Financial Statements Celesio AG 2012

celesio

Balance sheet as of 31 December 2012

Assets	Note	31/12/2011 EUR k	**31/12/2012** EUR k
Fixed assets			
Intangible assets	1	28,820	22,182
Property, plant and equipment	2	4,346	3,847
Financial assets	3	1,799,203	1,726,947
		1,832,369	**1,752,976**
Current assets			
Receivables and other assets	4	1,120,930	1,327,472
Cash and cash equivalents	5	171,200	314,923
		1,292,130	**1,642,395**
Prepaid expenses	6	**20,921**	**15,531**
Total assets		**3,145,420**	**3,410,902**

Equity and liabilities	Note	31/12/2011 EUR k	**31/12/2012** EUR k
Equity			
Issued capital	7	217,728	217,728
Capital reserves	7	1,131,981	1,131,981
Revenue reserves	7	393,483	393,484
Profit available for distribution	8	85,952	53,523
Contingent capital		*(21,773)*	*(21,773)*
		1,829,144	**1,796,716**
Provisions			
Provisions for pensions and similar obligations	9	26,049	28,836
Other provisions	10	29,349	50,632
		55,398	**79,468**
Liabilities	11	**1,260,812**	**1,534,612**
Deferred income		**66**	**106**
Total equity and liabilities		**3,145,420**	**3,410,902**

Income statement for the 2012 fiscal year

	Note	2011 EUR k	**2012** EUR k
Investment result	15	244,933	127,413
Interest result	16	5,550	10,099
Own work capitalised		97	0
Other income	17	115,963	136,060
Personnel expenses	18	55,645	42,582
Amortisation of intangible assets and depreciation of property, plant and equipment		8,644	12,932
Other expenses	19	128,678	209,615
Earnings before tax		**173,576**	**8,443**
Extraordinary expenses	20	3,457	0
Income taxes	21	- 1,785	- 1,653
Net profit for the year		**171,904**	**10,096**
Profit brought forward from the previous year		0	43,427
Transfer to other revenue reserves		- 85,952	0
Profit available for distribution		**85,952**	**53,523**

Notes to the financial statements

General disclosures

The financial statements of Celesio AG, Stuttgart, as of 31 December 2012 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 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 2012 fiscal year are published in the Bundesanzeiger (German Federal Gazette). The management report of Celesio AG is combined with the management report 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 items.

Notes to the balance sheet

Analysis of fixed assets for 2012

	Intangible assets		Property, plant and equipment		Financial assets	**Total**
	Purchased concessions and industrial rights	Payments on account	Buildings on third-party land	Other equipment, furniture and fixtures		
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Accumulated historical cost 01/01/12	**44,308**	**10,064**	**6,506**	**4,570**	**1,989,905**	**2,055,353**
Additions	4,428	1,339	0	147	49,609	55,523
Reclassifications	10,690	- 10,690	0	0	- 30	- 30
Disposals	303	0	0	0	152,535	152,838
Accumulated historical cost 31/12/12	**59,123**	**713**	**6,506**	**4,717**	**1,886,949**	**1,958,008**
Accumulated amortisation, depreciation and write-downs 01/01/12	**25,552**	**0**	**3,565**	**3,165**	**190,702**	**222,984**
Additions	12,285	0	264	382	30,500	43,431
Write-ups	0	0	0	0	61,200	61,200
Disposals	183	0	0	0	0	183
Accumulated amortisation, depreciation and write-downs 31/12/12	**37,654**	**0**	**3,829**	**3,547**	**160,002**	**205,032**
Net book value 31/12/12	**21,469**	**713**	**2,677**	**1,170**	**1,726,947**	**1,752,976**
Net book value 31/12/11	18,756	10,064	2,941	1,405	1,799,203	1,832,369

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. Intangible assets are amortised using the straight-line method at rates of between 20% and 33% p.a. An extraordinary write-down of EUR 2,112k was recorded on software in the reporting year on account of a change in its estimated use. The additions mainly concern software licenses, including incidental acquisition costs for commissioning.

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 using rates of between 5 and 33%. Leasehold improvements are depreciated over the term of the lease. Land improvements are depreciated at rates of between 3 and 25%. 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 catch-all 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. Otherwise depreciation on additions to property, plant and equipment is charged *pro rata temporis*.

