharmaceutical distribution markets as well, lies in ongoing governmental regulation of prices in all parts of the pharmaceutical value added chain and the effects of increasing numbers of patents for top-selling drugs expiring and the growth in the comparatively cheap generic drug segment associated therewith. There are signs of increased consolidation in our industry, particularly in established markets, as a reaction to the unremittingly difficult market environment. In addition, we are faced with increasing expansion and internationalisation in so-called "pharmerging markets" such as India and Russia and, in particular, Brazil and China. Global purchasing partnerships are also emerging in some cases with the aim of realising purchasing benefits and economies of scale in the generic drug sector in particular.

Divisions

Consumer Solutions

Despite governmental intervention in some markets, of which we are already aware, we expect operating earnings to grow in 2014 compared with the past fiscal year for the Consumer Solutions division. This will be driven primarily by the implementation of our new European pharmacy network under the "Lloyds" brand name. However, we are expecting a somewhat stronger euro in 2014, which will again distort some of the growth in operating earnings in the conversion of the earnings achieved in the United Kingdom, Norway and Sweden. The extent to which further governmental intervention could depress earnings is still unclear.

In the **United Kingdom**, we expect a positive performance from Lloydspharmacy. The development of synergies from closer integration of our wholesale and pharmacy business should also continue in 2014. The purchasing initiative Top-in-Class procurement will continue to have a positive impact. The gradual implementation of the pharmacy network will also be a key value driver in 2014. This will allow us to achieve substantial growth rates in our two focus areas of "skin" and "pain", in particular. This process will also support the increasing switch to a higher margin product mix. We are not assuming any substantial additional burdens resulting from governmental cutbacks in 2014 in our forecast.

In **Norway**, we are expecting earnings to remain stable. Country-specific higher wage costs inflation there will be offset by a further increase in non-prescription revenue.

In **Sweden**, we expect to achieve break-even for the first time in 2014. We shall cautiously expand our footprint in Sweden. However, the normal start-up losses associated with opening new pharmacies will be reduced through improvements in our process for selecting locations and will not prove such a burden as the older locations are now market-ready.

The economic situation remains difficult both on the **Irish** and the **Italian** market. In particular, the healthcare system is still affected by restrictive cutbacks. However, in recent years, we have shown in both countries that our companies can cope with the problems better than the market as a whole. Nevertheless, earnings will not quite reach the prior year's figure.

Our operations in **Belgium** will also be affected by challenging market conditions in 2014.

Pharmacy Solutions

For the 2014 fiscal year, the Management Board assumes that government austerity measures will remain in place, which will have an adverse impact on the business development of the Pharmacy Solutions division. We are also expecting a somewhat stronger euro in 2014, which will depress earnings in the conversion of the earnings achieved in the United Kingdom, Brazil, Norway and Denmark. However, we are confident that a large part of these burdens can be offset through continual optimisation, particularly in purchasing.

Our **German business** will be the source of greatest uncertainty regarding the division's performance in 2014. Even though the intense discount competition has so far persisted year-on-year with unabated intensity following a brief rise in the first quarter, we assume that sense will return in the course of the year and this will lead to a gradual slowdown in the discount competition. Overall we expect earnings to be on a par with the previous year.

In **France**, we shall still be faced with difficult conditions caused by the declining market in 2014. We therefore expect revenue and earnings to be slightly down on the prior year's figure, despite the ongoing optimisation of the cost structure.

In the **United Kingdom,** we expect revenue and results of operations to climb considerably in 2014, due to improved purchasing conditions and closer collaboration with pharmacies.

In **Norway**, we expect an increase in sales and higher earnings thanks to continuing measures to improve efficiency.

In **Brazil**, we expect that the impact of the measures to improve efficiency started in 2013 will start to be felt and we will consequently achieve an increase in revenue. However, the lack of sales tax benefits will postpone the positive performance.

In **Austria**, we expect solid revenue and results of operations in 2014 thanks to the stable market environment.

Investment

Having successfully piloted our European Pharmacy Network, we shall roll it out further under the "Lloyds" umbrella brand in the 2014 fiscal year. This will lead to increased investment redesigning our pharmacies. We shall also continue with the standardisation of our software landscape, which is why IT investment will rise. Overall, we therefore expect investment to exceed the low figure of 2013.

Depreciation and amortisation

Because of the expected increase in investment year on year, we assume that there will be a slight increase in scheduled depreciation and amortisation in the 2014 fiscal year.

Financial result

With regard to the financial result, we expect far lower interest expense in 2014 than in the past fiscal year. Because of the change of control clauses in the two convertible bonds and the positive share price performance, creditors converted a significant portion of the convertible bonds into shares in the first three months of the current fiscal year. Debt and interest expenses have fallen sharply as a result of the conversions and the equity capital of Celesio has increased accordingly.
As in previous years, the assumption is that interest rates will remain stable, meaning that no further changes in earnings are expected.
The financial result may be adversely affected by further appreciation in the euro, particularly against the Brazilian real.

Tax ratio

The adjusted tax ratio may be affected by a change in the mix of contributions to earnings from countries with different tax ratios or a change in country-specific effective tax ratios. On an adjusted basis it will probably again be one to two percentage points below the corresponding ratio for 2013. This will also be critically dependent on the development of the German wholesale operations. On the basis of current assumptions, no significant effects on the tax ratio are expected from the acquisition by McKesson.

Domination and profit and loss transfer agreement

On 23 January 2014, McKesson Corporation, San Francisco, USA announced its intention to conclude a domination and profit and loss transfer agreement (DPLTA) with Celesio AG as a controlled company after completing its takeover. Subsequently the Management Board of Celesio AG began negotiations with Dragonfly GmbH & Co. KGaA, a fully-owned subsidiary of McKesson, with a view to concluding a DPLTA. The DPLTA is due to be submitted to the Annual General Meeting of Celesio AG for approval on 15 July 2014. In this regard, a cash settlement per Celesio AG share, in accordance with Section 305 AktG, and a fixed guaranteed dividend or a fixed annual compensatory payment per Celesio AG share for each fully fiscal year, in accordance with Section 304 AktG, would be determined.

Employees

There will be no material change in employee numbers in 2014.

Revenue and earnings forecast

The following comments on the future course of business and on the assumptions about the economic development of the market and industry are based on assessments by the Management Board, which the Board currently views as realistic on the basis of the available information. However, the future development of our divisions is dependent on various factors which are outside the area of influence of Celesio and can therefore only be forecast to a limited degree. These include, for example, the future economic and regulatory environment, the behavior of competitors and other market participants as well as government intervention in the healthcare and social systems. In particular, any continuation of the intensive discount competition in Germany may affect our earnings forecast. The following forecasts by the Management Board of Celesio AG assume that there will be a slight deterioration in exchange rates, similar interest rates and a comparable consolidated group.

