

Annual Report 2015

Celesio AG

celesio

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The Celesio Group

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

With over 38,000 employees, we operate in 14 countries around the world. Every day, we serve over 2 million customers – at almost 2,200 pharmacies of our own and over 4,300 participants in our brand partnership schemes. With 133 wholesale branches, we supply 65,000 pharmacies and hospitals every day with up to 130,000 pharmaceutical products. Our services benefit a patient pool of about 15 million per day.

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 provides solutions that include pharmaceutical and medical-surgical supply management, healthcare information technology, and business and clinical services

The fiscal year at a glance

KEY FIGURES OF THE CELESIO GROUP

		Fiscal 2014	1st quarter 2014	Fiscal 2015	Change on EUR basis %
Continuing operations					
Revenue	EUR m	20,646.6	4,990.2	5,269.1	5.6
Gross profit	EUR m	2,226.4	543.7	572.3	5.3
adjusted ¹⁾	EUR m	2,227.1	543.7	572.3	5.3
EBIT	EUR m	354.6	91.0	62.2	-31.6
adjusted ¹⁾	EUR m	440.0	98.0	78.6	-19.9
Profit before taxes	EUR m	285.6	73.0	54.5	-25.4
adjusted ¹⁾	EUR m	371.1	80.0	70.8	-11.5
Net profit/loss	EUR m	190.6	46.7	33.0	-29.3
adjusted ¹⁾	EUR m	269.8	53.7	47.7	-11.2
Earnings per share (basic)	EUR	0.94	0.24	0.16	-34.2
Earnings per share (basic), adjusted ¹⁾	EUR	1.34	0.28	0.23	-17.1
Cash inflow/outflow from operating activities	EUR m	277.5	-73.4	-49.8	32.2
Net cash flow from investing activities	EUR m	-123.9	-27.0	-29.9	-10.8
Free cash flow	EUR m	56.6	-132.0	-84.1	36.3
Employees (full-time equivalent) ³⁾		25,535	24,929	25,118	/
Retail pharmacies ³⁾		2,184	2,180	2,184	/
Wholesale branches ³⁾		108	108	108	/
Discontinued operations					
Net profit/loss	EUR m	-138.2	-3.6	-255.3	>-100
Earnings per share (basic)	EUR	-0.70	-0.02	-1.26	>-100
Employees (full-time equivalent) ³⁾		3,588	3,693	3,677	/
Continuing and discontinued operations					
Total assets	EUR m	7,829.6 ²⁾	7,679.1 ²⁾	7,769.1 ³⁾	1.2
Equity	EUR m	2,761.5 ²⁾	2,875.7 ²⁾	2,537.4 ³⁾	-11.8
Equity ratio	%	35.3 ²⁾	37.4 ²⁾	32.7 ³⁾	/
Net Financial Debt	EUR m	867.0 ²⁾	934.2 ²⁾	897.0 ³⁾	-4.0
Net Financial Debt/EBITDA adj. ^{1) 4) 5)}		1.63 ²⁾	1.71 ²⁾	1.68 ³⁾	/
Employees (full-time equivalent) ³⁾		29,123	28,622	28,795	/
Employees ³⁾		38,788	38,581	38,404	/
Net profit/loss	EUR m	52.4	43.1	-222.3	/
Earnings per share (basic)	EUR	0.24	0.22	-1.10	/

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

2) Closing figures as at 31 December/31 March.

3) Closing figures at the end of the reporting period.

4) Based on EBITDA of the last twelve months.

5) Previous year figures as reported

To our
shareholders
Celesio AG
2015

Letter from the Chairman of the Management Board

Dear Shareholders,
Ladies and gentlemen,



Just shortly after we published the annual report 2014, we present the figures of the short fiscal year 2015. This is due to the fact that in order to align the fiscal year with McKesson, Celesio has changed its financial year end from 31 December to 31 March.

Overall, we are satisfied with the business development in short fiscal 2015. Celesio continues in expanding its leading market position both in the Consumer Solutions division – the retail pharmacy business – and the Pharmacy Solutions division – the wholesale business.

Following a business review, we evaluated a number of options for our Brazilian businesses, including Panpharma and Oncoprod. We concluded that a sale is the most suitable approach for all parties. In selling our Brazilian operations, we will increase our focus on European markets and customers as Celesio has a strong footprint in Europe.

We would like to thank our shareholders, customers and business partners and above all our employees for the trusting relationship which we enjoy and which we look forward to continuing.

STUTTGART, MARCH 2015

MARC E. OWEN
CHAIRMAN OF THE MANAGEMENT BOARD

The Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD OF CELESIO AG
AS OF 31/03/2015

John H. Hammergren ^{2) 4) 5) 6)} _____ (Chairman)
Ihno Goldenstein ^{1) 2) 5)} _____ (Deputy Chairman)
James A. Beer ³⁾ _____ (since 01/03/2015)
Klaus Borowicz ^{1) 3)} _____
Paul C. Julian ^{4) 5)} _____
Jörg Lauenroth-Mago ¹⁾ _____
Pauline Lindwall _____
Susan Naumann ^{1) 5)} _____
Ulrich Neumeister ^{1) 3)} _____
W.M. Henning Rehder ^{3) 6)} _____
Patrick Schwarz-Schütte ²⁾ _____
Gabriele Stall ¹⁾ _____

RETIRED FROM OFFICE IN FISCAL YEAR 2015

Prof Dr Wilhelm Haarmann ³⁾ _____ (until 28/02/2015)

- 1) Employee representative
- 2) General Committee
- 3) Audit Committee
- 4) Nomination Committee
- 5) Mediation Committee
- 6) Chairman of the respective Committee

Report of the Supervisory Board

**Dear shareholders,
Ladies and gentlemen,**

Throughout the short fiscal year 2015 we, the Supervisory Board of Celesio AG, regularly advised the Management Board in its management of the company and continuously supervised its management. We performed the tasks assigned to us by law, by our articles of association and by our rules of procedure with great diligence. As the Supervisory Board, we dealt in detail with the commercial and financial development of the company and its strategic alignment. Furthermore, we became involved in all decisions of fundamental importance to the company at an early stage.

Cooperation with the Management Board

Our cooperation with the Management Board over the past short fiscal year was marked by intensive and frank dialogue that was based upon trust. The Management Board regularly and comprehensively informed the Supervisory Board and its Chairman, both verbally and in writing, on the situation of the company. The key points in our collaboration included the earnings, financial position and assets position of the group, the course of business in the divisions, the development of the market, company strategy and planning as well as portfolio considerations.

Meetings

The Supervisory Board held one ordinary meeting during the short fiscal year 2015, and passed one written resolution. In preparation to the meeting and written resolution, the Management Board sent written reports and proposed resolutions to the Supervisory Board.

The attendance rate of members of the Supervisory Board at the meeting was over 90%. Apart from the meeting we also maintained close contact with the Management Board. The Chairman of the Supervisory Board frequently conferred with and advised the Chairman of the Management Board regarding current business developments, significant business transactions and strategy.

On 6 March 2015, James A. Beer was elected as a member of the Audit Committee.

In the meeting held on 11 March 2015, the Supervisory Board conferred over the annual financial statements of Celesio AG and the consolidated financial

statements including the joint management report for fiscal year 2014. Following the recommendation of the Audit Committee and after having considered the auditor's reports, these were approved following a thorough examination and consultation. The Supervisory Board also approved the report of the Supervisory Board and the joint corporate governance report of the Management Board and the Supervisory Board, the exercising of shareholder rights under Section 32 of the German Codetermination Act (Mitbestimmungsgesetz) as well as the delisting of the Cellesio shares.

Committees

In order to ensure efficient performance, the Supervisory Board of Cellesio AG set up four committees: a General, an Audit, a Nomination and a Mediation Committee. The committees prepare the resolutions and topics for the Supervisory Board to be discussed at the plenum. They also occasionally pass resolutions in lieu of the entire Supervisory Board. The list of personnel appointed to the four committees can be found on page 5 of this annual report. With the exception of the Audit Committee (Chairman: W.M. Henning Rehder), the Chairman of the Supervisory Board presides over all committees. The entire Supervisory Board is informed regularly and comprehensively on the activities of the committees.

General Committee

There was one meeting of the General Committee during the short fiscal year.

In the meeting on 11 March 2015, the Committee discussed the long-term incentive plan tranches for the 2015 and 2016 years.

Audit Committee

The Audit Committee met once in 2015. The auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft attended this meeting.

The discussion and audit of the annual financial and consolidated financial statements including the joint management report for fiscal year 2014 and the relevant drafts of the audit reports of the annual financial and consolidated financial statements of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were focussed upon in the Committee's meeting on 10 March 2015. Further issues

included internal audit, risk management, the internal control system and compliance.

Nomination Committee

The Nomination Committee did not convene during the short fiscal year.

Mediation Committee

The Mediation Committee formed pursuant to Section 27 paragraph 3 of the German Codetermination Act did not convene during the short fiscal year.

Corporate governance

Corporate governance was another topic of discussion of our Supervisory Board meeting. During the short fiscal year, Celesio fully complied with the recommendations of the standards published by the government commission on the German Corporate Governance Code.

The updated compliance statement pursuant to Section 161 Aktiengesetz (AktG, German Stock Corporation Act), also adopted by the Management Board, was enacted in the Supervisory Board meeting of 11 March 2015 and subsequently published on the Celesio website.

This statement can be found in this annual report on page 11. The Supervisory Board and Management Board share a common understanding of the subject of corporate governance; our joint report on this matter can be found on page 10.

Annual financial and consolidated financial statements and the management report

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements of Celesio AG and the consolidated financial statements as well as the joint management report as of 31 March 2015, and issued each with an unqualified audit opinion. The audit was commissioned by the Supervisory Board on the recommendation of the Audit Committee and in accordance with the resolution of the Annual General Meeting on 15 July 2014.

The required documentation and the auditor's reports were provided to each member of the Supervisory Board and discussed extensively with the auditor in the

balance sheet meeting of the Supervisory Board on 11 June 2015. Following the final outcome of its audit, the Supervisory Board had no objections to raise. In accordance with the recommendation of the Audit Committee, it approved the audit results of the financial statements, the annual financial statements prepared by the Management Board of Celesio AG and the consolidated financial statements.

Changes to the Supervisory Board

Prof Dr Wilhelm Haarmann resigned from the Supervisory Board as of 28 February 2015. We thank Prof Dr Wilhelm Haarmann for his ever constructive and trusted cooperation.

James A. Beer was judicially appointed to the Supervisory Board on 1 March 2015.

Thanks

The Supervisory Board thanks the Management Board, the management teams of the Group companies as well as all employees for their immense personal commitment, continuous dedication, exceptional performance and strong sense of loyalty during the short fiscal year 2015. We are confident that together Celesio and McKesson are well on track and have the expertise to seize the opportunities and overcome the challenges that fiscal year 2016 will bring.

STUTTGART, JUNE 2015

ON BEHALF OF THE SUPERVISORY BOARD

JOHN H. HAMMERGREN
CHAIRMAN

Corporate governance report and corporate governance declaration

This corporate governance report constitutes the corporate governance declaration required by Sec. 289a Handelsgesetzbuch (HGB, German Commercial Code) and also forms part of the combined management report.

Good corporate governance means responsible management and control of a company generating sustainable added value.

A balanced corporate governance strategy aims to secure the company's competitive position, strengthen confidence in our company – both on the capital markets and among the general public – and create value over the long term. The key principles of good corporate governance are efficient cooperation and segregation of functions between management and Supervisory Boards, respect for shareholder interests as well as open and transparent corporate communication.

Corporate Governance Code

The Celesio Management Board and Celesio Supervisory Board act in accordance with the German Corporate Governance Code. The Code contains the main legal provisions for the management and monitoring of German companies listed on the stock markets as well as internationally accepted standards of good and responsible management. It aims to improve transparency and applicability of the German corporate governance system.

Stock corporations are required by law to make an annual declaration of compliance presenting the extent to which they have adhered to the Corporate Governance Code as well as to justify any deviations.

Declaration of compliance

The following declaration of compliance pursuant to Sec. 161 of the Aktiengesetz (AktG, German Stock Corporations Act) was issued by the Supervisory Board and Management Board on 12 March 2015:

The Management Board and Supervisory Board of Celesio AG hereby declare in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz) that since the last declaration of compliance in December 2014 the recommendations of the Government Commission on the German Corporate Governance Code – initially in the version dated 13 May 2013, followed since it came into effect by the version dated 25 June 2014 – have been complied with and is being complied with.

STUTTGART, MARCH 2015

ON BEHALF OF THE SUPERVISORY BOARD

JOHN H. HAMMERGREN

ON BEHALF OF THE MANAGEMENT BOARD

MARC E. OWEN

Working methods of the Management Board and Supervisory Board

Celesio has a dual management system in line with legal regulations. The Management Board is responsible for managing the company and the Supervisory Board is responsible for advising and monitoring the management of the company by the Management Board. The areas of competence of the Management Board and of the Supervisory Board are laid down in the AktG, the articles of association and the respective rules of procedure. The two boards work closely together for the good of the company yet are strictly segregated, both in terms of their composition and their respective areas of competence. The Supervisory Board seeks to safeguard diversity and increase the percentage of female members on the Management Board. The Management Board applies the same approach to filling managerial positions in the company.

Management Board

The Management Board, currently made up of three members, is responsible for managing the company. It does so in the interest of the company taking into account the needs and concerns of all our stakeholders with the aim of raising the value of the company in the long term. The Management Board represents the company, develops its strategy and is responsible, among other things, for compliance, corporate governance and an effective risk management system. For further information including the composition of the Management Board, please refer to page 225. None of the members of the Management Board served in a comparable function on more than three Supervisory Boards of non-group listed companies or oversight bodies of companies with similar requirements.

Supervisory Board

The Supervisory Board's duty is to advise and effectively control the Management Board in its management of the company on an ongoing basis. It appoints and dismisses members of the Management Board and works with management on long-term successor planning. The Supervisory Board has a close and trusting working relationship with the Management Board and is involved in all fundamental business decisions. As in previous years, no current or former members of the Management Board served on the Supervisory Board in short fiscal year 2015. The committees set up by the Supervisory Board (General, Audit, Mediation and Nomination Committees) support it in fulfilling its duties. The composition of the Supervisory Board and its committees is presented on page 5. The Supervisory Board regularly reviews the effectiveness of its activities in line with the requirements of

the German Corporate Governance Code (No. 5.6). Suggestions from the Supervisory Board members were taken into account in the course of the continuous improvement process. The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability and expert experience required to properly complete its tasks. We aim to have at least two female members on the Supervisory Board in the medium term and four in the long term. There are currently three women on the Supervisory Board. Particular attention should be paid to ensuring the diversity of professional backgrounds and experience when filling board positions. Art. 4 (1) of the Supervisory Board's rules of procedure provides for the disclosure of conflicts of interest and Art. 1 (4) sets the maximum age for members of the Supervisory Board at 70. At least three of the Supervisory Board members should be independent shareholder representatives. This target is currently met. The report of the Supervisory Board starting on page 5 details the function, structure and work of the Supervisory Board and its committees.

Notes on corporate governance practice

General

A domination and profit and loss transfer agreement between McKesson Deutschland GmbH & Co. KGaA and Celesio AG is in place. With it Celesio AG submits its management control to McKesson Deutschland GmbH & Co. KGaA.

Annual General Meeting and shareholders

In addition to the Management Board and Supervisory Board, the Annual General Meeting makes up a further corporate body. Its areas of competence are set out in the AktG and in the articles of association. Due to the harmonisation of the financial year with McKesson Corporation that ends 31 March, the period of the short fiscal year 2015 was shortened from 1 January 2015 to 31 March 2015. The next fiscal year runs from 1 April 2015 to 31 March 2016. The next Annual General Meeting will be held on 11 August 2015 and will include the appropriation of profits for the fiscal year 2014. If there is special cause, additional extraordinary meetings of the shareholders may also be called. The Annual General Meeting is an opportunity for the shareholders to exercise their legally afforded rights to

contribute to decision making as owners of the share capital in Celesio AG. These include, but are not limited to, the decision on the exoneration of the Management Board and Supervisory Board and the election of the Supervisory Board, the election of the independent auditor and any changes to the articles of association. Shareholders unable to attend the Annual General Meeting personally can elect to have their vote exercised by an authorised representative of their choosing or a company proxy bound by instructions. We also offer this service electronically via the internet. The next Annual General Meeting is scheduled for 11 August 2015, once again in the Porsche Arena in Stuttgart. As is customary, all documents and information on the Annual General Meeting will also be published in advance at www.celesio.com/annual-general-meeting.

Compliance

Compliance is an integral component of the Celesio Group's corporate and leadership culture and refers to the obligation to observe the law and internal corporate guidelines, with the aim of averting and avoiding negative consequences for the company and its employees. Compliance is not just about following rules. More than that, it is an ongoing process in which we can reconsider our actions and adapt to new challenges and situations.

In addition to the relevant legal provisions, the organisation of management and control at Celesio is based mainly on the articles of association, the German Corporate Governance Code as well as the rules of procedure of the Supervisory Board and Management Board. At Celesio, internal corporate guidelines are drawn up and introduced by the Management Board or by the group departments. The relevant departments monitor implementation of the regulatory framework, making adjustments as necessary. Some years ago, we established an internal code of conduct which goes beyond the formal legal requirements. In this document, we have defined principles for acting in a transparent, trustworthy and sustainable way. The code of conduct is available at celesio.com under Group/Compliance.

From an organisational perspective, Tilo Köster remains, as member of the Management Board for Legal and Compliance, Chief Compliance Officer. Group Compliance and Corporate is responsible for regularly reviewing, refining, implementing and monitoring the group wide compliance management system. A compliance jour fixe with representatives from Group Audit and Risk Management as well as Group Controlling, Group Human Resources and Group Compliance and Corporate serves as one of the platforms for integrated exchange. There are Compliance Officers and jours fixes in each country who are responsible for adjusting,

implementing and monitoring the compliance management system locally. A confidential helpline system gives all employees round-the-clock access to an external ombudsman free of charge.

Constant communication and training on compliance topics have raised awareness and made compliance a part of everyday work.

Directors' dealings

Pursuant to Sec. 15a of the Wertpapierhandelsgesetz (WpHG, German Securities Trading Act), members of the management or Supervisory Board of a listed German company and their close relatives must report their transactions with securities to that company and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, German Federal Financial Supervisory Authority) within five working days. Such notification must then also be published by the company "without delay". These reportable transactions are known as directors' dealings. In short fiscal year 2015, there were no such transactions at Celesio.

Risk and opportunities management

Like all companies, Celesio regularly examines the numerous business risks and opportunities that arise. These are the internal and external events that are associated with our business operations and have the potential to affect our company's success and the financial stability of the group. Intangible assets such as brand, image or the environment can also be sources of risk or opportunity. Further details can be found in our risk and opportunities report starting on page 71.

Financial reporting and audit

The consolidated financial statements of Celesio were prepared pursuant to International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as adopted by the EU. In addition, the provisions of German commercial law were applied pursuant to Sec. 315a (1) Handelsgesetzbuch (HGB, German Commercial Code). The Annual General Meeting 2014 elected Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as independent auditor for the separate financial statements of Celesio AG and the consolidated financial statements for short fiscal year 2015 from 1 January 2015 to 31 March 2015 and for the review of the interim financial reports for fiscal year 2015 / 2016 that will be prepared prior to the Annual General Meeting in 2015,

insofar as a review of these reports is commissioned. Before awarding the engagement, the Supervisory Board confirmed that existing relationships between the auditor and the company or its boards did not give any reasons to doubt the independence of the auditor. The independent auditor of Celesio is entrusted with the principles of good corporate governance. Its duties include informing the Supervisory Board of all findings and results of the audit of the financial statements which are relevant for the board's work. The auditor must report any independence issues immediately.

Transparency

Our aim is to keep shareholders, the capital market, employees and interested members of the public up to date with comprehensive and transparent information on current developments at Celesio. Our company website celesio.com is a significant component of communication, providing information on the company, and Celesio shares as well as press releases and all ad hoc announcements, our financial reports, our Annual General Meeting and our financial calendar. The annual report and quarterly reports contain detailed analyses and explanations regarding our assets position, financial position and earnings. We attach great importance to personal contact with our investors, employees and other stakeholders. Interested parties can also subscribe to our free e-mail service as a quick and easy way to stay up to date with company news.

End of the corporate governance report and corporate governance declaration.

Combined Management Report Celesio AG 2015

(01/01 – 31/03/2015)

Background of the group/Business activity and organisation

This combined Management Report is based on the short fiscal year 2015 (01/01/2015 – 31/03/2015). Celesio AG is the management holding of the group and provides its subsidiaries central financial and liquidity management as well as services on the basis of service agreements.

Since the course of business, the economic position, and the opportunities and risks associated with the future development of Celesio AG do not differ from those of the group, the management report of the group has been combined with that of Celesio AG accordance with section 315(3) HGB (German Commercial Code).

Our business model

Our strong brands in 14 pharmaceutical and healthcare markets in Europe and Brazil make Celesio one of the leading international trading companies and service providers in the pharmaceutical market. Our core business consists of pharmaceutical wholesale and pharmacies – we operate our own retail pharmacies and maintain partnership schemes with independent, owner-run pharmacies.

Over 38,000 employees cover the supply chain from the pharmaceutical industry right through to the patient, offering supply chain services for pharmaceutical manufacturers and selling medicines, healthcare products and special services for pharmacies via our pharmaceutical wholesale business and retail pharmacies.

Our wholesale network consisting of 108 branches delivers to some 65,000 pharmacies every day in ten European countries.

We operate around 2,200 pharmacies in six countries globally. With a focus on professional advice, we support patients and consumers by supplying medicines and numerous pharmaceutical services for health and well-being.

Our aim and our mission is to actively help people through effective, efficient and innovative healthcare services. We are developing our core business through new concepts and innovative approaches as part of our strategy.

Optimising key areas of business activities together with McKesson

McKesson is the majority shareholder in Celesio, with 76% of Celesio shares. The existence of a domination and profit and loss transfer agreement between McKesson Deutschland GmbH & Co. KGaA, a wholly owned subsidiary of McKesson, and Celesio AG, empowers both companies to work together as an integrated global company and create even more value for their stakeholders. Throughout the previous year we focussed on identifying common top priorities in order to make the best out of our joint resources. While prioritising also in short fiscal 2015 the areas we concentrated on those issues that will have the biggest impact. And this approach also applies when it comes to implementing processes.

