
Annual General Meeting 2013

Stuttgart, 16 May 2013

celesio

Annual Report 2012



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Guiding principles

Vision and Mission

VISION

...we want to make our contribution to a healthier world...

MISSION

...we want to make a contribution to more quality of life and joy...

Strategy

The five pillars supporting our realignment

- 1 Focus on core business
- 2 European Pharmacy Network
- 3 Regional expansion
- 4 Review of Manufacturer Solutions
- 5 Operational Excellence Programme

Roadmap

Three-step approach to profitable growth

2014

Growth

- Building up Lloyds pharmacy network
- Implementation of an integrated E-2-E business model
- Regional expansion possible

2013

Realignment

- Pilot phase of the new pharmacy concept
- Pilot phase of the End-to-End supply chain (E-2-E)
- Continuation of the Operational Excellence Programme

2012

Stabilisation

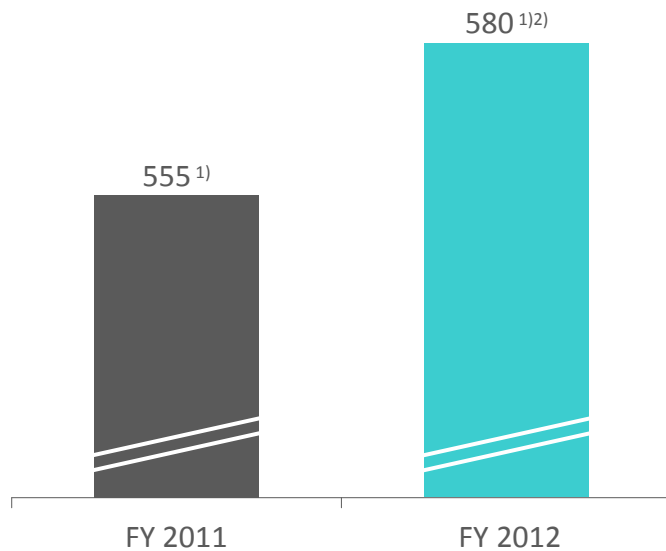
- Stabilising the results of continued activities
- Implementation of the Operational Excellence Programme (OEP)
- Sales process relating to non-core assets
- New organisational structure

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Earnings stabilised

Target exceeded

Adjusted EBITDA (EUR m)



- Adjusted previous year's results exceeded
- Strict implementation of the Operational Excellence Programme
- Negative effects from austerity measures overcompensated

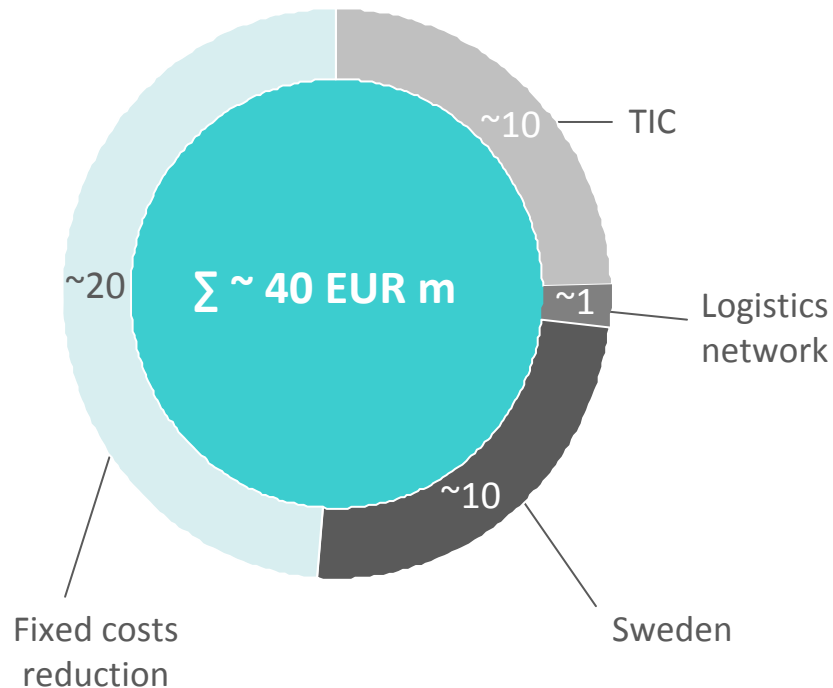
1) Adjusted for non-recurring expenses and income from the Operational Excellence Program (including tax effect).

2) Adjusted for special effects from revaluations pursuant to IFRS 5 as well as deconsolidation effects (including tax effect).