For Celesio, the 2013 fiscal year was all about the strategic realignment. Most notably the effects of the closer integration of the wholesale business and the pharmacies, the impact on earnings of improvements to purchasing and the continuation of the OEP made positive contributions in 2013. These contributions were, however, more than eaten up by less favorable exchange rates and, in particular, the sharp fall in earnings in Germany caused by intense discount competition. In 2014, Celesio will consistently pursue its strategic new direction. We shall also take progressive measures to optimise companies' levels of efficiency, in addition to the optimisation of cost structures. The expansion of our European pharmacy network will also have a positive impact, enabling us to grow even more strongly from 2015 onwards. However, in 2014, these earnings will still be reduced in part by project costs, particularly for harmonising our very heterogeneous software landscape.

Overall, the Management Board of expects that we shall achieve an adjusted EBIT in the 2014 fiscal year that is slightly above the prior year. Accordingly, we also expect a slight increase in the value added and ROCE ratios.

The earnings situation will be significantly affected by future developments on the German wholesale market. The Management Board assumes that the unremittingly intensive discount competition will diminish in the course of the year.

With regard to revenue growth for 2014, the Management Board of Celesio AG is assuming a slight increase in revenue in the lower single digits.

Non-recurring effects will arise from higher consulting and integration costs in connection with the planned and completed takeover by the McKesson Corporation. Overall, the Management Board expects non-recurring effects in the double-digit millions. These are not taken into account in the forecast, which only relates to adjusted EBIT.

The Management Board and Supervisory Board will propose a dividend of EUR 0.30 per share for the 2013 fiscal year to the Annual General Meeting and would therefore continue the payment per share at the level of the prior year.

Interim condensed consolidated financial statements

Celesio AG

1st quarter 2014

Consolidated income statement

EUR m	1st quarter 2013	1st quarter 2014
Revenues	**5,361.6**	**5,379.5**
Cost of materials	−4,783.8	**−4,802.8**
Gross profit	**577.8**	**576.7**
Other operating income	47.0	**44.4**
Other operating expenses	−191.3	**−193.0**
Personnel expenses	−306.9	**−310.1**
EBITDA	**126.6**	**118.0**
Depreciation and amortisation on intangible assets held as non-current assets and on property, plant and equipment	−31.5	**−29.4**
Impairment losses and unscheduled depreciation and amortisation on intangible assets and on property, plant and equipment	0.0	**0.0**
EBIT	**95.1**	**88.6**
Profit/loss from shareholdings measured at equity	0.0	**1.6**
Profit/loss from other shareholdings	1.9	**1.6**
Interest expense	−34.5	**−25.6**
Interest income	2.1	**1.9**
Other financial result	−0.7	**1.0**
Profit before taxes from continuing operations	**63.9**	**69.1**
Income taxes	−22.2	**−25.1**
Profit from continuing operations	**41.7**	**44.0**
Profit from discontinued operations	**−0.3**	**−0.9**
Net profit/loss	**41.4**	**43.1**
Of which attributable to non-controlling interests	2.2	**1.8**
Of which attributable to shareholders of Celesio AG	**39.2**	**41.3**
Undiluted earnings per share	**EUR**	**EUR**
Profit from continuing operations	0.23	**0.23**
Profit from discontinued operations	0.00	**−0.01**
Net profit/loss	0.23	**0.22**
Diluted earnings per share	**EUR**	**EUR**
Profit from continuing operations	0.23	**0.23**
Profit from discontinued operations	0.00	**−0.01**
Net profit/loss	0.23	**0.22**

Consolidated statement of comprehensive income

EUR m	1st quarter 2013	1st quarter 2014
Net profit/loss	**41.4**	**43.1**
Items which are not reclassified in profit or loss	**1.6**	**−21.4**
Revaluation of defined benefit pension plans	−1.1	−17.4
Stake in the revaluation of defined benefit pension plans of shareholdings measured at equity	2.7	−4.0
Items which may be reclassified in profit or loss	**−8.1**	**23.2**
Unrealised losses from the current year	0.0	−0.4
Gains affecting net income reclassified in the income statement	0.0	0.0
Unrealised losses from the market valuation of financial assets available for sale	0.0	−0.4
Unrealised gains/losses from the current year	0.8	−1.1
Gains affecting net income reclassified in the income statement	2.7	1.4
Unrealised gains from derivative financial instruments used to hedge cash flows	3.2	0.3
Effects of currency translation not affecting net income	−11.3	23.3
Dissolution affecting net income based on loss of control	0.0	0.0
Differences from currency translation	−11.3	23.3
Other comprehensive income after taxes	**−6.5**	**1.8**
From continuing operations	−6.5	1.8
Of which attributable to non-controlling interests	1.4	1.1
Of which attributable to shareholders of Celesio AG	−7.9	0.7
From discontinued operations[1]	0.0	0.0
Of which attributable to non-controlling interests	0.0	0.0
Comprehensive income	**34.9**	**44.9**
From continuing operations	35.2	45.8
Of which attributable to non-controlling interests	3.6	2.9
Of which attributable to shareholders of Celesio AG	31.6	42.9
From discontinued operations[1]	−0.3	−0.9

1) These amounts are attributable in full to the shareholders of Celesio AG.

The effects of the changes in the presentation of currency translation compared with the prior year can be found in the separate section in the notes to the consolidated financial statements on → page 60.

Further notes to other comprehensive income are listed in section (10) Components of other comprehensive income.

Consolidated statement of financial position

ASSETS EUR m	31/12/2013	31/03/2014
Non-current assets	**3,037.8**	**3,056.6**
Intangible assets	2,199.0	**2,216.9**
Property, plant and equipment	506.9	**498.0**
Shareholdings measured at equity	78.9	**76.6**
Other financial assets	109.5	**118.0**
Other non-current assets	39.8	**39.0**
Income tax receivables	2.0	**2.0**
Deferred tax assets	101.7	**106.1**
Current assets	**4,560.5**	**4,622.5**
Stock	1,597.8	**1,610.0**
Trade receivables	2,082.7	**2,274.0**
Income tax receivables	18.9	**31.3**
Other receivables and other assets	322.9	**322.8**
Cash and cash equivalents	535.7	**383.5**
Assets held for sale	2.5	**0.9**
Balance sheet total	**7,598.3**	**7,679.1**

LIABILITIES	31/12/2013	31/03/2014
EUR m		
Equity capital	**2,192.0**	**2,875.7**
Subscribed capital	217.7	**260.1**
Capital reserves	1,186.0	**1,782.5**
Retained earnings	1,191.3	**1,232.6**
Reserves not affecting net income	−437.0	**−436.4**
Stake of the shareholders of Celesio AG	**2,158.0**	**2,838.8**
Non-controlling interests	34.0	**36.9**
Liabilities	**5,406.3**	**4,803.4**
Non-current liabilities	**1,838.6**	**1,536.9**
Outstanding debt	1,396.0	**1,086.4**
Provisions for pensions	336.8	**352.2**
Other non-current provisions	63.8	**64.7**
Other liabilities	0.3	**0.3**
Deferred tax liabilities	41.7	**33.3**
Current liabilities	**3,567.7**	**3,266.5**
Outstanding debt	503.1	**231.3**
Trade liabilities	2,384.6	**2,303.7**
Other current provisions	144.0	**139.4**
Income tax liabilities	63.4	**75.8**
Other liabilities	472.6	**516.3**
Liabilities held for sale	0.0	**0.0**
Balance sheet total	**7,598.3**	**7,679.1**