(3) Financial assets

	Shares in affiliates EUR k	Loans to affiliates EUR k	Investments EUR k	Other loans EUR k	Securities classified as fixed assets EUR k	**Total** EUR k
Accumulated historical cost 01/01/12	**1,858,547**	**63,124**	**65,516**	**450**	**2,268**	**1,989,905**
Additions	31,159	18,450	0	0	0	49,609
Reclassifications	0	0	0	0	- 30	- 30
Disposals	88,961	63,124	0	450	0	152,535
Accumulated historical cost 31/12/12	**1,800,745**	**18,450**	**65,516**	**0**	**2,238**	**1,886,949**
Accumulated amortisation, depreciation and write-downs 01/01/12	**190,702**	**0**	**0**	**0**	**0**	**190,702**
Additions	30,500	0	0	0	0	30,500
Write-ups	61,200	0	0	0	0	61,200
Disposals	0	0	0	0	0	0
Accumulated amortisation, depreciation and write-downs 31/12/12	**160,002**	**0**	**0**	**0**	**0**	**160,002**
Net book value 31/12/12	**1,640,743**	**18,450**	**65,516**	**0**	**2,238**	**1,726,947**
Net book value 31/12/11	1,667,845	63,124	65,616	450	2,268	1,799,203

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.

(4) Receivables and other assets

	31/12/2011 EUR k	**31/12/2012** EUR k
Receivables from affiliates	1,103,743	1,248,714
of which due in more than one year	(47,094)	(0)
Receivables from other investors and investees	58	18
of which due in more than one year	(0)	(0)
Other assets	17,129	78,740
of which due in more than one year	(2,043)	(1,802)
Total	**1,120,930**	**1,327,472**

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 62,919k (previous year EUR 62,108k).

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

	31/12/2011 EUR k	**31/12/2012** EUR k
Cash on hand	8	9
Bank balances	166,263	309,955
Share of plan assets in the pension provision allocable to cash and cash equivalents	4,929	4,959
Total	**171,200**	**314,923**

(6) Prepaid expenses

Prepaid expenses mainly reflect the accrued 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 is 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 consent of the Supervisory Board, to define the further conditions of the conditional capital increase and its execution pursuant to the conditions of authorisation. 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 is 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.

(8) Profit available for distribution

The profit available for distribution reported by Celesio AG amounts to EUR 53,523k (previous year EUR 85,952k) and comprises the net profit for the year of EUR 10,096k and the profit brought forward of EUR 43,427k.

The Management Board proposes distributing EUR 51,030k (previous year EUR 42,525k) of the profit available for distribution as a dividend for the 2012 fiscal year and carrying forward EUR 2,493k (previous year EUR 43,427k) 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 0.25).

(9) Provisions for pensions and early retirement obligations

Pension provisions have been calculated using the projected unit credit method and the 2005 G 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 5.05% or 5.07%, 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 churn has been considered using assumptions that vary depending on the age, length of service and gender of the employees.

(10) Other provisions

	31/12/2011 EUR k	**31/12/2012** EUR k
Tax provisions	6,583	8,104
Sundry other provisions	22,766	42,528
Total	**29,349**	**50,632**

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 judgment 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 valuation 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 valuation bases used by partnerships.

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

Other provisions mainly comprise provisions for personnel-related expenses, potential losses from interest swaps not designated as hedges, outstanding invoices, remuneration of the Supervisory Board, costs of preparing the annual report, costs of preparing the financial statements as well as outstanding contributions and provisions in connection with the sale of investments.

(11) Liabilities

The remaining terms of the liabilities are detailed in the schedule of liabilities.

Liabilities	31/12/2011 Due in				31/12/2012 Due in			
	less than one year	more than one and less than five years	more than five years	Book value	less than one year	more than one and less than five years	more than five years	**Book value**
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Bonds	0	0	0	0	0	27,500	0	27,500
Liabilities to banks	0	0	0	0	152	0	0	152
Trade payables	2,721	0	0	2,721	5,423	0	0	5,423
Liabilities to affiliates	489,770	403,856	356,568	1,250,194	721,496	418,921	356,585	1,497,002
Liabilities to other investors and investees	1,675	0	0	1,675	10	0	0	10
Other liabilities	6,107	115	0	6,222	4,463	62	0	4,525
of which taxes	(2,604)	(0)	(0)	(2,604)	(870)	(0)	(0)	(870)
of which for social security	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total	**500,273**	**403,971**	**356,568**	**1,260,812**	**731,544**	**446,483**	**356,585**	**1,534,612**

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 282,832k (previous year EUR 111,515k).

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	31/12/2011 EUR k	**31/12/2012** EUR k
From guarantees, notes and cheque guarantees	2,772,832	2,506,769
of which for affiliates	(2,772,829)	(2,497,587)
Total	**2,772,832**	**2,506,769**

Most of the guarantee obligations have been entered into towards creditor banks (of which EUR 1,600,012k (previous year EUR 2,006,964k) 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 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 129,315k (previous year EUR 99,898k) over a period ending 31 March 2016. The increase is primarily due to supplements to existing contracts. The amount of the obligation can change depending on the services availed of under the agreement.