Key to our further success is leveraging procurement synergies by bundling procurement power on a global scale and capitalising on it. We have already identified several areas for potential savings due to the planned combined procurement activities with McKesson Corporation. Group Procurement will align the global approach with local actions and drive the execution of the strategy.

When it comes to aligning processes and operations in order to have clear organisational structures and realise synergies, IT plays a fundamental role. Improving IT services and upgrading data centres is one of the priorities.

The Management Board has established a leadership team, which will further strengthen the position of Celesio as a leading international wholesale and retail company in the pharmaceutical and healthcare sectors. The team consists of leaders from Celesio country management teams and group functions. They define the strategic and operating priorities of the group. The individuals on the team bring a wealth of experience, energy and passion to their roles.

Tying up to the progress we achieved in fiscal 2014 in rolling out our competitive pan-European pharmacy network EPN, we continued with our efforts in short fiscal 2015. The concept offers a modular structure, available not only for our own organisation, but also for independent pharmacies. With this we built on proven and established concepts, for example Pharmactiv in France, gesundleben in Germany and the Careway partner scheme in the UK. We also made progress with our franchise concept in Italy and Ireland. The result of our efforts is that each pharmacist can either select individual components or choose the full-range service package. This approach is trend-setting for the European pharmacy business. We are convinced that our new concept will help to fundamentally strengthen the role of pharmacies in the European healthcare systems by making healthcare more efficient and sustainable. These improvements saw us gain further momentum for growth.

Group structure and management

The organisation and reporting structure of the Celesio Group is divided into two divisions which are aligned to the needs and demands of the respective customer groups. Consumer Solutions is aimed at patients and consumers and mainly is comprised of the pharmacy business. Pharmacy Solutions serves pharmacies and is primarily concerned with the group's wholesale activities.

The organisational structure of the Celesio Group is arranged functionally. It is divided into four business areas:

- Marketing and Sales
- Operations
- Finance
- Governance

Additionally, a new leadership team has been put in place in fiscal 2014. The members of the team analyse opportunities to better serve patients, pharmacies and manufacturing partners, provides a further development of the strategic direction and its implementation.

Management and control

The Management Board manages the Celesio Group based on legal requirements and the rules of procedure laid down by the Supervisory Board. The Management Board is advised and controlled in its management function by the Supervisory Board. The Supervisory Board is made up of an equal number of shareholder and employee representatives and is responsible for appointing members of the Management Board; any major transactions by the Management Board must be approved by the Supervisory Board.

On 2 December 2014 the domination and profit and loss transfer agreement between McKesson Deutschland GmbH & Co. KGaA, a wholly owned subsidiary of McKesson, and Celesio AG was registered in the Commercial Register and became effective. This means that starting from 1 January 2015 Celesio AG must transfer all of its profits to McKesson. Conversely, McKesson undertakes to offset any possible losses incurred by Celesio. An essential element of the domination agreement is granting the parent company the authority to issue instructions. McKesson Deutschland GmbH & Co. KGaA is authorised to issue instructions to Celesio AG with regard to the management of the company. Celesio nevertheless remains a legally independent company with its own executive bodies, as described above. It also continues to be the responsibility of the Celesio Management Board to run and represent the company. If no instructions are issued, the Celesio Management Board can and must run the company on its own authority.

The management report in the corporate governance report, starting on page 10 which is an integral part of the combined management report, contains further details of the management and control structure.

Remuneration report

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.

In its reporting, the Remuneration Report follows the recommendations of the German Corporate Governance Code (DCGK) and the requirements of German Accounting Standard (DRS) 17, the Handelsgesetzbuch (HGB, German Commercial Code) and International Financial Reporting Standards (IFRS). Notes in accordance with IFRS pursuant to IAS 24 are contained in the consolidated financial statements.

Main features of the remuneration 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. The total remuneration of the members of the Management Board breaks down into performance-related and non-performance-related components. The remuneration structure is conducive to the sustainable development of the company due to the long-term incentive components of the remuneration. 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. At the instigation of the General Committee, the Supervisory Board regularly reviews the structure and appropriateness of the remuneration system.

Within the contracts of the active Management Board members, there is no special provision for a change of control ("change in control" clause).

Non-performance-related remuneration components

The non-performance-related components consist of a fixed basic salary, additional benefits and pension contributions. An instalment of the fixed basic salary 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 Section 93(2) Clause 3 of the AktG, the excess for D&O insurance is 10% of claims, but no more than one-and-a-half times the fixed basic annual salary. Members of the Management Board have to pay tax on any monetary benefits arising from the private use of company cars.

Performance-related remuneration components

The performance-related components consist of a bonus and a rolling remuneration component. Since 2012, 70% of the bonus is paid out annually, with the remaining 30% deferred for a retention 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 before tax and interest of the relevant financial year (EBIT - as reported). A sum in euro is determined individually as a target bonus 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 target bonus.

The members of the Management Board will receive a cash payment for 70% of the bonus calculated for the 2015 fiscal year directly after the 2015 Annual General Meeting.

In accordance with the share deferral arrangements in all Management Board contracts, the remaining 30% of the bonus calculated for the 2015 fiscal year is deferred for a retention period that expires on the date of the Annual General

Meeting of the third fiscal year following the reporting period. This portion will be converted into virtual shares of Celesio AG directly after the Annual General Meeting 2015. The number of virtual 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, as regards their virtual shares, the Management Board members are treated in the same way as the owners of real shares. The amount paid out from the retained bonus (share deferral) is calculated on the normal calculation date after approximately three years even if the member of the Management Board has left the company in the meantime. If the Celesio share is delisted or Celesio undergoes a merger or is split up or converted into a different legal form, calculation of the closing reference price will be the date on which the measure takes effect. The pay-out of the virtual shares remains unaffected and, at the end of the three-year retention period, these shares are paid out in cash plus any dividends. The reference share prices used for conversion are based on the average share price of the last 30 stock exchange trading days at the beginning and at the end of the retention period. This share deferral scheme serves as a long-term incentive by strengthening commitment to sustainability and ownership.

Applying the provisions of DRS 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 virtual shares depending on meeting these targets, as well as the share price on the date of issue of these share-based payments as of 1 January 2015.

FISCAL 2015

	Fair value of share deferral on the date of issue EUR k	Expected number of virtual shares from share deferral	Total expense arising from share-based payments EUR k
Marc E. Owen (since 16/07/2014 Chairman)	48	1,801	45
Tilo Köster (since 23/09/2014)	26	992	26
Alain Vachon (CFO, since 16/07/2014)	30	1,149	29
Total	104	3,942	100

2014

	Fair value of share deferral on the date of issue EUR k	Expected number of virtual shares from share deferral	Total expense arising from share-based payments EUR k
Marc E. Owen (since 16/07/2014 Chairman)	106	4,085	93
Tilo Köster (since 23/09/2014)	35	1,343	36
Alain Vachon (CFO, since 16/07/2014)	67	2,571	60
Stephan Borchert (until 22/09/2014)	228	9,814	0
Dr Marion Helmes (until 15/07/2014 Speaker of the Management Board and CFO)	357	15,366	0
Martin Fisher (until 22/05/2014)	182	7,834	0
Total	975	41,013	189

Long-term variable remuneration

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. The 2014 tranche has been the last tranche issued and has been concluded with registration of the Domination and Profit and Loss Agreement on 2 December 2014. Respective amounts will be payable according to the plan as described subsequently.

At the beginning of the three-year period of the Performance Share Plan, Management Board members receive a pledge for a defined initial value in euro (target value). This target value is divided by the average Celesio share price of the last 30 stock exchange trading days prior to the beginning of the tranche plus a mark-up of 10% and converted into virtual shares. The Performance Share Plan of the 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 (150%), the maximum target achievement is 200%, with the amount payable capped at three times the target value. 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 virtual shares at the end of the term and in accordance with performance against targets.

If the Celesio share is delisted, or Celesio undergoes a merger, or is split up or converted into a legal form not eligible for the capital market, or a domination and profit and loss agreement is concluded ("measure"), then the amount paid out is calculated on the basis of the share price prior to the date, the measure taking effect. The regulations pertaining to the date on which the payment amount plus the accumulated virtual dividend is due will not be affected. The Performance Share Plan is payable in cash provided that the targets are met. The amount of the cash payment depends on the target value set for each member of the Management Board, as well as fulfilment of the performance target, the price development of virtual shares and the dividend paid in the performance period.

A new plan will be stipulated and approved for fiscal years 2015 and 2016.

FISCAL 2015

Total expense
arising from
share-based
payments EUR
k

Marc E. Owen (since 16/07/2014 Chairman)	230
Tilo Köster (since 23/09/2014)	35
Alain Vachon (CFO, since 16/07/2014)	90
Total	355

FISCAL 2014

Fair value of
performance
share plan on
the
date of issue
EUR k

Number of
virtual shares
on the date of
issue

Total expense
arising from
share-based
payments EUR
k

Marc E. Owen (since 16/07/2014 Chairman)	292	11,413	101
Tilo Köster (since 23/09/2014)	44	1,712	15
Alain Vachon (CFO, since 16/07/2014)	115	4,484	40
Stephan Borchert (until 22/09/2014)	425	16,630	188
Dr Marion Helmes (until 15/07/2014, Speaker of the Management Board and CFO)	700	27,391	267
Martin Fisher (until 22/05/2014)	335	13,108	45
Total	1,911	74,737	655

Total remuneration breaks down by members of the Management Board as follows:

FISCAL 2015

Marc E. Owen (since 16/07/2014 Chairman)	_____
Tilo Köster (since 23/09/2014)	_____
Alain Vachon (CFO, since 16/07/2014)	_____
Total	_____

FISCAL 2014

Marc E. Owen (since 16/07/2014 Chairman)	_____
Tilo Köster (since 23/09/2014)	_____
Alain Vachon (CFO, since 16/07/2014)	_____
Stephan Borchert (until 22/09/2014)	_____
Dr Marion Helmes (until 15/07/2014, Speaker of the Management Board and CFO)	_____
Martin Fisher (until 22/05/2014)	_____
Total	_____

	Basic component EUR k	Single-year variable remuneration EUR k	Multiple-year variable remuneration (EUR k) Total share-based payment	Fringe benefits EUR k	Third party remuneration	Total EUR k
_____	225	106	48	4	0	383
_____	88	61	26	2	0	177
_____	113	67	30	5	0	215
_____	426	234	104	11	0	775

	Basic component EUR k	Single-year variable remuneration EUR k	Multiple-year variable remuneration (EUR k) Performance-Cash-Plan Value Added	Total share-based payment	Total multiple-year variable remuneration	Fringe benefits EUR k	Third party remuneration	Total EUR k
_____	450	211	/	398	398	8		1,067
_____	117	81	/	79	79	3		280
_____	225	135	/	182	182	5		547
_____	450	554	74	653	727	12	2,000	3,743
_____	525	674	/	1,057	1,057	10	3,000	5,265
_____	250	244	/	517	517	32		1,043
_____	2,017	1,899	74	2,886	2,960	69	5,000	11,945

Total remuneration

The total remuneration of the members of the Management Board in short fiscal year 2015 came to EUR 775k (previous fiscal year EUR 11,945k). This breaks down into EUR 437k for the fixed basic component (previous fiscal year EUR 2,086k including additional benefits), EUR 234k for the portion of bonuses payable immediately (single-year variable component; previous fiscal year EUR 1,899k) and EUR 104k for the value of retained bonuses on the date of issue (multiple-year variable component; previous fiscal year EUR 2,960k).

Post-employment benefits

Marc E. Owen and Alain Vachon do not receive a contribution plan. In the framework of a defined contribution plan an amount of EUR 220k is added to the retirement account of Tilo Köster per year.

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. In principle plan assets are divided into 10 equal parts for payment in instalments. Pensions can be claimed after leaving the company and at the earliest after the age of 62 years is reached. 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.

For all Management Board contracts, severance pay is 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 maximum of the remuneration due from the remaining term of the service agreement and does not exceed two years' annual remuneration. If there are any tranches outstanding from the Performance Share Plan when a member of the Management Board leaves the company before the end of the performance period and these are settled with a target achievement of 100%, however on a pro rata basis using the target value.

Pension payments

FISCAL 2015	Service costs EUR k	Defined benefit obligation 31/03 EUR k	Expense from pension obligations (HGB) EUR k	Fair value (HGB) 31/03 EUR k
Marc E. Owen (since 16/07/2014 Chairman)	/	/	/	/
Tilo Köster (since 23/09/2014)	100	274	90	197
Alain Vachon (CFO, since 16/07/2014)	/	/	/	/
Total	100	274	90	197

FISCAL 2014	Service costs EUR k	Defined benefit obligation 31/12 EUR k	Expense from pension obligations (HGB) EUR k	Fair value (HGB) 31/12 EUR k
Marc E. Owen (since 16/07/2014 Chairman)	/	/	/	/
Tilo Köster (since 23/09/2014)	107	107	83	83
Alain Vachon (CFO, since 16/07/2014)	/	/	/	/
Stephan Borchert (until 22/09/2014)	202	3,406	182	2,109
Dr Marion Helmes (until 15/07/2014 Speaker of the Management Board and CFO)	204	3,799	171	2,539
Martin Fisher (until 22/05/2014)	146	1,076	128	824
Total	659	8,388	565	5,555

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

No member of the Management Board has left the company in short fiscal 2015.

In 2014, benefits of EUR 26,693k were payable in connection with members of the Management Board that left the company.

EUR K	Remuneration settlement	Contribution commitment to the pension account	Other benefits
Stephan Borchert (until 22/09/2014)	7,814	1,636	35
Dr Marion Helmes (until 15/07/2014 Speaker of the Management Board and CFO)	10,413	2,209	30
Martin Fisher (until 22/05/2014)	3,957	599	0
Total	22,184	4,444	65

Other notes

Former members of the Management Board and their surviving dependants received remuneration of EUR 86k in the reporting period (previous fiscal year EUR 27,570k). Celesio AG has set up pension provisions of EUR 22,397 (previous fiscal year EUR 22,796k) for this group of persons. In the 2015 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.

GRANTED BENEFITS	Marc E. Owen - Chairman of the Management Board -				Alain Vachon Member of Management Board - CFO, Finance				Tilo Köster Member of Management Board - Legal and Compliance			
	Since 16/07/2014				Since 16/07/2014				Since 23/09/2014			
	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)	2014	2015	2015 (Min)	2015 (Max)
Basic components	450	225	225	225	225	113	113	113	117	88	88	88
Fringe benefits	8	4	4	4	5	5	5	5	3	2	2	2
Total	458	229	229	229	230	118	118	118	120	90	90	90
Short-term variable remuneration												
Royalty	248	111	0	404	158	71	0	79	81	61	0	61
Long-term variable remuneration												
Royalty - Share Deferral 2015 (2015–2017) –		48	0	95		30	0	61		26	0	53
Royalty - Share Deferral 2014 (2014–2017) –	106	0	0	0	67	0	0	0	35	0	0	0
Performance Share Plan - Tranche 2014 (2014–2016) –	292	0	0	0	115	0	0	0	44	0	0	0
Total	647	159	0	499	340	101	0	140	160	87	0	114
Benefit obligations	0	0	0	0	0	0	0	0	107	100	100	100
Total remuneration	1,105	388	229	728	570	219	118	258	387	277	190	304

ACCRUAL

	Marc E. Owen Chairman of the Management Board		Alain Vachon Member of Management Board - CFO, Finance		Tilo Köster Member of Management Board - Legal and Compliance	
	Since 16/07/2014		Since 16/07/2014		Since 23/09/2014	
	2014	2015	2014	2015	2014	2015
Basic components	450	225	225	113	117	88
Fringe benefits	8	4	5	5	3	2
Total	458	229	230	118	120	90
Short-term variable remuneration						
Management bonus	211	106	135	67	81	61
Long-term variable remuneration						
Others						
Third party remuneration						
Total	0	106	0	67	81	61
Benefit obligations	0	0	0	0	107	100
Total remuneration	669	335	365	185	308	251

Not included are remuneration settlements and payments of defined contribution plan after resignation.

Total remuneration and compensation structure of the Supervisory Board

The remuneration paid to the Supervisory Board is defined in Section 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 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 Mediation Committee and the Nomination Committee – receives additional annual remuneration of EUR 6,000 for each committee membership, with the chairman of a committee receiving EUR

12,000. The members of the Nomination Committee receive additional annual remuneration of EUR 3,000 for each committee membership, with the chairman of the Nomination Committee receiving EUR 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 EUR 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. John H. Hammergren, Chairman of the Supervisory Board, as well as Paul Julian and James Beer, member of the Supervisory Board respectively, have waived their Supervisory Board remuneration.

The total remuneration of the Supervisory Board came to EUR 181.1k in short fiscal 2015 (previous year EUR 814.4k). Of this, EUR 165.6k (previous fiscal year EUR 736.7k) pertained to fixed remuneration for membership of the Supervisory Board. Remuneration for serving on committees came to EUR 10k (previous fiscal year EUR 47.8k) with attendance fees amounting to EUR 5.5k (previous year EUR 30.0k). The table below shows the remuneration of each Supervisory Board member:

FISCAL 2015	Fixed component EUR k	Remuneration for committee work	Attendance fees EUR k	Total EUR k
John H. Hammergren (Chairman since 14/03/2014)	0.0	0.0	0.0	0.0
Ihno Goldenstein (Deputy Chairman)	24.4	1.5	0.5	26.4
Klaus Borowicz	16.3	1.5	1.0	18.8
James A. Beer (since 01/03/2015)	0.0	0.0	0.0	0.0
Prof. Dr. Wilhelm Haarmann (until 28/02/2014)	10.8	1.0	0.0	11.8
Paul Julian (since 14/03/2014)	0.0	0.0	0.0	0.0
Jörg Lauenroth-Mago	16.3	0.0	0.5	16.8
Pauline Lindwall	16.3	0.0	0.5	16.8
Susan Naumann	16.3	0.0	0.5	16.8
Ulrich Neumeister	16.3	1.5	1.0	18.8
W.M. Henning Rehder	16.3	3.0	1.0	20.3
Patrick Schwarz-Schütte	16.3	1.5	0.0	17.8
Gabriele Katharina Stall	16.3	0.0	0.5	16.8
Total	165.6	10.0	5.5	181.1

2014

	Fixed component EUR k	Remuneration for committee work	Attendance fees EUR k	Total EUR k
John H. Hammergren (Chairman since 14/03/2014)	0.0	0.0	0.0	0.0
Stephan Gemkow (Chairman until 13/03/2014)	32.5	4.5	0.5	37.5
Ihno Goldenstein (Deputy Chairman)	97.5	6.0	2.5	106.0
Klaus Borowicz	65.0	6.0	4.0	75.0
Dr. Florian Funck (until 13/03/2014)	16.3	1.5	1.0	18.8
Prof. Dr. Wilhelm Haarmann (since 14/03/2014)	54.2	5.0	2.5	61.7
Paul Julian (since 14/03/2014)	0.0	0.0	0.0	0.0
Jörg Lauenroth-Mago	65.0	0.0	2.0	67.0
Pauline Lindwall	65.0	0.0	2.0	67.0
Susan Naumann	65.0	0.0	2.5	67.5
Ulrich Neumeister	65.0	6.0	4.0	75.0
W.M. Henning Rehder	65.0	12.0	3.5	80.5
Patrick Schwarz-Schütte	65.0	6.0	2.5	73.5
Hanspeter Spek (until 13/03/2014)	16.3	0.8	0.5	17.5
Gabriele Katharina Stall	65.0	0.0	2.5	67.5
Total	736.7	47.8	30.0	814.4

In short fiscal 2015, as in the previous fiscal year, no loans were granted to the members of the Supervisory Board, nor did the company enter into any contingent liabilities in favour of these persons.

Internal control system

Our earnings management is based on EBIT (earnings before interest and taxes) and EBIT adjusted. A detailed description of special effects leading to the adjustments on EBIT is provided on page 48. EBIT allows us to measure the operating business success including amortisation and depreciation and to compare ourselves with other international companies.

Furthermore, EBIT is an important input parameter for determining ROCE (return on capital employed) and value added. ROCE and value added consider capital employed and therefore express the performance of the group, our divisions and our investments. ROCE reflects the total return on equity and shows the ratio of EBIT to tied capital. In the reporting period this came to 7.9% compared to 6.4% in fiscal 2014.

Value added is calculated as follows:

$$\text{Value added} = \text{Earnings before interest and taxes (EBIT)} - \text{Tied capital} \times \text{Weighted average cost of capital (WACC)}$$

Value added expresses the absolute net profit after deducting the cost of capital. The operating indicators focus on operating management and therefore on the continuing operations of the group.

Tied capital is calculated as the total of all non-interest-bearing assets (except tax items) less non-interest-bearing liabilities (except tax items), measured at carrying amounts. WACC (before tax) is the weighted average market cost of debt capital and equity. This has been set at 11.0% since 2012. Value added came to EUR –30.5m in the reporting period compared to EUR –180.0m in fiscal 2014. Additionally, we plan and measure a number of financial and non-financial key performance indicators on a monthly basis.

Notes on capital and shareholder structure

Sec. 289 (4) and Sec. 315 (4) HGB require additional information in the management report and group management report on certain features of the capital and shareholder structure as well as certain arrangements which might be of significance in the event of an acquisition:

1. The share capital of Celesio AG amounted to EUR 260,122,792.96 as of the end of the reporting year and was divided into 203,220,932 no-par value registered shares. The proportionate nominal value per share is EUR 1.28.
2. Each share in Celesio AG is given one vote. There are no shares with multiple, preferential or maximum voting rights. Celesio is not aware of any limitations of voting rights arising from shares nor of any limitations on the transferability of shares.
3. At the end of the reporting period the shareholding of McKesson Corporation and its affiliates (mainly McKesson Deutschland GmbH & Co. KGaA) was 76%. Beyond that, there were no shareholdings in Celesio of more than 10%.
4. A domination and profit and loss transfer agreement between McKesson Deutschland GmbH & Co. KGaA and Celesio AG is effective.
5. Employees with shares in the capital of the company may exercise their control rights directly.
6. a) The appointment and dismissal of members of the Management Board is determined in accordance with Secs. 84 and 85 AktG.
b) Any amendment of the articles of association requires a resolution to be taken at the Annual General Meeting in accordance with Secs. 179 and 133 AktG. Provided that no articles or mandatory legal provisions stipulate otherwise, the resolutions are passed with a simple majority of the votes cast and, provided the law stipulates a capital majority in addition to a majority of votes cast, by a simple majority of the share capital represented. Pursuant to Art. 5 (10) of the articles of association of Celesio AG, the Supervisory Board is only authorised to make amendments to the articles of association to the extent that they merely affect the wording. For the Supervisory Board to pass this resolution a majority of the votes cast suffices.
7. a) 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 value registered shares in return for cash contribu-

tions or contributions in kind on one or more occasions by a maximum of EUR 65,318,400 (authorised capital 2011). The Management Board is authorised, with the consent of the Supervisory Board, to define further details of the capital increase and its execution, in particular the content of the share rights and the conditions governing the issue of shares, pursuant to the conditions of consent and to exclude subscription rights in certain cases (Art. 3 No. 3 of the articles of association of Celesio AG).