Consolidated statement of cash flows

EUR m	1st quarter 2013	1st quarter 2014
Profit from continuing operations	**41.7**	**44.0**
Scheduled depreciation and amortisation as well as impairment losses and unscheduled depreciation and amortisation on intangible assets held as non-current assets and on property, plant and equipment	31.5	29.4
Profit/loss from shareholdings measured at equity and other shareholdings	−1.9	−3.2
Dividends received	2.0	1.5
Financial result	33.1	22.7
Profit/loss from the disposal of non-current assets and from the sale of subsidiaries	−0.6	0.1
Impairment losses on items classified as operating assets	10.6	11.4
Change in deferred taxes and income tax	22.2	25.1
Income tax paid	−24.5	−24.3
Other non-cash expenses and income	7.2	7.1
Change in net operating assets	−195.7	−233.4
Change in stock	−14.5	−9.0
Change in trade receivables	−203.9	−176.0
Change in trade liabilities	80.4	−98.7
Change in other net operating assets	−57.7	50.3
Change in other assets and liabilities	−15.1	−6.9
Change in other assets	−3.0	3.8
Change in other liabilities	−12.1	−10.7
Cash outflow from operations – continuing operations	**−89.5**	**−126.5**
Cash outflow/inflow from operations – discontinued operations	**7.1**	**0.0**
Cash outflow from operations – continuing and discontinued operations	**−82.4**	**−126.5**
Payments received from the disposal of non-current assets	2.4	4.4
Payments for investment	−18.4	−23.9
Payments received from the sale of subsidiaries [1)]	33.0	0.0
Payments for business combinations	−0.2	−8.6

1) This line includes the cash payments for the costs directly related to the disposals of operations.

EUR m	1st quarter 2013	2014
Cash outflow/inflow from investment – continuing operations	**16.8**	**−28.2**
Cash inflow from investment – discontinued operations	**8.7**	**0.0**
Cash outflow/inflow from investment – continuing and discontinued operations	**25.5**	**−28.2**
Payments to shareholders (including non-controlling interests)	0.0	**0.0**
Payments as part of the change in the amount of the shareholding in subsidiaries involving no loss of control	0.0	**0.0**
Payments received from incurring debt	66.8	**50.9**
Payments for the repayment of debt	−99.6	**−18.1**
Interest paid	−11.6	**−33.7**
Interest received	2.1	**1.6**
Cash outflow/inflow from financing activity – continuing operations	**−42.3**	**0.7**
Cash inflow from financing activity – discontinued operations	**0.0**	**0.0**
Cash outflow/inflow from financing activity – continuing and discontinued operations	**−42.3**	**0.7**
Cash change in cash and cash equivalents	**−99.0**	**−154.0**
Non-cash change in cash and cash equivalents	−5.4	**1.8**
Cash and cash equivalents at the beginning of the period	525.0	**535.7**
Cash and cash equivalents at the end of the period	**420.6**	**383.5**
Cash and cash equivalents of discontinued operations and disposal groups at the end of the period	0.5	**0.0**
Cash and cash equivalents at the end of the period (according to the figure in the consolidated statement of financial position)	**420.1**	**383.5**

Consolidated statement of changes in equity

EUR m	Subscribed capital	Capital reserves	Retained earnings
As at: 01/01/2014	**217.7**	**1,186.0**	**1,191.3**
Change in capital	42.4	596.5	0.0
Dividends	0.0	0.0	0.0
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0	0.0	0.0
Changes in the consolidated group	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0
Net profit/loss	0.0	0.0	41.3
Comprehensive income	0.0	0.0	41.3
As at: 31/03/2014	**260.1**	**1,782.5**	**1,232.6**
As at: 01/01/2013	**217.7**	**1,186.0**	**1,091.2**
Dividends	0.0	0.0	0.0
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0	0.0	0.0
Changes in the consolidated group	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0
Net profit/loss	0.0	0.0	39.2
Comprehensive income	0.0	0.0	39.2
As at: 31/03/2013	**217.7**	**1,186.0**	**1,130.4**

1) Of which attributable to discontinued operations and disposal groups EUR 0.0m (previous year EUR –5.0m).
2) Of which attributable to discontinued operations EUR 0.0m (previous year EUR –7.4m).
3) Of which attributable to discontinued operations and disposal groups EUR 0.0m (previous year EUR –12.4m).

	Reserves not affecting net income						Stake of the shareholders of Celesio AG	Non-controlling interests	Equity capital
	Currency reserve	Revaluation of defined benefit pension plans	Revaluation reserve	Financial assets available for sale	Cash flow hedges	Other comprehensive income from companies measured at equity			
	−280.8	**−154.1**	**0.0**	**0.8**	**−0.5**	**−2.4**	**2,158.0**	**34.0**	**2,192.0**
	0.0	0.0	0.0	0.0	0.0	0.0	638.9	0.0	638.9
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	24.3	−19.0	0.0	−0.4	−0.2	−4.0	0.7	1.1	1.8
	−0.1	0.0	0.0	0.0	0.0	0.0	41.2	1.8	43.0
	24.2	**−19.0**	**0.0**	**−0.4**	**−0.2**	**−4.0**	**41.9**	**2.8**	**44.7**
	−256.6 [1]	−173.1 [2]	0.0	0.4	−0.7	−6.4	**2,838.8 [3]**	**36.9**	**2,875.7**
	−159.4	−151.6	0.0	0.0	−16.4	−5.9	2,161.6	34.3	2,195.9
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	−16.3	2.2	0.0	0.0	3.5	2.7	−7.9	1.4	−6.5
	0.0	0.0	0.0	0.0	0.0	0.0	39.2	2.2	41.4
	−16.4	**2.3**	**0.0**	**0.0**	**3.5**	**2.7**	**31.3**	**3.6**	**34.9**
	−175.7 [1]	**−149.4 [2]**	**0.0**	**0.0**	**−12.9**	**−3.2**	**2,192.9 [3]**	**37.9**	**2,230.8**

Condensed notes to the consolidated financial statements

Consolidated segment reporting by division

1ST QUARTER 2014 EUR m	Consumer Solutions	Pharmacy Solutions	Other	Consolidation	Group (continuing operations)	Discontinued operations
Income statement						
Revenues	**865.6**	**4,513.9**	**0.0**	**0.0**	**5,379.5**	**0.0**
External revenues	865.6	4,513.9	0.0	0.0	**5,379.5**	0.0
Internal revenues	0.0	0.0	0.0	0.0	**0.0**	0.0
Gross profit	**297.5**	**279.2**	**0.0**	**0.0**	**576.7**	**0.0**
EBITDA	67.3	76.8	−26.2	0.1	**118.0**	0.0
Impairment losses and unscheduled depreciation and amortisation on intangible assets and on property, plant and equipment	0.0	0.0	0.0	0.0	**0.0**	0.0
EBIT	**52.8**	**65.1**	**−29.4**	**0.1**	**88.6**	**0.0**
Segment assets	**2,046.2**	**2,083.8**	**−45.8**	**0.0**	**4,084.2**	**0.0**