In addition, there are other financial obligations of EUR 1,483k (previous year EUR 1,854k) from data and voice communication service agreements. They have a remaining term of four years.

Additional other financial obligations relate to rental agreements and future lease payments for company cars and company equipment, consulting and service agreements of EUR 1,205k (previous year EUR 1,922k) which expire within one to five years as well as capital expenditure commitments of EUR 10,649k (previous year EUR 2,739k).

In addition to harmonizing the IT infrastructure within the group, the purpose of the above contracts is to improve liquidity and secure more favourable financing.
No significant risks are discernible.

(14) Derivative financial instruments and hedge accounting

Derivative financial instruments	Nominal value		Market value		Book value	
	31/12/2011 EUR k	**31/12/2012 EUR k**	31/12/2011 EUR k	**31/12/2012 EUR k**	31/12/2011 EUR k	**31/12/2012 EUR k**
Interest instruments	327,831	229,604	- 14,424	- 8,957	- 1,182	- 1,184
Currency instruments	318,246	715,348	4,540	5,240	0	0
Currency instruments	449,896	230,764	- 5,190	- 1,724	0	0
Total	**1,095,973**	**1,175,716**	**- 15,074**	**- 5,441**	**- 1,182**	**- 1,184**

The book values of derivative financial instruments are recognised in the balance sheet under liabilities at EUR 184k (previous year EUR 182k) and other provisions at EUR 1,000k (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, currency swaps and currency options in pound sterling, Czech crown, Danish krone, Swedish krona, US dollar, Swiss franc, Polish zloty, Brazilian real and Norwegian krone.

As regards assets, liabilities and forecast transactions, Celesio is exposed - among other things - to risks resulting from changes in exchange rates and interest rates. 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 functional segregation of trading, handling and posting and the authorisation of a few qualified employees to enter into derivative financial instruments. All derivatives are entered exclusively for hedging purposes and are entered into only with banks with top 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 interest due (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 balance sheet items and any forward transactions due to fluctuations in exchange rates.

The majority of the foreign exchange risks are a result of the development of the euro against the pound sterling (GBP).

Foreign exchange exposures 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.

Foreign exchange options give the purchaser the right to exchange one currency for another at a fixed rate on a fixed date. Non-deliverable options are different from traditional instruments in that there is no physical settlement of the exchange currency on the maturity date. Rather, one party makes a net payment on the basis of how the exchange rate has developed. The Celesio Group usually uses these derivatives to hedge against the currency risk in countries with foreign exchange controls (such as Brazil).

In addition to forward exchange contract and currency swaps, non-deliverable forwards were used in the 2012 fiscal year to hedge against foreign exchange exposures. As of the reporting date there were only forward exchange contracts, currency swaps and non-deliverable foreign exchange options.

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 - 7,317k	EUR 140,000k	EUR - 6,317k	18 - 21 months
(2)	Interest derivative / interest derivative	Interest risk / micro hedge	EUR - 151k	DKK 120,000k	EUR - 151k	3 months
(3)	Interest derivative / interest derivative	Interest risk / micro hedge	EUR - 1,489k	GBP 60,000k	EUR - 1,489k	3 months
(4)	Currency derivative/ currency derivative	Currency risk / micro hedge	EUR 4,356k	GBP 360,000k	EUR 4,356k	1 - 6 months
(5)	Currency derivative/ currency derivative	Currency risk / micro hedge	EUR 20k	DKK 146,980k	EUR 20k	3 months
(6)	Currency derivative/ currency derivative	Currency risk / micro hedge	EUR - 1,445k	SEK 860,449k	EUR - 1,445k	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 the same term. 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.

(2-3): Celesio AG enters into interest hedges on behalf of its subsidiaries and passes these on to its subsidiaries on identical terms and conditions. In these cases there is a hedge relationship between the external and internal transactions with the cash flows completely offsetting each other by the closing date. 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.

(4-6): Celesio AG enters into currency hedges on behalf of its subsidiaries and passes these on to its subsidiaries on identical terms and conditions. In these cases there is a hedge relationship between the external and internal transactions with the cash flows completely offsetting each other by the closing date. The critical-term-match-method will be applied in future to measure the effectiveness of hedges, both prospectively and retrospectively.

Notes to the income statement

(15) Investment result

	2011 EUR k	**2012** EUR k
Income from profit transfer agreements	6,740	25,939
Income from investments	344,717	327,023
of which received from affiliates	(343,017)	(322,690)
Expenses from loss absorption	- 91,799	- 256,250
Write-ups of financial assets	0	61,200
Impairment of financial assets	- 14,725	- 30,500
Total	**244,933**	**127,412**

The write-ups of financial assets relates to shares in an affiliate in Ireland. The write-downs of financial assets consist primarily of an impairment recorded on shares in affiliates in Ireland, Slovenia, and Belgium (previous year shares in an affiliate in Belgium).

