Financial Statements Celesio AG 2013

Balance sheet as of 31 December 2013

ASSETS	Note	31/12/2012 EUR k	31/12/2013 EUR k
Fixed assets			
Intangible assets	1	22,182	20,291
Property, plant and equipment	2	3,847	3,674
Financial assets	3	1,726,947	2,033,886
		1,752,976	**2,057,851**
Current assets			
Receivables and other assets	4	1,327,472	1,586,088
Cash and cash equivalents	5	314,923	326,491
		1,642,395	**1,912,579**
Prepaid expenses	**6**	**15,531**	**12,881**
Total assets		**3,410,902**	**3,983,311**

EQUITY AND LIABILITIES	Note	31/12/2012 EUR k	31/12/2013 EUR k
Equity			
Issued capital	7	217,728	217,728
Capital reserves	7	1,131,981	1,131,981
Revenue reserves	7	393,484	393,484
Profit available for distribution	8	53,523	82,357
Contingent capital		(43,546)	(65,319)
		1,796,716	**1,825,550**
Provisions			
Provisions for pensions and similar obligations	9	28,836	31,960
Other provisions	10	50,632	55,894
		79,468	**87,854**
Liabilities	11	**1,534,612**	**2,069,868**
Deferred income		**106**	**39**
Total equity and liabilities		**3,410,902**	**3,983,311**

Income statement for the 2013 fiscal year

	Note	31/12/2012 EUR k	31/12/2013 EUR k
Investment result	15	127,413	152,209
Interest result	16	10,099	17,046
Own work capitalised		0	28
Other income	17	136,060	109,352
Personnel expenses	18	42,582	45,297
Amortisation of intangible assets and depreciation of property, plant and equipment		12,932	12,478
Other expenses	19	209,615	138,392
Earnings before tax		**8,443**	**82,468**
Income taxes	20	−1,653	2,604
Net profit for the year		**10,096**	**79,864**
Profit brought forward from the previous year		43,427	2,493
Transfer to other revenue reserves		0	0
Profit available for distribution		**53,523**	**82,357**

General disclosures

The financial statements as of 31 December 2013 of Celesio AG, Stuttgart, have been prepared in euro (EUR) in accordance with Sec. 242 et seq. and Sec. 264 et seq. Handelsgesetzbuch (HGB, German Commercial Code) as well as in accordance with the relevant provisions of the Aktiengesetz (AktG, German Stock Corporation Act). The Company is subject to the requirements for large corporations.

The group income statement has been prepared using the nature of expense method. The financial statements reflect the activities of a management holding. Main sources of income of Celesio AG include income from investments or from profit transfer agreements. The financing of the Group remains a focus of business activities. For this reason, the income statement is not classified in accordance with Sec. 275 HGB.

In order to improve the clarity of the financial statements, we have summarised individual balance sheet and income statement items and have disclosed and commented on them separately in these notes to the financial statements. For the same reason, we have also indicated in the notes whether individual items are related to other balance sheet items and “of which” captions.

Celesio AG’s financial statements and management report for the 2013 fiscal year are published in the Bundesanzeiger (German Federal Gazette). The managementreport of Celesio AG is combined with the managementreport of the group.

Accounting policies

The financial statements are prepared pursuant to the provisions of the German Commercial Code. The methods used to report and value assets and liabilities are disclosed in the notes to the individual balance sheet item.

Notes to the balance sheet

Analysis of fixed assets for 2013

	Intangible assets		Property, plant and equipment		Financial assets	Total
	Purchased concessions and industrial rights EUR k	Payments on account EUR k	Buildings on third-party land EUR k	Other equipment, furniture and fixtures EUR k	EUR k	EUR k
Accumulated historical cost 01/01/2013	**59,123**	**713**	**6,506**	**4,717**	**1,886,949**	**1,958,008**
Additions	7,807	2,062	117	644	311,280	321,910
Additions received from affiliates	0	0	0	0	0	0
Disposals	0	0	0	314	5,333	5,647
Disposals to affiliates	0	0	0	0	0	0
Reclassifications	714	−714	130	−130	0	0
Accumulated historical cost 31/12/2013	**67,644**	**2,061**	**6,753**	**4,917**	**2,192,896**	**2,274,271**
Accumulated historical cost 01/01/2013	**37,654**	**0**	**3,829**	**3,547**	**160,002**	**205,032**
Additions	11,760	0	282	437	21,001	33,480
Additions received from affiliates	0	0	0	0	0	0
Write-ups	0	0	0	0	21,993	21,993
Disposals	0	0	0	99	0	99
Disposals to affiliates	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Accumulated historical cost 31/12/2013	**49,414**	**0**	**4,111**	**3,885**	**159,010**	**216,420**
Net book value 31/12/2013	**18,230**	**2,061**	**2,642**	**1,032**	**2,033,886**	**2,057,851**
Net book value 31/12/2012	**21,469**	**713**	**2,677**	**1,170**	**1,726,947**	**1,752,976**

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

(1) Intangible assets

Purchased intangible assets are recognised at acquisition cost. They are amortised over a period of three to five years using the straight-line method. The additions mainly concern software licenses, including incidental acquisition costs for putting them into operation.

Exercising the option contained in Sec. 255 (2a) HGB, internally generated intangible assets are not recognised.

(2) Property, plant and equipment

Additions to property, plant and equipment are recognised at cost. Furniture and fixtures are subject to straight-line depreciation over a period of 3 to 20 years. Leasehold improvements are depreciated over the term of the lease. Land improvements are depreciated over a period of 4 to 33 years. Additions comprise leasehold improvements. Low-value assets with a net value of up to EUR 150 per item were fully written off and expensed in the year of acquisition with their immediate disposal being assumed. In the interest of simplification, fixed assets with a net value of more than EUR 150 but less than EUR 1,000 are summarised in a catch-all item in the commercial balance sheet in accordance with the requirement for an item to be set up annually for tax purposes. The total amount of the annual compound items is immaterial and subject to depreciation at a flat rate of 20% in the year of initial recognition and the following four years pursuant to the tax provisions. All other depreciation on additions to property, plant and equipment is charged pro rata tempores.

(3) Financial assets

	Shares in affiliates EUR k	Loans to affiliates EUR k	Shares in associates EUR k	Other loans EUR k	Securities classified as fixed assets EUR k	Total EUR k
Accumulated historical cost 01/01/2013	**1,800,745**	**18,450**	**65,516**	**0**	**2,238**	**1,886,949**
Additions	35	303,939	0	0	7,306	311,280
Disposals	0	5,333	0	0	0	5,333
Reclassifications	0	0	0	0	0	0
Accumulated historical cost 31/12/2013	**1,800,780**	**317,056**	**65,516**	**0**	**9,544**	**2,192,896**
Accumulated historical cost 01/01/2013	160,002	0	0	0	0	160,002
Additions	21,001	0	0	0	0	21,001
Write-ups	21,993	0	0	0	0	21,993
Disposals	0	0	0	0	0	0
Accumulated historical cost 31/12/2013	**159,010**	**0**	**0**	**0**	**0**	**159,010**
Net book value 31/12/2013	**1,641,770**	**317,056**	**65,516**	**0**	**9,544**	**2,033,886**
Net book value 31/12/2012	**1,640,743**	**18,450**	**65,516**	**0**	**2,238**	**1,726,947**

Financial assets are recognised at the lower of cost or fair value. For non-interest-bearing loans, historical cost is the present value. Interest-free or low-interest loans are discounted to their present value. Unwinding of the discount is presented under additions in the analysis of fixed assets. Interest-bearing loans are generally recognised at nominal value. Loans to affiliates increased in the 2013 fiscal year primarily due to an interest-bearing conditional loan of EUR 60,025k and a non-interest-bearing loan of EUR 198,931k issued to GEHE Pharma Handel GmbH, Stuttgart, as well as a loan of EUR 44,878k issued to Admenta France Sarl. Saint Quen, France.

(4) Receivables and other assets

	31/12/2012 EUR k	**31/12/2013 EUR k**
Receivables from affiliates	1,248,714	**1,560,773**
of which due in more than one year	0	**(0)**
Receivables from other investors and investees	18	**0**
of which due in more than one year	(0)	**(0)**
Other assets	78,740	**25,315**
of which due in more than one year	(1,802)	**(1,376)**
Total	**1,327,472**	**1,586,088**

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. Non-interest-bearing receivables due in more than one year are discounted. Receivables from affiliates include trade receivables of EUR 34,178k (previous year EUR 62,919k) as well as loans granted.
Receivables denominated in foreign currency are translated using the mean spot rate on closing date. If they have residual terms of more than one year, the realisation principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) are applied.