Operational Excellence Programme

Ahead of schedule – additional savings expected

Savings FY 2012 (EUR m)



TIC (top-in-class procurement)

- Purchasing benefits mainly from generics
- First agreements with suppliers negotiated

Logistics network

- Optimisation of transport costs
- Closing of two branches

Sweden

- Pharmacy portfolio optimisation

Fixed cost reduction

- Reduction of administrative costs

Focusing

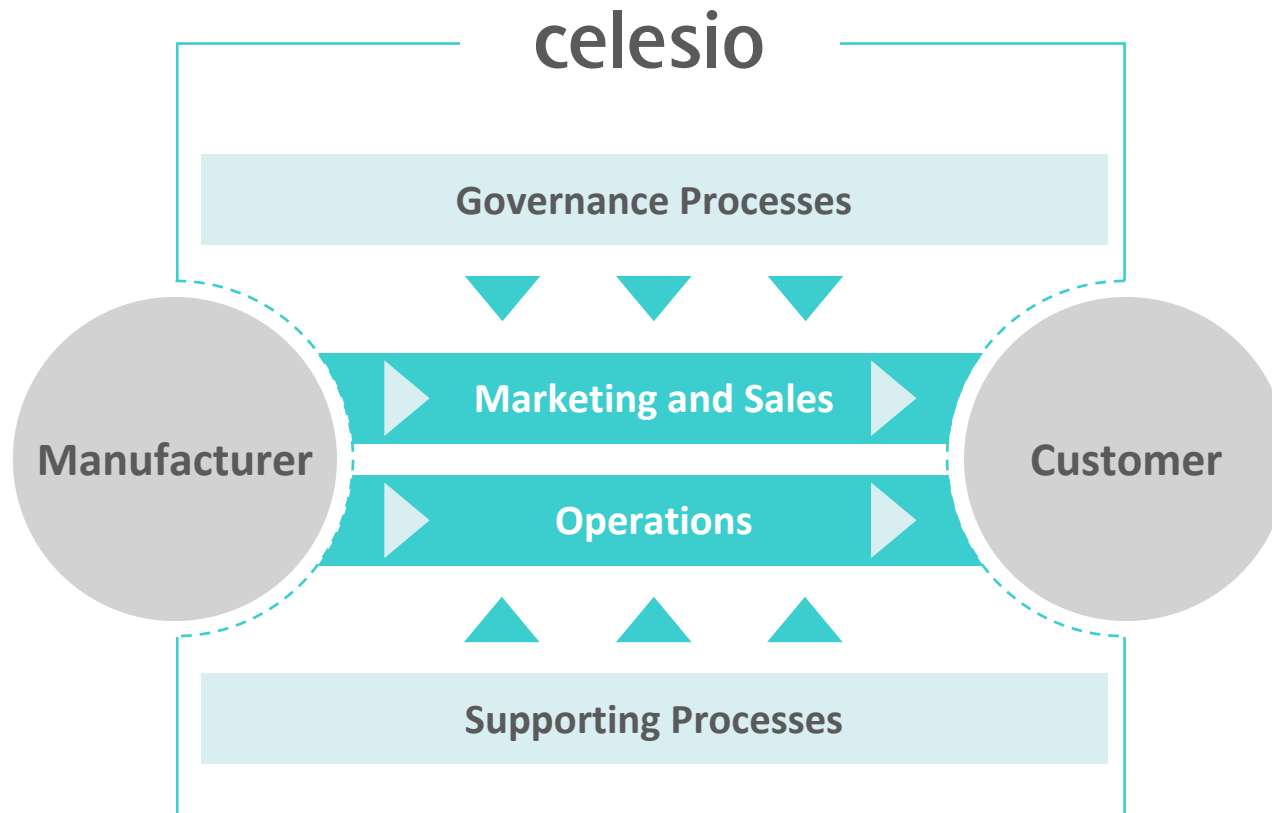
Divestments successfully completed

- **Movianto**
Sold to Owens & Minor, purchase price EUR 130m
- **Pharmexx**
Sold to United Drug, purchase price EUR 35m
- **Czech retail and wholesale**
Sold to Penta Investments, purchase price EUR 85m
- **DocMorris mail-order pharmacy**
Sold to Zur Rose AG, purchase price EUR 25m
- **Wholesale in Ireland (including Movianto Ireland)**
Closing with Uniphar in 1HY 2013, purchase price EUR 50m



Reorganisation of the group

Supports End-to-End integration of value chain



Pharmacy concept

Four pilot pharmacies in the UK and Italy

Health and Medical – Bromsgrove



- Attached to or directly next to major GP practice
- Very high Rx (< 50 sqm)

Health and Community – Mailand und Bologna



- In residential areas with a wide range of health-related services
- High Rx (50 – 100 sqm)

Health and Beauty – Bicester



- High street/shopping centre with highly competitive environment
- Medium Rx (> 100 sqm)

Stabilisation

Targets achieved and exceeded

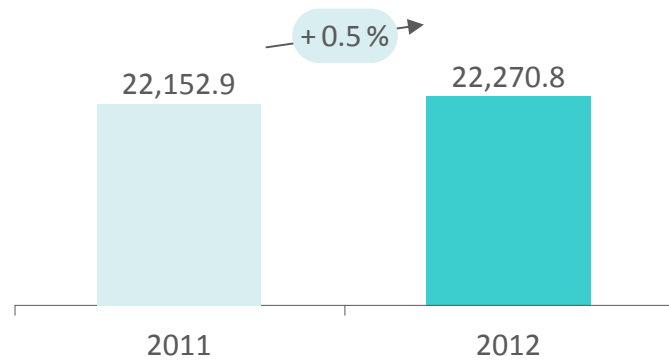
- Earnings stabilised and increased – EBITDA + 9.5 %, adjusted EBITDA + 4.5 %
- OEP successfully implemented; first savings already in 2012
- Non-core assets sold
- Takeover of remaining stake in Panpharma
- Launch of first EPN pilot stores in the Lloyds pharmacy network