(16) Interest result

	2011 EUR k	**2012** EUR k
Income from long-term loans	2,409	2,248
of which received from affiliates	(2,409)	(2,248)
Other interest and similar income	59,208	69,546
of which received from affiliates	(56,728)	(64,587)
Interest and similar expenses	- 56,067	- 61,695
of which to affiliates	(- 34,241)	(- 33,487)
of which interest expense from unwinding the discount	(- 1,149)	(- 1,425)
Total	**5,550**	**10,099**

(17) Other income

	2011 EUR k	**2012** EUR k
Group tax allocations	6,361	13,600
of which corporate income tax (incl. solidarity surcharge)	(3,254)	(7,019)
of which trade tax	(3,107)	(6,581)
Income from previous periods	9,782	0
Sundry income	99,820	122,460
of which exchange rate gains	(34,380)	(40,277)
Total	**115,963**	**136,060**

Income from previous periods mainly comprises income from cost allocations. Sundry income primarily stems from IT and management services rendered for affiliates.

(18) Personnel expenses/employees

	2011 EUR k	**2012** EUR k
Wages and salaries	49,165	38,111
Social security and pension cost	6,480	4,471
of which post-employment benefits	(3,037)	(1,693)
Total	**55,645**	**42,582**

The average headcount in the 2012 fiscal year was 296 (previous year 312). Wages and salaries include expenses for restructuring measures and 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

	2011 EUR k	**2012** EUR k
Other taxes	35	104
Sundry expenses	128,643	209,511
of which losses from the disposal of investments	(0)	(52,333)
of which exchange rate losses	(34,302)	(46,096)
Total	**128,678**	**209,615**

Sundry expenses mainly comprise IT expenses, exchange rate losses, losses on 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) Extraordinary expenses

No extraordinary expenses were incurred in the current fiscal year (previous year EUR 3,457k). In the previous year, the extraordinary expenses originated from the revaluation of pension obligations pursuant to Art. 66 and Art. 67 (1) to (5) EGHGB.

(21) Income taxes

	2011 EUR k	**2012** EUR k
Income taxes		
Corporate income tax/trade tax for previous years	0	- 324
Income taxes for previous years		
Corporate income tax/trade tax for previous years	- 1,785	- 2,236
Tax expenses for previous years		
Corporate income tax/trade tax for previous years	0	907
Total	**- 1,785**	**- 1,653**

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

Other notes

Statutory audit

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 Secs. 264 (3), 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 International Retail GmbH, Stuttgart
DocMorris Kooperationen GmbH, Stuttgart
GEHE Pharma Handel GmbH, Stuttgart
CEGE Beteiligungsgesellschaft mbH, Stuttgart
Gesellschaft für Versorgungskonzepte in der Wundbehandlung GmbH, Stuttgart
Inten GmbH, Stuttgart
Rudolf Spiegel GmbH, Grafschaft-Gelsdorf

GEHE Immobilien GmbH & Co. KG, Stuttgart, GEHE Informatik Services GmbH & Co. KG, Stuttgart, and Ancavion GmbH & Co. KG, Weiterstadt, are exempted from the duty to publish their financial statements pursuant to Secs. 264a, 264b 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 Bundesanzeiger (German Federal Gazette).

Notices from shareholders

According to a notice dated 2 April 2002 issued pursuant to Sec. 41 (2) Sentence 1 Wertpapierhandelsgesetz (WpHG, Securities Trading Act) Franz Haniel & Cie. GmbH, Duisburg, held a total of 60% of the voting rights in Celesio on 1 April 2002. To the knowledge of Celesio AG, the shareholding of Franz Haniel & Cie. GmbH, Duisburg, came to 50.01% (previous year 54.6%) at the end of the reporting period.

On 10 February 2011, BlackRock, Inc., New York, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG exceeded the threshold of 3% on 4 February 2011 and amounted to 3.03% on that date (5,149,968 voting rights). These voting shares are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 3 March 2011, Baillie Gifford & Co, Edinburgh, Scotland informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG fell below the threshold of 3% on 1 March 2011 and amounted to 2.89% on that date (4,921,606 voting rights). Of the voting rights, 1.35% (2,300,921) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG and 1.54% (2,620,685 voting rights) are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

On 18 August 2011, BlackRock, Inc., New York, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG fell below the threshold of 3% on 15 August 2011 and amounted to 2.94% on that date (4,998,859 voting rights). These voting shares are allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 8 March 2012, Templeton Investment Counsel, LLC, Wilmington, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, fell below the threshold of 3% on 7 March 2012 and amounted to 2.9695% on that date (this corresponds to 5,051,067 voting rights).
This 2.9695% share in the voting rights (corresponding to 5,051,067 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 WpHG.