(5) Cash and cash equivalents

	31/12/2012 EUR k	31/12/2013 EUR k
Cash on hand	9	9
Cash at banks	314,914	326,482
Total	**314,923**	**326,491**

(6) Prepaid expenses

Prepaid expenses mainly reflect the deferred interest advantage of the convertible bonds and accrued IT services.

(7) Issued capital and reserves

Issued capital amounts to EUR 217,728k and is split as in the previous year into 170,100,000 ordinary shares (registered no par value shares).
By resolution of the annual general meeting of 17 May 2011, the Management Board is authorised to increase the share capital of the company on or before 16 May 2016 with the consent of the Supervisory Board by issuing new no-par registered shares in return for cash contributions or contributions in kind on one or more occasions by a maximum of EUR 65,318,400 (authorised capital 2011).
By resolution of the annual general meeting of 16 May 2012, the Management Board is authorised to increase the share capital of the company on or before 15 May 2017 with the consent of the Supervisory Board by issuing new no-par registered shares in return for cash contributions on one or more occasions by a maximum of EUR 43,545,600 (authorised capital 2012).
By resolution of the annual general meeting of 8 May 2009, the Management Board was authorised, with the consent of the Supervisory Board, to issue registered option bonds or convertible bonds (together: bonds) with a total nominal value of up to EUR 500m on or before 7 May 2014 and to grant the holders of option rights and the holders of convertible bond options and conversion rights, respectively, for registered shares in the company with a share in the share capital of the company of up to EUR 21,772,800 in accordance with the precise conditions of the registered option bonds or convertible bonds, and to exclude shareholders' subscription rights in certain cases. In accordance with Art. 3 No. 4 of the articles of association of Celesio AG, the share capital of Celesio AG is conditionally increased by up to EUR 21,772,800 (conditional capital 2009) and the Management Board is authorised, with the authorisation of the Supervisory Board, to define the further conditions of the conditional capital increase and its execution pursuant to the conditions of consent. The Management Board made partial use of this authorisation in issuing the convertible bond on 29 October 2009. To the extent that the authorisation had not been fully exercised, it was withdrawn by resolution of the annual general meeting on 6 May 2010.
By resolution of the annual general meeting of 6 May 2010, the Management Board is authorised, with the consent of the Supervisory Board, to issue registered option bonds and/or convertible bonds (together: bonds) on one or more occasions with a total nominal value of up to EUR 500m on or before 5 May 2015 and to grant the holders of registered option bonds and the holders of convertible bonds options and conversion rights, respectively, for registered shares in the company with a share in the share capital of the company of up to EUR 21,772,800 in accordance with the precise conditions of the options or convertible bonds, and to exclude shareholders' subscription rights in accordance with the resolution of the annual general meeting. In accordance with Art. 3 (5) of the articles of association, the share capital can be contingently increased by up to EUR 21,772,800, split into 17,010,000 no-par registered shares (contingent capital 2010). The Management Board made partial use of this authorisation in issuing the convertible bond on 7 April 2011. To the extent that the authorisation had not been fully exercised, it was withdrawn by resolution of the annual general meeting on 16 May 2013.
By resolution of the annual general meeting of 16 May 2013, the Management Board was authorised to increase the share capital to EUR 21,772,800 (contingent capital 2013).

The revenue reserves relate exclusively to other revenue reserves.

(8) Profit available for distribution

The profit available for distribution of Celesio AG amounts to EUR 82,357k (previous year EUR 53,523k) and comprises the net profit for the year of EUR 79,864k and the profit carryforward of EUR 2,493k.
The Management Board proposes distributing EUR 51,030k (previous year EUR 51,030k) of the profit available for distribution as a dividend for the 2013 fiscal year and carrying forward EUR 31,327k (previous year EUR 2,493k) to new account.
On the basis of this proposal for the appropriation of profits, the dividend for a no-par share will be EUR 0.30 (previous year an ordinary dividend of EUR 0.30).

(9) Provisions for pensions and early retirement obligations

Pension provisions have been calculated using the projected unit credit method and the 2005G mortality tables issued by Prof Dr Klaus Heubeck. Pursuant to the alternative treatment allowed by Sec. 253 (2) Sent. 2 HGB, the discount rate used in the calculation is based on the average market interest rate for instruments with a term of 15 years of 4.90%, as required by the regulation on discounting provisions issued on 18 November 2009. Expected salary increases were taken into account at 2.75%; expected pension increases at 1.90%. Employee turnover has been considered using assumptions that vary depending on the age, length of service and gender of the employees.

(10) Other provisions

	31/12/2012 EUR k	31/12/2013 EUR k
Tax provisions	8,104	7,684
Sundry other provisions	42,528	48,210
	50,632	**55,894**

Other provisions comprise tax provisions as well as sundry other provisions. Sundry other provisions are created to cover all contingent liabilities and anticipated losses from pending transactions as of the balance sheet date. These are measured on the basis of prudent commercial judgement at the amount considered necessary to settle the liability (i.e. including any future cost or price increases). Provisions with a residual term of more than one year were discounted.

Deferred taxes are calculated on the basis of the differences between the commercial financial statements and tax balance sheet of Celesio AG. In addition, the deferred taxes carried by the dependent companies in the consolidated tax group led by Celesio AG are also considered. A tax rate of 30.7% has been used to calculate deferred taxes. This rate includes corporate income tax, the solidarity surcharge and trade tax.

Deferred taxes result in particular from the prohibition of recognising provisions for potential losses from pending transactions in the tax balance sheet, the discounting of shareholder loans, and the measurement of provisions for pensions, phased retirement and long-service bonuses. Furthermore, there are also losses carried forward and interest carried forward.

Deferred tax liabilities originate primarily from the different measurement bases used by partnerships.

A decision was made not to recognise the surplus deferred tax assets remaining after deducting deferred tax liabilities within the consolidated tax group of Celesio AG in accordance with the alternative treatment allowed by Sec. 274 HGB.

Other provisions mainly comprise provisions for personnel-related expenses, provisions for outstanding invoices, remuneration of the Supervisory Board, costs of preparing the annual report, costs of preparing the financial statements as well as outstanding contributions, for provisions in connection with the divestments and provisions for severance payments.

(11) Liabilities

LIABILITIES	31/12/2012 Due in				31/12/2013 Due in			
	less than one year EUR k	more than one and less than five years EUR k	more than five years EUR k	Book value EUR k	less than one year EUR k	more than one and less than five years EUR k	more than five years EUR k	Book value EUR k
Bonds	0	27,500	0	27,500	0	117,500	0	117,500
Liabilities to banks	152	0	0	152	0	71,968	0	71,968
Trade payables	5,423	0	0	5,423	6,307	0	0	6,307
Liabilities to affiliates	721,496	418,921	356,585	1,497,002	1,516,420	350,000	0	1,866,420
Liabilities to other investors and investees	10	0	0	10	0	0	0	0
Other liabilities	4,463	62	0	4,525	7,590	83	0	7,673
of which taxes	(870)	(0)	(0)	(870)	(1,163)	(0)	(0)	(1,226)
of which for social security	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
	731,544	**446,483**	**356,585**	**1,534,612**	**1,530,317**	**539,551**	**0**	**2,069,868**

Liabilities to affiliates include liabilities of EUR 700,000k which can be converted into equity instruments (previous year EUR 700,000k). The liabilities to affiliates also include trade payables of EUR 67,571k (previous year EUR 282,832k). This item also contains loans granted by group companies.

Liabilities are measured at the settlement amount. Liabilities denominated in foreign currency are translated using the spot rate on closing date. If they had residual terms of more than one year, the realisation principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

(12) Contingent liabilities

CONTINGENT LIABILITIES	31/12/2012 EUR k	31/12/2013 EUR k
From guarantees, notes and cheque guarantees	2,506,769	2,160,284
of which to affiliates	(2,497,587)	(2,160,281)
Total	**2,506,769**	**2,160,284**

Most of the guarantee obligations have been entered into towards creditor banks (of which EUR 1,619,450k (previous year EUR 1,600,012k) for Celesio Finance B.V., Baarn, Netherlands).
The risk of a claim relating to the guarantee for affiliates' liabilities to banks is deemed to be low because of these subsidiaries' good net assets, financial position and results of operations.