Consolidated segment reporting by division

1ST QUARTER 2013 EUR m	Consumer Solutions	Pharmacy Solutions	Other	Consolidation	Group (continuing operations)	Discontinued operations
Income statement						
Revenues	**828.0**	**4,533.7**	**0.0**	**−0.1**	**5,361.6**	**38.1**
External revenues	828.0	4,533.6	0.0	0.0	**5,361.6**	38.1
Internal revenues	0.0	0.1	0.0	−0.1	**0.0**	0.0
Gross profit	**285.9**	**291.9**	**0.0**	**0.0**	**577.8**	**2.1**
EBITDA	62.6	83.2	−18.9	−0.3	**126.6**	0.0
Impairment losses and unscheduled depreciation and amortisation on intangible assets and on property, plant and equipment	0.0	0.0	0.0	0.0	**0.0**	0.0
EBIT	**47.8**	**69.7**	**−22.1**	**−0.3**	**95.1**	**0.0**
Segment assets	**1,925.5**	**2,261.9**	**−46.8**	**−0.7**	**4,139.9**	**−6.1**

RECONCILIATION OF SEGMENT REVENUES FOR THE 1ST QUARTER EUR m	2013	2014
Revenues of reportable segments	**5,361.7**	**5,379.5**
Consolidation	−0.1	**0.0**
Revenues of the group	**5,361.6**	**5,379.5**

RECONCILIATION OF SEGMENT RESULTS FOR THE 1ST QUARTER EUR m	2013	2014
EBIT	**95.1**	**88.6**
Profit/loss from shareholdings measured at equity	0.0	**1.6**
Profit/loss from other shareholdings	1.9	**1.6**
Interest expense	−34.5	**−25.6**
Interest income	2.1	**1.9**
Other financial result	−0.7	**1.0**
Profit before taxes from continuing operations	**63.9**	**69.1**

RECONCILIATION OF SEGMENT ASSETS EUR m	31/03/2013	31/03/2014
Segment assets of reportable segments	**4,140.6**	**4,084.1**
Consolidation	−0.7	**0.0**
Segment assets of the group	**4,139.9**	**4,084.1**
+ Interest-bearing other financial assets	36.6	**56.6**
+ Non-current and current income tax receivables	41.4	**33.3**
+ Deferred tax assets	135.2	**106.1**
+ Other assets	11.3	**1.2**
+ Cash and cash equivalents	420.1	**383.5**
+ Assets of discontinued operations	30.3	**0.0**
- Other non-current provisions	71.2	**64.7**
- Other current provisions	150.4	**139.4**
- Trade liabilities	2,390.3	**2,303.7**
- Other liabilities	483.2	**506.5**
Total assets	**7,909.9**	**7,679.1**

Accounting and measurement policies

The condensed consolidated interim report of Celesio AG for the first quarter of 2014 – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and selected notes – is prepared on the basis of International Accounting Standard (IAS) 34 – Interim Reporting. All the applicable International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, approved for use in the European Union as at 31 March 2014, and all the interpretations (IFRIC) of the International Financial Reporting Standards Interpretation Committee were complied with. The accounting policies applied in the preparation of the condensed interim report essentially correspond to those used in the consolidated financial statements as at 31 December 2013. The condensed interim report should therefore be read in conjunction with the consolidated financial statements of Celesio AG for the fiscal year 2013.

The accounting policies used to prepare the consolidated financial statements for 2013 have been adopted without change.

As a result of the application of the standard "IFRS 10 – Consolidated Financial Statements", compulsory since 1 January 2014, which replaces regulations on preparing the consolidated financial statements in the former "IAS 27 – Consolidated and Separate Financial Statements" and "SIC-12 – Consolidation - Special Purpose Entities", there was no major impact on the scope of consolidation of Celesio AG and therefore on the consolidated interim report. Furthermore, the initial application of "IFRS 11 – Joint Arrangements", which replaces "IAS 31 - Interest in Joint Ventures" and "SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers", and the newly issued standard "IFRS 12 – Disclosure of Interests in Other Entities" did not have any major impact on the consolidated interim report. In addition, the standards "IAS 32 – Offsetting Financial Assets and Financial Liabilities" and "IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting" were applied compulsorily as of 1 January 2014, each without any impact on the consolidated interim report.

The consolidated financial statements were prepared in euro. Unless otherwise stated, all figures are provided in millions of euros (EUR m). Please note that differences can result from the use of rounded amounts and percentages due to financial rounding.

Adjusted prior-year figures

Since the first half of 2013, currency translation differences resulting from the individual items under comprehensive income have been reported net in the statement of comprehensive income under the item "Differences from currency translation" specifically in the item "Effects of currency translation not affecting net income". The currency translation differences were previously reported directly in the individual components of other comprehensive income. The adjustment in reporting currency translation changes serves to convey meaningful information within the statement of comprehensive income. The change in reporting was applied retroactively. Adjustments were only made in the previous period to items that may subsequently be reclassified to profit or loss. Unrealised gains and losses from derivative financial instruments used to hedge cash flows rose EUR 0.3m to EUR 3.2m. Effects of the revaluation of defined benefit pension plans increased by EUR 3.3m to EUR –1.1m. The effects of currency translation not affecting net income fell by EUR 3.6m to EUR –11.3m.

Consolidated group

Business combinations and sales of subsidiaries in the first quarter of 2014

Business combinations

In the first quarter of 2014, two retail pharmacies in Ireland and a retail pharmacy in the United Kingdom were acquired 100% and fully consolidated as a result of measures to optimise the portfolio in the Consumer Solutions division.
Furthermore, the German company GesuCon GmbH, a provider of IT solutions for optimising pharmacists' ordering and stock management, was acquired 100% and fully consolidated in the Others division.

The key information about the companies acquired in the first quarter of 2014 is as follows:

EUR m	Total
Consideration transferred	**10.7**
Purchase price paid	10.7
Cash purchase price	**8.6**
Fair value of the assets and debt acquired	
Total assets	**6.4**
Intangible assets	2.8
Property, plant and equipment	0.1
Stock	0.6
Trade receivables	0.6
Cash and cash equivalents	2.1
Other assets	0.2
Total liabilities	**1.2**
Deferred tax liabilities	0.8
Trade liabilities	0.3
Other liabilities	0.1
Goodwill	**5.5**
Non-controlling interests	**0.0**

Incidental acquisition costs of EUR 0.2m were recognised in other expenses. No treasury shares were issued to settle purchase price liabilities.