On 3 May 2012, BlackRock, Inc., New York, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, fell below the threshold of 3% on 27 April 2012 and amounted to 2.98% on that date (this corresponds to 5,076,997 voting rights). This 2.98% share in the voting rights (corresponding to 5,076,997 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 4 May 2012, BlackRock, Inc., New York, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, exceeded the threshold of 3% on 23 April 2012 and amounted to 3.004% on that date (this corresponds to 5,109,441 voting rights). This 3.004% share in the voting rights (corresponding to 5,109,441 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 26 October 2012, BlackRock Financial Management, Inc., New York, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, exceeded the threshold of 3% on 9 February 2011 and amounted to 3.003% on that date (this corresponds to 5,108,323 voting rights). This 3.003% share in the voting rights (corresponding to 5,108,323 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 26 October 2012, BlackRock Financial Management, Inc., New York, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, fell below the threshold of 3% on 11 August 2011 and amounted to 2.95% on that date (this corresponds to 5,020,652 voting rights). This 2.95% share in the voting rights (corresponding to 5,020,652 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 26 October 2012, BlackRock Holdco 2, Inc., Wilmington, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, exceeded the threshold of 3% on 9 February 2011 and amounted to 3.003% on that date (this corresponds to 5,108,323 voting rights). This 3.003% share in the voting rights (corresponding to 5,108,323 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

On 26 October 2012, BlackRock Holdco 2, Inc., Wilmington, USA informed us in accordance with Sec. 21 (1) WpHG that its voting share in Celesio AG, Stuttgart, Germany, fell below the threshold of 3% on 11 August 2011 and amounted to 2.95% on that date (this corresponds to 5,020,652 voting rights). This 2.95% share in the voting rights (corresponding to 5,020,652 voting rights) is allocable to it pursuant to Sec. 22 (1) Sentence 1 No. 6 and Sentence 2 WpHG.

Corporate governance

The Management Board and Supervisory Board last issued a declaration of compliance with the recommendations of the German Corporate Governance Code pursuant to Sec. 161 Aktiengesetz (AktG, German Stock Corporation Act) in December 2012 and published this on their website at www.celesio.com.

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. The remuneration report is part of the combined management report of the Celesio Group and Celesio AG.

Main features of the compensation structure of the Management Board

Management Board remuneration is determined in accordance with the provisions of the AktG the German Corporate Governance Code. The total remuneration of the members of the Management Board comprises both performance-related and non-performance-related components. The compensation structure is conducive to the sustainable development of the company on account of remuneration components with a long-term incentive. In determining the remuneration of members of the Management Board, we take into account the size and complexity of the company, its economic and financial position and the amount and structure of remuneration of executive 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.

Remuneration of each member of the Management Board depends on the compensation structure defined in the personal contract of each individual.

New contracts were concluded with all members of the Management Board with effect as of 1 January 2012 in order to comply with new legal and regulatory requirements. The original terms to expiry were retained. These adjustments reflect changes in the legal and regulatory environment resulting from the Gesetz zur Angemessenheit der Vorstandsvergütung (Vorstag, German Act on the Appropriateness of Executive Board Compensation) which promotes remuneration of executive boards that is conducive to sustainable and long-term corporate governance.

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 AktG, 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 rolling 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 EUR) is determined individually as a guide for each member of the Management Board. The bonus is determined using EBIT (earnings before interest and tax; adjusted for special effects, impairment losses on non-current assets and restructuring expenses in 2012) for all members of the Management Board. The maximum bonus is capped at twice the standard bonus.

The members will receive a cash payment of 70% of the bonus calculated for the 2012 fiscal year directly after the 2013 annual general meeting.

In accordance with the share deferral arrangements in all management contracts, the remaining 30% of the bonus calculated for the 2012 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 2013. 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 share deferral 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 2012.

2012

	Fair value of the share deferral on the date of issue EUR k	Expected number of phantom shares from share deferral EUR k	Total share-based payment in the fiscal year EUR k
Markus Pinger (CEO)	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**

2011

	Fair value of the share deferral on the date of issue EUR k	Expected number of phantom shares from share deferral EUR k	Total share-based payment in the fiscal year EUR k
Markus Pinger (CEO since 15/08/2011)	85	7,334	58
Wolfgang Mähr	42	4,246	35
Total	**127**	**11,580**	**93**

Long-term variable remuneration

Performance cash scheme
The former 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 30 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. The 2009 tranche, which would have been paid out in 2012, and 2010 tranche, which would have been paid out in 2013, will not be applicable for the active members of the Management Board. As a result, no payments were made to active members of the Management Board in connection with the performance cash scheme in the 2012 fiscal year.