(13) Other financial obligations and off-balance sheet transactions

In addition to the contingent liabilities, there are other financial obligations amounting to EUR 99,977k (previous year EUR 142,652k). These obligations relate to the following items:
Due to the outsourcing of all the group's IT infrastructure by virtue of an agreement concluded in February 2009 and effective 1 April 2009, the group has a financial obligation to pay service fees and future lease instalments expected to amount to EUR 89,435k (previous year EUR 129,315k) over a period ending 31 March 2016.
In addition, there are other financial obligations of EUR 1,112k (previous year EUR 1,483k) from data and voice communication service agreements. They have a remaining term of three years.
Other financial obligations relate to rental agreements and future lease payments for company cars and company equipment of EUR 1,748k (previous year EUR 1,205k) which expire within one to five years as well as the capital expenditure commitment of EUR 7,682k (previous year EUR 10,649k).
In addition to standardising the IT infrastructure within the group, the purpose of the above mentioned agreements is to improve the liquidity situation and secure a funding advantage.
We are not aware of any significant risks.

(14) Derivative financial instruments and hedge accounting

DERIVATIVE FINANCIAL INSTRUMENTS	Nominal volume 31/12/2012 EUR k	Nominal volume 31/12/2013 EUR k	Market value 31/12/2012 EUR k	Market value 31/12/2013 EUR k	Book value 31/12/2012 EUR k	Book value 31/12/2013 EUR k
Interest instruments	229,604	70,000	−8,957	−1,343	−1,184	0
Currency instruments	715,348	108,885	4,540	511	0	0
Currency instruments	230,764	702,650	−5,190	−8,850	0	0
Total	**1,175,716**	**881,535**	**−5,441**	**−9,682**	**−1,184**	**0**

The carrying amounts of derivative financial instruments are recognised in the balance sheet under liabilities at EUR 95k (previous year EUR 184k) and other provisions at EUR 0k (previous year EUR 1,000k).

The market values of derivative financial instruments are determined by reference to capital market data at the end of the reporting period and use of suitable valuation techniques such as the discounted cash flow method as well as other generally accepted option pricing models. If interest rates are needed for the valuation, the market interest rates for the respective residual term of the derivatives are taken. The derivative interest instruments are interest swaps. The derivative currency instruments exclusively comprise forward exchange contracts in pound sterling, Danish krone, Swedish krona, US dollar, Swiss franc, Polish zloty and Norwegian krone.

As regards assets, liabilities and forecast transactions, Celesio is exposed to risks resulting from changes in exchange rates and interest rates, among other things. Based on a risk appraisal, selected hedging instruments are used to limit these risks.

The use of derivatives is subject to uniform group guidelines set by the Management Board, compliance of which is monitored constantly. These include the functional segregation of trading, handling and posting and the authorisation of just a few qualified employees to enter into derivative financial instruments. We only enter into derivatives for hedging purposes and then only with banks with immaculate credit ratings.

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

For floating-rate financial instruments the interest rate is adjusted in line with respective market interest rates. However, there is a risk here that there may be a short-term fluctuation in interest rates leading to changes in the future interest payment (cash flow risk due to interest rates).
Interest swaps were used in the past fiscal year to hedge interest risks. An interest swap involves swapping the fixed or floating interest rate in the underlying transaction for a floating or fixed interest rate respectively for the entire term of the underlying instrument. The decision on whether to use derivative financial instruments is based on the projected interest rate risk and debt. The interest hedging strategy is reviewed at monthly intervals and new targets are defined. This involves securing interest rates for at least 50 % of the projected debt level.

Currency risks refer to the possible impairment of items in the statement of financial position and any forward transactions due to fluctuations in exchange rates.

The majority of the currency risks are a result of the development of the euro against pound sterling.

Currency risks are mainly secured by micro-hedges. This involves a direct hedge of the underlying transaction by means of a foreign exchange derivative, generally a currency swap. In addition, currency derivatives are used to hedge forecast transactions in foreign currency. This involves selecting the currency derivative (or a combination of several derivatives) which best reflects the likelihood of occurrence and timing of the forecast transaction.

Forward exchange contracts and currency swaps were used in the 2013 fiscal year to hedge against foreign exchange exposures.

When hedge accounting is applied in accordance with Sec. 254 HGB, the following accounting and valuation principles apply:

Economic hedging relationships are accounted for by designating hedges. If the positive and negative changes in the values of the underlying and the hedging instrument completely cancel each other out for the hedged risk during the period, they are offset and not recognised in either the underlying or the hedging instrument or in the income statement (compensatory approach). If the negative changes in value from the hedged risk outweigh the positive changes (an ineffective hedge), the difference is expensed as an unrealised loss in keeping with the imparity principle by recognising a provision for the hedge relationship.

The risk management strategy is formalised and documented at the beginning of a hedge relationship in terms of the hedged risk, the planned term of the hedge, the hedging instrument, the underlying transaction and the method used to measure the effectiveness of the hedge.

The following hedges were designated:

	Hedged item/ hedging instrument	Risk/type of hedge	Amount included	Volume	Amount of hedged risk	Term of the hedge
(1)	Group loan/ interest derivative	Interest risk/micro hedge	EUR –1,343k	EUR 70,000k	EUR –1,343k	6 – 9 months
(2)	Group loan/ currency derivative	Currency risk/micro hedge	EUR –7,750k	GBP 510,000k	EUR –7,750k	1 – 12 months
(3)	Group loan/ currency derivative	Currency risk/micro hedge	EUR 27k	DKK 279,573k	EUR 27k	3 months
(4)	Group loan/ currency derivative	Currency risk/micro hedge	EUR –496k	SEK 200,000k	EUR –496k	3 months

(1): According to the group's risk policy, risk exposures (in this case liabilities to banks subject to floating rates) are hedged immediately when they arise by entering into interest swaps for the same amount, in the same currency and on the same terms. Hedge effectiveness is measured using the critical term match method and calculating the amount of the ineffective portion of the hedge using the hypothetical derivative method. The diametrically opposed cash flows between the underlying and the hedging instrument will offset each other completely over the term of the hedge by the closing date. Generally, the underlyings have shorter terms than those stated in the above table because the interest swap is entered into for projected floating rate interest expenses in the current year and future accounting periods. As the amount and timing of this revenue can be reliably planned, anticipatory hedges were formed.

(2-4): According to the group's risk policy, risk exposures (in this case group loans in foreign currency) are hedged immediately when they arise by entering into currency swaps for the same amount and on the same terms. Hedge effectiveness is measured using the critical term match method both prospectively and retrospectively. The diametrically opposed cash flows between the underlying and the hedging instrument will offset each other completely over the term of the hedge by the closing date.

Notes to the income statement

(15) Investment result

	2012 EUR k	2013 EUR k
Income from profit transfer agreements	25,939	0
Income from investments	327,023	203,834
of which received from affiliates	(322,690)	(202,670)
Expenses from loss absorption	−256,250	−52,617
Write-ups of financial assets	61,200	21,993
Impairment of financial assets	−30,500	−21,001
Total	**127,412**	**152,209**

The write-ups of the financial assets relates to shares in an affiliate in Italy. The impairment of financial assets relates to shares held in affiliates in Ireland, Belgium and Slovenia.

(16) Interest result

	2012 EUR k	2013 EUR k
Income from long-term loans	2,248	1,504
of which received from affiliates	(2,248)	(1,504)
Other interest and similar income	69,546	95,070
of which received from affiliates	(64,587)	(93,925)
Interest and similar expenses	−61,695	−79,528
of which to affiliates	(−33,487)	(−54,391)
of which interest expense from discounting	(−1,425)	(−1,493)
Total	10,099	**17,046**

(17) Other income

	2012 EUR k	2013 EUR k
Group tax allocations	13,600	14,374
of which corporation income tax (incl. solidarity surcharge)	(7,019)	(7,419)
of which trade tax	(6,581)	(6,954)
Income from previous periods	0	16,370
Sundry income	122,460	78,608
of which exchange rate gains	(40,277)	(18,187)
Total	**136,060**	**109,352**

Income relating to other periods from previous periods mainly comprises intragroup income from cost allocations. Sundry income primarily stems from services for IT and business activities rendered for affiliates.

(18) Personnel expenses/employees

	2012 EUR k	2013 EUR k
Wages and salaries	38,111	40,244
Social security and pension cost	4,471	5,053
of which post-employment benefits	(1,693)	(2,010)
Total	42,582	45,297

The average headcount in the 2013 fiscal year was 302 (previous year 296). Wages and salaries include expenses incurred in connection with the settlement of contractual claims of members of the Management Board that left the company before the contractually agreed date.