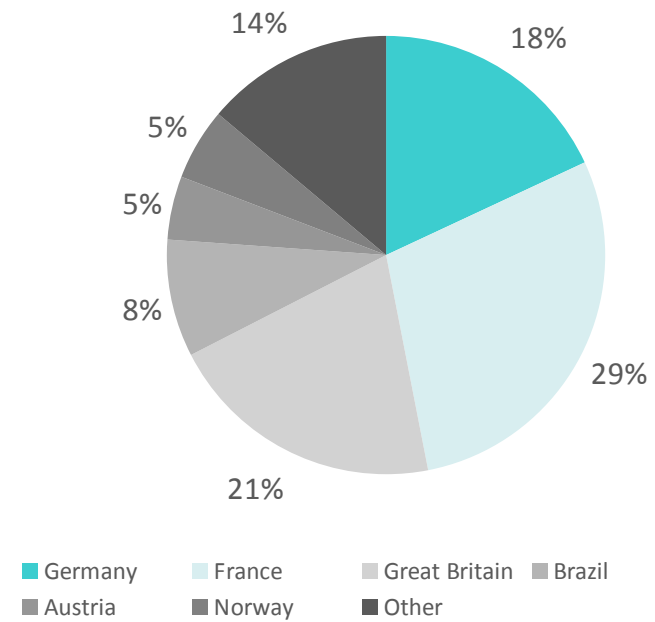
2012 Key financials

Revenue

Revenue (EUR m)



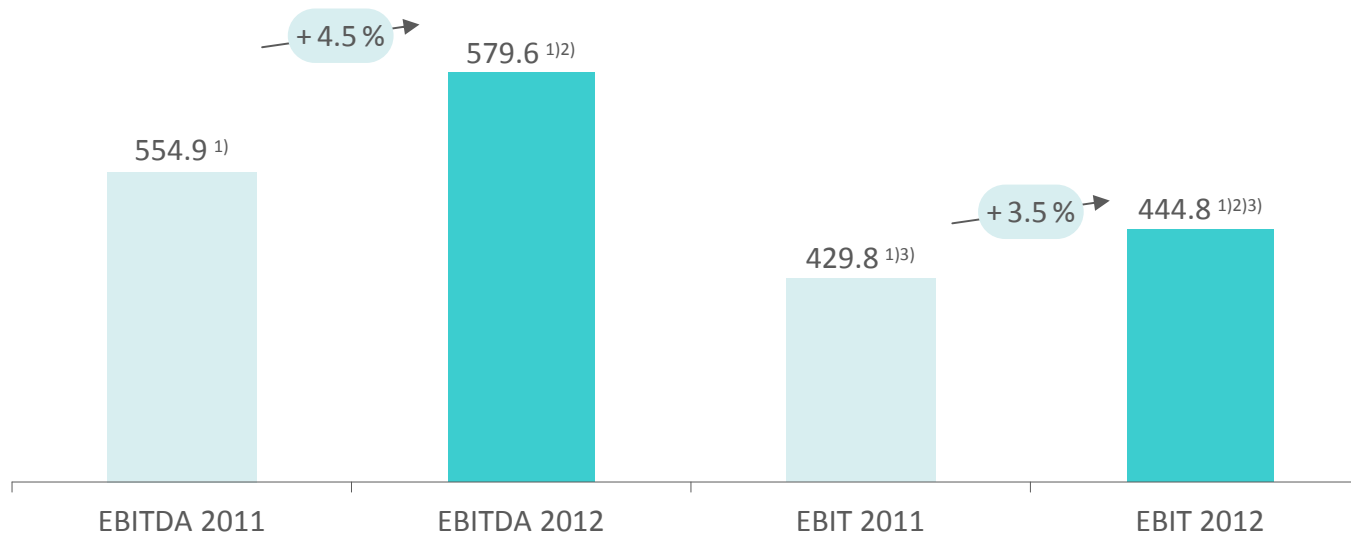
Revenue by region



2012 Key financials

Operating profit

Adjusted EBITDA/EBIT (EUR m)



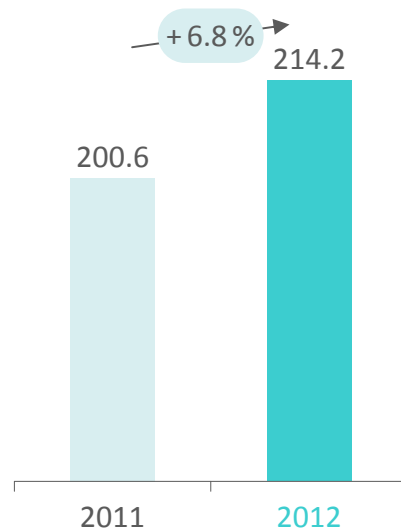
- 1) Adjusted for non-recurring expenses and income from the Operational Excellence Program
- 2) Adjusted for special effects from revaluations pursuant to IFRS 5 as well as deconsolidation effects
- 3) Adjusted for impairment losses recognised on non-current assets