Provisions of EUR 17k were set up in the 2012 fiscal year for the 2011 tranche for Markus Pinger and Stephan Borchert.

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).

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 EUR). 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 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 (150%), the maximum target achievement is 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 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 2012 tranche was EUR 600k for Markus Pinger, EUR 373k for Stephan Borchert and EUR 335k for Dr Marion Helmes. The standard amount for Wolfgang Mähr (until 30 September 2012) was EUR 425k.

2012

	Fair value of performance share plan on the date of issue	**Number of phantom shares on the date of issue**	**Total expense arising from share-based payments**
	EUR k		**EUR k**
Markus Pinger (CEO)	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**

2011

	Fair value of performance cash scheme on the date of issue EUR k	Total expense arising from share-based payments for the performance cash scheme EUR k
Markus Pinger (CEO since 15/08/2011)	12	4
Dr Fritz Oesterle (Chairman of the Management Board until 30/06/2011)	102	-
Stephan Borchert (since 01/08/2011)	17	4
Dr Christian Holzherr (until 30/11/2011)	51	-
Dr Michael Lonsert (until 31/12/2011)	125	-
Wolfgang Mähr	51	12
Total 2011	**358**	**20**
Total 2010	**235**	**82**

Total remuneration

The total remuneration of the Management Board came to EUR 7,578k in the 2012 fiscal year (previous year EUR 4,968k). This breaks down into EUR 2,643k for the basic component (previous year EUR 2,756k including additional benefits), EUR 2,292k for the portion of bonuses payable immediately (single year variable component; previous year EUR 1,727k) and EUR 2,643k for the value of the 2012 tranche of the performance share plan and the value of retained bonuses on the grant date (multiple-year variable component; previous year EUR 485k).

Total remuneration breaks down by member as follows:

2012

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 (CEO)	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**

2011

Name	Basic component EUR k	Single-year variable remuner-ation EUR k	Multiple-year variable remuneration EUR k					Additional benefits EUR k	Total EUR k
				Share-based payment					
			Perform-ance cash scheme value added	Performance cash scheme increase in share price	Share deferral	Total share-based payment	Total multiple-year variable remunera-tion		
Markus Pinger (CEO since 15/08/2011)	341	58	-	12	85	97	97	9	505
Dr Fritz Oesterle (Chairman of the Management Board until 30/06/2011)	371	-	-	102	-	102	102	12	485
Stephan Borchert (since 01/08/2011)	417	-	-	17	-	17	17	5	439
Dr Christian Holzherr (until 30/11/2011)	487	779	-	51	-	51	51	17	1,334
Dr Michael Lonsert (until 31/12/2011)	600	400	-	125	-	125	125	11	1,136
Wolfgang Mähr	474	490	-	51	42	93	93	12	1,069
Total 2011	**2,690**	**1,727**	**-**	**358**	**127**	**485**	**485**	**66**	**4,968**

Post-employment expenses

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 (CEO)	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**

2011

Name	Service cost 2011 EUR k	Fair value (DBO) 31/12/2011 EUR k	Expense from pension obligations 2011 (HGB) EUR k	Fair value (HGB) 31/12/2011 EUR k
Markus Pinger (CEO since 15/08/2011)	140	140	141	141
Dr Fritz Oesterle (Chairman of the Management Board until 30/06/2011)	135	-	132	-
Stephan Borchert (since 01/08/2011)	93	93	94	94
Dr Christian Holzherr (until 30/11/2011)	255	-	241	-
Dr Michael Lonsert (until 31/12/2011)	207	-	197	-
Wolfgang Mähr	217	2,698	209	2,707
Total 2011	**1,047**	**2,931**	**1,014**	**2,942**

Post-employment benefits

Management Board members benefit from a defined contribution plan. An amount of EUR 220k is added each year to the retirement accounts of Stephan Borchert, Wolfgang Mähr (until 30 September 2012) and Dr Marion Helmes. A payment of EUR 300k each year was agreed for Markus Pinger's retirement account. The contribution is determined by the Supervisory Board regardless of salary and adjusted in 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 period of office as 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.

The Management Board contracts amended in 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.

In the event of a change in control associated with significant disadvantages for the Management Board, the following applies: Management Board members can terminate their contracts giving three months' notice to the end of the month. In this case, the severance payment would be the total of all remuneration outstanding until the end of the contract, including the standard bonus and the fixed standard amount from the performance cash scheme/performance share plan, but capped at 150% of the ordinary severance pay cap.