(19) Other expenses

	2012 EUR k	2013 EUR k
Other taxes	104	684
Sundry expenses	209,511	137,708
of which losses from disposal of investments	(52,333)	(6,000)
of which exchange rate losses	(46,096)	(25,844)
Total	**209,615**	**138,392**

Sundry expenses mainly comprise IT expenses, exchange rate losses, losses from the disposal of investments, legal and consulting fees, costs for services rendered by affiliates, travel expenses, recruiting expenses, remuneration of the Supervisory Board, the cost of preparing financial statements and annual general meeting expenses as well as other rent and incidental costs.

(20) Income taxes

Income taxes for previous years		
Corporate income tax/trade tax	−1,653	2,604
Income taxes	**– 1,653**	**2,604**

Other taxes are reported under (19), Other expenses.

Other notes

Audit fees

The annual financial statements of Celesio AG, the German subsidiaries and the consolidated financial statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Ernst & Young Germany), Stuttgart. In accordance with Sec. 285 (1) No. 17 HGB, fees for the auditor have not been disclosed. The total fees of Ernst & Young Germany are disclosed in the consolidated financial statements of Celesio AG.

Exemption pursuant to Sec. 264 (3), Sec. 264a and Sec. 264b HGB

The following entities are exempted under Sec. 264 (3) HGB from the duty to publish their financial statements:

- ABG Apotheken-Beratungsgesellschaft mbH, Stuttgart
- Admenta Deutschland GmbH, Stuttgart
- DocMorris Kooperationen GmbH, Stuttgart
- GEHE Pharma Handel GmbH, Stuttgart
- Gesellschaft für Versorgungskonzepte in der Wundbehandlung GmbH, Stuttgart
- Inten GmbH, Stuttgart
- GEHE Informatik Services GmbH, Stuttgart
- Ancavion GmbH, Weiterstadt

- GEHE Immobilien GmbH & Co. KG (Stuttgart) is exempted from the duty to publish its financial statements pursuant to Secs. 264b, 264a HGB.

  Celesio AG is the general partner of GEHE Immobilien GmbH & Co. KG, Stuttgart.

Group relationships

Franz Haniel & Cie. GmbH, Duisburg, prepares consolidated financial statements containing Celesio AG and its subsidiaries. These consolidated financial statements are published in the electronic version of the German Federal Gazette.

Notices from shareholders

(Not translated)

Corporate governance

The Management Board and Supervisory Board last issued a declaration of compliance with the recommendations of the German Corporate Governance Codex pursuant to Sec. 161 Aktiengesetz (AktG, German Stock Corporation Act) in December 2013 and published this on their website at www.celesio.com.

Subsequent events

On 24 October 2013 Dragonfly GmbH & Co. KGaA (the Bidder), a wholly owned indirect subsidiary of McKesson Corp., San Francisco, USA (McKesson), in accordance with Sec. 10 (5) Sentence 2 WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": Securities Acquisition and Takeover Act], announced its decision to make a takeover bid pursuant to Sec. 10 (1) in conjunction with Sec. 29 (1) and Sec. 34 WpÜG to the shareholders of Celesio AG, Stuttgart, at a price of € 23.00 per share. The decision was published on 24 October 2013 in accordance with Sec. 10 (3) WpÜG.
Furthermore, the Bidder submitted public takeover bids to the holders of the bonds issued by Celesio and bid € 53,117.78 for every convertible bond that falls due in October 2014 (ISIN DE 000A1AN5K5) with a nominal value of € 50,000 and € 120,798.32 for every convertible bond that falls due in April 2018 (ISIN DE 000A1GPH50) with a nominal value of € 100,000.
Under a share purchase agreement concluded between McKesson and Franz Haniel & Cie. GmbH, Celesio's majority shareholder, McKesson undertook to acquire Haniel's investment in Celesio. This amounted to 50.01% of the shares of the company outstanding at this point in time. The Board of McKesson and the Supervisory Board of Haniel approved the share purchase agreement. Haniel's share purchase as well as the acquisition/takeover bid were subject to certain conditions, among which

approval from the regulatory authorities and a minimum acceptance threshold of 75% of Celesio shares on a diluted basis, i.e., taking into account in particular any convertible bonds of Celesio shares to be issued.
At the same time, McKesson and Celesio AG concluded a business combination agreement. With this agreement, McKesson and Celesio aimed to become one of the world's leading integrated pharmaceutical groups with a leading market position in the US and Europe.
On 9 January 2014 the Bidder announced the amendment to the share purchase agreement to McKesson and Franz Haniel & Cie. GmbH and increased the purchase price in the share purchase agreement from € 23.00 per Celesio share to € 23.50 per Celesio share. The takeover bids for the convertible bonds were adjusted accordingly.
In a statement published on 13 January 2014, McKesson gave notice that it had not reached the minimum acceptance threshold of 75% (on a diluted basis). As a result, the merger of McKesson and Celesio was not completed at that time.

On 23 January 2014 Franz Haniel & Cie. GmbH announced that it had held 75.99% of the shares in Celesio AG on 22 January 2014. Pursuant to § 11 (d) of the terms and conditions of the convertible bonds, a change of control had therefore occurred.

Also on 23 January 2014 McKesson announced that it would hold a share of approximately 75% on a diluted basis (after converting the Celesio convertible bonds into shares) through various share purchase agreements. Firstly, McKesson and the bidder agreed on 22 January 2014 on an adjustment to the share purchase agreement with Franz Haniel & Cie. GmbH with regard to the acquisition of 75.99 % (undiluted) of the shares. Secondly, McKesson concluded purchase agreements with the Elliott hedge fund group on the acquisition of 4,840 of the 7,000 convertible bonds due in October 2014 as well as on the acquisition of 2,180 of the 3,500 convertible bonds due in April 2018.
On 22 January 2014 McKesson, the Bidder and Celesio AG agreed to amend the Business Combination Agreement and gave Celesio AG their approval to reissue a voluntary takeover bid to the shareholders of Celesio AG prior to expiry of the statutory limit of 12 months set in Sec. 26 WpÜG.
Thereupon McKesson issued a public announcement pursuant to Sec. 10 (1) sentence 1WpÜG on 23 January 2014 with the approval of Celesio AG and the Federal Financial Supervisory Authority (BaFin) declaring their intention to reissue a voluntary takeover bid via the Bidder to the shareholders of Celesio AG for a price of € 23.50 per share. The new takeover bid is not to be subject to certain conditions.

On 28 January 2014 Celesio AG and Celesio Finance B.V. announced that a change of control pursuant to the terms and conditions of the convertible bonds of its 3.75% convertible bonds due in October 2014 as well as its 2.50% convertible bonds due in April 2018 had occurred.
The control record date pursuant to § 11 (d) of the terms and conditions of the convertible bonds is 10 March 2014.
The adjusted conversion price pursuant to § 11 (c) of the terms and conditions of the convertible bonds amounts to € 21.66 for the convertible bonds due in October 2014 (ISIN DE000A1AN5K5, WKN A1AN5K). The adjusted conversion price pursuant to § 11 (c) of the terms and conditions of the convertible bonds amounts to € 19.05 for the convertible bonds due in April 2018.
In the announcement, Celesio indicated that one or more further changes of control pursuant to the terms and conditions of the convertible bonds may occur until the control record date.

As a consequence of the change of control, holders of convertible bonds may either redeem their convertible bonds early or exercise their right of conversion on the basis of the adjusted conversion price.
In order to redeem the convertible bonds early, holders must give notice at least 10 days before 10 March 2014 pursuant to the terms and conditions and declare all or some of their convertible bonds due. In such case, the convertible bonds will be redeemed on 10 March 2014 at the principal amount plus interest accrued before 10 March 2014 to those holders who validly terminated their convertible bonds.
To, alternatively, exercise the conversion right on the basis of the adjusted conversion price, holders must, pursuant to the terms and conditions, of the convertible bonds deliver a conversion notice as well as the corresponding convertible bonds on or before 10 March 2014 to the principal conversion agent, BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt, Germany, via their respective custodian bank.
Upon the exercise of the conversion right, the settlement shares will be transferred as soon as practicable thereafter. Fractions of settlement shares will be compensatedin cash. The settlement shares will be delivered from conditional capital of Celesio AG. The conditional capital that Celesio AG has provided to settle the convertible bonds has a capacity of 17,010,000 shares. Insofar as Celesio AG is unable to issue shares from conditional capital, it will pay the holder a cash amount in euro in lieu of the delivery of settlement shares pursuant to the terms and conditions of the convertible bonds. Celesio AG will notify the holder who has delivered a conversion notice no later than on the second business day after the valid exercise of the conversion right whether and to what extent it will effect a cash payment.