- b) 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 value registered shares in return for cash contributions on one or more occasions by a maximum of EUR 43,545,600 (authorised capital 2012). Furthermore, the Management Board is authorised, with the consent of the Supervisory Board, to define further details of the capital increase and its execution, in particular the content of the share rights and the conditions governing the issue of shares, pursuant to the conditions of consent and to exclude subscription rights in certain cases (Art. 3 No. 2 of the articles of association of Celesio AG).
- c) By resolution of the Annual General Meeting of 16 May 2013, 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 15 May 2018 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 (4) 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 value registered shares (contingent capital 2013) and the Management Board is authorised, with the consent of the Supervisory Board, to define further details of the execution of the conditional capital increase pursuant to the conditions of consent.
- d) In the event of the share capital being increased, the distribution of profits may be determined in derogation of Sec. 60 AktG.

- e) The company may acquire treasury shares with the intention of offering them as part of the employee share programme to persons who are or were employed by the company or an affiliate.
 - f) By resolution of the Annual General Meeting of 16 May 2012, the company is authorised until 15 May 2017 to purchase treasury shares totalling up to 10% of the share capital on the resolution date or the share capital on the date this authorisation is exercised, if lower. The resolution of the Annual General Meeting determines the rights of the individual Management Board members in connection with the acquisition and use, including exclusion of put options upon acquisition or subscription rights upon use.
 - g) The entitlement of the shareholders to securitise their shares is excluded.
8. The terms of the bonds issued by Celesio Finance B.V. and guaranteed by Celesio AG on 26 April 2010 and 18 October 2012 provide for a right of the bond creditors to terminate the bonds prematurely in case of a change of control. A change of control is deemed to occur when a third party's interest reaches more than 50% of the shares in Celesio AG and a rating of a rating agency with a specific rating is not obtained within a set timeframe. Furthermore, the syndicated loan agreement concluded on 12 February 2013 entitles the creditor banks to terminate their investment commitment in the facility prematurely within a specified period in the event of a change in control and to declare any possible outstanding loans under the syndicated loan agreement as due. A change of control is deemed to occur when a third party's interest reaches more than 50% of the shares in Celesio AG as a result of a takeover offer.

For the entire Management Board, severance pay is capped in accordance with the recommendations of the German Corporate Governance Code.

The Management Board has considered the mandatory information pursuant to Secs. 289 (4) and 315 (4) HGB. It confirms the regulations in place at Celesio and sees no reason for any change. The mandatory information pertaining to features of the capital and shareholder structure reflects the main current content of the articles of association of Celesio AG.

Demographic change is one of the main drivers of growth in the global pharmaceutical markets

The growth of the global pharmaceutical and healthcare markets will continue to be driven primarily by global demographic trends in the coming years (source: IMS Global):

- The global population will continue to increase, rising by over 280 million people by 2018.
- The number of patients in developing and emerging economies will increase as more people will have access to healthcare.
- The average age of the global population is increasing; in 2018 the 65+ age group will make up around 9.3% of the population.
- The number of chronically ill people is continuing to rise. For instance, the number of people suffering from diabetes worldwide is set to increase in most countries. It is estimated that around 592 million people will suffer from diabetes in 2035 (2014: 387 million people). The number of people suffering from cardiovascular disorders will also continue to rise. In Germany alone, demographic change and insufficient prevention efforts were responsible for an increase of 7% in the number of people suffering from myocardial infarction in 2013.

Overall, the global pharmaceutical and healthcare markets will grow by 5.6% per year on average until 2018, when the total volume will reach USD 1.294 trillion. Through strong population growth, rising affluence, higher expectations as to the quality of life, increased quality in healthcare as well as improved access to it, the developing and emerging economies will contribute to global growth with double-digit growth rates. Industrialised nations on the other hand will mostly only generate growth in the single digits.

Cost pressure on healthcare systems as a driver of competition and development in Europe

In the advanced and highly regulated markets of Europe, moderate growth of around 1.8% per year is expected until 2018, according to IMS. According to IMS, the competition on the European pharmaceutical and healthcare markets will remain high, primarily as a result of structural reforms in those countries in the EU that are economically weaker. Politicians of all countries hope these reforms will bring a more efficient and improved healthcare system and are driving competition accordingly. At the same time, governments must continue reducing their expenses to avoid further burdening their tight budgets. This is also having an impact on the pharmaceutical market:

- Increased use of cost-benefit analyses to determine reimbursements
- Further cuts in government spending on healthcare at the expense of all market participants
- Mandatory use of less expensive generic products
- Introduction of reference price models stricter price and cost refund regulations
- Mandatory rebate and discount regulations

These government cost reduction programmes will cause competition in pharmaceutical distribution to remain high. In the medium term, this pressure will lead to further consolidation in the pharmaceutical business, not only in Europe, in order to realise economies of scale and purchasing advantages. In addition, traditional pharmaceutical distribution models are increasingly adding services for manufacturers and pharmacies with corresponding new compensation models. The pharmaceutical wholesale business is thus positioning itself as a full service provider between manufacturers and pharmacies. In the pharmacy sector, too, the higher competitive pressure is resulting in a concentration of pharmacies in cooperation concepts and – in more highly deregulated markets – in further consolidation. In many European countries, the pharmacy is also shifting more into focus in terms of providing medical care. This relates to both the support of patients suffering from chronic illnesses (advice, helping them take their medication regularly) and the rendering of simple medical services such as measuring blood pressure. This will increase the quality of healthcare and reduce healthcare costs.

Primary objective: people's health

More so than ever, patients and consumers are determining the success of the pharmaceutical and healthcare markets. At Celesio, we address this situation in our guiding principles:

We aim to help make the world a healthier place where more people can live life to the fullest. Our mission is to contribute to healthier, more positive lives by providing innovative and effective healthcare services.

Our entire strategy is based on this ultimate goal. We continuously strive to improve the quality of services for patients and consumers as well as the efficiency of the supply chain through a strategy of innovation. Our corporate mission serves as a framework and directional aid for the Celesio strategy and structure. This is the pledge of the company and its employees to customers and society as a whole.

The way we do business

To reach our ambitious goals, we focus on our five priorities, which are

- Enhance customer value
- Encourage a growth mindset
- Strengthen leadership
- Improve collaboration
- Develop our talent pool.

We will enhance customer value through operational excellence, value added services and broader partnerships. We will leverage the great growth opportunities we see over the years through core growth, consolidation, channel expansion and innovation. In order to achieve growth and emphasise customer value across the board, we need the right people and the right organisation. This is why a leadership team is set up composed of leaders from Celesio's country management teams and central group functions. This team defines the strategic and operating priorities of the company.

Fundamental for Celesio's success is a very good collaboration between and amongst countries and group functions. As countries differ greatly in terms of regulations and health care systems, in general decisions should be made as close to the customers as possible, i.e. by the local management. In areas like procurement, EPN or IT it is important that we are acting as a larger entity. Last but not least, developing our employees is an overarching task and management process.

The Celesio strategy is to focus on core markets that offer the right mix of economic growth potential, competitive landscape and customer type, coupled with an ability to scale and leverage our operations to generate maximum efficiencies. Following a business review, Celesio evaluated a number of options for Panpharma & Oncoprod and concluded that an intended sale is the most suitable approach for all parties. The intended sale allows Celesio's management to focus on markets that demonstrate more attractive characteristics and which utilise Celesio's strong European footprint.

Gradually improving economy in 2015

The pharmaceutical wholesale business operates in a relatively stable market environment that is not directly dependent on economic stability. The pharmaceutical retail business is slightly dependent on the overall economy, typically for non-prescription products sold. However, we have not seen any precise dependency on the overall economic environment in the past. During the first months of 2015, the basic parameters of the economic environment changed, but had no impact on Celesio.

Our Brazilian business is slightly more dependent on the overall economic environment, especially in respect of inflation. Experts at the IfW ["Institut für Weltwirtschaft der Universität Kiel": Kiel Institute for the World Economy] put development of GDP in Latin America on 1.3% for 2015; inflation is still at a high level and remains at 7.0% for 2014 in Brazil.

Revenue and earnings development

CELESIO GROUP REVENUE AND OPERATING RESULTS	Fiscal 2014		1st quarter 2014		Fiscal 2015	
	of revenue		of revenue		of revenue	
	EUR m	%	EUR m	%	EUR m	%
Revenue	20,646.6	100.0	4,990.2	100.0	5,269.1	100.0
Gross profit	2,226.4	10.8	543.7	10.9	572.3	10.9
adjusted ¹⁾	2,227.1	10.8	543.7	10.9	572.3	10.9
EBIT	354.6	1.7	91.0	1.8	62.2	1.2
adjusted ¹⁾	440.0	2.1	98.0	2.0	78.6	1.5
Profit before taxes	285.6	1.4	73.0	1.5	54.5	1.0
adjusted ¹⁾	371.1	1.8	80.0	1.6	70.8	1.3
Net profit from continuing operations	190.6	0.9	46.7	0.9	33.0	0.6
adjusted ¹⁾	269.8	1.3	53.7	1.1	47.7	0.9
Net profit from discontinued operations	-138.2	-0.7	-3.6	-0.1	-255.3	-4.8
Net profit/loss from continuing and discontinued operations	52.4	0.3	43.1	0.9	-222.3	-4.2

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

Change in the financial year and additional notes

Celesio has changed its financial year end from 31 December to 31 March. Therefore the short fiscal 2015 lasted for three months (1 January to 31 March 2015) only.

For an improved comparability, statements referring to the reporting period, the short fiscal 2015 will be compared with the corresponding unaudited previous year's period (1 January 2014 to 31 March 2014). Statements referring to the reporting date 31 March 2015 are compared with the previous year figure as of 31 December 2014.

The statements referring to the previous year's figures as of 31 December 2014 as well as statements referring to the unaudited previous year's period have been recast due to adjustments made for discontinued operations. Following the decision to put our Brazilian activities Panpharma and Oncoprod on sale, the corresponding entities have been classified as discontinued operations. The previous year's figures were restated according to IRFS regulations to allow comparison to previous year period. Unless stated otherwise, the following comments on revenue and earnings development pertain to continuing operations.

Revenue

Group revenue came to EUR 5,269.1m in short fiscal 2015, up 5.6% on the previous-year period figure of EUR 4,990.2m. The gain of an exclusive distribution contract with a major manufacturer in the United Kingdom offset the loss in revenue due to the loss of the hospital contract in Norway. Thereby overall positive exchange rate effects amounted to EUR 142.2m, mainly related to the British pound.

As in previous years, France once again made the largest contribution to revenue (29.9%; previous year period 31.3%) followed by the United Kingdom (28.1%; previous year period 23.6%), and Germany (21.0%; previous year period 22.0%).

Gross profit

Gross profit (revenue less cost of goods sold) rose by 5.3%, in line with revenue in short fiscal 2015 from EUR 543.7m to EUR 572.3m. This increase is mostly due to exchange rate effects mainly from the British pound of EUR 25.3m. Unfavourable effects from state-imposed price reduction mainly in the United Kingdom and Ireland and the loss of the hospital contract in Norway were compensated by lower rebates to our customers in Germany and an increasing contribution of our Norwegian pharmacies. At 10.9%, the gross profit margin in the reporting period was on the prior year level of 10.9%.

EBIT

EBIT (earnings before interest and taxes) for continuing operations saw a decrease of 31.6% from EUR 91.0m to EUR 62.2m, which is explained hereafter.

In the income statement, we show defined non-recurring expenses and income as non-recurring effects in EBIT.

Celesio defines an effect as non-recurring, once this effect is derived from

- impairment losses/gains recorded on non-current assets and revaluations pursuant to IFRS 5 regarding the expected amount of net sales proceeds,
- deconsolidation,
- impairment gains/losses recognised on intangible or tangible assets,
- restructuring charges from changes in strategy, of ordinary business, including changes to the management
- the integration process with the McKesson Corporation.

In short fiscal 2015, non-recurring effects amounted to EUR 16.4m (previous year period EUR 7.0m). Thereof EUR 10.4m are derived from legal and other consultancy expenses in connection with the takeover by McKesson Corporation as well as impairments on out of use software and EUR 6.0m from impairments of a entity available for sale, that is reported within the continued operations.

Adjusted for special effects, EBIT fell by 19.9% to EUR 78.6m compared to EUR 98.0m in the previous year period. The state-imposed price reductions in the United Kingdom, which had a major impact on the performance of the British pharmacy business, the difficult market condition in France, the loss of the hospital contract and several one-offs, in particular in the United Kingdom and in the holding, had a significantly negative effect on the profit development. Thereby overall positive exchange rate effects amounted to EUR 6.2m, mainly related to the British pound sterling.

Taking into account the holding's expenses incurred in euro, the foreign currency share in EBIT increased by 9.1 percentage points.

EBIT	Fiscal 2014		1st quarter 2014		Fiscal 2015	
BY CURRENCY	EUR m	%	EUR m	%	EUR m	%
Group total	354.6	100.0	91.0	100.0	62.2	100.0
EUR	-9.0	-2.5	9.4	10.4	0.8	1.2
GBP	263.6	74.3	70.2	77.1	56.7	91.2
Others	100.0	28.2	11.4	12.5	4.7	7.6

Investment result

At 15.1m, the investment result was considerably above the previous-year level of EUR 3.2m. This was primarily attributable to the positive development of the Dutch investment Brocacef Holding N.V. in the reporting period, including an extraordinary gain from the adjustment of pension liabilities.

Financial result

The financial result, the balance of the items interest expense, interest income and other financial result, increased to EUR -22.8m in the reporting period, compared to EUR -21.3m in the previous year period. This was primarily based on the revaluation of an intra-company loan due to currency exchanges effects, which was partially compensated by the last year's drop in interest expenses within the last year. The adjusted interest coverage ratio was 3.4 (previous year 4.6). The unadjusted interest coverage ratio came to 2.7 (previous year 4.3).

Income taxes

At EUR 21.5m (previous year period EUR 26.3m), the tax expenditure decreased by 18.3%. This results in an effective tax rate of 39.4% for the reporting period compared to 33.3% in the previous year period.

Net profit/loss from continuing operations

The net profit from continuing operations at the Celesio Group came to EUR 33.0m, a decrease of 29.3% on the figure for the previous year period of EUR 46.7m, which results from the previously described decrease in EBIT. After adjustments for special effects, net profit from continuing operations, at EUR 47.7m, was down 11.2% on the previous year's figure of EUR 53.7m. The basic and diluted earnings per share of the Celesio Group decreased from EUR 0.24 in the previous year period to EUR 0.16.

Net profit/loss from discontinued operations

Discontinued operations generated revenue of EUR 391.3m in short fiscal 2015, an increase of 0.5% on the previous-year figure of EUR 389.2m. Thereby, currency effects, caused by the Brazilian real amounted to EUR 2.9m.

Gross profit of discontinued operations fell by 6.6% to EUR 30.8m compared to EUR 33.0m in the previous-year period. Thereby, currency effects, caused by the Brazilian real amounted to EUR 0.2m.

The discontinued operations' EBIT decreased significantly in a year-on-year comparison to EUR –11.4m (previous-year period EUR –2.4m). In short fiscal 2015, earnings were significantly impacted by the impairment losses of EUR 210.5m at our Brazilian activities. Overall, currency effects, caused by the Brazilian real amounted to EUR –0.1m.

The net loss incurred by discontinued operations thus increased to EUR –255.3m compared to EUR –3.6m in the previous-year period. Upon the disposal expected within the next twelve months of the Brazilian operations, the foreign currency translation reserves with a current aggregate loss of EUR 125.4m will be recorded as an expense through profit and loss, once the sale transaction is closed.

Net profit/loss

Net profit and loss from continuing and discontinued operations came to EUR –222.3m compared to a net profit and loss of EUR 43.1m in the previous year period. Accordingly, basic and diluted earnings per share came to EUR –1.10 compared to EUR 0.22 in the previous year period.

Investments and capital expenditures

Investments and capital expenditures of continuing operations recognised in the statement of financial position increased in short fiscal 2015 to EUR 34.3m (previous year period EUR 19.9m). In line with the company's internal reporting guidelines, Celesio differentiates between investments in acquisitions and new pharmacies and capital expenditures of the operating business.

At EUR 10.8m, investments in acquisitions and new pharmacies rose above the previous-year period level of EUR 9.0m. In short fiscal 2015, we opened four, acquired two, closed five and sold one pharmacies due to ongoing optimisation of our portfolio, particularly in Norway, the United Kingdom and Ireland.

In short fiscal 2015, the capital expenditure of Celesio for its operating business totalled EUR 23.4m compared to EUR 10.9m in the previous year period, a sharp rise in the investment level. This development generally reflects the low investment level in the comparison period and in particular higher IT investments.

Changes in the investment portfolio

On 9 December 2014 Celesio announced that *Brocacef Group*, a joint venture of the PHOENIX Group and Celesio, intends to purchase Mediq Apotheken Nederland B.V. In addition to pharmacies and the pharmaceutical wholesale distribution business, the acquisition will also involve pre-wholesale activities. The acquisition is subject to the approval of the relevant competition authorities. The takeover has no impact on the financial situation of Celesio in short fiscal 2015.

Market environment and business development

Celesio is one of the largest pharmacy operators in Europe. As of the end of short fiscal 2015 Celesio operated 2,184 retail pharmacies (previous year period 2,184) in six countries.

In short fiscal 2015, we opened four, acquired two, closed five and sold one pharmacy due to ongoing optimisation of our portfolio.

The expansion of the European pharmacy network has also taken effect and will allow us to grow even stronger in fiscal 2016.

Austerity measures, in particular in the *United Kingdom* and *Ireland* had a negative effect on the market in the reporting period. The substitution of cheaper generic drugs for original products also continued. Nevertheless, in the *United Kingdom* in particular, growth in revenue was achieved by higher sales volumes and an increase in service agreements.

Revenue and earnings development

CONSUMER SOLUTIONS REVENUE AND OPERATING RESULTS

	Fiscal 2014		1st quarter 2014		Fiscal 2015	
	EUR m	OF REVENUE %	EUR m	OF REVENUE %	EUR m	OF REVENUE %
Revenue	3,677.7	100.0	865.6	100.0	979.0	100.0
Gross profit	1,230.9	33.5	297.5	34.4	320.7	32.8
adjusted ¹⁾	1,230.9	33.5	297.5	34.4	320.7	32.8
EBIT	240.3	6.5	52.8	6.1	40.9	4.2
adjusted ¹⁾	262.0	7.1	52.7	6.1	46.8	4.8

1) Adjusted for special effects from defined non-recurring expenses and income.

Revenue

Revenue in the Consumer Solutions division increased by 13.1% in short fiscal year 2015 from EUR 865.6m in the previous year period to EUR 979.0m. The performance was supported by overall positive currency exchange rate effects and portfolio effects in *Norway* and in *Ireland* but also by growing revenue from service agreements with hospitals in the *United Kingdom*. Thereby overall positive exchange rate effects amounted to EUR 62.0m, mainly related to the British pound sterling.

Gross profit

In short fiscal 2015, the division's gross profit increased by 7.8% from EUR 297.5m in the previous year period to EUR 320.7m. Most of the increase is due to overall positive exchange rate effects which amounted to EUR 19.0m, mainly related to the British pound. The gross profit margin decreased from 34.4% in the previous year period to 32.8% in short fiscal 2015. The governmental measures in the *United Kingdom* in Ireland continue to weigh on the gross profit margin. Moreover, higher sales and service volumes with lower-margin products put pressure on the overall gross profit margin in the *United Kingdom*.

EBIT

EBIT amounted to EUR 40.9m compared to EUR 52.8m in the previous year period, a decline of 22.5%. EBIT adjusted for special effects decreased by 11.2% from EUR 52.7m in the previous year period to EUR 46.8m in short fiscal 2015. The mainly currency driven increase in gross profit was more than offset by a mostly currency driven increase in expenses. Some larger one-offs such as the write of an IT project in the United Kingdom led to a substantial decrease in EBIT.

Exchange rate effects had an overall positive impact of EUR 2.7m, mainly derived from the British pound.

Market environment and business development

Celesio bundles its wholesale activities with pharmaceutical products in its Pharmacy Solutions division.

With 108 wholesale branches (previous year period 108), Celesio subsidiaries are active in ten European countries.

Celesio leads the market in *France* and in *Austria*, and is one of the top players in most other countries, with the exception of *Italy*, where we only operate regionally.

Celesio offers supplementary services for pharmacists such as the organisation and management of pharmacy cooperation programmes in *Germany*, in *France*, in *Belgium* and in *Norway*. Within the framework of these cooperation programmes, we also support our business partners with offers and campaigns and provide platforms to facilitate the exchange of information.

The pharmaceutical wholesale business operates in a relatively stable market environment that is not directly dependent on economic stability. In Europe, cheaper generics are replacing original products at an increasing rate. Coupled with an equally weak development in volumes, this is causing the market to decline, in particular in *France*. The discount level in *Germany* has cooled down since the first quarter of 2014. Due to a loss of a major hospital contract in Norway, the course of business in our wholesale division varies in short fiscal 2015 in comparison to the previous year period.

Revenue and earnings development

PHARMACY SOLUTIONS REVENUE AND OPERATING RESULTS

	Fiscal 2014		1st quarter 2014		Fiscal 2015	
	EUR m	OF REVENUE %	EUR m	OF REVENUE %	EUR m	OF REVENUE %
Revenue	16,969.4	100.0	4,124.6	100.0	4,290.1	100.0
Gross profit	995.5	5.9	246.2	6.0	251.6	5.9
adjusted ¹⁾	996.2	5.9	246.2	6.0	251.6	5.9
EBIT	244.2	1.4	67.5	1.6	55.8	1.3
adjusted ¹⁾	265.0	1.6	67.5	1.6	64.2	1.5

1) Adjusted for special effects from defined non-recurring expenses and income.