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

Wolfgang Mähr prematurely left the Management Board of Celesio AG in the 2012 fiscal year. His contract ended on 30 September 2012. Wolfgang Mähr received the following benefits in connection with his exit from the Management Board and in accordance with the contractual arrangements for premature termination of office:

2012

	Wolfgang Mähr **EUR k**
Remuneration settlement	3,528
Other benefits	62
Contribution commitment to the pension account	389
Total	**3,979**

In 2011, benefits of EUR 16,867k were payable in connection with members of the Management Board that left the company in the reporting period.

Other notes

Former members of the Management Board and their surviving dependants received remuneration of EUR 4,308k in the reporting period (previous year EUR 17,245k). Celesio AG has set up pension provisions of EUR 15,249k (previous year EUR 12,898k) for this group of persons. In the 2012 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. The figures above include the benefits paid in connection with terminating Wolfgang Mähr's Management Board contract.

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 EUR 5,000 annually and an additional payment of EUR 800 for each half percentage point of dividends distributed to shareholders in the past fiscal year that is in excess of 4% of issued capital entitled to dividends, plus 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 committee founded to satisfy Sec. 27 (3) Mitbestimmungsgesetz (MitbestG, Codetermination Act) – receives EUR 2,000 for each committee membership, with the chairman of a committee receiving EUR 4,000.

The total remuneration of the Supervisory Board came to EUR 512.8k in 2012 (previous year EUR 491.1k). Of this, EUR 67.5k (previous year EUR 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 EUR 421.2k (previous year EUR 399.6k). The variable components for serving on committees came to EUR 24.0k (previous year EUR 24.0k). The table below shows the remuneration of each Supervisory Board member:

2012

Name	Fixed component EUR k	Variable component EUR k	Remuneration for committee work EUR k	Total EUR k
Stephan Gemkow (Chairman since 19/12/12)	0.4	2.2	0.3	2.9
Prof Dr Jürgen Kluge (Chairman until 18/12/12)	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 (until16/05/2012)	1.9	11.7	1.5	15.0
Total	**67.5**	**421.2**	**25.0**	**512.8**

2011

Name	Fixed component EUR k	Variable component EUR k	Remuner-ation for committee work EUR k	Total EUR k
Prof Dr Jürgen Kluge (Chairman)	10.0	59.2	8.0	77.2
Ihno Goldenstein (Deputy Chairman)	7.5	44.4	2.0	53.9
Klaus Borowicz	5.0	29.6	2.0	36.6
Prof Dr med. Julius Michael Curtius	5.0	29.6	0.0	34.6
Dr Hubertus Erlen	5.0	29.6	4.0	38.6
Dirk-Uwe Kerrmann	5.0	29.6	0.0	34.6
Jörg Lauenroth-Mago	5.0	29.6	0.0	34.6
Susan Naumann	5.0	29.6	0.0	34.6
Ulrich Neumeister	5.0	29.6	2.0	36.6
W. M. Henning Rehder	5.0	29.6	2.0	36.6
Hanspeter Spek	5.0	29.6	0.0	34.6
Prof Dr Klaus Trützschler	5.0	29.6	4.0	38.6
Total	**67.5**	**399.6**	**24.0**	**491.1**

In the 2012 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 from the Management Board for the appropriation of profits

The profit available for distribution of Celesio AG amounts to EUR 53,523,005 (previous year EUR 85,952,000).

The Management Board proposes distributing EUR 51,030,000 (previous year EUR 42,525,000) of the profit available for distribution as a dividend for the 2012 fiscal year and carrying forward EUR 2,493,005 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 0.25).

Stuttgart, 20 February 2013

The Management Board

Other appointments held by members of the Management Board in the 2012 fiscal year

	Membership in other Supervisory Boards and comparable bodies	Celesio shares	Related party transactions
Markus Pinger CEO	▪ GEHE Pharma Handel GmbH, Chairman of the Supervisory Board (since 1 July 2012)	None	None
Stephan Borchert	▪ Brocacef Holding N.V., member of the Supervisory Board (until 17 July 2012) ▪ MCM Medicines Holding S.A., Chairman of the Supervisory Board (since 1 September 2012) ▪ Norsk Medisinaldepot AS, member of the Supervisory Board (since 14 November 2012)	2,000	None
Dr. Marion Helmes	▪ Brocacef Holding N.V., member of the Supervisory Board (since 17 July 2012) ▪ Fugro N.V., member of the Supervisory Board	None	None
Wolfgang Mähr Member until 30 June 2012	▪ Herba Chemosan Apotheker-AG, Deputy Chairman of the Supervisory Board (until 30 June 2012) ▪ GEHE Pharma Handel GmbH, Chairman of the Supervisory Board (until 30 June 2012) ▪ OCP S.A., Chairman of the Supervisory Board (until 30 June 2012) ▪ MCM Medicines Holding S.A., member of the Supervisory Board (until 1 September 2012)	93	