On 31 January 2014 Celesio AG announced that the total number of voting rights as of the end of the month of January 2014 amounted to 181,543,569 voting rights. This rise resulted from the issue of 11,443,569 new shares due to exercising the conversion rights of the convertible bonds. The share capital of Celesio AG was increased by € 14,647,768.32 to € 232,375,768.32 accordingly. The conditional capital was reduced accordingly.

On 5 February 2014 McKesson Corporation, San Francisco, USA, informed us in accordance with Sec. 21 (1) WpHG ["Wertpapierhandelsgesetz": Securities Trading Act] that its voting share in Celesio AG, Stuttgart, Germany, exceeded the threshold of 3% and 5% of the voting rights on 3 February 2014 and amounted to 6.30% on that date (11,443,569 voting rights). According to the terms of Sec. 22 (1) Sentence 1 No. 1 WpHG, the voting rights are controlled by McKesson Corporation, San Francisco, USA, via the following affiliates which are controlled by McKesson Corporation, San Francisco, USA: Dragonfly GmbH & Co. KGaA, Dragonfly Verwaltungs GmbH, Cougar I UK Limited, Cougar II UK Limited, Cougar III UK Limited, McKesson US Finance Corporation.

On 6 February 2014, McKesson announced it now held more than 75% of Celesio shares, making it the new majority shareholder of Celesio.

On 7 February 2014 Franz Haniel & Cie. GmbH, Duisburg, Germany, informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, had on 6 February 2014 fallen short of the threshold of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).
On 7 February 2014 Paul E. Singer, USA, and his affiliates informed us in accordance with Sec. 25a (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, had on 6 February 2014 fallen short of the threshold of 30%, 25%, 20%, 15%, 10% and 5% of the voting rights and amounted to 0% on that date (0 voting rights).

On 11 February 2014 McKesson Corporation, San Francisco, U.S.A. informed us in accordance with Sec. 25 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, had on 6 February 2014 fallen short of the threshold of 75%, 50%, 30%, 25%, 20%, 15%, 10% and 5% of the voting rights and amounted to 0% on that date (0 voting rights) and based on voting right shares 77.59 % pursuant to Secs. 21, 22 WpHG (corresponding to 141,431,732 voting rights).

On 12 February 2014 McKesson Corporation, San Francisco, U.S.A. informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, had on 6 February 2014 passed the thresholds of 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights and amounted to 77.59 % on that date (141,431,732 voting rights).

77.59% of the voting rights (141,431,732 voting rights) are held by McKesson Corporation, San Francisco, USA, in accordance with Sec. 22 (1) Sentence 1 No. 1 WpHG via the following companies controlled by McKesson Corporation, San Francisco, USA: Dragonfly GmbH & Co. KGaA, Dragonfly Verwaltungs GmbH, Cougar I UK Limited, Cougar II UK Limited, Cougar III UK Limited, McKesson US Finance Corporation, McKesson International Holdings IV S.àr.l., McKesson International Holdings, McKesson International Bermuda IP2A Limited.

On 12 February 2014 Celesio Finance B.V. announced that a change of control had occurred pursuant to the terms and conditions of its 4% bonds due on 18 October 2016 as well as its 4.50% bonds due on 26 April 2017.
On 12 February 2014 Dragonfly GmbH & Co. KGaA (Dragonfly) announced that it had held 77.19 % of the shares in Celesio AG on 6 February 2014. Pursuant to § 7 (d) of the terms and conditions of the bonds, a change of control had therefore occurred.
Furthermore, in the event that a rating event (as defined in the terms and conditions of the bonds) occurs 90 days after the change of control, the creditors of the bonds are entitled to declare their bonds due ahead of schedule pursuant to the terms and conditions of the bonds. Should such a rating event occur, Celesio Finance B.V. will publish a further announcement within 21 days after expiration of the 90-day deadline triggered by the change of control.

On 12 February 2014 Celesio AG and Celesio Finance B.V. announced that a change of control pursuant to the terms and conditions of the convertible bonds of its 3.75% convertible bonds due in October 2014 as well as its 2.50% convertible bonds due in April 2018 had occurred.
The control record date pursuant to § 11 (d) of the terms and conditions of the convertible bonds is 24 March 2014.
With regard to the adjusted conversion price announced on 28 January 2014 (convertible bonds due in October 2014 (ISIN DE000A1AN5K5, WKN A1AN5K) € 21.66/convertible bond due in April 2018 € 19.05 €), there are no further adjustments to the conversion prices.

On 12 February 2014 Dragonfly GmbH & Co. KGaA (Dragonfly) announced that it had held 77.19 % of the shares in Celesio AG on 6 February 2014. Pursuant to § 11 (d) of the terms and conditions of the convertible bonds, a change of control had therefore occurred.
As a consequence of the change of control, holders of convertible bonds may either redeem their convertible bonds early or exercise their right of conversion on the basis of the adjusted conversion price.
In order to redeem the convertible bonds early, holders must give notice at least 10 days before 24 March 2014 pursuant to the terms and conditions and declare all or some of their convertible bonds due. In such case, the convertible bonds will be redeemed on 24 March 2014 at the principal amount plus interest accrued until but excluding 24 March 2014 to those holders who validly terminated their convertible bonds.
To, alternatively, exercise the conversion right on the basis of the adjusted conversion price, holders must, pursuant to the terms and conditions, of the convertible bonds deliver a conversion notice as well as the corresponding convertible bonds on or before 24 March 2014 to the principal conversion agent, BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt, Germany, via their respective custodian bank. A form for such a declaration can be obtained at BNP Paribas Securities Services S.C.A. via the creditors' respective custodian bank.

Upon the exercise of the conversion right, the settlement shares will be transferred as soon as practicable thereafter. Fractions of settlement shares will be compensated in cash. The settlement shares will be delivered from a conditional capital of Celesio AG. The conditional capital that Celesio AG has provided to settle the convertible bonds has a capacity of 17,010,000 shares. Insofar as Celesio AG is unable to issue shares from conditional capital, it will pay the holder a cash amount in euro in lieu of the delivery of settlement shares pursuant to the terms and conditions of the convertible bonds. Celesio AG will notify the holder who has delivered a conversion notice no later than on the second business day after the valid exercise of the conversion right whether and to what extent it will effect a cash payment.

Up to and including 17 February 2014 there were further conversions at Celesio AG.
This results in the issue of 24,097,833 new shares due to exercising the conversion rights of the convertible bonds. The share capital of Celesio AG was increased by € 30,845,226.24 to € 248,573,226.24 accordingly. The conditional capitals were reduced accordingly. The current outstanding nominal volume of the two convertible bonds therefore amounts to € 209.95m in total.

Remuneration report of Celesio AG

The remuneration report summarises the relevant principles used to determine the total remuneration of the members of Celesio AG's Management Board. It also explains the structure, composition and amount of the individual remuneration components and describes the principles and the amount of remuneration of the members of the Supervisory Board.
The remuneration report follows the recommendations of the German Corporate Governance Code and the requirements of German Accounting Standard 17, the Handelsgesetzbuch (HGB, German Commercial Code) and International Financial Reporting Standards (IFRSs). The notes to the consolidated financial statements contain disclosures pursuant to IAS 24.

Main features of the compensation structure of the Management Board

Management Board remuneration is determined in accordance with the provisions of the Aktiengesetz (AktG, German Stock Corporations Act) and the German Corporate Governance Code. Total remuneration of the members of the Management Board breaks down into performance-related and non-performance-related components. The compensation structure is conducive to the sustainable development of the company on account of the remuneration components with a long-term incentive that it contains. In determining the remuneration of members of the Management Board, we take into account the size and complexity of the Celesio Group, its economic and financial position and the amount and structure of remuneration of management boards of comparable companies, as well as the compensation structure otherwise in place at Celesio. We also consider the responsibilities and performance of each member of the Management Board. At the instigation of the General Committee, the Supervisory Board regularly reviews the structure and appropriateness of the remuneration system.
Contracts from members of the Management Board contain a special termination right in the event of a change of control. In the event that the special termination right is exercised, the company pays the member of the Management Board all remuneration outstanding until the intended end of the contractual period as a severance payment. In this case, the variable short and long-term remuneration not yet due is set at 100% and the proper observance of the employment contract until the end of the intended term is assumed. For the 2014 tranche of the long-term remuneration components, there is a special regulation in place in the event of Celesio AG being taken over by McKesson Corporation in that this change of control will not result in the tranche being paid out.
In the event of a takeover of Celesio AG by McKesson, Dr Marion Helmes and Stephan Borchert have undertaken to forgo their special termination right for a period of twelve months as of the change of control.