Revenue

In short fiscal 2015, the Pharmacy Solutions division generated revenue of EUR 4,290.1m compared to EUR 4,124.6m in the previous year period, an increase of 4.0%. Except for Belgium and Norway, due to the loss of a hospital contract, all other countries have realised sales growth in short fiscal 2015. A strong flu season, the gain of an exclusive distribution contract with a major manufacturer in the United Kingdom and overall positive currency effects of EUR 80.2m from the British pound have contributed to this growth.

Gross profit

In short fiscal 2015, the division's gross profit increased by 2.2% from EUR 246.2m in the previous year period to EUR 251.6m. This increase was driven by overall positive currency exchange rate effects of EUR 6.3m mainly caused by the British pound. The gross profit margin of 5.9% in short fiscal 2015 remained below the previous-year level of 6.0%. The trend in margin was caused by the low margin from the newly won exclusive distribution contract with a major manufacturer in the United Kingdom and by higher discounts in France. The discount competition in *Germany* experienced a recovery, as discounts are slowly cooling down since the first quarter of 2014. However this positive contribution could not compensate for the challenging conditions in other markets.

EBIT

In short fiscal year 2015, the division's EBIT decreased by 17.4% from EUR 67.5m to EUR 55.8. EBIT adjusted for special effects decreased by 4.9% from EUR 67.5m in the previous year period to EUR 64.2m in short fiscal 2015.

The negative effect of the loss of the hospital contract in Norway as well as the challenging environment in France weighed on EBIT. Overall positive currency effects, mainly caused by the British pound, amounted to EUR 3.0m.

Statement of cash flows

EUR M	Q1 2014	Fiscal 2015	Dev.
CASHFLOW STATEMENT - CONTINUED OPERATIONS			
Net cash flow from operating activities			
- continuing activities	-73.4	-49.8	23.6
Net cash flow from investing activities			
- discontinued operations	-27.0	-29.9	-2.9
Interest paid and received	-31.6	-4.4	27.2
Free cash flow	-132.0	-84.1	47.9
Payments made to shareholders (including non-controlling interests)	-0.1	0.0	0.1
Net cash flow from change in borrowings	-9.2	162.1	171.3
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	0.0	-0.9	-0.9
Net change in cash and cash equivalents - discontinued operations	-12.7	10.0	22.7
Payments for group hedging activities	0.0	-58.9	-58.9
Net change in cash and cash equivalents	-154.0	28.2	182.2
Net foreign exchange rate difference	1.8	13.9	12.1
Change in cash and cash equivalents	-152.2	42.1	194.3

The net cash flow from operating activities comes to EUR -49.8m for continuing operations in short fiscal year 2015. This compares to cash flow of EUR -73.4m generated in the previous-year period (Q1/2014). This trend was primarily the result of changes in operating net assets. Compared to the previous year, a lower year end stockpiling in Germany as well as higher revenue in France contributed to this result. In short fiscal 2015 a decrease on trade receivables was recorded, that did not occur in the previous year period (Q1/2014). By contrast, the improved revenue development in the United Kingdom led to a higher level of trade receivables at the end of the short fiscal year, when compared to previous year period.

Net cash flow from operating activities came to EUR -21.3m for discontinued operations, compared to EUR -53.1m in the previous year period.

The net cash flow from investing activities for continuing operations amounted to EUR -29.9m, compared to EUR -27.0m in the previous year period.

Compared to the previous year period, higher investments led to an increase in cash outflow for investments. Additionally, the acquisition of two Pharmacies in

Norway during the short fiscal year is reflected within this figure. In the previous year period, cash outflow was mainly driven by the acquisition of pharmacies in Ireland. For discontinued operations, net cash flow from investing activities came to EUR –1.7m, in contrast to the net cash flow of EUR –1.2m in the previous year period.

Cash and cash equivalents came to EUR 371.6m as of 31 December 2014, an increase of EUR 35.8m compared to the end of fiscal 2014.

Free cash flow, the balance of net cash flow from operating activities, net cash flow from investing activities and interest paid and received, totalled EUR –84.1m for continuing operations in short fiscal 2015 compared to EUR –132.0m in the previous year period.

EUR M	31/03/2014	31/03/2015	Change in statement of financial position	Net change in cash and cash equivalents continuing operations*
CHANGE IN NET OPERATING ASSETS				
Inventories	1,610.0	1,447.7	–162.3	46.3
Trade receivables	2,274.0	2,201.5	–72.5	–143.8
Trade payables	–2,303.7	–2,385.0	–81.3	42.3
Net operating assets	–202.9	–157.6	45.3	–57.8
Net operating assets	1,377.4	1,106.6	–270.8	–113.0
Other assets and liabilities	–478.3	–965.5	–487.2	–13.3
Net cash flow from change in net working capital				–126.3

* Change in the statement of financial position adjusted for currency effects, changes in the consolidated group, assets and liabilities held for sale and impairment of operating assets.

Net debt increased from EUR 867.0m as of 31 December 2014 to EUR 897.0m as of the 2015 reporting date. The key performance indicator net debt/EBITDA (adjusted) increased from 1.63 as of 31 December 2014 to 1.68 as of the 2015 reporting date. Due to the change of the reporting period from the calendar year to the period from 1 April to 31 March the key figure is limitedly meaningful.

Cash outflow from financing activities for continued operations amounted to EUR 97.9m in the reporting period compared to a cash outflow of EUR –40.9m in the previous-year period. Thereby the cash inflow from borrowing increased by

EUR 303.1m, while cash outflow for the settlement of financial liabilities increased by EUR –131.8 m.

As of 31 December 2014, net working capital amounted to EUR 1,106.6m (31 March 2014 EUR 1,377.4m).

Financing strategy and financial management

Our financing strategy is founded on the following principles:

1. Safeguarding liquidity
2. Ensuring entrepreneurial flexibility
3. Minimising financing costs

Celesio consistently pursues a conservative financing strategy that is aligned to our long-term needs. Our financing agreements do not contain any financial covenants.

FINANCIAL LIABILITIES	31/12/2014	31/03/2015
EUR m		
Liabilities to banks	257.4	108.4
Promissory notes and bonds	935.6	846.0
Lease liabilities	7.5	6.5
Other financial liabilities	2.3	307.7
Group/total	1,202.8	1,268.6

The lending business is exposed to growing capital adequacy requirements, which are emerging in particular in the context of current discussions surrounding the Basel III reform. Celesio is driving efforts to limit bank financing to no more than a fifth of our financial liabilities as a way of addressing these effects. Major financing transactions are processed via Celesio AG and the group's internal financing company Celesio Finance B.V. Local lines of credit are only used where it is not possible or not practical to draw on central sources such as in Brazil.

Celesio is not rated by an external agency. However, third parties regularly assess our credit standing on the basis of selected KPIs. Therefore we continue to provide the net financial debt to adjusted EBITDA ratio, which is based on the net financial debt as of the reporting date in relation to the last twelve months adjusted EBITDA, here. Values for previous years are as reported. Values for the short

fiscal year 2015 and values as of 31 March 2015 are based on continued operations, only.

	31/12/2014	31/03/2015
Net Financial Debt/adjusted EBITDA	1.63	1.68

The net financial debt follows from following items below:

CALCULATION OF NET FINANCIAL DEBT	31/12/2014	31/03/2014	31/03/2015
Cash and cash equivalents — EUR m	335.8	383.5	371.6
Non-current liabilities — EUR m	992.1	1,086.38	1,246.4
Current liabilities — EUR m	208.5	228.28	20.4
Lease liabilities (current) — EUR m	2.3	3.04	1.8
Net financial debt — EUR m	867.0	934.2	897.0

The rolling adjusted EBITDA for the last 12 months is as follows:

CALCULATION OF NET FINANCIAL DEBT/EBITDA	Fiscal 2014	1st quarter 2014	Fiscal 2015
Rolling 12-month EBITDA — EUR m	532.2	546.9	533.0

Financial instruments

Credit lines

Long-term bilateral credit lines approved by banks are a major component of our financing portfolio. As the credit lines are confirmed for up to five years, it is extremely important to maintain a particularly trusting and cooperative working relationship with the banks. We review our bank portfolio continuously, terminate business relationships with the respective bank if we determine that continuation would no longer make sense for either party and take this relationship to new banks where it is sensible to do so in the long-term. Celesio currently has long-term bilateral and syndicated lines of credit which have not been drawn totalling more than EUR 1bn. The lines of credit are provided by numerous international banking groups; most have terms of between two and five years, some can be

drawn in a range of currencies and none of them, except for the EUR 500m syndicated loan, contains a change of control clause.

In short fiscal 2015 Celesio concluded a frame agreement with McKesson Deutschland GmbH & Co. KGaA for intercompany loans. As of 31 March 2015 Celesio had drawn EUR 300m under this uncommitted facility. The terms and conditions of the facility are at arm's length and mainly replace short-term working capital drawings under uncommitted bilateral credit lines from banks.

Bonds

Celesio had two bonds outstanding in fiscal 2015:

OUTSTANDING NOMINAL VOLUME	31/12/2014	31/03/2015	Coupon	Maturity
EUR m			%	
Corporate bond 2016	349.7	349.7	4.00	18/10/2016
Corporate bond 2017	499.7	499.7	4.50	26/04/2017
Total EUR	849.4	849.4		

Promissory notes

On 2 January 2015 EUR 50.0m were prepaid from the promissory note which was terminated by 15 November 2014. For the remaining fixed-interest promissory note of EUR 40m (original maturity date 17/06/19), Celesio made use of its cancellation right at par. Celesio prepaid the promissory note in March 2015. Therefore no promissory note is outstanding as of 31 March 2015.

PROMISSORY NOTES (NOMINAL VALUE)	31/12/2014	31/03/2015	Maturity
EUR m			
	50.0	/	02/01/2015
	40.0	/	31/03/2015
Total EUR	90.0	/	

As of 31 March 2015, promissory notes came to a nominal value of EUR 0.0m (31 December 2014: EUR 90.0m).

Factoring

In short fiscal 2015, we continued to use the sale of receivables as finance instrument.

SALE OF RECEIVABLES FROM		31/12/2014	31/03/2014	31/03/2015
NHS England and devolved administration of Scotland and Wales	EUR m	158.7	130.3	120.8
Norway public sector hospital pharmacies	EUR m	43.2	42.7	0.0
Swedish healthcare service	EUR m	5.0	5.0	5.1
Total	EUR m	206.9	178.0	125.9

Factoring activities with the devolved administration of Scotland and Wales ended in short fiscal 2015. The factoring reduces both our refinancing risk in the respective currencies and our counterparty risk. The very good credit quality of the governments that act as guarantors for the receivables minimises our interest expense. The receivables sold are not recognised in our statement of financial position; this reflects the fact that the significant risks and rewards have been transferred to the purchaser.

Financing costs

We optimise financing costs and our counterparty risk by funding the Celesio working capital, which fluctuates daily, primarily at group level. We have set up cross-border cash pools with banks for accounts denominated in euro. We examine on an ongoing basis whether further group companies can be included in these cash pools.

On 31 March 2015, Celesio AG and its group companies had met all loan obligations and other obligations arising from financing agreements.

Assets position

As of 31 March 2015, the Celesio Group had total assets of EUR 7,769.1m; a decrease of EUR 60.5m compared to 31 December 2014. In short fiscal 2015 there were numerous reclassifications between the individual line items in connection with the group's discontinued operations.

The gearing, which expresses the ratio of net debt to equity, deteriorated as of 31 December 2015 to 0.35 compared to 0.31 as of 31 December 2014. This development was mainly driven by the financial losses in the current period, mainly due to the adjustments to the valuation of the Brazilian activities as well as increase in net financial liabilities.

ASSETS	31/12/2014	31/03/2015
EUR m		
Non-current assets	3,037.4	3,064.9
Current assets	4,792.2	4,704.2
Total assets	7,829.6	7,769.1

Non-current assets increased by a total of EUR 27.5m to EUR 3,064.9m compared to the end of 2014. Of this amount, EUR 128.0 m related to currency effects and EUR 17.1m related to changes in investment in property, plant and equipment. This was adversely affected by the depreciation of non-current assets and property, plant and equipment of EUR 26.6m as well as impairments on intangible and tangible assets of EUR 6.2m.

As of 31 March 2015, current assets came to EUR 4,704.2m a decrease of EUR 88.0m compared to 31 December 2014. Reclassification of assets held for sale had an impact on current assets, especially with regard to inventories and trade receivables. Inventories fell by EUR 297.4m in total to EUR 1,447.7m. Besides the reclassification effect the decrease was mainly the result of lower stock levels at year-end 2015 than in the previous year in France and Germany. Trade receivables fell by EUR 96.9m to EUR 2,201.5m. In addition to the reclassification mentioned above and key date effects, the change is attributable to the improvement in receivables management in France, adversely impacted by improved revenue development in Germany.

As of 31 March 2015, cash and cash equivalents came to EUR 371.6m compared to EUR 335.8m as of 31 December 2014; an increase of EUR 35.8m overall.

As of 31 March 2015, other receivables and other assets decreased by EUR 113.5m to EUR 240.2m. This trend was essentially driven by exchange rate effects and reclassification of assets held for sale. As of 31 March 2015, the Celesio

Group reported assets as held for sale of EUR 418.8m. The increase of EUR 417.8m compared with 31 December 2014 is primarily caused by reclassification effects due to the planned disposal of Pharmacy Solutions Brazil.

EQUITY AND LIABILITIES		31/12/2014	31/03/2015
EUR m			
Equity		2,761.5	2,537.4
Liabilities		5,068.1	5,231.7
Non-current liabilities		1,491.1	1,731.1
Current liabilities		3,577.0	3,500.6
Total assets		7,829.6	7,769.1

As at the reporting date, we recorded a EUR 224.1m decrease in equity capital to EUR 2,537.4m compared to the end of 2014. This development is due to the EUR 242.1m decrease in revenue reserves to EUR 952.4m due to the net loss, partly compensated by the EUR 17.2m increase of revaluation reserves to EUR -477.1m as of 31 March 2015. The equity ratio came to 32.7% on 31 March 2015, a decrease of -2.5 percentage points compared to the end of December 2014.

Non-current liabilities increased by an aggregated EUR 240.0m to EUR 1,731.1m. Non-current financial liabilities were up 254.3m to EUR 1,246.4m as of the reporting date. The rise in non-current financial liabilities is primarily driven by the EUR 300.0m loan granted by McKesson Deutschland. In contrast, other non-current provisions were also down, decreasing by EUR 31.0m to EUR 44.0m on reclassification of provision for legal suits to liabilities held for sale.

Current liabilities stood at EUR 3,500.6m as of the reporting date and were consequently down by EUR 76.4m compared to 31 December 2014. Current financial liabilities decreased by EUR 188.5m to EUR 22.2m mainly as a result of reclassifications to liabilities held for sale as well as the settlement of current financial liabilities. The reclassification of liabilities held for sale also had a significant effect on trade payables and other liabilities, which decreased from EUR 2,553.1m to EUR 2,385.0m and EUR 571.7m to EUR 500.8m, respectively, between 31 December 2014 and 31 March 2015. On 31 March 2015, the group disclosed total liabilities held for sale of EUR 415.8m.

The annual financial statements of Celesio AG reflect the company's activity as a management holding. Celesio AG holds investments in the national companies – most of which are operating companies – either directly or indirectly via national holdings. Furthermore, the short-term resource requirements of the operating companies are predominantly financed via Celesio AG. The annual financial statements of Celesio AG were compiled in euro (EUR) in accordance with Section 242 et seq. and Section 264 et seq. of the Handelsgesetzbuch (HGB, German Commercial Code) and the relevant regulations of the Aktiengesetz (AktG, German Stock Corporation Act).

Assets position

Total assets increased by EUR 172.2m to EUR 4,777m as at 31 March 2015. The fixed assets increased by EUR 88.8m to EUR 2,789.2m, while the current assets increased by EUR 79.9m to EUR 1,982.4m. The increase in the fixed assets is fundamentally due to investments in software and a gain from revaluation of financial assets. The intangible assets rose by EUR 3.5m to EUR 17.3m primarily due to the activation of licences. The financial assets grew to EUR 2,768.3m due to write-ups of EUR 62.8m. The increase in the current assets is due to the increase in receivables from affiliates and cash and cash equivalents. The equity of Celesio AG remains unchanged from the previous year at EUR 3,125.5m. Due to the domination and profit and loss transfer agreement of 22 May 2014, the annual net income of EUR 7.9m was transferred to McKesson Deutschland GmbH & Co. KGaA (formerly Dragonfly GmbH & Co. KGaA).

The equity ratio fell by 2.5 percentage points to 65.3% (previous year 67.9%).

Financial position

The financing strategy is based on the principles of safeguarding liquidity, ensuring entrepreneurial flexibility and minimising financing costs.

Of the EUR 1,520.9m of liabilities, 5.4% are to banks, 20.4% to the shareholder and 73.5% to affiliates. The company records an almost full coverage of interest bearing liabilities and the binding assets (net financial debt). The external debt (gearing) is 8.4% (previous year 1.2%) even when taking into account the loan from the shareholder.

Operating results

The annual net income for the short fiscal year 2015 is EUR 0.0 (previous year EUR 678.0m). Due to the domination and profit and loss transfer agreement of 22 May 2014, the annual net income of EUR 7,925k was fully transferred to McKesson Deutschland GmbH & Co. KGaA (formerly Dragonfly GmbH & Co. KGaA).

The earnings before tax consist fundamentally of the earnings from shareholdings, interest result and income from cost allocations to subsidiaries.

The earnings from shareholdings consist of the transfer of profits from domestic subsidiaries and profit distributions from foreign subsidiaries, as well as changes in the value of financial assets. Shareholding earnings fell compared to the previous year by EUR 716.4m to EUR 48.8m due to lower income from investments from intercompany dividends, in particular the UK subsidiary. This was partially offset by write-ups on financial assets of EUR 62.8m (previous year EUR 33.1m) for the shares held in affiliates in Belgium, Germany, Denmark, Italy and Ireland. The other income fell by EUR 90.3m compared to the previous year. The operating income was primarily the result of exchange rate gains, income from the levying of management fees and IT services, as well as from the reversal of provisions.

The management holding's net expenses are made up primarily of personnel expenses of EUR 11.5m (previous year EUR 68.7m), amortisation of intangible assets and depreciation of property, plant and equipment of EUR 1.6m (previous year EUR 16.7m) and other operating expenses amounting to EUR 103.9m (previous year EUR 177.4m). The operating expenses essentially consist of exchange rate losses, which are largely offset by the exchange rate gains recorded in other income as well as by provision for potential losses from hedges, IT service costs, consultation costs and personnel service costs.

Since 2 December 2014, a domination and profit and loss transfer agreement (DPLA) is registered between Celesio and the majority shareholder McKesson Deutschland GmbH & Co. KGaA, a fully owned indirect subsidiary of McKesson Corporation, San Francisco, California, USA. According to the DPLA a profit and loss transferal is in place for the short fiscal year 2015, which has started on 1 January, for the first time. The utilization of the retained profit for fiscal 2014 is to be decided by the AGM. According to §4 sections 1 and 3 of the DPLA, McKesson Deutschland GmbH & Co. KGaA guarantees external shareholders of Celesio AG the payment of a dividend for the fiscal year 2014 of EUR 0.83 per share. McKesson Deutschland GmbH & Co. KGaA has declared to the Management Board of Celesio AG that it is prepared to pay this out in the full amount of the guaranteed dividend

to the external shareholders for the fiscal year 2014. Therefore the Management Board and the Supervisory Board propose to the AGM to fully transfer retained profits of EUR 709,297,000 into retained earnings. The guaranteed dividend of EUR 0.83 per share is payable presumably from 12 August 2015. For the short fiscal year 2015 from 1 January 2015 to 31 March 2015, the proportionate compensatory payment of EUR 0.21 per share is also payable after the Annual General Meeting expectedly from 12 August 2015.

Forecast

The business and earnings development of Celesio AG as a management holding is closely connected to that of the Celesio Group. In fiscal 2016, the earnings development of Celesio AG will once again depend to a large extent on the distributions of foreign subsidiaries, profits transferred to and losses absorbed from German subsidiaries and the results of the financing function. We anticipate a net operating result for the management holding that is slightly higher than in the comparable period in the previous year (before profit is transferred or losses are compensated). This does not take into account the anticipated strong decline in the investment result due to significantly lower dividends from intercompany investments. We anticipate that the equity will remain unchanged in future fiscal years due to the domination and profit and loss transfer agreement in place.

Qualified professionals are the key to success

We can only live up to our vision and our mission by ensuring our teams comprise the right employees: employees who are motivated and can contribute the right experience and qualifications. For this reason, an indispensable and key component of our current and future success is to recognise suitable talents both within and outside of the company, promote talented employees in a targeted manner, make optimal use of their strengths and develop them within our company over the long term.

CELESIO GROUP EMPLOYEES

	Full-time equivalents annual average		Full-time equivalents reporting date		Employees reporting date	
	Fiscal 2014	Fiscal 2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015
Continuing operations						
Consumer Solutions	15,101	15,232	15,485	15,220	22,647	22,420
Continuing operations						
Pharmacy Solutions	9,691	9,562	9,717	9,573	11,817	11,607
Group holding	320	331	333	325	364	366
Discontinued operations	3,647	3,656	3,588	3,677	3,960	4,011
Continuing and discontinued operations	28,759	28,781	29,123	28,795	38,788	38,404

Employee figures ¹⁾

As of 31 March 2015, 28,795 full-time equivalents (FTEs) worked for Celesio – a decrease of 1.1% against the end of the previous-year period.

A total of 15,220 FTEs were employed in the Consumer Solutions division at the end of the reporting period, a decrease of 1.7%. At 60.6% (previous year end 60.6%) this division accounted for the largest share of FTEs in the group. The Pharmacy Solutions division had 9,573 employees as of short fiscal year-end, a decrease of 1.5%. There were 325 employees working at group level as of 31 March 2015 reporting date (previous year end 333 employees). With 93.1% (previous year end 93.2%) of our employees working outside of Germany, we are one of the most international German groups.

¹⁾ Unless otherwise indicated, the employee figures relate to full-time equivalents.