Other appointments held by members of the Supervisory Board in the 2012 fiscal year

	Occupation	Membership in other supervisory boards and comparable bodies	Celesio shares	Related party transactions
Prof. Dr. Jürgen Kluge Chairman and Member until 18 December 2012	Business consultant Kluge & Partner, Düsseldorf Senior Advisor Bank of America Meryll Lynch	▪ TAKKT AG, Deputy Chairman of the Supervisory Board (until 7 September 2012) ▪ SMS GmbH, member of the Supervisory Board	None	None
Stephan Gemkow Chairman and Member since 19 December 2012	Franz Haniel & Cie. GmbH, Chairman of the Managing Board	▪ Amadeus IT Group S.A., Madrid, Member of the Board of Directors ▪ Amadeus IT Group S.A., Madrid, Member of the Board of Directors ▪ Evonik Industries AG, Member of the Supervisory Board ▪ JetBlue Airways Corp., New York, Member of the Board of Directors	None	None
Ihno Goldenstein Deputy Chairman	GEHE Pharma Handel GmbH, employee, goods-in department, Chairman of the General Works Council, Chairman of the European Works Council of Celesio AG	▪ None	800	None
Klaus Borowicz	GEHE Pharma Handel GmbH, Head of Hamburg branch Head of Region Nord	▪ None	77	None
Prof. Dr. med. Julius Michael Curtius	Cardiologist in private practice	▪ None	None	None
Dr. Hubertus Erlen	Member of supervisory and advisory boards	▪ Schaeffler GmbH, Member of the Supervisory Board	3,000	None
Dr. Florian Funck (Member since 16 May 2012)	Member of the Management Board of Franz Haniel & Cie. GmbH	▪ Metro AG, Member of the Supervisory Board ▪ SmartLoyalty AG, Member of the Supervisory Board (until 27 December 2012) ▪ TAKKT AG, Member of the Supervisory Board	None	None
Dirk-Uwe Kerrmann	GEHE Pharma Handel GmbH, Employee in the commercial department Chairman of the Works Council Head of inventory-taking	▪ None	2,008	None
Jörg Lauenroth-Mago	ver.di - Vereinte Dienstleistungs-gewerkschaft e.V. Trade Union Secretary responsible for the trade division in Saxony, Saxony-Anhalt and Thuringia	▪ 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
Susan Naumann	ver.di Vereinte Dienstleistungs-gewerkschaft e. V. Trade Union Secretary	▪ GEHE Pharma Handel GmbH, Member of the Supervisory Board	None	None
Ulrich Neumeister	GEHE Pharma Handel GmbH, logistics employee	▪ None	197	None
W.M. Henning Rehder	Karl Kühne KG, Chairman of the Works Council	▪ None	None	keine
Hanspeter Spek	Sanofi-Aventis S.A. Member of the Executive Committee	▪ Hoechst GmbH, Chairman of the Supervisory Board ▪ Sanofi-Aventis Deutschland GmbH, Chairman of the Supervisory Board ▪ Sanofi-Aventis SpA, Italy, Member of the Board of Directors ▪ Sanofi-Aventis Nichi-Iko K.K., Japan, Chairman & Director ▪ Sanofi-Aventis K.K., Japan, Director ▪ Sanofi SA (Sanofi AG), Switzerland, Member of the Board of Directors ▪ Sanofi-Aventis S.A. (Suisse), Switzerland, Member of the Board of Directors ▪ 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
Prof Dr Klaus Trützschler Member until 16 May 2012	Pensioner	▪ Bilfinger Berger AG, Member of the Supervisory Board ▪ Deutsche Bank AG, Member of the Supervisory Board (since 31 May 2012) ▪ TAKKT AG, Chairman of the Supervisory Board ▪ Wilh. Werhahn KG, Member of the Administrative Board ▪ Wuppermann AG, Chairman of the Supervisory Board ▪ Zwiesel Kristallglas AG, Chairman of the Supervisory Board	None	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 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, for the remaining months of the fiscal year.

Stuttgart, 20 February 2013

The Management Board

MARKUS PINGER
CHAIRMAN OF THE MANAGEMENT BOARD

DR MARION HELMES
CHIEF FINANCIAL DIRECTOR

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 2012. 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, 22 February 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Norbert Pfitzer	Martin Matischiok
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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