2012 Key financials

At a glance

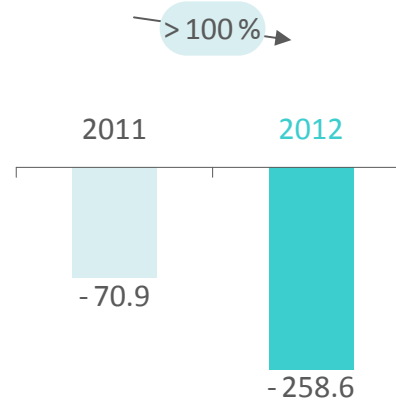
Profit (EUR m, adjusted) ¹⁾²⁾³⁾⁴⁾

Continuing operations



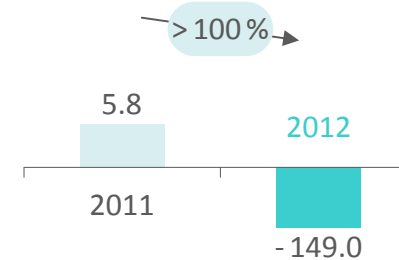
Profit (EUR m, adjusted)

Discontinued operations



Net profit (EUR m)

Continued and discontinued activities

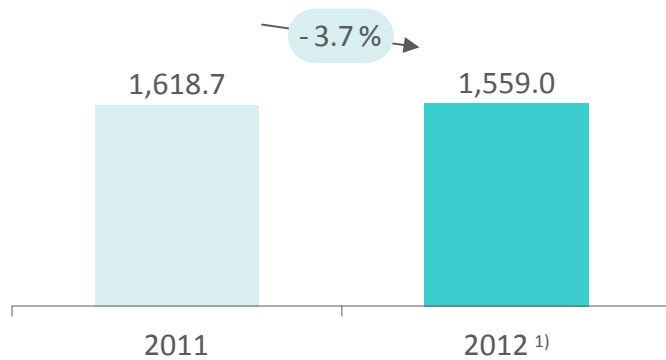


- 1) Adjusted for non-recurring expenses and income from the Operational Excellence Program (including tax effect)
- 2) Adjusted for special effects from revaluations pursuant to IFRS 5 as well as deconsolidation effects (including tax effect)
- 3) Adjusted for impairment losses recognised on non-current assets (including tax effect)
- 4) Adjusted for special effects in the financial result (including tax effect)

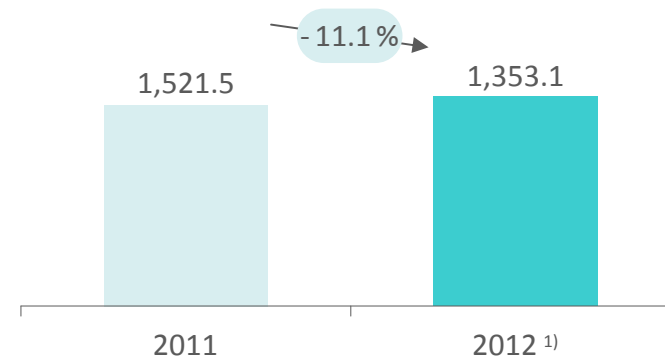
Key financials

Maintaining solid ratios

Net financial debt (EUR m)



Net working capital (EUR m)

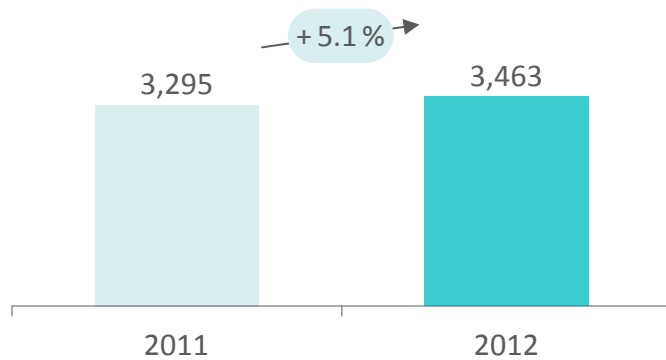


1) P&L-KPIs for continued operations only and excl. investment result; including IAS 19 pensions' effect

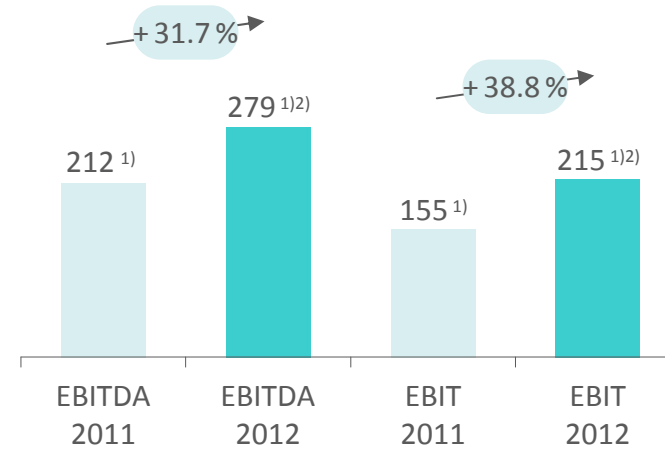
Consumer Solutions

Strong pharmacy business performance

Revenue (EUR m)



Adjusted EBITDA/EBIT (EUR m)