Integrative personnel management for sustainable success

Strategic target achievement through international cooperation

One of our main objectives involves the further integration of the diverse corporate units at Celesio. Together with colleagues from other specialist areas as well as our subsidiaries, our personnel management creates an active, international HR network and deals to foster knowledge transfer. In this way, we can ensure that we use the know-how available in the group in a manner that is efficient and targeted to benefit the company. In doing so, we rely on the utmost transparency and clarity.

Talent management secures corporate success

Throughout the group, employee and leadership development is one of our top priorities. Our talent management forms the basis for filling key positions on both a global and national scale with internal candidates. Promoting international careers allows us to make a significant contribution to the long-term success of the company. The cross-border exchange of know-how and leadership in particular strengthens links throughout the group and strengthens our team spirit.

This approach is a way of identifying and nurturing people's skills and talents at an early stage. We target high-potential individuals at the level of the group and subsidiaries and help them build successful careers through targeted action. These high-potential employees go through an international, modular leadership development programme, one which is tailored to Celesio, at a variety of career levels.

START, GROW and DRIVE – under these three names Celesio offers a broad range of development programmes for new and experienced leaders. In order to develop the talent pool, we started with a brand-new programme in March 2015, nominated for experts. The goal of the International Development Programme EXPERTS is to support the Celesio experts in their daily work, to allow them to deal successfully with change and to gain additional intercultural and interdisciplinary experience. It consists of four modules, each lasting two to three days at different Celesio sites in Europe. The pilot group will be finished by January 2016. The participants for next year will be chosen at the Talent Talks 2015.

Our varied education and training programmes continue to give our employees the skills and know-how they need to perform a wide variety of tasks within the group. For instance, we give young people the opportunity to complete a vocational training course at the company in wholesale and export trade or warehouse logistics. In Germany we work together with the Cooperative State University of Stuttgart to study different degree programmes.

At our pharmacies, we offer patients and consumers consistently reliable, high-quality advice. We therefore prioritise regular and structured further training of pharmacists and pharmaceutical technicians. In addition to deepening pharmaceutical knowledge, training sessions focus on issues such as advising customers, communication skills and organisation in the work place. We also regularly offer preparatory courses for pharmacy graduates wishing to be admitted to the relevant professional organisation.

Research and development

As a healthcare trading company and service provider, we have no need to pursue research and development activities in the course of our business. Of course we still develop our range of services and our IT infrastructure on a rolling basis. More information on this can be found in sections concerning the development of each division.

Overall picture of the economic situation

The pharmaceutical and healthcare markets in which we operate as a leading service provider are characterised by good long-term prospects for development.

In contrast, government intervention in pricing and margin-setting is associated with negative effects for Celesio in many of the European markets.

In short fiscal 2015, we recorded a pleasing development of revenue above our expectation, due to the gain of an exclusive distribution contract with a major manufacturer in the United Kingdom, in particular. Overall, the revenue development in other countries met our expectation. Currency exchange rate effects had an overall positive impact on the development of revenue of EUR 142.2m.

During short fiscal 2015, we recorded several influences on gross profit and the gross profit margin in both segments. Overall the gross profit margin remained stable at 10.9%.

Additional non-recurring effects occurred due to legal and other consultancy expenses in connection with the takeover by McKesson Corporation as well as to impairments on out of use software.

These special effects are burdening earnings considerably, but were in line with our expectations. Therefore value added as well as ROCE and EBIT adjusted achieved the targeted level.

This is also reflected in the results of the divisions as expected. The Consumer Solutions division as well as the Pharmacy Solutions division recorded a decrease in EBIT adjusted.

In line with our expectations, we recorded nearly no change on the adjusted tax rate also due to a change of the EBT contribution mix.

In line with our expectations the investment level increased due to higher investments for the expansion of EPN concept as well as higher IT investments.

The weak business development led to a significant decline in cash flow from operating activities, and thus overall negative free cash flow.

Despite the expected slightly declining earnings development of the continued operation in short fiscal 2015, we consider the economic situation of the Celesio Group to be positive.

Due to the reclassification of the Brazilian activities to discontinued operations, we recorded a significant amount of impairments, which additionally burdened earnings. This was not taken into account within the past outlook.

Risk and opportunities report

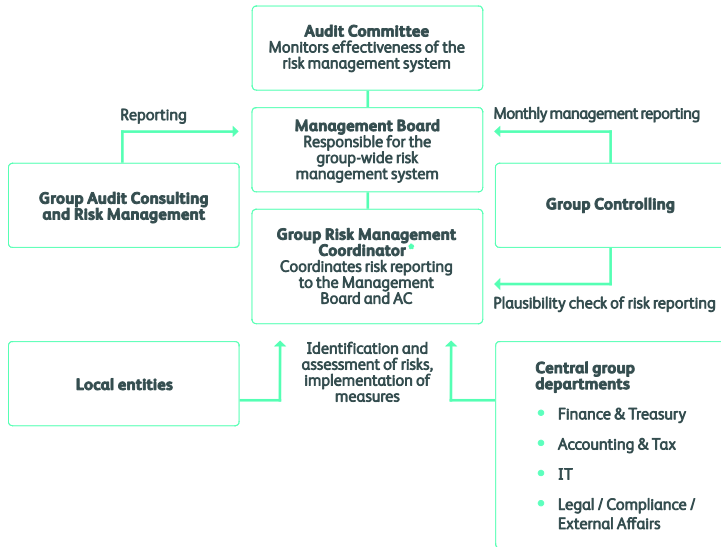
As an international company, we encounter various risks and opportunities in the course of our varied business operations. Each and every corporate decision is based on a conscious weighing up of the opportunities and risks involved. We therefore set up a comprehensive opportunities and risk management system which allows us to identify and analyse risks in good time and take suitable countermeasures if necessary. The objective of Celesio's risk management system is to identify risks at an early stage, react promptly to any changes in the environment and contain the negative influences on our company.

Risk management

Risk management process

Celesio has a well-established risk management system across the group. Celesio's risk management system is made up of a number of components, including the finance and accounting-related reporting system, planning and controlling processes, the internal audit function as well as the separate group-wide risk reporting. Group-wide guidelines and reporting systems also form another key component.

GOVERNANCE STRUCTURE RISK MANAGEMENT



* part of Group Audit

Responsibility for the risk management system at Ceslio lies with the Management Board. Management of the local entities is responsible for identifying, assessing and reporting on any risks of relevance for its entity as well as implementing measures where possible. Group Finance and Treasury is responsible for managing the group's financial risks and reporting to the Management Board. Tasks and responsibilities as well as the risk management process are regulated in the risk management guidelines that apply across the group.

The entities update their risk inventory twice a year. This includes identifying new risks as well as updating the risk evaluation for existing risks in terms of their likelihood of occurrence and potential damage. The assessment is made on a net basis, i.e., the risk remaining after taking into account risk-limiting measures. The effect on EBIT is taken as a reference figure for potential losses. All risks are recorded and maintained in a standardised risk management tool. A catalogue of risk categories is provided to support the identification of risks. The resulting current

risk situation is reported to the Management Board as part of a standardised notification and reporting system. This involves presenting the significant specific risks of the entities and the central group departments in a risk report. Group Audit is responsible for coordinating this process. In addition to this biannual reporting process, the entities report any significant changes in the risk situation to the Management Board either ad hoc or in the monthly management reporting. Furthermore, Group Audit regularly prepares the risk report for the supervisory board's audit committee.

Opportunity management

Alongside risk management, opportunity management is also an important component of our group-wide planning and management systems. However, there is no separate opportunity reporting. This is rather a component of the annual planning process. For us, opportunities are internal and external factors and events with the potential to exert a positive influence on our business. The healthcare market is a dynamic one overall, with opportunities opening up all the time. In order for our opportunity management to be successful, we observe the business climate very closely. This also involves us consulting market research findings and participating in active dialogue with various market participants. From this, we can derive concrete market opportunities that the Management Board coordinates with operational management in the planning process. Opportunities particularly arise from the business combination with the McKesson Group. It offers Celesio great opportunities and significant long-term growth potential, especially through joint purchasing and standardised IT systems.

Significant specific risks and opportunities

Unless stated otherwise, the following risks relate to both the retail and wholesale business.

Environment/market risks and opportunities

Regulatory risks and opportunities

The pharmaceutical and healthcare markets are subject to various regulatory interventions. Growing demand for healthcare services – driven by demographic change – often collides with the interests of squeezed healthcare systems whose financial difficulties are further heightened by the weak economic development in Europe. As seen recently, national governments respond accordingly through intervention, adjusting compensation structures to cut spending as seen for example in France, Ireland, Portugal and the UK. As experienced in previous years, these measures have a direct impact on the development of our business and on our income. As the potential loss and likelihood of occurrence is deemed to be high, these represent the greatest risk for Celesio. Besides lean cost management, we rely on a range of strategic projects including our European pharmacy network and the optimisation of the entire value-added chain to compensate for this risk (read more about our strategy on page 41).

Specific market risks and opportunities

Overall, the healthcare sector with its constantly shifting parameters is a dynamic market and can be associated with a number of risks:

- **Innovative wholesale distribution models**

In certain countries and for particular product categories, manufacturers are increasingly keen to reduce the role of the wholesaler and are turning instead to models such as direct-to-pharmacy (DTP) supply by the manufacturer or reduced wholesale where the manufacturer maintains exclusive agreements with just a few wholesalers. This is actually seen as an opportunity rather than a risk at present because Celesio is involved in countries with a strong market position in wholesale in these exclusive distribution models. Celesio is sharpening its focus on communication with manufacturers to position itself as an attractive business partner with new offerings for manufacturers. The extension of our logistics competence to the entire supply chain and the seamless integration of all logistics steps offer us the opportunity to leverage synergy effects and provide a basis for future growth potential.

- **Tougher competition**

Our line of business in pharmaceutical wholesale is an extremely competitive one. Besides attempts from traditional logistics firms to encroach on the pharmaceutical distribution business, our competitors' activities can also squeeze earnings. As seen in Germany, this poses a considerable risk with high potential loss. The effects will be reduced and compensated for by introducing further measures to both cut costs and increase efficiency. We also aim to foster customer loyalty by improving services and customer loyalty programmes.

- **Patent expiry**

Patent protection has recently run out or will do so over the coming years on a number of blockbusters. This will push up the market share of cheaper generics, impacting our revenue and, depending on the local reimbursement system, our earnings in the medium term. We endeavour to combat this by carefully monitoring patent expiry dates around the world and, if necessary, working closely with manufacturers to come up with more efficient models. Although this represents a significant risk, it can be largely compensated for by taking the measures described.

- **Pharmacy combinations**

There is an increasing trend of pharmacies to establish buying syndicates as a way of negotiating better conditions with wholesale and organising a portion of their supplies directly. This could lead to a reduction of our margins as far as to the loss of customers. Pharmacies unifying with pharmacy chains in deregulated markets could also have the same effects. This is to be combated with customer loyalty programmes and improved services. The overall risk here is moderate.

- **Liberalisation of OTC selling**

The question of whether the “pharmacy-only”-status should be lifted for certain OTC products, enabling them to be sold freely in supermarkets, for example, is a recurring topic of political debate. We aim to make pharmacies more appealing and improve their position compared to other outlets by offering our pharmacists regular training and implementing innovative shop concepts. We have implemented this successfully in most countries in which OTC medicines can already largely be purchased outside of pharmacies. As a result, the residual risk is currently deemed to be low.

Corporate strategy risks and opportunities

Portfolio optimisations contain both opportunities and risks. Acquisition and investment plans are therefore examined in a due diligence process and analysed in terms of return on risks. Our Group M&A and Corporate Development department coordinates closely with the relevant departments in the case of complex acquisition projects. There is also a clearly defined review and authorisation process for smaller acquisitions, such as individual pharmacies, using local resources and expertise on the market and competition. Changes in the market environment could block or hinder original targets, despite extensive due diligence procedures. We therefore conduct annual impairment tests, which can lead to an adjustment of goodwill. We are also exposed to potential risks from the integration of the acquired operations or from investments in companies in which our responsibility for the company is shared or limited.

Strategic decisions that lead to a sale of a business unit may arise additional risks related to potential legal risks in conjunction or toward the sale of the entity; translation risks due to potential currency exchange rate effects on currency exchange rate related items on the balance sheet of the entity for sale; and risks concerning the potential uncertainties related to the amount of proceeds from the disposal of the entity for sale.

Operating business risks

There are a number of special risks relating to the safety and quality of pharmaceuticals supply in all countries.

- **Interruption of operating business**

Our operating processes, especially transport, storage and dispensing, demand a mature infrastructure and are also highly dependent on IT. As short-term outages at peak times can already have a negative effect on business operations, the interruption of operating business poses a significant risk with a high level of potential damage but a low likelihood of occurrence. Accordingly, there is a range of measures in place to counter these risks and limit the financial impact. We have contingency plans in place in all divisions to safeguard continued business operations and ensure an uninterrupted supply to our customers in case of unexpected events. We are also insured against business interruptions.

- **Incorrect handling of medicines in the logistics chain**

Medicines need to be handled with particular care. The latest EU guidelines, such as the 2011/62/EC Falsified Medicines Directive, are increasing requirements even further, e.g. those associated with products such as vaccines which require strict maintenance of a cold chain. If the cold chain is broken during storage or transport, such products have to be destroyed. We address this risk through a range of preventive measures such as round-the-clock temperature monitoring at warehouses and insulated transport containers as well as by continuing to invest in infrastructure. We have also implemented various quality control mechanisms to counter further risks such as counterfeit pharmaceuticals. The risk is deemed to be low due to the number of quality control measures in place.

- **Dispensing errors**

Dispensing the wrong medicines is an inherent risk at pharmacies. This risk is characterised by its low likelihood of occurrence but a high level of potential damage, e.g., through a loss of reputation. We minimise this risk through detailed process definitions and regular training for our pharmacists and pharmaceutical technicians.

Financial risks

Currency risks

Celesio is economically active in many currency areas, which can give rise to currency risks. Internal guidelines ensure that these risks can be systematically identified and reduced. We distinguish between transaction risks and translation risks:

Transaction risks

Exchange rate fluctuations can lead to changes in the value of assets bought or sold in a foreign currency. We minimise these through the use of hedges which we conclude with banks. Fluctuations in the value of an asset are offset by opposite fluctuations in hedging transactions. The economic activities of the individual subsidiaries are primarily limited to their own currency areas, thus rendering transaction risks insignificant.

Translation risks

The statements of financial position of the subsidiaries are entered into the consolidated financial statements in euro. In this regard, the individual items of the statement of financial position must be translated from a foreign currency into euro where necessary. Fluctuating exchange rates cause the value of items on the both the assets and liabilities side of the statement of financial position to change, which in turn leads to risk. It is possible to lower these translation risks by ensuring that funds are sourced and used in the same currency. Both items being in the same currency avoids unequal changes in the statement of financial position.

Translation risks can also arise in connection with translating income statement items. As in previous years, this represents a significant currency risk especially in pound sterling given the importance of British activities for Celesio. There are also significant currency risks in the Brazilian real and Norwegian krone.

Risk of default on receivables

Celesio's business activities primarily comprise the supply of goods and rendering of services, for which our customers receive invoices with agreed payment terms. Until these invoices are settled, Celesio is faced with a risk of bad debt which largely depends on the customer structure. The risk of significant payment defaults is lowered due to our diversified customer portfolio. The risk of bad debt from government-equivalent payers is classified as very low. The potential damage connected to this is, however, high. In comparison to this, the risk of bad debt from private-sector debtors is considerably higher, but the potential damage is lower than for a governmental or equivalent debtor. However, a high level of damage can still occur here, in case defaults of individual debtors accumulate. Government or equivalent payers in the healthcare system are regularly monitored using publicly available credit ratings. Furthermore, we secure our receivables by having a lean and proactive receivables management system in place which comprises continuous checks of our customers' payment behaviour, regular testing of credit standing as well as changes in payment terms and conditions. If dubious customer receivables are identified within this, then these are provided for by prompt adjustment. Factoring is used mainly in England to reduce the risk of payment defaults further. Existing programmes in Scotland, Wales and Norway matured in short fiscal 2015. Risk management was again a point of focus in the past fiscal year.

Liquidity and financing risks

Celesio's financing portfolio ensures that it is in a position to meet its obligations at any time as well as providing it with financial flexibility. Short- and long-term financing instruments, such as placements on the capital market, the syndicated loan and bilateral lines of credit, form a balanced financing base that is optimised in terms of maturity. We also ensure that our portfolio of non-affiliated debt investors is well diversified so as to avoid cluster risks. Our bilateral lines of credit and the syndicated loan have been concluded with reputable international banks. In addition, Celesio has concluded an uncommitted credit facility frame agreement mainly for short-term working capital financing needs with McKesson Deutschland GmbH & Co. KGaA.

The expected delisting of Celesio AG shares will trigger cancellation rights for all lenders of our syndicated loan. In case lenders exercise such right, the current well-sized corporate's liquidity buffer may reduce that significantly that other means of financing may become necessary. A delisting of Celesio AG shares does not have a direct impact on our bilateral lines of credit as long as Celesio fulfils the reporting obligations under these facilities.

In our day-to-day operations, liquidity risks are reduced by making use of a cash pool and by constantly lowering net working capital.

As a result, Celesio's financing is secure and aligned to its long-term needs which means financing risks are deemed to be low.

In future, the financing strategy could change due to the domination and profit and loss transfer agreement.

Interest rate risks

The price payable on the financial markets for floating-rate liabilities changes regularly. We largely cover the associated risk of changing interest rates by issuing a high volume of financial liabilities with a fixed coupon. Furthermore, we hold long-term interest rate derivatives, ensuring that the derivatives in question have a straightforward and transparent structure. We use these derivatives to swap floating-rate interest payments for fixed ones. The high share of fixed-interest financial liabilities means the risk of changes in the interest rate is low.

Counterparty risks from derivatives

Foreign currency and interest risks are hedged using derivatives. We conclude such transactions with banks from our portfolio of approved banks. If the counterparty

were to default, there is a risk that we would have to restore current items to the market at less favourable conditions (replacement risk). We reduce this counterparty risk with strict regulations regarding the quality requirements of our trading partners. We ensure these risks are minimised by applying clearly defined minimum credit ratings and trading limits. The internal risk department is responsible for monitoring requirements. This counterparty risk is low due to the narrowly defined guidelines.

Measurement risks

International financial and capital markets are subject to fluctuations that are reflected in volatile securities prices. One of the potential effects is a change in the measurement of investments held to cover pension obligations.

Information technology risks

Celesio relies on IT systems for a considerable portion of its business processes. Not having critical IT systems and applications in place has a direct impact on operating activities. The loss or manipulation of data, e.g., from hacker attacks, can impact operations as well as the accuracy of financial reporting. In order to ensure smooth operations, various data security and availability measures are implemented. These include redundant computer centres for key IT infrastructures and applications as well as the implementation of back-up processes as well as virus and access protection mechanisms. The systems in place to ensure information security are regularly checked and updated on a continuous basis.

To meet the specifics of the business, we use a range of internally developed applications which makes the IT landscape highly complex and creates dependency. Celesio operates in a dynamic environment. It is therefore important that we take a flexible approach regarding customers' and suppliers' requirements as well as any regulations. Regular investments are made in the IT systems to keep up with and quickly implement changing business processes. Investments are also made with standardisation of the group-wide IT structure in mind. However, there is a risk of unforeseeable events occurring during extensive projects, such as rolling out new systems or converting existing ones. Regular project monitoring and project controlling as well as the involvement of internal and external expertise minimises the likelihood of such events.

The complexity of the IT landscape continues to stem from the heterogeneity of the IT hardware and software used as well as the associated contractual obligations. We are countering the risks these entail by continuing to expand our IT governance and compliance structures.

The Europe-wide outsourcing of the IT infrastructure to an external service provider presents opportunities and risks. Opportunities mainly lie in modernisation and the form of synergy effects from standardising IT infrastructure. It also might not be possible to realise planned reductions in operating costs and avoid complexity due to changing demands and requirements. We constantly address these risks through continuous monitoring and controlling, the regular exchange of information with our service provider and security and governance mechanisms in the contractual framework.

Furthermore, other risks which are involved with heterogeneous IT systems are reduced due to a centralised licence management system which makes monitoring and controlling possible. The probability of risk is therefore deemed to be moderate.

Overall, not having data or IT systems in place, especially due to the age of individual IT systems, represents a significant risk, primarily due to the high level of potential damage, however with a moderate likelihood of occurrence.

The diverse IT risks and corresponding countermeasures are regularly monitored by Celesio's IT risk management as part of its risk management system.

Personnel risks

Celesio, like all companies, relies on competent and committed employees. Unless we manage and implement our human capital effectively across the international group, our operations could suffer and with them our earnings. Attracting and retaining qualified employees is therefore essential for the continued success of the company. Celesio competes with rivals for the best candidates by offering comprehensive training and further education programmes, attractive development prospects and incentives.

Higher employee turnover is a particular risk during periods of restructuring and organisational changes, which can lead to a loss of know-how. Succession planning and substitution policies are in place to minimise this risk. We also cultivate a culture of open communication in the form of regular international "town hall meetings" and our employee magazine, to name but a few.

Legal risks and tax risks

In principle, legal and tax risks are inherent in every operating activity, and Celesio is no exception. At present, the Celesio Group is involved in legal or tax proceedings which could have a significant impact on our results of operations, financial position and assets position as set out below.

For current litigation we analyse and assess the situation. We also make assumptions about the likelihood of potential risks occurring and their range and calculate whether any provisions need to be recognised. In individual cases the actual amounts can differ from these assumptions.

In Slovenia, the administrative court delivered its judgement on 28 April 2014 on the antitrust case against Kemofarmacija from 2010. The court upheld the decision of the antitrust authority regarding the violation of Slovenian antitrust law against our wholesale subsidiary. Kemofarmacija has lodged an appeal against the decision. As regards the violation of European antitrust law, the court has remanded the decision back to the Slovenian antitrust authority. A new decision is expected within the next few months. Administrative proceedings regarding a fine have now been initiated by the authority. We do not consider the outcome of this case as material. However, an appropriate provision in an amount of EUR 0.5m was recognised to cover the expected risks. The maximum possible penalty, the likelihood of occurrence of which is considered to be extremely low, is 10% of the yearly annual revenue of the Slovenian subsidiary. As regards the privatisation process in Slovenia, at first instance a favourable judgement was given for Kemofarmacija. The process is, however, currently under revision. The possibility that a higher court will pronounce a judgement that will lead to a cash outflow for Kemofarmacija is considered to be unlikely. The maximum risk is EUR 8.5m.