The fair value of receivables acquired amounts to EUR 0.8m and equates to the gross amounts of contractual receivables. Trade receivables amounting to EUR 0.6m are included in this figure.

The resultant goodwill mainly represents the future prospects expected with the respective acquisition and the value of the experience among the employees acquired and is tax deductible in the amount of EUR 0.4m.

Revenue of EUR 0.7m and a net profit of EUR 0.0m are attributable to the companies acquired in the 2014 fiscal year. If these companies had been acquired at the beginning of the fiscal year, they would have contributed EUR 0.9m to the revenues and EUR 0.0m to the net profit of the group.

Change in contingent considerations

In the 2014 fiscal year, there has been no change to the contingent considerations carried as liabilities in accordance with IFRS 3, which was revised in 2008 and has been applicable since 2010. Adjustments to the current value of contingent considerations are mainly determined on the basis of an earnings variable taking account of long-term planning. This did not result in any material adjustments to the ranges for the contingent considerations at the end of the 2014 fiscal year.

Sales of subsidiaries

There were no sales of subsidiaries in the 2014 fiscal year.

Changes in the amount of subsidiaries' shareholdings involving no loss of control

In the 2014 fiscal year, minor additional stakes were acquired in the Pharmacy Solutions division in Slovenia and in the Others division in France. The effects on retained earnings were also correspondingly minor.

Business combinations and sales of subsidiaries in the first quarter of 2013

Business combinations

The key information about the companies acquired in the first quarter of 2013 is as follows:

EUR m	Total
Consideration transferred	**0.2**
Purchase price paid	0.2
Contingent purchase price components	0.0
Stakes previously held at equity	0.0
Revaluation of stakes previously held at equity	0.0
Cash purchase price	**0.0**
Fair value of the assets and debt acquired	
Total assets	**0.2**
Cash and cash equivalents	0.2
Total liabilities	**0.3**
Trade liabilities	0.1
Other liabilities	0.2
Goodwill	**0.3**
Non-controlling interests	**0.0**

No significant incidental acquisition costs were incurred.

Of the contingent purchase price components, EUR 0.0m was paid in the course of the 2012 fiscal year.

The resultant goodwill mainly represents the future prospects expected with the acquisitions and the value of the experience among the employees acquired and is tax deductible in the amount of EUR 0.2m. The full goodwill method, as it is known, was not applied.

Revenue of EUR 0.0m and an earnings contribution of EUR 0.1m were attributable in the prior-year period to the companies acquired in the 2012 fiscal year. If these companies had been acquired at the beginning of the comparative period, they would have contributed EUR 0.2m to the revenues of the group. They would have contributed EUR 0.0m to the net profit of the group.

Sales of subsidiaries

Two retail pharmacies in the United Kingdom were sold in the first quarter of 2013 as a result of measures to streamline the portfolio. Assets of EUR 0.1m, solely property, plant and equipment, were sold. The profit on disposal amounted to EUR 0.4m. It is shown in other operating earnings.

Non-recurring expenses in the consolidated income statement

Special effects amounting to EUR 7.0m, in particular for legal and consultancy expenses in connection with the completed takeover by the McKesson Corporation, weighed on earnings overall in the first quarter of 2014. In contrast, no special effects had a negative impact on earnings in the prior-year-period.

Discontinued operations and disposal groups

General

As part of its far-reaching strategic realignment and portfolio optimisation, in 2012 Celesio announced plans to initiate the sale process for a range of companies and activities which no longer formed part of the company's core business. Consequently, it sold the Movianto business unit, with the exception of Movianto Ireland, the Pharmexx business unit and the DocMorris mail order pharmacy in 2012. Movianto Ireland and the Wholesale Ireland were divested in the second quarter of 2013.

No units were classified as discontinued operations and disposal groups in the 2014 fiscal year. The profit from discontinued operations, which is largely due to provisions for the expected occurrence of risks in relation to the activities divested, amounted to EUR – 0.9m in the first quarter of 2014 compared to EUR – 0.3m in the prior-year period. In the first quarter of 2013, the Irish wholesale business (previously reported in the Pharmacy Solutions segment) and Movianto Ireland were part of the disposal group.

Measurement effects and disposals

The units classified as discontinued operations and disposal groups are measured at fair value less the costs of disposal. The fair value is determined based on purchase agreements concluded. No impairment was taken for Movianto Ireland and Wholesale Ireland in the first quarter of 2013.

No units classified as discontinued operations and disposal groups were deconsolidated in either the reporting period or the reference period.

Assets and liabilities held for sale

The main groups of assets and liabilities held for sale are as follows:

EUR m	31/12/2013 Non-current assets held for sale	31/03/2014 Non-current assets held for sale
Intangible assets	0.0	**0.0**
Property, plant and equipment	2.5	**0.9**
Stock	0.0	**0.0**
Trade receivables	0.0	**0.0**
Cash and cash equivalents	0.0	**0.0**
Other assets	0.0	**0.0**
Assets	**2.5**	**0.9**
Outstanding debt	0.0	**0.0**
Trade liabilities	0.0	**0.0**
Other liabilities	0.0	**0.0**
Liabilities	**0.0**	**0.0**

Property with a carrying value of EUR 0.4m (PY EUR 2.0m) is reported as non-current assets held for sale in the Pharmacy Solutions division. The figure in the Consumer Solutions division amounts to EUR 0.5m (PY EUR 0.5m).

Profit from discontinued operations

The profit from discontinued operations includes the risks associated with the disposals in 2012 and 2013.
The profit from discontinued operations is as follows:

EUR m 1st quarter	Total 2013	 2014
Revenue	38.1	0.0
Cost of materials	−36.0	0.0
Gross profit	2.1	0.0
EBITDA	0.0	0.0
EBIT	0.0	0.0
Profit before taxes from discontinued operations	0.0	0.0
Income taxes	−0.1	0.0
Profit after taxes from discontinued operations	−0.1	0.0
Profit after taxes from measurement and the disposal of discontinued operations	−0.2	−0.9
Profit from discontinued operations	**−0.3**	**−0.9**

Guarantees and other commitments, other financial obligations and contingent liabilities

On 31 March 2014, there were guarantees and sureties amounting to EUR 96.6m (31 December 2013 EUR 105.8m). The fall amounting to EUR 9.2m is mainly attributable to the reduction in guarantees in wholesale business in the United Kingdom.

During the first quarter of 2014, there has been no material change in the other financial obligations shown in the consolidated financial statements as at 31 December 2013.

The contingent liabilities recognised for legal and tax risks as part of the acquisition of Panpharma in 2009 amounted to EUR 28.3m as at 31 March 2014 (31 December 2013 EUR 32.0 m). These shrank mainly due to the statute of limitations expiring on legal and tax risks and the agreement with the tax authorities, in addition to currency effects. To cover these risks, claims for reimbursement were agreed with the former shareholders, which are capped at a maximum amount.