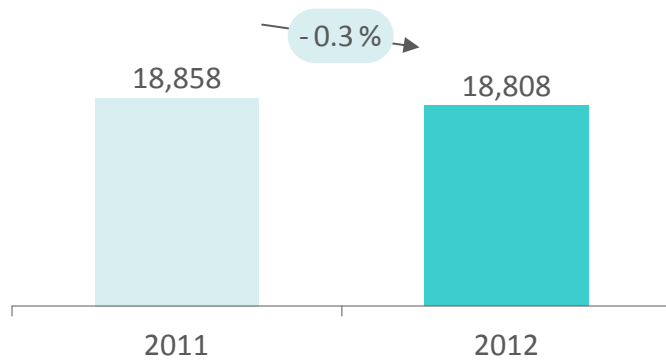
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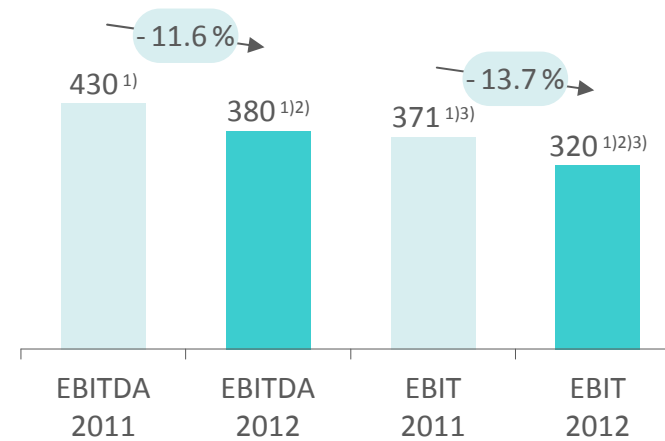
Pharmacy Solutions

Weak wholesale development

Revenue (EUR m)



Adjusted EBITDA/EBIT (EUR m)

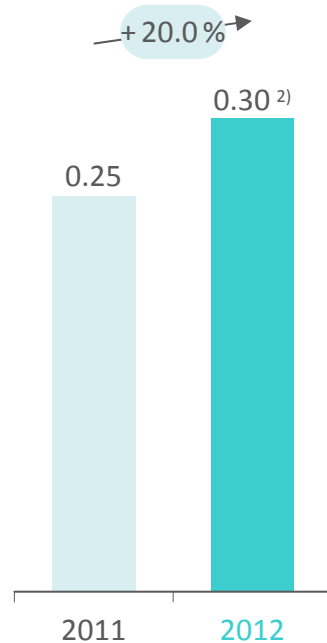


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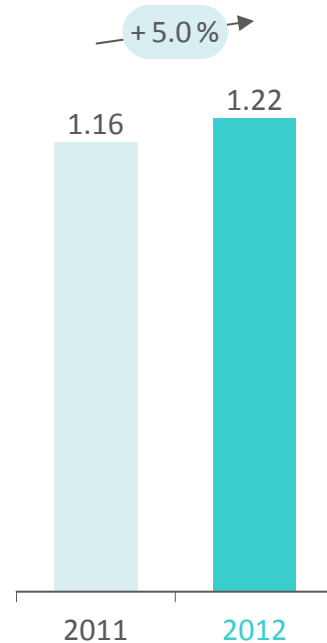
Dividend and Earnings per share

Continuing to deliver

Dividend (EUR)



EPS¹⁾ (EUR)



Dividend

- Dividend proposal 0.30 EUR per share
- Increase of 20 % compared to previous year
- Maintaining dividend policy of consistent payout ratio (approx. 30 %³⁾)

Earnings per share (EPS)

- Positive EPS development
- Higher EBIT contribution
- Reduction of tax rate (adj.)

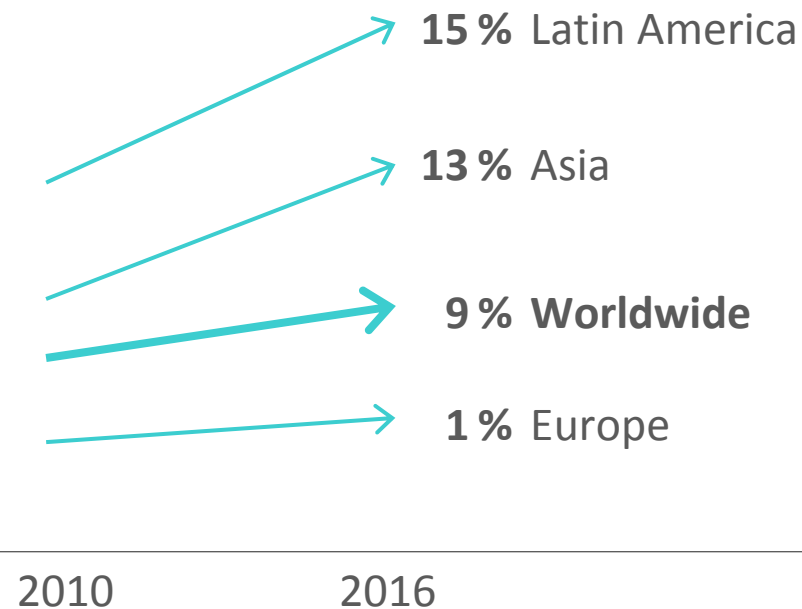
1) Adjusted earnings from continuing activities.