There is a general risk that future changes in the tax law landscape, particularly in Brazil, could impact our operations and earnings. Panpharma, Brazil, in particular is exposed to tax risks mainly in connection with the usage of VAT concessions. The determination of the manner in which the VAT applies to our Brazilian operations is subject to varying interpretations arising from the complex nature of the tax laws.

In the course of the acquisition of Panpharma, contingent liabilities were recognised for tax risks already in existence at that time. To cover these legal and tax risks, an agreement was entered into with the former owners for the reimbursement of the risks originating in the time prior to the majority takeover in 2009. The

reimbursement claims represent a separate asset after the acquisition of outstanding shares of Panpharma in May 2012.

In Brazil, there are disagreements between states regarding the mutual recognition of VAT concessions. As regards this, in December 2014 Panpharma received a tax assessment from a federal state tax authority in Rio de Janeiro with an amount of approx. EUR 80m for the years 2009 to 2013. Panpharma filed a defence against this claim. We disagree with the assessment of the State Tax Authorities and believe that we have strong legal arguments based on the usage of external lawyers to defend our positions. The chances for Panpharma of losing the legal dispute or rather overruling of the objection have been assessed to be possible, but not more likely than not.

Celesio assesses its legal and tax risks at regular intervals, consulting external lawyers where necessary.

Control and risk management system with regard to the group accounting process

Pursuant to Sec. 315 (2) No. 5 Handelsgesetzbuch (HGB, German Commercial Code), the main features of the internal control and risk management system with regard to the group accounting process are described below. Our understanding of a control and risk management system with regard to the group accounting process is a comprehensive system to ensure the appropriateness and effectiveness of the accounting process as well as compliance with applicable legal requirements. With regard to group accounting, the risk management system is designed to detect any risk of misstatement in group accounting and corresponding financial reporting. It is intended to ensure the reliability of financial reporting and minimise the risk of inaccurate external or internal group reporting. Not even an appropriate and functioning internal control and risk management system can identify and manage all risks with absolute certainty, however. In line with the requirements of the Bilanzrechtsmodernisierungsgesetz (BilMoG, German Accounting Law Modernisation Act) which entered into force in 2009, the group-wide internal control and risk management system has been further refined. In the course of the ongoing Sarbanes-Oxley-Act (SOX) implementation project, which was drawn up due to the takeover by McKesson, additional requirements regarding the internal control systems over financial reporting are addressed and implemented.

The following structures and processes are a fixed component of the group accounting process:

- The Management Board bears overall responsibility for the internal control and risk management system. All business units included in the consolidated financial statements are incorporated via a defined management and reporting organisation. The Supervisory Board – and its Audit Committee in particular – as well as the internal audit department are responsible for independent monitoring of the effectiveness of the system. The Audit Committee therefore regularly addresses the topic of the internal control and risk management system.
- Our group guidelines and organisational instructions set out the principles governing the structures and procedures of the internal control and risk management system relating to group accounting. In particular, these include the group accounting manual pursuant to uniform International Financial Reporting Standards (IFRSs) to be employed across the group, guidelines governing the scheduling and procedural process for consolidated and interim financial statements, a uniform group chart of accounts and standardised forms for recording notes disclosures at the level of the divisions included in the consolidated financial statements. We revise our guidelines at regular intervals and in urgent cases to reflect current external and internal developments and provide ongoing training for the employees responsible for the financial statements.
- The consolidated financial statements are based on the separate financial statements prepared by the subsidiaries' bookkeeping departments. In some cases, these are directly prepared in accordance with uniform group accounting standards, otherwise they are reconciled to them from locally prepared accounts. Various decentralised IT systems are in use at the subsidiaries. Data reporting for the consolidated financial statements is carried out using a centrally managed group reporting and consolidation package as well as an IT platform for preparing the disclosures in the notes pursuant to IFRSs. Inclusion in the consolidated financial statements generally takes the form of subgroup statements for business areas at the country level, with several legal entities combined. In addition to an internal review, data reporting is also subject to a statutory audit or, where necessary, review by independent auditors. The group accounting department is responsible for further consolidation into the consolidated financial statements. The group accounting department monitors reporting deadlines and the quality of data reported, ensuring that this complies with group provisions. It also serves as a central contact for any accounting or consolidation queries. The process of preparing the consolidated financial

statements is generally divided into the hard close of a given year, almost equivalent to preparing consolidated financial statements in terms of nature and scope, and the fast close as of 31 March of a given year.

In connection with the group accounting process, we attach particular importance to the following components of the internal control and risk management system – these safeguard the quality of the group accounting and the overall picture presented in the consolidated financial statements as well as the group management report:

- Identification by the group accounting department of the significant areas of risk and control relevant for the group accounting process. In particular, this includes unusual and complex business events as well as non-routine transactions.
- Judgements made in the recognition and measurement of assets and liabilities. There is an inherent risk here that they may not be presented correctly in the consolidated financial statements. Our group accounting department regularly reviews the significant areas of risk based on findings arising in the course of preparing the consolidated financial statements as well as the ongoing assessment of special accounting questions. Through the hard close and other interim financial statements, we can identify any new critical issues at an early stage and deal with these before year-end.
- Preventive control measures in the finance and accounting departments of the group and divisions included in the consolidated financial statements. Operating and business processes are also included since these generate important information for the preparation of the financial statements of the divisions incorporated as well as for the consolidated financial statements including the group management report. In this respect, we would like to highlight the segregation of duties in group accounting and at the business units incorporated, the principle of dual control and the predefined approval processes in the relevant areas. This approach is supported by the IT system in place across the group as well as the later preparation of the consolidated financial statements. We perform an annual check to verify that processes and systems are operating effectively.

- Monitoring of the group accounting process and its findings at the level of the Management Board or relevant departments and at the level of the business units. In particular, this consists of monitoring the accounting on a rolling basis by submitting monthly reports to the Management Board, performing quality control on reported data in group accounting and group controlling as well as assessing the significant accounting judgements made by the divisions included in the consolidated financial statements.
- Measures to safeguard the appropriate use of computer-assisted processing of issues and data relating to group accounting, including but not limited to centrally managed user access to the group reporting package, access controls on accounting-related IT systems as well as automated validation of reported data applying centrally defined controls prior to further processing by the group accounting department.
- Selective measures for monitoring the internal control and risk management system relating to group accounting, especially by the internal audit department.
- If necessary, consulting external experts for specific accounting and measurement questions relating to preparation of the financial statements, for example, when preparing pension appraisals or appraisals on purchase price allocation in the event of business combinations.

Overall assessment of risks and opportunities by management

Based on the information collected in our risk management system, we are currently not aware of any risks that could jeopardise the company's ability to continue as a going concern.

In comparison to the previous year, for certain specific risks there is in part an increase in the likelihood of occurrence. These fundamentally concern legal and tax risks, IT risks and default risks. This is set against future opportunities due to the takeover by McKesson and the future joint purchasing activities. In total, we estimate the overall risk to be unchanged for our continued operations. Going forward, the primary risk to our business operations will remain potential regulatory activities in state-run healthcare systems.

We will also always be faced with various market and operational risks in our business operations given the dynamics of the healthcare market. These primarily arise as a result of the changing behaviour of suppliers and competitors but also of customers. However, we also see opportunities in this changing environment. With the initiatives we have started, such as the European pharmacy network or the optimisation of the entire value-added chain, we are confident of Celesio being able to adequately address risks and seize opportunities.

Subsequent events

On 11 March 2015, Celesio has announced to file an application with the stock exchanges where the Company's shares are listed in the regulated market, for revocation of admission to the regulated market (so-called delisting). In the meantime all respective stock exchanges have announced their approval to the applications. Additionally, the stock exchanges in Düsseldorf and Munich have approved the shares to be included in trading on the regulated unofficial markets (Freivverkehr) in the segment primary market (Primärmarkt) (Düsseldorf) and in the segment m:access (Munich), following the delisting.

On 19 April 2015 a fire destroyed our Brazilian warehouse in Sao Paulo. From a current perspective, we do not expect the fire to have an overall material effect on the assets position and revenue and operating results of the Celesio Group as an insurance is in place, covering most of the arising expenses and losses. The entire value for property damage and business interruption is assumed to be a double-digit million EUR figure. Orders usually made through the respective warehouse will be redirected to our other warehouses based in the region of Sao Paulo. However, this event may have some influence on the expected value of proceeds from the sale of the Brazilian business.

Overall economic prospects

Development of the global economy is expected to continue to gather pace in 2015 and 2016. Both the continuation of the expansive monetary policy being witnessed worldwide and the drop in oil prices will presumably provide crucial impetus to support world economic growth in 2015 and 2016. The IfW also assumes the following:

Based on the drop in oil prices, inflation within the euro zone is expected to be zero in 2015 and to rise by only 1.1% in 2016. Experts at the IfW expect the euro zone to witness an increase in GDP of 1.3% in 2015 and 1.7% in 2016.

Economic development in the United Kingdom is also expected to gain sustainable momentum, with GDP growth forecast at 2.8% in 2015 and 2.5% in 2016. Scandinavian countries are also expected to gain momentum, in particular Sweden, with 2.5% in 2015 and 2.8% in 2016, whereas GDP growth in Norway is expected to be 1.7% in 2015 and 1.1% in 2016.

France will most likely participate in this development to a lesser extent; GDP there is forecasted to grow by 0.9% in 2015 and 1.3% in 2016, whereas GDP in Germany is expected to grow by 1.8% in 2015 and 2.0% in 2016. GDP in those Mediterranean countries which are still in a state of crisis is also expected to pick up, with Portugal for example expected to witness a rise in GDP of 1.3% in 2015 and 1.6% in 2016.

Our industry: Growth of the pharmaceutical markets, consolidation and internationalisation

Growth of the pharmaceutical markets slowed worldwide as a result of the global economic and financial crisis in 2008/09, which induced cost-cutting measures by governments. Moreover, patents of many blockbuster products have expired leading to price reductions. However, IMS Health expects stronger growth to return in the coming years, above all in the developing and emerging economies. IMS Health forecasts average annual growth of 5.6% in the global pharmaceutical markets until 2018. This development will mainly be the result of the double-digit growth in most of the Asian and Latin American markets, driven by steady population growth and a rise in the quality of and improved access to healthcare systems. IMS Health forecasts an annual growth rate up to 2018 of 14%

for Brazil. By contrast, IMS Health forecasts an annual growth rate of a mere 1.8% for Europe and 3.8% for the US lasting until 2018.

Demographic change continues to be a significant factor in the development of the global pharmaceutical and healthcare markets. The over-65s account for just 8.3% of the global population at present. However, this is expected to rise in the coming decades to around 9% in 2018. In the industrialised nations, the percentage of over-80s in the population will have increased from the current figure of 4.5% to 9.0% by 2050. In the developing and emerging economies, the percentage of over-80s will have risen by 2 percentage points to 3.2% by 2050. In absolute figures, this means that the figure of 63 million for people who currently belong to the 80+ age group will have increased to 268 million by 2050 (by comparison, this will be only 124 million people in the industrialised nations in 2050). This development is causing a rise in the demand for the treatment of chronic and age-related diseases which result in long-term medical treatment. This will cause costs to rise considerably as the amount spent on the elderly is far higher than the average per capita expenditure.

In addition to the demographic change, changes in lifestyle and consumer behaviour in both developing and western industrialised nations and the inherent increase in so-called diseases of modern society are causing an increase in demand for healthcare services and medicine. In 2013 there were 382 million people suffering from diabetes worldwide. This figure will have risen to 592 million worldwide by 2035. In Europe alone, the number of sufferers will have increased from 56.3 million at present (approx. 8.5% of the population) to 68.9 million (approx. 10% of the population) by 2035.

A constantly growing consciousness of health in the industrialised nations and the increasing willingness of consumers to pay for healthcare services themselves represent a further influencing factor and are causing the pharmaceutical and healthcare markets to grow.

Growth is also being driven by medicines manufactured using biotechnology and medicines for treating complex, often chronic diseases such as cancer, HIV or multiple sclerosis. These special pharmaceuticals are more expensive by comparison and are subject to particular storage and transportation requirements (short storage life, must be stored in a cold chain) which may generate additional value in the pharmaceutical supply chain. IMS Health anticipates average growth of around 8% between 2010 and 2020 for specialty pharmaceuticals in the eight most mature pharmaceutical markets compared to 4% for traditional medicines.

The key challenge for the pharmaceutical and healthcare markets and especially for the pharmaceutical distribution markets continues to lie in the continued government price regulation along the entire pharmaceutical supply chain and the effects as increasing numbers of patents expire on blockbuster medicines and as comparatively less expensive generic products grow as a result. The persistently difficult market environment in our industry is resulting in further consolidation primarily in the established markets. There is also increasing expansion and internationalisation in so-called pharmerging markets such as India and Russia and in particular Brazil and China. Global purchasing cooperatives are also forming as a way of realising economies of scale and purchasing advantages, especially in the generics division.

Information regarding outlook

Consistent with our previous outlook within the Annual Report for fiscal 2014, we compare the future development with the last full 12 month period (fiscal 2014). As the Management Board of Celesio concluded that the Brazilian operations, Panpharma and Oncoproduct, are available for sale, the corresponding entities have been classified as discontinued operations. Therefore the following provided outlook is based on continuing operations and the restated previous year figures.

The previous outlook in the Annual Report for fiscal 2014 assumed an increased profit contribution from the Brazilian activities in contrast to losses recorded in fiscal 2014 driven by the write-off of bad debt and tax receivables. As Brazil is no longer part of the continued operations, the outlook for fiscal 2016 (01/04/2015-31/03/2016) of the Group, which only comprises the continued operations, has been reduced. With the exception of the decision to place our Brazilian business for sale, the outlook for our continued operation remains unchanged from our previous guidance.

Outlook for divisions

Consumer Solutions

The gross profit and EBIT development of fiscal 2016 will be burdened by government intervention in several markets. We expect revenue to be considerably up but earnings considerably below the level of fiscal 2014 in the Consumer Solutions division for fiscal 2016. This development is in particular due to the positive and non-recurring effects from state adoptions resulting in lower pension promises in Norway in fiscal 2014. From today's perspective we expect no major impact from exchange rate differences, when compared to fiscal 2014.

The substitution of cheaper generic drugs for original products is expected to continue. Nevertheless, in the *United Kingdom* in particular, a moderate growth in revenue is expected to be achieved by considerably higher sales volumes from service agreements in fiscal 2016, when compared to fiscal 2014.

Furthermore, in fiscal 2016 the results in Norway are expected to be considerably below the figures for fiscal 2014 due to the positive effects of pension accounting recorded in fiscal 2014, while revenue is expected to rise moderately.

For our other countries *Belgium, Sweden, Italy* and *Ireland* we expect an overall slightly improving development in revenue and earnings versus the respective comparison period.

Pharmacy Solutions

The Management Board expects government austerity packages to continue in fiscal 2016, which will have a negative impact on the development of the Pharmacy Solutions division, especially on gross profit. However, we are confident that we will be able to largely compensate for negative effects through ongoing optimisation. For fiscal 2016, we expect a slight downturn in revenue. Moreover, earnings should rise significantly, when compared to fiscal 2014, mainly driven by the recovery of the *German* wholesale discount levels and due to higher bad debt allowances in *Portugal* in the prior period. From today's perspective, we expect no major impact from exchange rates in fiscal 2016, when compared to fiscal 2014.

In Europe, cheaper generics are replacing original products at an increasing rate. Coupled with an equally weak development in volumes, this will cause the market to decline, in particular in *France*, in fiscal 2016. In *Norway* we expect a significant fall in revenue and earnings compared to fiscal 2014 due to the loss of the hospital contract.

Despite these burdens, we expect a slight increase in earnings in all other countries. The intensive discount competition in *Germany* is expected to cool off slowly in the course of fiscal 2016, when compared to fiscal 2014. However, this will enable us to considerably improve the earnings situation in *Germany* compared to fiscal 2014.

As regards the privatisation process in Slovenia, at first instance a favourable judgement was given for Kemofarmacija in fiscal 2014. The process is, however, currently under revision. Kemofarmacija considers the possibility of a higher court pronouncing a judgement that will lead to a cash outflow to be unlikely.

Outlook for financial and non-financial figures

The following statements on future business development and assumptions as to how the market and industry will evolve are estimates that the Management Board considers realistic based on the information currently available. However, the future development of our divisions depends on various factors beyond the company's sphere of influence and so forecasts can only be made with a limited degree of accuracy. Examples of factors beyond our control are the future economic and regulatory environment, the conduct of competitors and other market participants as well as government intervention in healthcare and social systems. The following forecasts by the Management Board of Celesio AG are based on the assumption of relatively stable exchange rates and interest rates, when compared to fiscal 2014.

Investments and capital expenditures

The continuing expansion of our European pharmacy network will lead to larger investments in pharmacy refurbishments in fiscal 2016. We will also continue to standardise our software landscape, which will cause IT investments to increase significantly in fiscal 2016. Investments are nearly equally allocated to both divisions.

Depreciation, amortisation and impairment

We expect depreciation and amortisation to increase slightly in fiscal 2016.

Financial result

With regard to the financial result, we expect interest expenses in fiscal 2016 to be considerably lower than in fiscal 2014.

Tax rate

The adjusted tax rate may be influenced by a change in the earnings mix returned by the different countries in which the group operates or a change in the specific effective tax rates in each country. The adjusted figure is expected to decline below the 2014 rate by two percentage points in fiscal 2016 despite negative impacts on the tax rate from the guaranteed dividend treatment under German tax law.

Employees

The headcount will not change significantly in fiscal 2016.

Other non-financial items

In fiscal 2016, we do not expect any significant change in the number of warehouses operated. The same applies for the number of own pharmacies. However, gradual portfolio optimisation will be continued in fiscal 2016.

Revenue and earnings forecast

In addition to cost structures, we will also continue to optimise the efficiency of our companies. However, the development of the upcoming fiscal 2016 will be burdened by government intervention in several markets accompanied by special effects from the integration process and the ongoing challenging environment in France and in Belgium. In addition, project costs in fiscal 2016, especially those incurred as part of the harmonisation of our extremely heterogeneous software landscape, will place a burden on earnings.

Overall, the Management Board of Celesio assumes that revenue for continued operations for fiscal 2016 will be flat compared to the adjusted fiscal 2014. The adjusted EBIT for continued operations for fiscal 2016 will be considerably below the level of the adjusted fiscal 2014. With the exception of the decision to place our Brazilian business for sale, the outlook for our continued operation remains unchanged from our previous guidance. Due to the reclassification of the Brazilian entities, the restated figures for the comparison period have changed considerably. The write-off of bad debt and tax receivables in Brazil in fiscal 2014 resulted in a more negative year over year variance compared to our previous guidance. Moreover, the benefit from Norway pension accounting, as previously mentioned, is not expected to repeat in fiscal 2016.

Due to the high level of special effects in fiscal 2014, we expect Value added and ROCE to exhibit a considerable increase in fiscal 2016.

Upon the disposal expected within the next twelve months of the Brazilian operations, the foreign currency translation reserves, with a current aggregate loss of EUR 125.4m as of 31 March 2015, will be recorded as an expense through profit and loss, once the sale transaction is closed.

In fiscal 2016, consulting and integration costs in connection with the acquisition by McKesson Corporation may still arise and possible earnings will be derived from the combined sourcing with McKesson. McKesson expects annual synergies of 275 - 325 million dollars by the fourth year following registration of the domination and profit and loss transfer agreement. Both effects are not considered in the EBIT forecast, which is only based on adjusted EBIT.

**Consolidated
financial
statements
and notes
Celesio AG
2015**

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financial
statements
Celesio AG
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Group income statement for the fiscal year 2015

EUR M	Notes No.	2014	2015
Revenue	1	20,646.6	5,269.1
Cost of materials		-18,420.2	-4,696.8
Gross profit		2,226.4	572.3
Other operating income	2	194.7	41.8
Other operating expenses	3	-734.5	-204.8
Personnel expenses	4	-1,177.6	-314.4
EBITDA		509.0	94.9
Depreciation on intangible assets held as non-current assets and on property, plant and equipment	5	-113.2	-26.5
Impairment losses recorded on intangible assets and property, plant and equipment	5	-41.2	-6.2
EBIT		354.6	62.2
Result from associates accounted for using the equity method	6	12.8	15.2
Result from other investments	6	1.2	-0.1
Interest expense	7	-84.6	-17.5
Interest income	7	5.5	1.8
Other financial result	7	-3.9	-7.1
Profit before tax from continuing operations		285.6	54.5
Income taxes	8	-95.0	-21.5
Net profit/loss from continuing operations		190.6	33.0
Net profit/loss from discontinued operations	16	-138.2	-255.3
Net profit/loss		52.4	-222.3
Of which attributable to non-controlling interests		3.7	0.8
Of which attributable to shareholders of Celesio AG		48.7	-223.1
Gewinnabführung		0.0	7.9
Earnings per share – undiluted		EUR	EUR
Net profit/loss from continuing operations	9	0.94	0.16
Net profit/loss from discontinued operations		-0.70	-1.26
Net profit/loss		-0.24	-1.10
Earnings per share – diluted		EUR	EUR
Net profit/loss from continuing operations	9	0.94	0.16
Net profit/loss from discontinued operations		-0.70	-1.26
Net profit/loss		0.24	-1.10

Group statement of comprehensive income for the fiscal year 2015

EUR M	2014	2015
Net profit/loss	52.4	-222.3
Posten, die nicht in den Gewinn oder Verlust umgeliedert werden	-104.7	-12.6
Revaluation of defined benefit pension plans	-96.0	-12.6
Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method	-8.7	0.0
Posten, die in den Gewinn oder Verlust umgegliedert werden	57.1	18.7
Unrealised gains/losses from the current year	-0.6	0.0
Gains/losses recycled through profit or loss	0.0	0.0
Unrealised gains/losses from the market valuation of financial assets available-for-sale	-0.6	0.0
Unrealised gains/losses from the current year	-1.0	0.0
Gains/losses recycled through profit or loss	2.3	0.0
Unrealised gains from derivative financial instruments used to hedge cash flows	1.3	0.0
Foreign currency translation posted directly to other comprehensive income	56.4	18.7
Release to profit or loss due to loss of control	0.0	0.0
Exchange differences	56.4	18.7
Other comprehensive income after tax	-47.6	6.1
From continuing operations	-56.5	20.8
Of which attributable to non-controlling interests	0.0	0.0
Of which attributable to shareholders of Celesio AG	-56.5	20.8
From discontinued operations	8.9	-14.7
Of which attributable to non-controlling interests	1.8	0.0
Comprehensive income	4.8	-216.2
From continuing operations	134.1	53.8
Of which attributable to non-controlling interests	4.1	0.8
Of which attributable to shareholders of Celesio AG	130.0	53.0
From discontinued operations	-129.3	-270.0

Further information regarding other comprehensive income can be found in note (10) Components of other comprehensive income.