In connection with the acquisition of Celesio AG by McKesson Corporation, Franz Haniel & Cie. GmbH agreed, upon conclusion of the transaction, to pay Dr Marion Helmes and Stephan Borchert a transaction bonus to be determined by Franz Haniel & Cie. GmbH at its own discretion. This takes into account the additional work of these members of the Management Board incurred as a result of the transaction as well as the realisation of value for all Celesio shareholders associated with the transactions. This was acknowledged and approved by the Supervisory Board.

Non-performance-related remuneration components

The non-performance-related components consist of a fixed basic component, additional benefits and pension contributions. A portion of the fixed basic component is paid out each month. The additional benefits received by the Management Board mainly comprise the use of company cars, accident insurance, health insurance abroad, legal protection and D&O insurance. In accordance with Sec. 93 (2) Sentence 3 Aktiengesetz (AktG, German Stock Corporation Act), the deductible for D&O insurance is 10% of claims, but no more than one-and-a-half times the fixed annual salary. Members of the Management Board have to tax the fringe benefits from any private use of company cars.

Performance-related remuneration components

The performance-related components consist of a bonus and a rolling remuneration component. With effect as of 2012, 70% of the bonus is paid out annually, with the remaining 30% retained for a vesting period of around three years (share deferral). The long-term rolling remuneration component has taken the form of a performance share plan since 2012. If, in its best judgement, the Supervisory Board deems the extraordinary achievements or successes of a Management Board member to be worthy of special payments, including special remuneration, it is entitled to award these.

Short-term variable remuneration - bonus

The bonus is calculated based on a percentage share in the company's earnings. A standard bonus (in euro) is determined individually as a guide for each member of the Management Board.
The bonus is determined using EBIT (as reported) for all members of the Management Board. The maximum bonus is capped at twice the standard bonus.
The members will receive a cash payment for 70% of the bonus calculated for the 2013 fiscal year directly after the 2014 annual general meeting.
In accordance with the share referral arrangements in all management contracts, the remaining 30% of the bonus calculated for the 2013 fiscal year is retained for a vesting period that expires on the date of the annual general meeting in the third fiscal year following the reporting period. This portion will be converted into phantom shares in Celesio AG directly after the annual general meeting in May 2014. The number of phantom shares is calculated by dividing the 30% share of the bonus by an initial reference price. The Management Board participates in price gains and any dividends, but also bears the risk of losses from the conversion date. If Celesio AG decides to carry out any capital measures or restructuring that affect the value of shares issued, the Management Board members' phantom shares are treated in the same way as real shares. The amount paid out from the share deferral scheme is calculated on the scheduled date after approximately three years even if the member of the Management Board has left the company in the meantime. At the end of the three-year vesting period, the phantom shares are paid out in cash plus any dividends. The reference price used for conversion is based on the average closing rate of the last thirty trading days at the beginning and at the end of the vesting period. This share deferral scheme serves as a long-term incentive by strengthening commitment to sustainability and ownership. Applying the provisions of German Accounting Standard 17 and IFRS 2, the total expense arising from share-based payment transactions and the fair value of the deferred shares are to be disclosed as of the issue date. The disclosures below are based on expectations of meeting targets for the grant period and the number of phantom shares depending on these targets, as well as the share price on the date of issue of these share-based payments as of 1 January 2013.

2013	Fair value of the share deferral on the date of issue EUR k	Expected number of phantom shares from share deferral	Total share-based payment in the fiscal year EUR k
Dr Marion Helmes (Speaker since 04/07/2013)	331	24,871	372
Stephan Borchert	258	19,376	324
Martin Fisher (since 16/09/2013)	68	5,137	56
Markus Pinger (Chairman until 03/07/2013)	404	30,367	70
Total	**1,061**	**79,751**	**822**

2012	Fair value of the share deferral on the date of issue EUR k	Expected number of phantom shares from share deferral	Total share-based payment in the fiscal year EUR k
Markus Pinger (Chairman)	317	26,757	347
Stephan Borchert	195	16,493	212
Dr Marion Helmes	176	14,888	191
Wolfgang Mähr (until 30/09/2012)	222	18,740	0
Total	**910**	**76,878**	**750**

Long-term variable remuneration

Performance cash scheme

The performance cash scheme was first set up with effect as of 1 January 2008 for a period of three years (2008 tranche) and was followed by the 2009 tranche, the 2010 tranche and the 2011 tranche.

The performance cash scheme for the 2011 tranche is based equally on the increase in share price (average of the last 30 trading days at the end of the three-year period compared to the average of the last thirty trading days leading up to the beginning of the three-year period) and accumulated Celesio value added. The Celesio value added is a key performance indicator which serves our value-based corporate management. To obtain this indicator, the ratio of EBIT to capital employed is compared with the weighted average cost of capital. The amount payable is capped at three times the standard amount. This standard amount is defined as the amount due if the share price increases by 100 % plus the Celesio value-added accumulated over three years. Only the target of increasing the share price of the 2011 trance, which is to be paid out in 2014, was met.

Performance share plan

The Supervisory Board approved the change to the long-term remuneration component as of 1 January 2012 and passed a resolution to issue a new performance share plan for the period 2012 to 2014 (2012 tranche); this was followed by the 2013 tranche (for the years 2013 to 2015).

On 18 December 2013, the 2014 tranche was concluded for the years 2014 to 2016.

At the beginning of the three-year period of the performance share plan, Management Board members receive a fixed standard amount defined as guidance (in euro). This fixed standard amount is divided by the average Celesio share price of the last 30 trading days leading up to the beginning of the tranche plus a mark-up of 10% and converted into phantom shares. The performance share plan of the 2012 tranche, the 2013 tranche and the new 2014 tranche includes a performance target based on the average earnings per share (EPS) measured over a period of three years. If this performance target is reached, the target is considered to have been met in full (100%). If the performance target is exceeded by 150%, the maximum target achievement is deemed to be 200%, with the amount payable capped at three times the standard amount predefined as guidance. The long-term target is considered not to have been met if the performance target is missed by 20% or more. Each member of the Management Board is allocated a final number of phantom shares at the end of the term and in accordance with performance against targets.

The performance share plan is payable in cash provided that the targets are met. The amount of the cash payment depends on the standard amount set for each member of the Management Board, as well as fulfilment of the performance target, the price development of phantom shares and the dividend paid in the performance period.

The standard amount for the 2013 tranche was € 563k for Dr Marion Helmes, € 425k for Stephan Borchert and € 335k for Martin Fisher (as of 16 September 2013). A standard amount of € 700k applied for Markus Pinger.

2013	Fair value of performance share plan on the date of issue EUR k	Number of phantom shares on the date of issue	Total expense arising from share-based payments EUR k
Dr Marion Helmes (Speaker since 04/07/2013)	651	48.981	465
Stephan Borchert	492	37.018	501
Martin Fisher (since 16/09/2013)	97	7.298	39
Markus Pinger (Chairman until 03/07/2013)	810	60.943	232
Total 2013	**2.050**	**154.240**	**1.237**

2012	Fair value of performance share plan on the date of issue EUR k	Number of phantom shares on the date of issue	Total expense arising from share-based payments EUR k
Markus Pinger (Chairman)	600	46,058	298
Stephan Borchert	373	28,595	184
Dr Marion Helmes	335	25,716	166
Wolfgang Mähr (until 30/09/2012)	425	32,625	323
Total 2012	**1,733**	**132,994**	**971**

Total remuneration

The total remuneration of the Management Board came to € 6,954k in the 2013 fiscal year (previous year € 7,578k).

This breaks down into € 2,045k for the basic component (previous year € 2,643k including additional benefits), € 1,798k for the portion of bonuses payable immediately (single year variable component; previous year € 2,292k) and € 3,111k for the value of the 2013 tranche of the performance share plan and the value of retained bonuses on the date of issue (multiple-year variable component; previous year € 2,643k).