The claims for reimbursement are recognised as a claim against the former owners in current or non-current assets and mainly decline in line with the contingent liabilities for legal and tax risks. To secure these claims, Celesio has access to assets held in trust for the former owners along with other possibilities to offset the claims and collateral granted. Depending on maturity, the contingent liabilities recognised are reported in current or non-current provisions. The contingent liabilities include income tax liabilities of EUR 1.3m (31 December 2013 EUR 2.9m).

Our Wholesale subsidiary in Slovenia, Kemofamacija, is subject to legal action associated with the privatization of the company in 1993 as well as antitrust proceedings dating from 2010 whose outcome cannot be currently foreseen. It was not possible to reliably determine either the amount or the range of these actions as of 31 March 2014. Consequently no provision was recognized for these risks.

Fair value measurement

The following overview shows the carrying amounts and the fair values for each class of assets and liabilities:

ASSETS	31/12/2013		31/03/2014	
	Carrying amounts	Fair values	Carrying amounts	Fair values
EUR m				
Financial assets available for sale - equity instruments	58.8	58.8	**58.4**	**58.4**
Financial assets available for sale - debt instruments	3.6	3.6	**3.1**	**3.1**
Loans to investments	14.5	14.4	**14.4**	**14.3**
Other loans	32.6	32.2	**42.1**	**41.6**
Other financial assets	**109.5**	**109.0**	**118.0**	**117.4**
Other non-current assets	**39.8**	**39.8**	**39.0**	**39.0**

LIABILITIES	31/12/2013		31/03/2014	
	Carrying amounts	Fair values	Carrying amounts	Fair values
EUR m				
Liabilities to banks	111.2	119.9	**113.0**	**122.0**
Promissory notes and bonds	1273.9	1461.1	**964.0**	**1,049.0**
Lease liabilities	7.5	7.5	**6.9**	**6.9**
Other financial liabilities	3.4	3.3	**2.5**	**2.5**
Non-current financial liabilities	**1396.0**	**1591.8**	**1,086.4**	**1,180.4**
Other non-current liabilities	**0.3**	**0.3**	**0.3**	**0.3**
Liabilities to banks	56.8	56.8	**95.3**	**95.3**
Promissory notes and bonds	439.7	487.6	**131.8**	**134.9**
Lease liabilities	3.3	3.3	**3.0**	**3.0**
Other financial liabilities	3.3	3.3	**1.2**	**1.2**
Current financial liabilities	**503.1**	**551.0**	**231.3**	**234.4**

If the carrying amount represents an appropriate approximate value for the fair value, no details of the fair value are provided in the table.

The financial assets available for sale mainly comprise shareholdings in unlisted companies where neither control nor any significant influence can be exercised. If there are no active markets, these financial assets are shown at amortised cost. On 31 March 2014, unlisted shareholdings with a carrying amount of EUR 57.3m (PY EUR 57.3m) were measured at amortised cost for this reason.

Celesio uses the following hierarchy to determine and recognise assets and liabilities measured at fair value:

Level 1: Listed prices on active markets for the same asset or the same liability

Level 2: Listed prices on active markets for similar assets and liabilities or other measurement methods where all key data used are based on observable market data.

Level 3: Measurement methods where all key data used are not based on observable market data.

The following overview shows the assets and liabilities measured at fair value in the statement of financial position, divided into the measurement levels shown:

Assets accounted for at fair value

EUR m
Recurring fair value measurement
Financial assets available for sale
Derivative financial instruments - without hedge accounting

Liabilities accounted for at fair value

EUR m
Recurring fair value measurement
Derivative financial instruments - with hedge accounting
Derivative financial instruments - without hedge accounting
Other liabilities

	31/12/2013				31/03/2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	5.1	0.0	0.0	5.1	**4.2**	**0.0**	**0.0**	**4.2**
	0.0	0.5	0.0	5.2	**0.0**	**1.3**	**0.0**	**1.3**

	31/03/2013				31/03/2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	0.0	26.4	0.0	**26.4**	**0.0**	**0.8**	**0.0**	**0.8**
	0.0	8.9	0.0	**8.9**	**0.0**	**9.3**	**0.0**	**9.3**
	0.0	0.0	0.3	**0.3**	**0.0**	**0.0**	**0.3**	**0.3**

There were no reclassifications between level 1 and 2 or reclassifications into or out of level 3 for assets and liabilities measured at fair value on a recurring basis in the reporting period.

The fair value of financial instruments, which are traded on an active market, is based on listed prices on the balance sheet date. The DCF method is used to determine the level 2 and 3 fair values of assets and liabilities measured at fair value on a recurring basis. In the process, the future cash flows expected from financial instruments are first discounted using market interest rates corresponding to their respective terms. Celesio takes account of the creditworthiness of the respective debtor by establishing adjustment values, so-called credit value adjustments (CVA) or debt value adjustments (DVA) on the basis of a mark-up/mark-down procedure. Where possible, the CVA or DVA is determined using prices for credit derivatives observable on the market.

The level 3 liabilities relate to liabilities from business combinations after 1 January 2010, which are measured on the basis of earnings variables as well as assumptions and assessments by management. Please refer to → page 61 for the reconciliation of this with level 3 liabilities measured at fair value from the beginning of the reporting period to the end of the reporting period.

No comprehensive income and expenses resulted from the recurring measurement of level 3 assets and liabilities, which are held in the company on the reporting date, at fair value.

Other comprehensive income after taxes

The items for Other comprehensive income after taxes – including non-controlling interests – developed as follows:

EUR m	1st quarter 2013 before taxes	1st quarter 2013 Taxes	1st quarter 2013 after taxes	1st quarter 2014 before taxes	1st quarter 2014 Taxes	1st quarter 2014 after taxes
Items which are not reclassified in profit or loss						
Revaluation of defined benefit pension plans	9.8	−10.9	−1.1	**−19.5**	**2.1**	**−17.4**
Stake in the revaluation of defined benefit pension plans of shareholdings measured at equity	2.7	/	2.7	**−4.0**	**/**	**−4.0**
Items which may be reclassified in profit or loss subsequently						
Unrealised losses from the current year	0.0	0.0	0.0	**−0.4**	**0.0**	**−0.4**
Gains/losses affecting net income reclassified in the income statement	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
Unrealised losses from the market valuation of financial assets available for sale	0.0	0.0	0.0	**−0.4**	**0.0**	**−0.4**
Unrealised gains/losses from the current year	0.7	−0.2	0.5	**−2.0**	**0.9**	**−1.1**
Gains/losses affecting net income reclassified in the income statement	3.6	−0.9	2.7	**2.2**	**−0.8**	**1.4**
Unrealised gains/losses from derivative financial instruments used to hedge cash flows	4.3	−1.1	3.2	**0.2**	**0.1**	**0.3**
Effects of currency translation not affecting net income	−11.3	/	−11.3	**23.3**	**/**	**23.3**
Dissolution affecting net income based on loss of control	0.0	/	0.0	**0.0**	**/**	**0.0**
Differences from currency translation	−11.3	/	−11.3	**23.3**	**/**	**23.3**
Other comprehensive income	**5.5**	**−12.0**	**−6.5**	**−0.4**	**2.2**	**1.8**

Notes to the segment reporting

The segments are defined in line with the internal reporting structure of Celesio and are divided into the Consumer Solutions (previously Patient and Consumer Solutions) and Pharmacy Solutions divisions. These divisions are the basis of the internal management by the management board and consequently the reportable segments.