Group statement of financial position as of 31 March 2015

ASSETS	Notes No.	31/12/2014	31/03/2015
EUR m			
Non-current assets		3,037.4	3,064.9
Intangible assets	11	2,178.9	2,286.7
Property, plant and equipment	12	526.1	517.2
At equity investments	13	131.0	150.4
Other financial assets	13	55.4	50.5
Other non-current assets		31.3	2.0
Income tax receivables		1.5	1.5
Deferred tax assets	14	113.2	56.6
Current assets		4,792.2	4,704.2
Inventories	15	1,745.1	1,447.7
Trade receivables	17	2,298.4	2,201.5
Income tax receivables		58.2	24.4
Other receivables and other assets	17	353.7	240.2
Cash and cash equivalents	18	335.8	371.6
Assets held for sale	16	1.0	418.8
Total assets		7,829.6	7,769.1

EQUITY AND LIABILITIES

Notes
No.

31/12/2014

31/03/2015

EUR m

Equity	19	2,761.5	2,537.4
Issued capital		260.1	260.1
Capital reserves		1,783.2	1,783.2
Revenue reserves		1,194.5	952.4
Revaluation reserves		-494.3	-477.1
Stake of the shareholders of Celesio AG		2,743.5	2,518.6
Non-controlling interests		18.0	18.8
Liabilities		5,068.1	5,231.7
Non-current liabilities		1,491.1	1,731.1
Financial liabilities	23	992.1	1,246.4
Pension provisions	20	394.0	403.6
Sonstige langfristige Rückstellungen	21	75.0	44.0
Other liabilities	22	7.1	6.2
Deferred tax liabilities	14	22.9	30.9
Current liabilities		3,577.0	3,500.6
Financial liabilities	23	210.7	22.2
Trade payables	24	2,553.1	2,385.0
Other current provisions	21	119.6	109.9
Income tax liabilities		121.9	66.9
Other liabilities	24	571.7	500.8
Schulden von Veräußerungsgruppen und nicht fortgeführten Aktivitäten	16	0.0	415.8
Total assets		7,829.6	7,769.1

Group statement of cash flows for the fiscal year 2015

EUR M	2014	2015
Net profit/loss from continuing operations	190.6	33.0
Amortisation, depreciation and impairment of non-current intangible and property, plant and equipment	154.4	32.7
Result from associates accounted for using the equity method and other equity investments	-14.0	-15.1
Dividends received	3.4	1.3
Financial result	83.0	22.8
Net result from the disposal of non-current assets and subsidiaries	-13.0	-0.2
Impairment losses on items classified as operating assets	49.1	5.9
Change in deferred taxes and income taxes	95.0	21.5
Income taxes paid	-78.7	-38.8
Other non-cash income and expenses	9.0	13.3
Change in net operating assets	-152.9	-113.0
<i>Change in inventories</i>	-93.1	46.3
<i>Change in trade receivables</i>	-206.0	-143.8
<i>Change in trade payables</i>	88.2	42.3
<i>Change in other net operating assets</i>	58.0	-57.8
Change in other assets and liabilities	-48.4	-13.2
<i>Change in other assets</i>	-17.4	40.8
<i>Change in other liabilities</i>	-31.0	-54.0
Net cash flow from operating activities		
- continuing activities	277.5	-49.8
Net cash flow from operating activities		
- discontinued operations	-44.9	-21.3
Net cash flow from operating activities		
- continuing and discontinued operations	232.6	-71.1
Proceeds from the disposal of non-current assets	19.3	7.9
Capital expenditure on non-current assets	-139.7	-33.2
Proceeds from the disposal of subsidiaries	20.2	0.1
Cash paid for business combinations	-23.7	-4.7

EUR M	2014	2015
Net cash flow from investing activities		
- continuing operations	-123.9	-29.9
Net cash flow from investing activities		
- discontinued operations	-5.9	-1.7
Net cash flow from investing activities		
- continuing and discontinued operations	-129.8	-31.6
Payments made to shareholders (including non-controlling interests)	-53.0	0.0
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	0.0	-0.9
Proceeds from borrowings	40.5	300.0
Repayment of borrowings	-171.3	-137.9
Interest paid	-102.0	-6.1
Interest received	5.0	1.7
Payments for group hedging activities	-67.1	-58.9
Net cash flow from financing activities		
- continuing operations	-347.9	97.9
Net cash flow from financing activities		
- discontinued operations	32.5	33.0
Net cash flow from financing activities		
- continuing and discontinued operations	-315.4	130.9
Net change in cash and cash equivalents	-212.6	28.2
Non-cash change in cash and equivalents	12.7	13.9
Cash and cash equivalents at the beginning of the period	535.7	335.8
Cash and cash equivalents at the end of the period	335.8	377.9
Cash and cash equivalents of discontinued operations and disposal groups at the end of the period	12.5	6.3
Cash and cash equivalents at the end of the period (according to the group statement of financial position)	323.3	371.6

Group statement of changes in equity for the fiscal year 2015

	Issued capital	Aktienanzahl	Capital reserves	Revenue reserves
EUR m				
As of 01/01/2015	260.1	203,220,932	1,783.2	1,194.5
Reclassification of pension compensation from associated companies	0.0		0.0	-11.1
Changes to the consolidated group	0.0		0.0	0.0
Other comprehensive income	0.0		0.0	0.0
Net profit/loss	0.0		0.0	-223.1
Comprehensive income	0.0		0.0	-223.1
Profit center	0.0		0.0	-7.9
As of 31/03/2015	260.1	203,220,932	1,783.2	952.4
As of 01/01/2014	217.7	170,100,000	1,186.0	1,191.3
Changes in equity	42.4	33,120,932.0	597.2	0.0
Dividends	0.0		0.0	-51.0
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0		0.0	5.5
Changes to the consolidated group	0.0		0.0	0.0
Other comprehensive income	0.0		0.0	0.0
Net profit/loss	0.0		0.0	48.7
Comprehensive income	0.0		0.0	48.7
As of 31/12/2014	260.1	203,220,932	1,783.2	1,194.5

Revaluation reserves						Stake of the share- holders of Celesio AG	Non- controlling interests	Equity
Translation reserves	Revaluation of defined benefit plans	Asset revaluation reserves	Available for sale financial assets	Cash flow hedges	Other comprehen- sive income from associates accounted for using the equity method			
— — — — —	— — — — —	— — — — —	— — — — —	— — — — —	— — — — —	— — — — —	— — — — —	— — — — —
—238.7	—244.8	0.0	0.3	0.0	—11.1	— 2,743.5	18.0	— 2,761.5
0.0	0.0	0.0	0.0	0.0	11.1	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27.2	—21.1	0.0	0.0	0.0	0.0	6.1	0.0	6.1
0.0	0.0	0.0	0.0	0.0	0.0	—223.1	0.8	—222.3
27.2	—21.1	0.0	0.0	0.0	0.0	—217.0	0.8	—216.2
0.0	0.0	0.0	0.0	0.0	0.0	—7.9	0.0	—7.9
—211.5 ¹	—265.9 ²	0.0	0.3	0.0	0.0	— 2,518.6	18.8	— 2,537.4
—280.8	—154.1	0.0	0.8	—0.5	—2.4	— 2,158.0	34.0	— 2,192.0
0.0	0.0	0.0	0.0	0.0	0.0	639.6	0.3	639.9
0.0	0.0	0.0	0.0	0.0	0.0	—51.0	—2.0	—53.0
—6.5	0.0	0.0	0.0	0.0	0.0	—1.0	—19.8	—20.8
0.0	0.0	0.0	0.0	—1.3	0.0	—1.3	0.0	—1.3
48.6	—90.7	0.0	—0.5	1.8	—8.7	—49.5	1.8	—47.7
0.0	0.0	0.0	0.0	0.0	0.0	48.7	3.7	52.4
48.6	—90.7	0.0	—0.5	1.8	—8.7	—0.8	5.6	4.8
—238.7 ¹	—244.8 ²	0.0	0.3	0.0	—11.1	— 2,743.5	18.0	— 2,761.5

Notes to the financial statements Celesio AG 2015

Group segment reporting by division for the fiscal year 2015

FISCAL 2015

EUR m _____

Income statement _____

Revenue _____

External revenue _____

Inter-segment revenue _____

Gross profit _____

EBITDA _____

Other significant non-cash income _____

Other significant non-cash expenses _____

Depreciation on intangible assets held as non-current assets on property, plant and equipment _____

Impairment losses recorded on intangible assets and property, plant and equipment _____

EBIT _____

Result from associates accounted for using the equity method _____

Segment assets _____

Of which non-current assets and disposal groups held for sale _____

Of which goodwill _____

Of which associates accounted for using the equity method _____

capital expenditures _____

Employees _____

Headcount annual average _____

Headcount as of 31/03 _____

Full-time equivalents annual average _____

Full-time equivalents as of 31/03 _____

	Consumer Solutions	Pharmacy Solutions	Others	Consolidation	Group (continuing operations)	Discontinued operations
	979.0	4,290.1	0.0	0.0	5,269.1	391.3
	979.0	4,290.1	0.0	0.0	5,269.1	391.3
	0.0	0.0	0.0	0.0	0.0	0.0
	320.7	251.6	0.0	0.0	572.3	30.8
	61.8	66.0	-32.9	0.0	94.9	-9.3
	14.2	3.3	0.0	0.0	17.5	0.0
	-2.5	-5.4	-1.1	0.0	-9.1	0.0
	-15.3	-9.6	-1.6	0.0	-26.5	-2.1
	-5.6	-0.6	0.0	0.0	-6.2	0.0
	40.9	55.8	-34.5	0.0	62.2	-11.4
	14.0	1.2	0.0	0.0	15.2	0.0
	2,138.4	1,797.4	-71.0	0.0	3,864.8	0.8
	0.6	-6.6	0.0	0.0	-6.1	0.8
	1,777.6	442.9	0.0	0.0	2,220.5	0.0
	87.4	63.1	0.0	0.0	150.4	0.0
	16.4	12.4	5.5	0.0	34.3	2.4
	22,462	11,603	364	0.0	34,429	3,995
	22,420	11,607	366	0.0	34,393	4,011
	15,232	9,562	331	0.0	25,125	3,656
	15,220	9,573	325	0.0	25,118	3,677

For detailed information and explanations to the discontinued operations, we refer to note (16).

Group segment reporting by division for the fiscal year 2014

2014

EUR m	
Income statement	
Revenue	
External revenue	
Inter-segment revenue	
Gross profit	
EBITDA	
Other significant non-cash income	
Other significant non-cash expenses	
Depreciation on intangible assets held as non-current assets on property, plant and equipment	
Impairment losses recorded on intangible assets and property, plant and equipment	
EBIT	
Result from associates accounted for using the equity method	
Segment assets	
Of which non-current assets and disposal groups held for sale	
Of which goodwill	
Of which associates accounted for using the equity method	
capital expenditures	
Employees	
Headcount annual average	
Headcount as of 31/12	
Full-time equivalents annual average	
Full-time equivalents as of 31/12	

	Consumer Solutions	Pharmacy Solutions	Others	Consolidation	Group (continuing operations)	Discontinued operations
	3,677.7	16,969.4	0.0	-0.5	20,646.6	1,679.3
	3,677.6	16,969.0	0.0	0.0	20,646.6	1,679.3
	0.1	0.4	0.0	-0.5	0.0	0.0
	1,230.9	995.5	0.0	0.0	2,226.4	152.9
	319.0	302.4	-112.4	0.0	509.0	-21.6
	10.9	12.5	0.0	0.0	23.3	0.0
	-5.6	-73.8	0.0	0.0	-79.5	0.0
	-58.0	-40.8	-14.4	0.0	-113.3	-96.0
	-20.7	-17.4	-3.1	0.0	-41.2	0.0
	240.3	244.2	-129.9	0.0	354.6	-117.6
	9.2	3.5	0.0	0.1	12.8	0.0
	2,022.7	1,968.2	-19.3	-0.1	3,971.5	0.0
	0.6	0.4	0.0	0.0	1.0	0.0
	1,671.1	431.7	0.0	0.0	2,102.8	0.0
	73.3	57.7	0.0	0.0	131.0	0.0
	103.3	48.0	14.1	0.0	165.4	0.0
	22,568	11,736	352	0	34,656	3,992
	22,647	11,817	364	0	34,828	3,960
	15,101	9,691	320	0	25,112	3,647
	15,485	9,717	333	0	25,535	3,588

For detailed information and explanations to the discontinued operations, we refer to note (16).

Group segment reporting by country for the fiscal year 2015

	Germany		France	
EUR m	2014	2015	2014	2015
External revenue	4,484.6	1,105.5	6,230.2	1,573.6
Segment assets	686.2	583.7	302.5	269.1
Of which non-current assets ¹⁾	97.4	99.0	187.4	186.7

1) Non-current assets pursuant to IFRS 8.33b).

United Kingdom		Other countries		Group (continuing operations)		Discontinued operations	
2014	2015	2014	2015	2014	2015	2014	2015
5,124.7	1,482.0	4,807.1	1,108.0	20,646.6	5,269.1	0.0	391.3
1,610.4	1,861.6	1,372.4	1,150.4	3,971.5	3,864.8	0.0	0.8
1,699.0	1,810.4	721.2	707.8	2,705.0	2,803.9	0.0	0.8

Please refer to page 215 of the notes for further explanations and comments on segment reporting.

RECONCILIATION OF SEGMENT REVENUE

2014

2015

EUR m

Revenue of the reportable segments	20,647.2	5,269.1
Consolidation	-0.5	0.0
Group revenue	20,646.7	5,269.1

RECONCILIATION OF SEGMENT EARNINGS

2014

2015

EUR m

EBIT	354.6	62.2
Result from associates accounted for using the equity method	12.8	15.2
Result from other investments	1.2	-0.1
Interest expense	-84.6	-17.5
Interest income	5.5	1.8
Other financial result	-3.9	-7.1
Profit before tax from continuing operations	285.6	54.5

RECONCILIATION OF SEGMENT ASSETS

31/12/2014

31/03/2015

EUR m

Segment assets of the reportable segments	3,971.3	3,864.8
Consolidation	-0.1	0.0
Segment assets of the group	3,971.2	3,864.8
+ Interest-bearing other financial assets	50.9	46.1
+ Non-current and current income tax receivables	59.6	25.9
+ Deferred tax assets	113.2	56.6
+ Other assets	0.3	6.6
+ Cash and cash equivalents	335.8	371.6
+ Assets of discontinued operations	0.0	418.0
- Other non-current provisions	75.0	44.0
- Other current provisions	119.6	109.9
- Trade liabilities	2,553.1	2,385.0
- Other liabilities	550.6	440.6
Total net assets	7,829.3	7,769.1

Accounting policies

Celesio is an international service provider in the pharmaceutical and healthcare markets. The consolidated financial statements of Celesio AG and its subsidiaries for the short fiscal year ending on 31 March 2015, the period from 1 January 2015 to 31 March 2015 – comprising the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of cash flows, the group statement of changes in equity and the notes to the financial statements – have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, UK, as endorsed by the European Union and applicable at the end of the reporting period, and supplemented by the provisions of Sec. 315a (1) Handelsgesetzbuch (HGB, German Commercial Code). The comparative period comprises the fiscal year 2014 from 1 January to 31 December 2014.

The consolidated financial statements have been prepared in euro (EUR) with all figures generally presented in million euro (EUR m). We would like to draw attention to the fact that differences may arise from use of amounts and percentages rounded to the nearest whole number.

The group income statement has been prepared using the nature of expense method. The group statement of financial position has been classified into current and non-current items in accordance with IAS 1. To aid clarity, a number of items have been combined, both in the group statement of financial position and in the group income statement. These are presented in detail in the notes to the consolidated financial statements.

The stock corporation is headquartered in Stuttgart, Germany. The address is Celesio AG, Neckartalstrasse 155, 70376 Stuttgart. The shares of Celesio AG are traded on the public exchange.

The consolidated financial statements were authorised for issue by the Management Board on 18 May 2015.

Basis of consolidation

The consolidated financial statements have been prepared from the separate financial statements of the consolidated group entities as of 31 March 2015. These have been prepared in compliance with the group's uniform accounting policies,

based on IFRSs. For those consolidated subsidiaries whose separate financial statements do not have the same reporting date as that used for the consolidated financial statements, interim financial statements have been prepared.

Subsidiaries over which Celesio AG has either direct or indirect domination or control as defined by the standard for consolidated financial statements (IFRS 10) have been fully consolidated in the consolidated financial statements. Subsidiaries are fully included in the consolidated financial statements on the date on which control is transferred to the group. They are deconsolidated on the date on which control passes from the group.

The definition of control over an associated company is when the investor is exposed to variable repayments on his lending to the associated company and/or has rights to such payments, and when the investor is able to affect these returns by means of his influence over the associated company.

If an investor holds the majority of the voting rights in an associated company, he is generally said to exercise control. If the investor does not hold the majority of the voting rights, he must take into account the entirety of the facts and circumstances when determining whether he exercises control.

Potential voting rights that can be presently exercised or converted, including potential voting rights held by other entities, are considered when assessing whether an entity is controlled or not. In the course of business combinations, put and call options and combinations of such options have been entered into for the remaining non-controlling interests. If the risks and opportunities inherent in the put options have already passed to Celesio, the entities acquired in the business combination are fully consolidated taking account of the existing shares and options. The shares attributable to the options are not treated as non-controlling interests but are recognised as a purchase price liability in accordance with IAS 32.23.

If the risks and opportunities inherent in the options remain with the former owner, the entities acquired in the business combination are consolidated taking account of any non-controlling interests. A purchase price liability was recognised through revenue reserves for put options of the former owner.

The consolidation of investments is performed in accordance with the acquisition method pursuant to IFRS 3. This entails revaluing assets, liabilities and contingencies that meet the recognition criteria of IFRS 3 at fair value on the date on which control passes to the group. Any difference remaining between the consideration paid and the interest in the net assets of the acquired company is recognised as goodwill. The cost of a business combination is measured at the fair

value of the assets issued to make the combination less the liabilities entered into or assumed on the date of acquisition. The acquisition-related costs of a business combination are expensed at the time they are incurred and presented under other expenses. Since 1 January 2010, contingent consideration is measured at fair value in the course of purchase accounting. Later adjustments to the fair value of this contingent consideration that constitute an asset or a liability are treated in accordance with IAS 39. Differences in debt instruments are recognised through profit or loss but no adjustment is made in the case of equity instruments. For business combinations prior to 1 January 2010, any purchase price payments that were contingent on future events were only considered in the purchase accounting if they were probable and could be reliably estimated. A change in a contingent liability is recognised by adjusting the purchase price liability and the historic acquisition cost of the business combination, which impacts on goodwill accordingly.

For business combinations achieved in stages, the shares held are revalued through profit or loss at their fair value on the date control passes to the purchaser.

Transactions between owners, i.e., increases or reductions in shares that do not lead to a loss of control, are recorded as equity transactions in the statement of other comprehensive income. However, if transactions lead to a loss of control the resulting gain or loss is posted through profit or loss. The profit or loss also includes the effect of revaluing any remaining shares in the equity of the investment at fair value.

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill under non-current assets and subject to an impairment test at least once a year in accordance with IFRS 3 and IAS 36. Where any negative goodwill remains after renewed testing, it is posted through profit or loss on the date of purchase accounting.

Non-controlling interests represent the portion of profit or loss and net assets that is not allocable to Celesio. Non-controlling interests are measured at their share in the fair value of the identifiable net assets. These are presented separately in the group income statement and the group statement of financial position. In the group statement of financial position they are presented under equity, separately from the share of equity attributable to Celesio.

Pursuant to IAS 28, associates are included in the consolidated financial statements using the equity method at the time significant influence is acquired. Entities over which Celesio exercises common control together with other parties

(joint ventures) are consolidated using the equity method in accordance with IFRS 11 in conjunction with IAS 28. Other investments are recognised at fair value in accordance with IAS 39 or, if no fair value is available and fair value cannot be reliably determined, at acquisition cost.

The effects of intercompany transactions are eliminated. Intercompany profits and losses, revenue, income and expenses as well as all receivables and liabilities between consolidated companies are offset against each other. Intercompany profits and losses originating from intercompany deliveries of non-current and current assets are eliminated. Pursuant to IAS 12, deferred taxes are recognised on any differences arising from consolidation.

Currency translation

All financial statements included in the consolidated financial statements that have been prepared in foreign currency are translated into euro using the functional currency concept. Since the companies of the Celesio Group operate their businesses independently, their functional currencies are the national currencies applicable in each case. Assets and liabilities are therefore translated at the rate at the end of the reporting period pursuant to IAS 21. Income statement items are translated using the annual average exchange rates. Any differences arising from currency translation are posted to other comprehensive income. Goodwill arising from business combinations is recorded in the currency of the acquiree and thus translated using the exchange rate at the end of the reporting period. In the event that group companies are deconsolidated, any exchange differences carried in equity are released to profit or loss. The table below shows the year-on-year development in exchange rates relevant for the Celesio Group:

COUNTRY	Currency	31/12/2014	Current exchange rate 31/03/2015	Average exchange rate 2014	2015
United Kingdom	GBP	0.7789	0.7273	0.8058	0.7428
Brazil	BRL	3.2207	3.4958	3.1176	3.2150
Norway	NOK	9.0420	8.7035	8.3485	8.7284
Denmark	DKK	7.4453	7.4697	7.4548	7.4501
Sweden	SEK	9.3930	9.2901	9.0951	9.3783

Foreign currency positions in the separate statements of financial position of the consolidated companies are measured at the closing rate pursuant to IAS 21. Any unrealised gains or losses from these positions are offset against any gains or losses from marking to market any derivatives used to hedge the foreign exchange exposures in the group statement of comprehensive income. Non-monetary items denominated in foreign currency are recognised at their historical rates in the separate financial statements.