Total remuneration breaks down by member as follows:

NAME	Basic component EUR k	Single-year variable remuneration EUR k	Multiple-year variable remuneration EUR k			Additional benefits EUR k	Total EUR k
			Performance cash scheme value added	Total share-based payment	Total multiple-year variable remuneration		
Dr Marion Helmes (Speaker since 04/07/2013)	750	625	-	982	982	16	2,373
Stephan Borchert	600	487	-	750	750	16	1,853
Martin Fisher (since 16/09/2013)	200	130	-	165	165	6	501
Markus Pinger (Chairman until 03/07/2013)	450	556	-	1214	1214	7	2,227
Total 2013	**2,000**	**1,798**	**0**	**3,111**	**3,111**	**45**	**6,954**

NAME	Basic component EUR k	Single-year variable remuneration EUR k	Multiple-year variable remuneration EUR k			Additional benefits EUR k	Total EUR k
			Performance cash scheme value added	Total share-based payment	Total multiple-year variable remuneration		
Markus Pinger (Chairman)	934	800	-	917	917	21	2,672
Stephan Borchert	600	493	-	568	568	16	1,677
Dr Marion Helmes	600	445	-	511	511	13	1,569
Wolfgang Mähr (until 30/09/2012)	450	554	-	647	647	9	1,660
Total 2012	**2,584**	**2,292**	**-**	**2,643**	**2,643**	**59**	**7,578**

Post-employment expenses

2013 NAME	Service cost 2013 EUR k	Fair value (DBO) 31/12/2013 EUR k	Expense from pension obligations 2013 (HGB) EUR k	Fair value (HGB) 31/12/2013 EUR k
Dr Marion Helmes (Speaker 04/07/2013)	289	728	234	596
Stephan Borchert	280	666	218	528
Martin Fisher (since 16/09/2013)	99	99	87	87
Markus Pinger (Chairman until 03/07/2013)	124	1,357	104	1,138
Total 2013	**792**	**2,850**	**643**	**2,349**

2012 NAME	Service cost 2012 EUR k	Fair value (DBO) 31/12/2012 EUR k	Expense from pension obligations 2012 (HGB) EUR k	Fair value (HGB) 31/12/2012 EUR k
Markus Pinger (Chairman)	369	551	372	455
Stephan Borchert	225	384	228	295
Dr Marion Helmes	280	280	223	223
Wolfgang Mähr (until 30/09/2012)	227	-	172	-
Total 2012	**1,101**	**1,215**	**995**	**973**

Post-employment benefits

Management Board members benefit from a defined contribution plan. An amount of € 220k is added each year to the retirement accounts of Stephan Borchert and Martin Fisher (since 16 September 2013) and an amount of € 260k was added for Dr Marion Helmes in 2013. A payment of € 300k each year was agreed for Markus Pinger's retirement account. The contribution is determined by the Supervisory Board regardless of salary and adjusted as part of the regular remuneration review process. A contractual trust arrangement (CTA) is generally used to insure any claims not already insured against insolvency by Pensions-Sicherungs-Verein a.G., Cologne.

The contribution is made for the contractual term of the Management Board member. The company adds interest of 6% p.a. to the amount on the basic pension account at the beginning of each calendar year until the benefits can be claimed, plus the pro rata share for the final year until benefits can be claimed. Pensions can be claimed after leaving the company and from the age of 60 years. In the case of invalidity or death, the contributions that would have been payable until the age of 63 are credited to the pension account which is then paid out.

All new Management Board contracts or ones that were amended after 2012 provide for severance pay to be capped in accordance with the recommendations of the German Corporate Governance Code. Accordingly, any payments granted to a member of the Management Board upon premature termination of office without due cause are capped at the higher of the remuneration due from the remaining term of the service agreement or two years' annual remuneration. If there are any tranches outstanding from the performance cash scheme/performance share plan when a member of the Management Board leaves the company before the end of the performance period and the targets are met in full, these are settled on a pro rata basis using the standard amount.

Benefits to members of the Management Board that left the company in the reporting period

On 3 July 2013, Markus Pinger was dismissed from his position as member of the Management Board of Celesio AG with immediate effect and his appointment as chairman of the Management Board revoked. His current employment contract with the company ends on 14 August 2014.

Accordingly, Markus Pinger will receive payment of his fixed salary until his current employment contract has expired. The bonuses for 2013 and 2014 as well as claims from the performance cash plan are to be paid out in fixed amounts. Contributions to the pension account for 2013 and 2014 were also approved.
In connection with his exit from the Management Board, Markus Pinger receives the following benefits in 2013 and 2014 in accordance with the contractual arrangements for serving on the board:

2013	EUR k
Remuneration settlement	3,652
Other benefits	46
Contribution commitment to the pension account	413
Total	**4,111**

In 2012, benefits of € 3,979k were payable in connection with members of the Management Board that left the company.

Other notes

Former members of the Management Board and their surviving dependents received remuneration of € 4,440k in the reporting period (previous year € 4,308k). Celesio has set up pension provisions of € 17,354k (previous year € 15,249k) for this group of persons. In the 2013 fiscal year, no loans were granted to members of the Management Board, nor did the company enter into any contingent liabilities in favour of these persons.

Total remuneration and compensation structure of the Supervisory Board

The remuneration paid to the Supervisory Board is defined in Art. 5 of the articles of association of Celesio AG. In addition to reimbursement of their out-of-pocket expenses, the members of the Supervisory Board receive fixed remuneration of € 65,000 annually. These payments are net of VAT. The chairman receives twice the standard amount paid to the other members of the Supervisory Board and the deputy chairman receives one and a half times the standard amount. Each member of a committee – with the exception of the Arbitration Committee and the Nomination Committee – receives an additional payment of € 6,000 for each committee membership, with the chairman of a committee receiving € 12,000. The members of the Nomination Committee receive an additional payment of € 3,000 for each committee membership, with the chairman of the Nomination Committee receiving € 6,000. Committee members only receive the remuneration for committee work if the committee in question has convened at least once in the calendar year.

Furthermore, the members of the Supervisory Board receive an attendance fee of € 500 for each meeting of the Supervisory Board and its committee which they attend in person. Should several meetings be held on the same day, the attendance fee is only paid once. The attendance fee is paid for meetings that take place after changes to the articles of association have been entered in the commercial register.

The total remuneration of the Supervisory Board came to € 975.2k in 2013 (previous year € 512.8k).

Of this, € 893.7k (previous year € 67.5k) pertained to fixed remuneration for membership of the Supervisory Board. (The variable components pegged to dividend pay-outs for membership of the Supervisory Board came to € 421.2k) in the previous year.

The variable components pegged to dividend payouts for serving on committees came to € 54.5k (previous year € 25.0k) and the attendance fee to € 27.0k.

The table below shows the remuneration of each Supervisory Board member:

2013 NAME	Fixed component EUR k	Remuneration for committee work EUR k	Attendance fee EUR k	Total EUR k
Stephan Gemkow	130.0	12.0	2.5	144.5
Ihno Goldenstein (Deputy Chairman)	97.5	6.0	2.5	106.0
Klaus Borowicz	65.0	6.0	3.0	74.0
Prof Dr med. Julius Michael Curtius (until 16/05/2013)	27.1	0.0	0.0	27.1
Dr Hubertus Erlen	27.1	2.5	0.0	29.6
Dr Florian Funck	65.0	6.0	3.0	74.0
Dirk-Uwe Kerrmann (until 16/05/2013)	27.1	0.0	0.0	27.1
Jörg Lauenroth-Mago	65.0	0.0	2.0	67.0
Pauline Lindwall (since 16/05/2013)	43.3	0.0	1.0	44.3
Susan Naumann	65.0	0.0	2.0	67.0
Ulrich Neumeister	65.0	6.0	3.0	74.0
W. M. Henning Rehder	65.0	12.0	2.5	79.5
Patrick Schwarz-Schütte (since 16/05/2013)	43.3	4.0	2.0	49.3
Hanspeter Spek	65.0	0.0	1.5	66.5
Gabriele Katharina Stall (since 16/05/2013)	43.3	0.0	2.0	45.3
Total	**893.7**	**54.5**	**27.0**	**975.2**