2) Proposed by the Management Board and Supervisory Board to the 2013 annual general meeting.

3) Calculated on net income of continued operations adjusted for non recurring effects (including tax effects) primarily in connection with OEP, for special effects from remeasurement pursuant to IFRS 5 (including tax effect) and for impairment losses recognized on goodwill and other intangible assets (including tax effect).

Pharmaceutical markets

Worldwide growth – but at different speeds



Key drivers of growth on the healthcare markets

- Population growth worldwide
- Increasing longevity
- Increase in chronic illnesses
- Increase per capita expenditure on health
- Rising investment in health care systems in emerging countries

European pharmaceutical markets

Structural change

- The global financial crisis is putting pressure on healthcare budgets
- Patent cliff: replacement of patent protected medicines by generics
- Trend towards deregulation – particularly in retailing
- Consolidation in retailing accelerated by drugstore chains
- Independent pharmacies increasingly affected by greater competition
- Pressure on wholesaling:
 - Profit margins in part shifting from wholesale to retail
 - Increasing direct business and service-oriented remuneration models

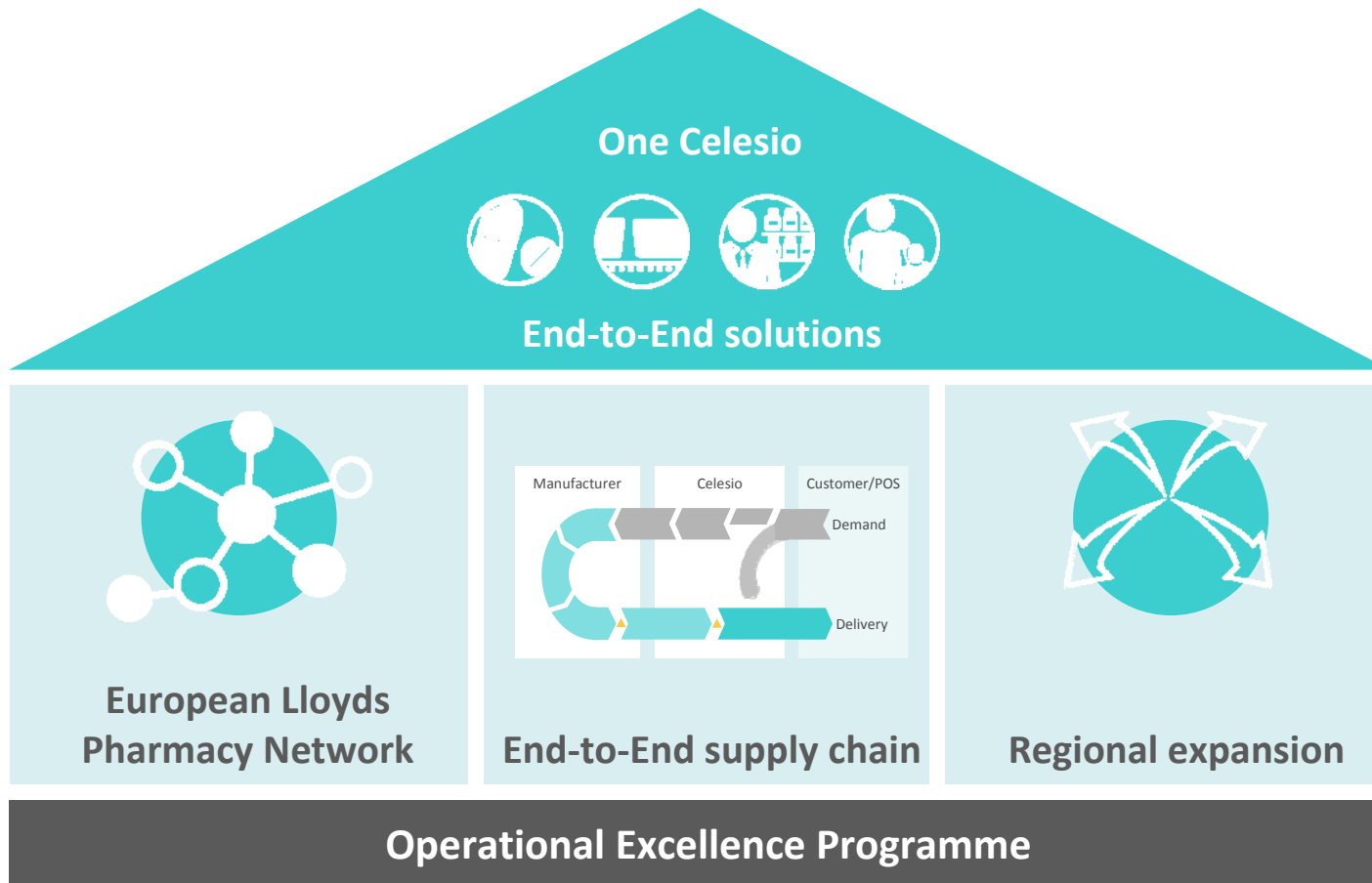
Strategy

Forward integration and innovation

- Developing of most innovative services and building up an European Lloyds pharmacy network
- Integrating retail and wholesale in an End-to-End value chain
- Building the most efficient pharma supply chain connecting consumers and manufacturers