The management board of Celesio AG is the main decision-maker in accordance with IFRS 8.7. The divisions of Celesio AG can be described as follows:

- The Consumer Solutions division addresses patients and consumers. It includes the entire logistics chain from purchasing merchandise to handing it over to end consumers. In particular, the division includes activities relating to retail and mail-order pharmacies, as well as activities in brand partner shops. In the operating segment International Retail, similarly to the wholesale business, a distinction has been made since the end of 2012 between the operating segments per country on the basis of a reorganisation of the organisational and reporting structure, which were also combined for the purposes of segment reporting by business area.

  The division also includes our shareholding in Brocacef Holding N.V. in the Netherlands, which is recognised as an associated company.
- The Pharmacy Solutions division offers solutions for pharmacists; it concentrates on wholesale business with third party customers. In this division too, operating segments are combined at country level. The Pharmacy Solutions division also includes the developer of pharmacy sites, Inten, and Rudolf Spiegel, the mail order company for pharmacy and laboratory equipment, until it was sold in September 2013.
- The Others division mainly includes the activities of the ultimate parent company Celesio AG and other companies that are not attributable directly to operations. Celesio AG has shareholdings in the key national operating companies and holding companies. The operating companies of the Celesio Group are also mainly financed via Celesio AG and Celesio Finance B.V., Netherlands. Celesio AG also bundles group functions including in Accounting, Controlling, Treasury and IT.

  The consolidation measures between the divisions are presented separately.

The management board measures the success of the segments through EBIT calculated in accordance with IFRS. This is defined as earnings before earnings from shareholdings, interest and taxes. Gross profit and EBITDA are also provided as additional voluntary information.

The segment assets to be reported according to IFRS 8 correspond to committed capital, which is made up of the total of the carrying amounts of all non-interest bearing assets (apart from assets' tax items) less non-interest bearing liabilities (apart from liabilities' tax items).

The segment reporting by business area is based on the same accounting provisions as for the group. Transactions within the group are measured at market prices.

Transactions with related parties

Related parties as defined in IAS 24 (Related Party Disclosures) are legal entities and natural persons who can exercise significant influence or control over Celesio AG and its subsidiaries or, alternatively, are subject to the control or significant influence of Celesio AG or its subsidiaries. Since 6 February 2014, this has included the majority shareholder McKesson Corporation, San Francisco, USA, and its subsidiaries, joint ventures and associates. Related parties also include joint parties, associates and members of the boards of Celesio AG.

All transactions with related parties are conducted at arm's length.

There are ongoing business relationships with joint ventures and associates, in particular with regard to supplies of merchandise.

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

EUR m	McKesson Corporation, San Francisco, USA 31/12/2013	31/03/2014
Receivables and loans	/	6.3
Liabilities	/	0.0

1ST QUARTER EUR m	McKesson Corporation, San Francisco, USA 2013	2014
Revenues	/	0.0
Expenses	/	0.0

	Subsidiaries of McKesson Corporation, San Francisco, USA		Joint ventures and associates of McKesson Corporation, San Francisco, USA		Joint ventures and associates of Celesio AG	
	31/12/2013	**31/03/2014**	31/12/2013	**31/03/2014**	31/12/2013	**31/03/2014**
	/	**0.0**	/	**0.0**	2.1	**1.6**
	/	**0.0**	/	**0.0**	0.0	**0.0**

	Subsidiaries of McKesson Corporation, San Francisco, USA		Joint ventures and associates of McKesson Corporation, San Francisco, USA		Joint ventures and associates of Celesio AG	
	2013	**2014**	2013	**2014**	2013	**2014**
	/	**0.0**	/	**0.0**	2.5	**2.3**
	/	**0.0**	/	**0.0**	0.0	**0.0**

As of February 2014, Franz Haniel & Cie. GmbH, Duisburg is no longer listed as a related party. The goods or services supplied and received until that date are as follows:

	Franz Haniel & Cie. GmbH, Duisburg		Subsidiaries of Franz Haniel & Cie. GmbH		Joint ventures and associates of Franz Haniel & Cie. GmbH	
EUR m	**31/12/2013**	**31/01/2014**	**31/12/2013**	**31/01/2014**	**31/12/2013**	**31/01/2014**
Receivables and loans	0.0	**0.0**	0.1	**0.1**	0.0	**0.0**
Liabilities	0.0	**0.0**	0.1	**0.0**	0.2	**0.0**
	01/01/2013 - 31/03/2013	**01/01/2014 - 31/01/2014**	**01/01/2013 - 31/03/2013**	**01/01/2014 - 31/01/2014**	**01/01/2013 - 31/03/2013**	**01/01/2014 - 31/01/2014**
Revenues	0.0	**0.0**	0.0	**0.0**	2.5	**0.1**
Expenses	0.0	**0.0**	0.1	**0.0**	0.0	**0.0**

Employees

At the end of the first quarter of 2014, Celesio employed 28,622 (31 March 2013: 28,653) employees (full-time equivalents).

Other disclosures in the notes

Other financial income contains changes in the market value of derivatives used to hedge financial liabilities, which were recognised through profit or loss. The changes in the market value of derivative currency hedge contracts resulted in Erträge amounting to EUR 0.3m (PY Aufwendungen EUR 0.9m). Other financial income also contains exchange gains amounting to EUR 5.5m (PY EUR 72.9m) and exchange losses of EUR 5.1m (PY EUR 73.4m). There were no impairment losses on loan receivables in the fiscal year or the prior year. In contrast, other financial income includes income from impaired loan receivables of EUR 0.2m (PY EUR 0.7m).

The net retained profit of Celesio AG amounted to EUR 82,356,815 in the 2013 fiscal year (PY EUR 53,523,005). The Management Board proposes distributing part of the net retained profit, EUR 51,030,000 (PY EUR 51,030,000), as a dividend and carry forward EUR 31,326,815 (PY EUR 2,493,005) to a new account. As a result of this proposal for the appropriation of profits, the dividend per share is EUR 0.30 (PY ordinary dividend of EUR 0.30).

There were no further issues requiring disclosure in the interim reporting period.

Events after the reporting period

Supplementary information on the bonds maturing in 2016 and 2017

On 12 February 2014, Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 4.00% bonds maturing on 18 October 2016 and their 4.50% bonds maturing on 26 April 2017.

In the event that, in addition to the change of control, a rating event should occur within 90 days of the change of control (as defined in the issue conditions of the bonds), the creditors of the bonds are entitled to request early repayment of their bonds as detailed in the issue conditions. If such a rating event should occur, Celesio Finance B.V. will publish a further notice within 21 days of expiry of the 90 day deadline triggered by the change of control.

