

Press Release

Celesio group revenue grows by 5.8 percent on constant currency basis and excluding disposals

Stuttgart, 23 June 2017. Celesio, a leading international pharmaceutical wholesale and retail group, generated group revenue of EUR 20,644m in fiscal year 2017, down 2.6% on fiscal year 2016. Revenue in fiscal year 2017 was adversely impacted by the devaluation of the British pound and the sale of the Norwegian and Swedish operations to McKesson. These effects were partially offset by revenue growth in our German wholesale operations and the contribution from acquisitions completed in fiscal year 2017. On a constant currency basis and excluding the disposals in fiscal year 2016, revenue grew by 5.8% in fiscal year 2017.

Earnings before interest and taxes (EBIT) from continuing operations, adjusted for special effects, fell by 29.1% to EUR 302.6m compared to EUR 426.6m in fiscal year 2016. Adjusted EBIT in the reporting period was adversely impacted by UK governmental reimbursement cuts, the sale of Celesio's Norwegian and Swedish operations in the previous fiscal year and the devaluation of the British pound. Overall, negative exchange rate effects on EBIT amounted to EUR 24.6m, mainly related to the British pound. On a constant currency basis and excluding the disposals in the previous fiscal year, adjusted EBIT fell by 18.5% in fiscal year 2017 compared to fiscal year 2016.

The UK governmental cuts described above were the primary driver of a non-cash goodwill impairment charge of EUR 990.0m and, as a result, EBIT from continuing operations decreased from EUR 621.5m to EUR – 699.4m in fiscal 2017.

Outlook

The European market continues to be an environment of opportunity for Celesio. Despite continued pressure from governments to contain the rising costs of healthcare, the industry is expected to outpace GDP growth in our core markets. Celesio will benefit from this market growth. The company will

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differentiate itself from competition through focus on key fiscal 2018 priorities – driving operational excellence, investing in business solutions that expand the value proposition to customers, manufacturer partners and patients, and taking advantage of the combined scale it generates with the largest shareholder, McKesson, to optimize the purchasing power across its global operations. Additionally, Celesio will continue to look for appropriate opportunities to invest capital that leverages the scale and distribution network to enable the company to achieve greater efficiencies in the European healthcare market.

In fiscal year 2018, Celesio's consolidated revenue and earnings will benefit from market growth, new business, and acquisition-related growth. However, earnings will continue to be burdened by the second phase of newly agreed pharmacy funding cuts in one of the key markets, the United Kingdom. As a result, Celesio expects for continued operations revenue slightly above fiscal 2017 and a slight decrease in adjusted EBIT compared to fiscal 2017.

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About the Celesio Group:

Celesio is a leading international wholesale and retail company and provider of logistics and services to the pharmaceutical and healthcare sector. The proactive and preventive approach ensures that patients receive the products and support that they require for optimum care. With strong brands and about 39,000 employees, the group is active in 13 European countries (thereof with own operations in ten countries; additionally Celesio manages operations in three countries and participates in one country in a joint venture). Every day, the company serves over 2 million customers – at more than 2,100 pharmacies of its own, at about 300 managed pharmacies and at over 5,700 participants in the brand partnership schemes. With 110 own and seven managed wholesale branches in Europe, Celesio supplies more than 55,000 pharmacies and hospitals every day with up to 130,000 pharmaceutical products. McKesson Corporation, San Francisco, USA, is the majority shareholder in Celesio AG. The company acquired more than 75 percent of Celesio AG shares in February 2014. McKesson is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information technology.
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