One Celesio

Integrated business model connecting consumers and manufacturers



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New pharmacy concept

Three modules

LloydsPharmacy

1 Branding concept

- Brand proposition underpinned by market, trend and consumer analyses
- Consumer segmentation

2 Pharmacy concept

- Uniform shop design with latest technology
- Innovative service concepts
- 'Skin' and 'Pain' as starting categories

3 Cooperation concept

- Customised concept modules for independent pharmacies
- Different levels of cooperation

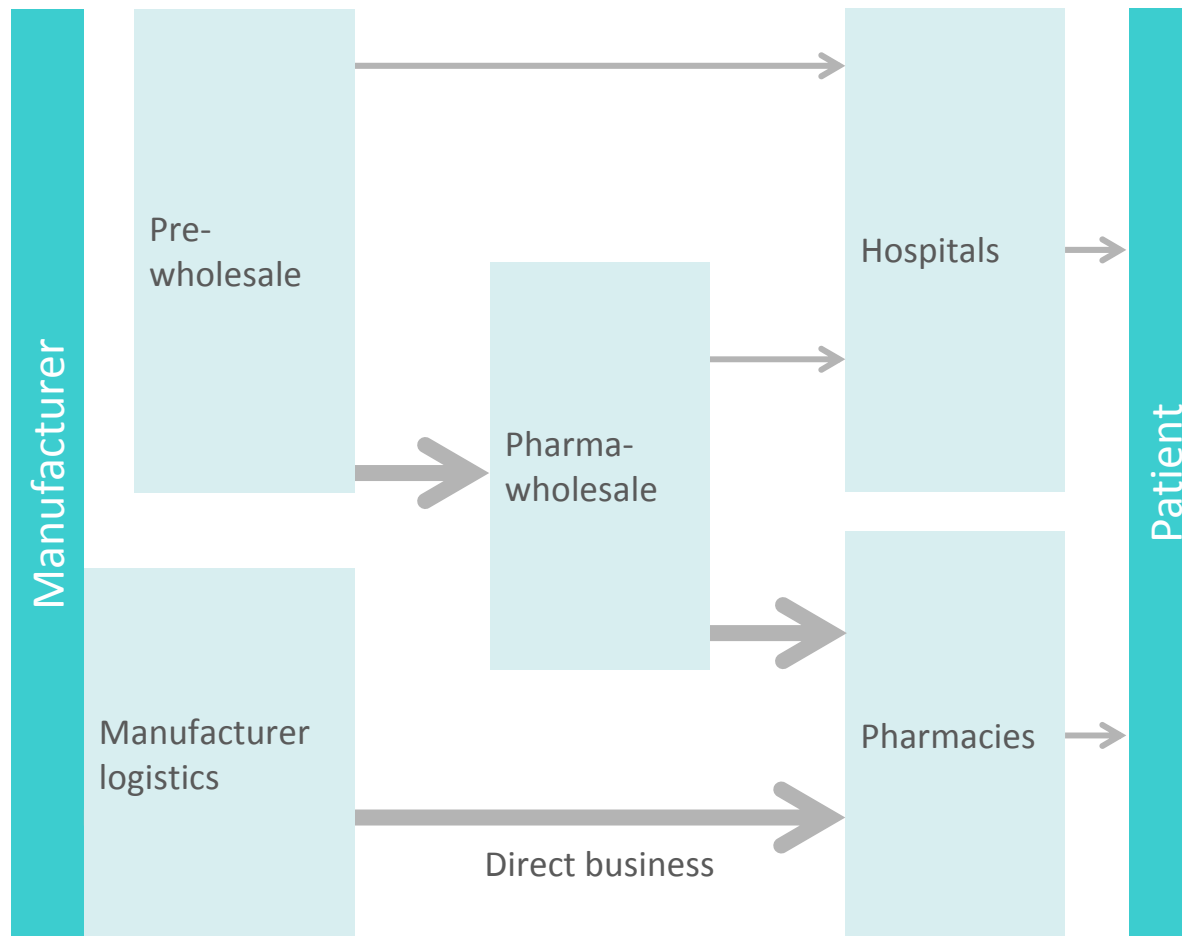
Lloyds Pharmacy Network

Targets and benefits

- Building of an European Lloyds pharmacy network
- Growing non-prescription sales with integrated offers
- Growing with innovative health care services
- Generating yield scale effects in procurement

The pharmaceutical business today

Fragmented supply chain and isolated storage levels



- Highly fragmented and redundant
- Capital intensive due to high stock levels
- Pharmaceutical wholesaling as middleman
- Direct business by passing pharmaceutical wholesale

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End-to-End value chain

- Regaining and targeting direct business
- Offer End-to-End solutions integrating pre-wholesale, wholesale and retail
- Develop integrated End-to-End distribution and service solutions
- Offer tailor-made End-to-End solutions, e.g. for the distribution of specialties
- Yield synergies from supply chain and structural integration

One Celesio

Regional expansion

- Capture growth in emerging markets
- Integrate Brazil first
- Roll out integrated business model

Integration of procurement activities

Important driver of profitable growth

PORTFOLIO

- **Medicines protected by patent**
- **Generics**
- **OTC medicines**
- **OTC non-medical products**