Such a rating event is expected to have occurred by 12 May 2014. Both the bonds are nevertheless recognised as long-term debt.

Voting rights announcement

On 3 April, Magnetar Financial LLC, Evanston, Illinois, U.S.A. notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG), that its share of the voting rights in Celesio AG, Stuttgart, Germany, exceeded the threshold of 3% of voting rights on 27 March 2014 and amounted to 3.14% (that equates to 6,387,521 voting rights) on this date.

Announcement of the preliminary outcome of the voluntary takeover offer

On 7 April 2014, the McKesson Corporation announced the result of the voluntary takeover offer. At the end of the acceptance period, on 2 April 2014, 24:00 hours, the bidder held 152,331,805 Celesio shares; this equates to a stake of 74.97% of the share capital issued on the reporting date and of the voting rights in Celesio. These voting rights are attributable to Dragonfly Verwaltungs GmbH, Cougar I UK Limited, Cougar II UK Limited, Cougar III UK Limited, McKesson US Finance Corporation and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act.

McKesson International Holdings IV S.à.r.l., an entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, also held 972,040 Celesio shares on the reporting date; this equates to a stake of 0.48% of the share capital issued on the reporting date and the voting rights in Celesio. These voting rights are attributable to McKesson International Holdings, McKesson International Bermuda IP2A Limited and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act. McKesson International Holdings IV S.à.r.l. has accepted the takeover offer for the 972,040 Celesio shares held by it.

The takeover offer for a total of 1,567,026 Celesio shares was accepted up to the reporting date. This equates to a stake of 0.77% of the share capital issued on the reporting date and of the voting rights in Celesio.

The total number of the Celesio shares held by the bidder and entities acting jointly with it and their subsidiaries on the reporting date plus the Celesio shares for which the takeover offer has been accepted up to the reporting date, comes to 153,898,831 Celesio shares. This equates to a stake of 75.75% of the share capital issued on the reporting date and of the voting rights in Celesio.

Supplementary information on the convertible bonds maturing in 2014 and 2018

As a result of the conversion declarations of the two outstanding convertible bonds, 33,078,694 new shares were issued up to 31 March 2014 and the share capital of Celesio AG was increased accordingly by EUR 42,340,728.32 to EUR 260,068,728.32. The contingent capital was reduced accordingly. Cash compensation payments totalling EUR 31,666,152.98 were paid up to 10 April 2014 for conversion declarations relating to the convertible bond maturing on 7 April 2018, which could not be serviced with shares.

On 11 April 2014, Celesio Finance B.V. announced that it will make use of its right to cancel all outstanding securities of its 3.75% convertible bonds maturing on 29 October 2014 as well as all outstanding securities of its 2.50% convertible bonds maturing on 7 April 2018 pursuant to Section 5(c) of the respective issue conditions. The total nominal amount of the outstanding convertible bonds has fallen to less than 15% of the total nominal amount of the bonds which were originally issued. The date chosen for repayment of both convertible bonds is 12 May 2014. The convertible bonds were repaid on 12 May 2014 at their fixed nominal value (i.e. EUR 100,000 and EUR 50,000 each convertible bond) plus the interest accrued up to the end of the day preceding the day chosen for repayment (i.e. EUR 239.73 and EUR 1,001.71 each convertible bond).

Following the announcement of the notice of termination, several conversion declarations concerning the outstanding convertible bonds maturing in October 2014 and for the convertible bonds maturing on 7 April 2018 were received by Celesio AG up to 6 May 2014. The nominal volume of the convertible bonds registered for conversion amounts to EUR 2.4m. From this 42,238 new shares were issued and the share capital of Celesio AG increased by EUR 54,064.64 to EUR 260,122,792.96 (new total number of outstanding shares: 203,220,932). The contingent capital 2009 was reduced accordingly. In addition, cash compensation payments will be paid for conversion declarations relating to the convertible bond maturing on 7 April 2018, which could not be serviced with shares.

Announcement of the final outcome of the voluntary takeover offer

On 25 April 2014, the McKesson Corporation announced the result of the voluntary takeover offer. At the end of the additional acceptance period, on 22 April 2014, 24:00 hours (local time Frankfurt am Main) ("reporting date"), the bidder held 152,331,805 Celesio shares; this equates to a stake of 74.97% of the share capital issued on the reporting date and of the voting rights in Celesio. These voting rights are attributable to Dragonfly Verwaltungs GmbH, Cougar I UK Limited, Cougar II UK Limited, Cougar III UK Limited, McKesson US Finance Corporation and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act.

McKesson International Holdings IV S.à.r.l., an entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, also held 972,040 Celesio shares on the reporting date; this equates to a stake of 0.48% of the share capital issued on the reporting date and the voting rights in Celesio. These voting rights are attributable to McKesson International Holdings, McKesson International Bermuda IP2A Limited and McKesson Corporation, each entity acting jointly with the bidder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act, in accordance with Section 30 (1) Sentence 1 No. 1 of the German Securities Acquisition and Takeover Act. McKesson International Holdings IV S.à.r.l. has accepted the takeover offer for the 972,040 Celesio shares held by it.

The takeover offer for a total of 1,946,081 Celesio shares was accepted up to the reporting date. This equates to a stake of 0.96% of the share capital issued on the reporting date and of the voting rights in Celesio.

The total number of the Celesio shares held by the bidder and entities acting jointly with it and their subsidiaries on the reporting date plus the Celesio shares for which the takeover offer has been accepted up to the reporting date, comes to 154,277,886 Celesio shares, whereby shares that are subject to several of the issues mentioned above are only counted once. This equates to a stake of 75.93% of the share capital issued on the reporting date and of the voting rights in Celesio.

Judgment on the antitrust case – Slovenia

On 28 April 2014 the administrative court has delivered its judgment on the antitrust case against Kemofarmacija from 2010. The court upheld the decision of the antitrust authority regarding the violation of Slovenian antitrust law against our wholesale subsidiary. Kemofarmacija is checking the possibilities for the revision at the Supreme Court. The administrative proceedings regarding a fine could potentially be initiated by the authority. As regards the violation of European Antitrust Law the court has remanded the decision back to the competition authority. A new decision by the antitrust authority is expected within the next months. The outcome of the case can still not be reliably determined neither the amount nor the range of these actions. Consequently no provision was recognized for these risks.

Stuttgart, 7 May 2014

The Management Board

Financial calendar

Annual General Meeting 2014
15 July 2014

Half-year financial report as of 30 June 2014
31 July 2014

Quarterly financial report as of 30 September 2014
28 October 2014

(excerpt)

Subject to amendment. Other dates and updates can be found at celesio.com under investor relations/financial calendar.

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This quarterly financial report was published on 12 May 2014. It is produced in German and English and is available to download from the Internet at celesio.com, in the section entitled Investor Relations.
A printed version of the annual report can be ordered there.
The German version is legally binding.

This annual report was compiled with the help of the editorial system FIRE.sys.

Photography: Oliver Rossi / Corbis, Hero Images