2012 NAME	Fixed component EUR k	Remuneration for committee work EUR k	Attendance fee EUR k	Total EUR k
Stephan Gemkow (Chairman since 19/12/2012)	0.4	2.2	0.3	2.9
Prof Dr Jürgen Kluge (Chairman until 18/12/2012)	9.6	60.1	7.7	77.5
Ihno Goldenstein (Deputy Chairman)	7.5	46.8	2.9	56.3
Klaus Borowicz	5.0	31.2	2.0	38.2
Prof Dr med. Julius Michael Curtius	5.0	31.2	0.0	36.2
Dr Hubertus Erlen	5.0	31.2	4.0	40.2
Dr Florian Funck (since 16/05/2012)	3.1	19.6	1.3	24.0
Dirk-Uwe Kerrmann	5.0	31.2	0.0	36.2
Jörg Lauenroth-Mago	5.0	31.2	0.0	36.2
Susan Naumann	5.0	31.2	0.0	36.2
Ulrich Neumeister	5.0	31.2	2.0	38.2
W. M. Henning Rehder	5.0	31.2	3.3	39.5
Hanspeter Spek	5.0	31.2	0.0	36.2
Prof Dr Klaus Trützschler (until 16/05/2012)	1.9	11.7	1.5	15.0
Total	**67.5**	**421.2**	**25.0**	**512.8**

In the 2013 fiscal year, no loans were granted to members of the Supervisory Board, nor did the company enter into any contingent liabilities in favour of these persons.

Proposal of the Management Board for the appropriation of profits

The profit available for distribution of Celesio AG amounts to EUR 82,356,815 (previous year EUR 53,523,005).

The Management Board proposes distributing EUR 51,030,000 (previous year EUR 51,030,000) of the profit available for distribution as a dividend for the 2013 fiscal year and carrying forward EUR 31,326,815 to new account.

On the basis of this proposal for the appropriation of profits, the dividend for a no par share will be EUR 0.30 (previous year an ordinary dividend of EUR 0.30).

Stuttgart, 19 February 2014
The Management Board

Other appointments held by members of the Management Board in the 2013 fiscal year

	Membership in other supervisory boards and comparable bodies	Celesio shares	Related party transactions
Dr Marion Helmes Chief Financial Officer Speaker of the Management Board (since 04/07/2013)	• Brocacef Holding N.V., Member of the Supervisory Board • Fugro N.V., Member of the Supervisory Board • NXP Semiconductors N.V., member of the Supervisory Board (since 10 October 2013)	None	None
Markus Pinger Former Chairman of the Management Board (until 03/07/2013)	• GEHE Pharma Handel GmbH, Chairman of the Supervisory Board (until 17 July 2013)	None	None
Stephan Borchert Member of the Management Board	• GEHE Pharma Handel GmbH, Chairman of the Supervisory Board (from 18 July 2013) • Norsk Medisinaldepot AS, Member of the Supervisory Board • ONCO PROD DISTRIBUIDORA DE PRODUTOS HOSPITALARES E ONCOLÓGICOS S/A, Chairman of the Supervisory Board	2,000	None
Martin Fisher Member of the Management Board (since 16/09/2013)	None	None	None

Other appointments held by members of the Supervisory Board in the 2013 fiscal year

	Occupation	Membership in other supervisory boards and comparable bodies	Celesio shares	Related party transactions
Stephan Gemkow Chairman and member since 19 December 2012	Franz Haniel & Cie. GmbH, Chairman of the Management Board	• Amadeus IT Group S.A. (Madrid), Member of the Board of Directors (until 30 June 2013) • Amadeus IT Holding S.A. (Madrid), Member of the Board of Directors (until 30 June 2013) • Evonik Industries AG, Member of the Supervisory Board • JetBlue Airways Corp. (New York), Member of the Board of Directors • TAKKT AG, Member of the Supervisory Board (since 14 January 2013) and Chairman of the Supervisory Board (since 1 February 2013)	None	None
Ihno Goldenstein Deputy Chairman	Employee goods-in department, GEHE Pharma Handel GmbH Delmenhorst branch, Chairman of the European Works Council of Celesio AG, Chairman of the General Works Council of GEHE Pharma Handel GmbH	• None	800	None
Klaus Borowicz	Head of Hamburg branch of GEHE Pharma Handel GmbH, Head of the Northern branch of GEHE Pharma Handel GmbH	• None	77	None
Prof Dr med. Julius Michael Curtius (until 16/05/2013)	Cardiologist in private practice	• None	None	None
Dr Hubertus Erlen (until 16 May 2013)	Member of supervisory and advisory boards	• Schaeffler GmbH, Member of the Supervisory Board	None	None
Dr Florian Funck	Member of the Management Board, Franz Haniel & Cie. GmbH, Duisburg	• Metro AG, Member of the Supervisory Board • TAKKT AG, Member of the Supervisory Board	None	None
Dirk-Uwe Kerrmann (until 16/05/2013)	Commercial employee of GEHE Pharma Handel GmbH Head of inventory, Welterstadt branch of GEHE Pharma Handel GmbH Chairman of the Works Council of GEHE Pharma Handel GmbH	• None	2,508	None
Jörg Lauenroth-Mago	Trade Union Secretary responsible for the trade division in Saxony, Saxony-Anhalt and Thuringia, ver.di – Vereinte Dienstleistungsgewerkschaft	• GEHE Pharma Handel GmbH, Member of the Supervisory Board	1,000	None

	Occupation	Membership in other supervisory boards and comparable bodies	Celesio shares	Related party transactions
Pauline Lindwall (since 16/05/2013)	Category Director Coffee Southern Europe of Mondelez Europa, Zürich	• None	None	None
Susan Naumann	Head of the legal and accounting division in Hamburg, ver.di	• GEHE Pharma Handel GmbH, Member of the Supervisory Board	None	None
Ulrich Neumeister	Logistics employee of GEHE Pharma Handel GmbH, Stuttgart branch	• None	197	None
W.M. Henning Rehder	Former Member of the Management Board (CFO) of Siemens Enterprise Communications GmbH & Co. KG (SEN Group), Munich	• Karl Kühne KG, Chairman of the Administrative Board	None	None
Patrick Schwarz-Schütte (since 16/05/2013)	Managing Director of Black Horse Investments GmbH, Düsseldorf	• BFP Financial Planning GmbH, Member of the Advisory Board (until 31/12/2013) • Heinrich-Heine-Universität Düsseldorf, Deputy Chairman of the University Council / Chairman of the Finance Committee • Mediengruppe M. DuMont Schauberg GmbH & Co. KG, Member of the Supervisory Board (until 31/12/2013)	None	None

	Occupation	Membership in other supervisory boards and comparable bodies	Celesio share	Related party transactions
Hanspeter Spek	Former Member of the Management Board of Sanofi SA, Paris	• Hoechst GmbH, Chairman of the Supervisory Board • Sanofi-Aventis Deutschland GmbH, Chairman of the Supervisory Board • Sanofi-Aventis SpA, Italy, Member of the Administrative Board • Sanofi-Aventis Nichi-Iko K.K. (Japan), Chairman & Director • Sanofi-Aventis K.K. (Japan), Director • Sanofi SA (Sanofi AG), Switzerland, Member of the Administrative Board • Sanofi-Aventis (Suisse) SA, Switzerland, Member of the Administrative Board • sanofi-aventis Pharma Beijing co. Ltd. (China), Chairman & Director • sanofi (Hangzhou) Pharmaceuticals Co. Ltd. (China), Chairman & Director • Hangzhou Sanofi Minsheng Consumer Health Care Co. Ltd. (China), Vice Chairman & Director	None	None
Gabriele Katharina Stall (since 16/05/2013)	Assistant of the Branch Management of GEHE Pharma Handel GmbH, Troisdorf branch	• None	152	None

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, we confirm that the financial statements give a true and fair view of the assets position, financial position and results of operations of Celesio AG, Stuttgart, and the management report, which is combined with the management report of the group, gives a true and fair view of the business performance including the results of operations and the situation of Celesio AG, Stuttgart, and describes the main opportunities and risks relating to the future development of Celesio AG, Stuttgart.

Stuttgart, 19 February 2014
The Management Board

Dr. Marion Helmes
SPEAKER OF THE MANAGEMENT BOARD

Martin Fisher
MEMBER OF THE MANAGEMENT BOARD

Stephan Borchert
MEMBER OF THE MANAGEMENT BOARD

Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Celesio AG, Stuttgart, which has been combined with the group management report, for the fiscal year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Stuttgart, 24 February 2014
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Michael Marbler	Martin Matischiok
Certified Public Accountant	Certified Public Accountant