STRATEGY

- **Positioning as preferred partner** for manufacturers of medicines
- Further development of global **supplier management**
- Centralisation of the Celesio **procurement organisation**
- **Cost leadership**



Generating substantial cost savings

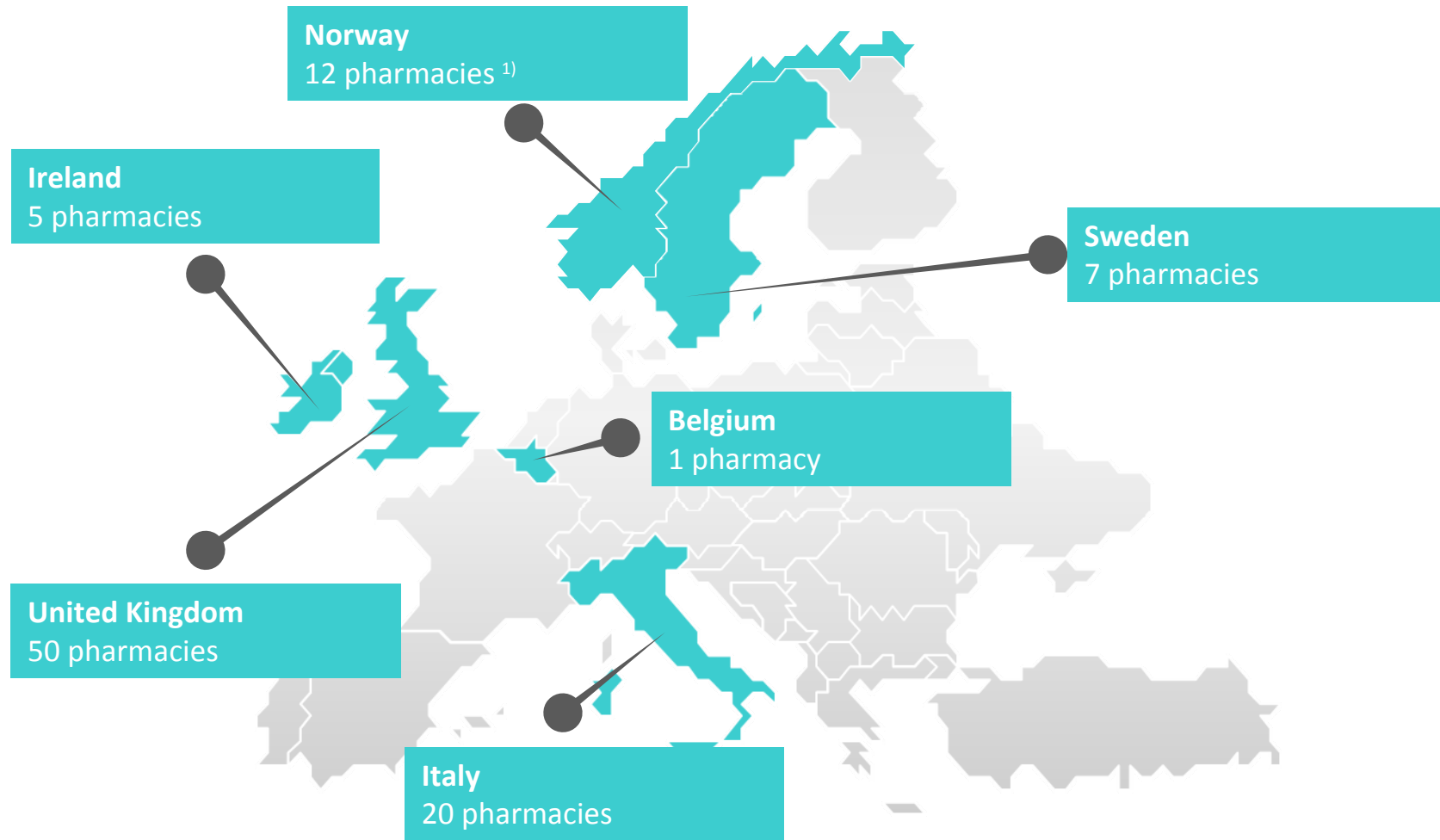
Our roadmap

Three-step approach to profitable growth



Accelerated piloting

Up to 95 more pilot pharmacies in 2013



1) Operating under the Vitus brand

Outlook 2013

Business development

Headwinds / Impacts

- Price competition, mainly in Germany
- Austerity measures in various European countries
- Post-merger integration in Brazil

Tailwinds / Strengths

- Strong positions on most important European markets
- Lloyds pharmacy network supports positive retail development
- Operational Excellence Programme will deliver further cost savings, e.g. top-in-class procurement (TIC)
- Further cost savings from integrated Celesio structures

Outlook 2013

Financial development ¹⁾

EBIT adjusted

445 EUR m – 475 EUR m

EBITDA adjusted

580 EUR m – 610 EUR m

1) Outlook based on the assumption that exchange rates, interest rates and the consolidated group will remain stable.

Conclusion

- 2012 targets overachieved
- Results of Operational Excellence Programme ahead of plan
- Non-core assets successfully sold
- Lloyds pilot stores successful
- Implementation of strategy well on track