Adjustments to previous year disclosures

Following careful scrutiny and analysis of the strategic options, the Management Board of Celesio passed a resolution at the end of March 2015 to dispose of the Panpharma and Oncoprod units, which were previously presented within the Pharmacy Solutions division and no longer form part of the core business of Celesio AG. From that point onwards, the units mentioned were classified as discontinued operations pursuant to IFRS 5. As a result of this, the previous year's figures on the group income statement and the group statement of cash flows, as well as the associated information and explanations in the notes to the financial statements, were adjusted accordingly and presented in a comparable manner. For detailed information and explanations please refer to note (16).

Retrospective adjustment of the previous year disclosure in accordance with IAS 8

In course of 2015 it was discovered that the classification of non-cash foreign exchange rate effects from intra group consolidation was assigned incorrect within the cash flow statement of 2014. This has been revised now and is therefore now in line with the specifications of IAS 7.43. Therefore the disclosure of the previous year in accordance with IAS 8.42 has been adjusted retrospectively. This led to a reclassification totalling to the amount of EUR 56.7 m from the "Net cash flow from operating activities - continuing activities" to "Net cash flow from financing activities - continuing operations". The impacted line items "change in other assets" were changed accordingly from EUR -27,8m to EUR -84.5m and "repayment of borrowings" from EUR -228,0m to EUR -171,3m.

In 2015 the classification of payments for group hedging activities has been changed to achieve an appropriate presentation. Therefore, the payments previously recorded within the cash flow from operating activities have been reclassified to the separate item “payments for hedging activities for group-internal financing activities” within the cash flow from financing activities. For 2014 this effect amounts to EUR -67,1m. The impacted line items “change in other assets” were changed accordingly from EUR 84.5m to EUR -17.4m and the new item “payments for group hedging activities for internal financing activities” has been changed from EUR 0.0m to EUR -67.1m.

The total impact of both effects on net cash flow from operating activities for continuing activities led to an increase of EUR 10,4m from EUR 267.1m to EUR 277,5m and correspondingly to a decrease of the Net cash flow from financing activities for continuing operations from EUR -337.5m to EUR -347.9m. The total amount of changes in cash and cash equivalents did not record any change in 2014 due to the retrospective adjustments.

New International Financial Reporting Standards

The IASB and the International Financial Reporting Interpretations Committee (IFRS IC) have issued supplements to existing IFRSs and new standards and interpretations, the application of which has been mandatory since 1 January 2015. The following standards and interpretations were applied by the Cesio Group for the first time in this reporting period:

In November 2013, the IASB published an amendment to IAS 19 with the purpose of clarifying the financial reporting standards with regard to ensuring that employee contributions to defined benefit pension plans are assigned to the correct period. The application of the amended standard has resulted in no significant changes to the consolidated financial statements.

The IASB and the IFRIC have issued additional standards and interpretations and corresponding amendments to existing standards and interpretations that are not yet mandatory for the reporting period. The adoption of these standards is contingent upon the European Union recognising those standards which it had not as yet recognised by the date on which the financial statements were compiled. Specifically, the standards and interpretations concerned are:

IFRS STANDARD/INTERPRETATION	Published by the IASB	Mandatory for fiscal years starting on or after:	EU endorsement
IFRS 9 — Financial instruments	24/07/2014	— 01/01/2018	— No
IFRS 14 — Regulatory Deferral Accounts	30/01/2014	— 01/01/2016	— No
IFRS 15 — Revenue from Contracts with Customers	28/05/2014	— 01/01/2017	— No
Amend- ment — Investment entity amendments and the exemption from consolidation (IFRS 10, 12; IAS 28)	18/12/2014	— 01/01/2016	— No
Amend- ment — Disclosure initiative (IAS 1)	18/12/2014	— 01/01/2016	— No
Amend- ment — Sales or contributions of assets between an investor and its associate/joint venture (IFRS 10, IAS 28)	11/09/2014	— 01/01/2016	— No
Amend- ment — Equity Method in Separate Financial Statements (IAS 27)	12/08/2014	— 01/01/2016	— No
Amend- ment — Bearer Plants (IAS 16, 41)	30/06/2014	— 01/01/2016	— No
Amend- ment — Acceptable methods of depreciation and amortisation (IAS 16, 38)	12/05/2014	— 01/01/2016	— No
Amend- ment — Acquisition of an interest in a joint operation (IFRS 11)	06/05/2014	— 01/01/2016	— No

From a current perspective, the new and supplemented standards set out above will have no significant impact on the assets position, financial position and results of operations of the Celesio Group. However, some changes in the presentation and additional disclosures in the notes are expected in isolated cases. The potential impact of applying IFRS 15 and IFRS 9 is currently being evaluated. The group has not availed itself of the option to early adopt the standards and interpretations.

Accounting policies

The consolidated financial statements have been prepared in accordance with the historical cost convention (by which items are measured at historical cost or amortised cost) with the exception primarily of derivative financial instruments,

available-for-sale financial assets and financial assets measured at fair value through profit or loss which are recognised at fair value.

Pursuant to IAS 38, acquired **intangible assets** are recognised at historical cost plus any incidental costs of acquisition and less any trade discounts or rebates. If the asset has a limited useful life, it is amortised using the straight-line method.

Internally generated intangible assets from which future benefits are likely to flow to the group and whose cost can be reliably measured are recognised at the cost of production. The cost of production includes all costs directly attributable to development as well as an appropriate portion of allocable production-related overheads. Payments on account include expenses recognised for software being developed including own work capitalised.

Concessions, industrial rights, licences, patents and software have useful lives ranging between 2 and 20 years. Intangible assets that are amortised are subject to an impairment test if there are any material indications or changes in the underlying assumptions which suggest that the carrying value of the asset is no longer recoverable. Where necessary, impairment losses are recorded in accordance with IAS 36. These are reversed as soon as the reasons for the impairment cease to exist.

It is assumed that goodwill has an indefinite useful life. This generally also applies to brands acquired by the group provided that there is an intention to use them for an indefinite period as they mainly pertain to company names. According to IAS 38, intangible assets with an indefinite useful life are not amortised. Rather, they are reviewed at least once annually in accordance with IAS 36 and, if there is any indication of impairment, subjected to an impairment test. Impairment losses are determined by allocating goodwill or brands at the level of the cash-generating units. The cash-generating units in the Wholesale and Pharmacy business area correspond, as in the previous year, to the business area of the respective country.

Impairment losses are recognised at the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's value in use and its fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from the asset or cash-generating unit concerned and is determined using the discounted cash flow method. This relies on the latest business planning approved by management for the next five years (detailed planning period). The planning projections are rolled forward to the following years using a constant growth rate. The growth rates after the detailed planning period are based on historical growth rates, independent studies on medium-term market development – comparing the projected

performance of Celesio to that of the market – and the expectation for long-term growth in the healthcare market in light of demographic and other developments.

The planning is based on past developments and expectations of future market developments at the level of the cash-generating unit. Significant planning assumptions relate to revenue growth, the development of gross margins and operating margins, the discount rate and the growth rate in the period after the detailed planning period as well as expected direct synergies in procurement resulting from the business combination with McKesson, which can be allocated to the individual cash-generating units. The anticipated impact of definite or foreseeable government measures is also considered for pharmacies and the wholesale business.

For the Lloydspharmacy cash-generating unit, the Management Board expects higher sales figures and continued growth in the area of service provision, as well as a positive contribution from procurement synergies. This will compensate for governmental measures and the continued substitution of original products with generics. We expect that revenue and income from our pharmacy business in Norway will continue to develop positively, whereas the negative impact of political cost-cutting will have an effect in Ireland.

The Management Board expects the revenue and earnings of Wholesale UK to remain stable overall in spite of government cost-cutting as the impact of these measures will be offset by improvements in the purchasing strategy and closer cooperation with retail. We anticipate growth in Wholesale France to slow slightly due to the fact that original products are increasingly being replaced by cheaper generics, although these should, however, be offset by procurement synergies to a large extent. The stable market in Austria should provide Wholesale Austria with sound revenue and earnings in the coming fiscal years.

Cash flows are discounted using the weighted average cost of capital (before tax) which is determined for each cash-generating unit. The cost of capital is composed of borrowing costs, which are based on the interest rates obtainable on the capital markets, and the costs of equity, which are calculated from a risk-free basic rate of return, a premium for the industry risk and a country-specific risk premium.

Celesio conducts scheduled impairment tests on goodwill and brands in the fourth quarter of each year. In the past, the impairment test took place in the fourth quarter of the calendar year, but due to the change in the fiscal year, in the reporting period the scheduled impairment test was performed in March for the first time. The following overview summarises the parameters used in the impairment test for each division to determine the value in use.

	Goodwill		WACC ¹⁾		Growth rate after the detailed planning period 1)	
	31/12/2014 EUR m	31/03/2015 EUR m	2014 %	2015 %	2014 %	2015 %
Consumer Solutions	1,671.1	1,777.6	7.7–11.9	7.5–11.8	1.0	1.0
Of which Lloyds-pharmacy	1,323.1	1,417.3	8.5	8.3	1.0	1.0
Of which Pharmacies Norway	200.9	212.9	8.4	8.1	1.0	1.0
Of which Pharmacies Ireland	63.4	63.4	9.7	9.5	1.0	1.0
Of which other	83.7	84.0	7.7–11.9	7.5–11.8	1.0	1.0
Pharmacy Solutions	431.7	442.9	8.5–15.0	8.1–11.0	1.0–2.0	1.0
Of which Wholesale United Kingdom	158.9	170.1	8.5	8.3	1.0	1.0
Of which Wholesale France	134.2	134.2	10.0	9.7	1.0	1.0
Of which Wholesale Austria	122.2	122.2	8.5	8.1	1.0	1.0
Of which other	16.4	16.4	9.0–15.0	8.8–11.0	1.0–2.0	1.0

1) Assumptions as of 31/03/2015

Further scenarios were analysed for the critical calculation parameters to verify the values in use as of 31 March 2015. Management considers the following scenarios to be possible:

- An increase in the total cost of capital of 1.0 percentage point
- A decrease in the growth rate after the detailed planning period of 0.5 percentage points
- A one-year delay in planned revenue, retaining the margins of the base scenario, on account of prevailing market uncertainty regarding the political framework in the health sector and competition conditions in the markets which are relevant for Celesio. This scenario illustrates the effects on the impairment of goodwill, especially in markets with planned revenue growth and with the risk of competition becoming more intensive or political frameworks preventing growth.

Fair values and purchase price indications are calculated, where appropriate, based on observable comparable market transactions. The costs to make the sale correspond to the best estimate made on past experience.

Property, plant and equipment are carried at amortised cost including all incidental costs of acquisition and less any trade discounts or rebates in accordance with IAS 16. The manufacturing costs of internally constructed property, plant and equipment include all costs which can be directly allocated to the production process as well as an appropriate portion of production-related overheads including depreciation.

Any government grants or subsidies received for the acquisition or production of an asset are recorded as deferred income. As in the previous year, government grants were immaterial.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives; an indefinite useful life is assumed for land. The useful lives of the assets are as follows:

	years
Buildings	10 – 50
Plant and machinery	3 – 15
Property, plant and equipment	3 – 10

Where necessary, impairment losses are recorded on property, plant and equipment pursuant to IAS 36. These are reversed as soon as the reasons for impairment no longer exist.

If the economic ownership of a leased asset can be allocated to a group company (finance leases), the asset is capitalised at the inception of the lease at the present value of the lease payments plus any incidental costs borne by the lessee or at its fair value if lower pursuant to IAS 17.

Generally, the leases are for real estate and computer hardware. The leases for real estate have terms of up to ten years and some contain purchase options. The leased computer hardware generally relates to equipment needed to accommodate the outsourcing of IT services that began in 2009. The leases have a residual term of up to three years. The depreciation methods and useful lives applied correspond to the lower of the term of the lease and the useful life of comparable assets acquired for a consideration. There are no significant finance leases in place that contain contingent lease instalments.

In addition to the finance leases, Celesio entered into rental agreements under which the economic title to the assets remains with the lessor (operating leases). The lease payments are recorded through profit or loss on a straight-line basis over the term of the lease. Depending on the type of assets, the leases contain the customary rental conditions and right of first refusal. Celesio reviews agreements that are not structured as leases from a legal perspective but which nevertheless grant a right to use an asset to determine whether they constitute a lease arrangement.

Borrowing costs are capitalised if they are directly related to the acquisition or construction of a qualifying asset that needs a substantial period of time to prepare it for its intended use or sale. All other borrowing costs are expensed in the period. Celesio did not capitalise any borrowing costs in either 2015 or 2014.

Investments and securities classified as available-for-sale financial assets or financial assets measured at fair value through profit or loss are allocated to a category on the date they are acquired and measured at fair value in accordance with IAS 39. Acquisitions and sales are recognised on their settlement date. These assets are measured at fair value in following periods, if this can be reliably determined. Fair value is determined from the official listings issued by stock exchanges. No held-to-maturity financial investments were carried on the reporting date.

Financial instruments are allocated to the available-for-sale category if they are not loans or receivables and are not financial assets measured at fair value through profit or loss. They are initially recognised at fair value plus transaction costs. The unrealised gains and losses from their subsequent measurement are posted to the reserve for available-for-sale financial assets without affecting income until they are realised, taking account of any deferred taxes. If the fair value of an available-for-sale financial asset falls below its cost and there are objective indications that the asset is permanently impaired, an impairment loss is charged through profit or loss. The accumulated losses previously recorded under other comprehensive income are released to the income statement. Pursuant to IAS 39.59, the following criteria are considered to be objective indications of an impairment, particularly for debt instruments:

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as a default or delinquency in interest or principal payments

- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for that financial asset because of financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets

According to IAS 39.61, there is objective evidence of an impairment in an investment in an equity instrument if the fair value of an available-for-sale equity instrument falls below its cost significantly or for a prolonged time. If the reasons for an impairment loss no longer apply, the assets are reinstated accordingly. Reversals of impairment losses recorded on equity instruments are posted to other comprehensive income whereas debt instruments, provided they meet the criteria of IAS 39, are written up through profit or loss. When financial assets are sold, any gains previously recorded in other comprehensive income are reclassified to profit or loss. If no active market exists for the assets and their fair value cannot be determined without incurring an unreasonable expense, these financial assets are reported at historical cost.

Any transaction costs incurred in the category financial assets measured at fair value through profit or loss are posted to profit or loss. When the assets are subsequently measured, any fluctuations in fair value are posted directly to profit or loss. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to listed market bid prices at the close of business at the end of the reporting period. For financial instruments for which there is no active market, fair value is determined using generally accepted valuation techniques. Such techniques may include using recent comparable market transactions between knowledgeable, willing and independent parties, referring to the current fair value of another instrument that is substantially the same or to discounted cash flow methods.

The amortised cost of financial assets is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and

includes transaction costs and fees that are an integral part of the effective interest rate.

Loans to investments and **other loans** are receivables extended by the entity and are measured at amortised cost and allocated to the loans and receivables category in accordance with IAS 39.

Interests in associates are accounted for using the equity method pursuant to IAS 28. Associates are entities over which Celesio exercises significant influence, but does not have control. Generally, 20% to 50% of the voting rights are held in an associate. Beginning with the historical cost at the time of acquisition of the shares, the respective carrying amount of the investment is increased or decreased by any changes in the equity of the investment, regardless of their impact on profit or loss, that are attributable to the interest of Celesio in the associate. The goodwill included in the carrying amounts of the investments, determined in accordance with the policies applying to fully consolidated subsidiaries, is not subject to amortisation. The investment is tested for impairment if there is any indication that the total carrying amount of the investment is impaired. Listed market prices do not exist for any of the associates accounted for using the equity method.

Raw materials, consumables and supplies, finished goods and merchandise are recognised at cost based on weighted average purchase prices and the first-in-first-out method. In the Consumer Solutions division the retail method is also applied. Pursuant to IAS 2 the positions are measured at the lower of cost or net realisable value (selling price less costs of completion and the estimated costs necessary to make the sale). This involves accounting for risks associated with holding and selling inventories by recognising valuation allowances. The company has not entered into any long-term construction contracts pursuant to IAS 11.

Non-current assets held for sale and assets and liabilities of disposal groups and discontinued operations classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell and no longer subject to amortisation and depreciation if their carrying amount is likely to be principally realised from a sale and not from their continued use. This is assumed if the sale is deemed to be highly probable and the relevant management level has agreed a plan for sale. This usually requires approval from the Management Board and if certain thresholds are reached, also from the Supervisory Board. Further requirements are that the asset is available for immediate sale in its present condition, there is an intention to sell the asset and a sale is expected within twelve months.

Receivables and **other assets** are measured at amortised cost, including transaction costs, with the exception of financial derivatives, and allocated to loans and receivables in accordance with IAS 39. All objectively discernible specific risks are therefore accounted for by appropriate valuation allowances. The criteria listed in IAS 39.59 and explained in the section on available-for-sale financial assets are considered as objective indications of an impairment. The valuation allowances are posted to a separate allowance account. Receivables are written off as soon as a receivable is actually defaulted on. Corresponding reinstatements are posted through profit or loss. Carrying amounts generally correspond with fair value. Receivables denominated in foreign currency were translated using the exchange rate prevailing at the end of the reporting period. Changes in value due to exchange rate fluctuations were posted to profit or loss.

Financial assets are derecognised if legal title to them has been transferred and all related risks and rewards of ownership have passed to the buyer. If all the risks and rewards incidental to ownership in the financial assets of the Celesio Group are neither transferred nor retained, an assessment has to be made as to whether the group still has the power of disposal over the asset or not. If the Celesio Group no longer holds the power of disposal over the financial asset, it is derecognised. If the Celesio Group has retained the power of disposal over the financial asset, the asset is recognised at the amount at which a sustained engagement is retained in the asset.

Income tax receivables and **income tax liabilities** are measured at the amount expected to be received from or paid to the tax authorities.

Cash and **cash equivalents** contain liquid funds such as cash on hand, cheques and bank balances with a term to maturity of less than three months. They are recognised at nominal value. Foreign cash reserves have been valued using the rate at the end of the reporting period.

All **derivative financial instruments** entered into within the Celesio Group such as forward exchange contracts, options or swaps are used solely to hedge foreign currency exposures, interest exposures and the risks of price fluctuations inherent in our operating business and to reduce the related financing requirements. According to IAS 39 these items are initially recognised at fair value in the statement of financial position and subsequently measured at their fair value at the end of the reporting period. Depending on their fair value at the end of the reporting period, derivative financial instruments are reported under other financial assets or other financial liabilities respectively.

Hedges are used to secure both the net realisable value of items in the statement of financial position and future cash flows. This includes exchange rate hedges for intended purchases of merchandise within a twelve-month period, although no such cases were carried as of the reporting date.

The provisions of IAS 39 have been applied for hedge accounting. At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting and the risk strategy and risk management objective for undertaking the hedge. The documentation contains a definition of the hedging instrument, the hedged item or the hedged transaction and the nature of the risk being hedged. Likewise, the documentation contains a description of how the Celesio Group will determine the effectiveness of the hedging instrument to compensate the risks. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows. They are assessed continuously to determine whether they actually have been highly effective throughout the reporting periods for which they were designated. Hedge accounting involves qualifying a derivative either as a fair value hedge or as a cash flow hedge. Changes in the value of a fair value hedge are recorded directly in profit or loss for the period. Conversely, the portion of the change in value of a cash flow hedge qualifying as highly effective is initially posted to other comprehensive income where it will be reclassified to profit or loss when the underlying future cash flow eventuates.

Currency derivatives used as hedges for fair value risks are not formally subject to the rules on hedge accounting. The changes in the fair value of these derivatives which, from an economic point of view, are effective regarding the group's hedging strategy, are recognised in profit or loss. They are offset by the contrary movements in the fair value of the hedged items.

Derivative financial instruments that are not in an effective hedge as defined by IAS 39 are recognised at fair value and classified as a financial asset or financial liability held for trading.

The fair values of derivatives are determined by reference to capital market data at the end of the reporting period and by use of suitable valuation methods such as the discounted cash flow method and other generally accepted option pricing models. The calculation uses the market interest rates applicable for the remaining term of the derivatives.

Deferred tax assets and liabilities are deferred in accordance with IAS 12 using the balance sheet liability method. This involves recognising deferred taxes for all temporary differences between the carrying amounts recognised in the

consolidated financial statements and the tax base of assets and liabilities as well as any deferred taxes arising from consolidation. Deferred tax liabilities are only not recorded for the retained earnings of domestic and foreign subsidiaries if they are expected to remain within the company in the long term. Deferred tax assets are recognised on unused tax losses at the amount at which the associated tax benefits are likely to be realised through future taxable profit and these can be reliably measured. The amount is based on tax planning taking into account the future tax strategy and any limitations on carrying forward tax losses. The calculation of deferred taxes is based on the tax rates valid in the countries concerned at the time they were recognised or which had been enacted for future periods. A uniform tax rate of 30.7% is applied by the German companies; this is also used as the group tax rate.

Provisions for pensions and similar obligations are determined using the actuarial projected unit credit method in accordance with IAS 19. This method involves considering the biometric parameters and the respective long-term interest rates on the capital markets as well as the latest assumptions on future salary and pension increases. The net interest contained in the pension expense is reported under net interest income/loss.

Actuarial gains and losses (revaluations) are posted directly to other comprehensive income when they arise. The revaluations recorded under other comprehensive income are not recycled through profit or loss in subsequent periods. Rather, they remain as components of other comprehensive income.

The interest on defined benefit plans that are fully or partly funded by plan assets is calculated on the basis of the net assets or net liabilities of the plan. The same interest rate is used to calculate net interest income/loss.

Past service cost arises if an adjustment is made to the plan that has an impact on the benefit obligation arising from past service. Past service cost is recognised in the periods in which the adjustment is made to the plan. Consequently, there is no need to allocate past service cost to future periods.

When setting the discount rate, management refers to the interest rates of corporate bonds with top ratings in the country in question. In Norway, the recommendations of the national standards-setting committee on discount rates are also taken into account.

Pursuant to IAS 37, other provisions should be recorded if there is a constructive or legal obligation to a third party based on a past business transaction or event. The flow of economic benefits required to settle the obligation must be probable and reliably measurable. Provisions are measured at

the amount needed to settle the obligation taking account of all discernible risks. The most likely amount is taken. Any reimbursement claims are not offset against provisions. If it is not possible to recognise a provision because one of the above criteria is not met, the obligation is disclosed under contingent liabilities. Provisions for onerous contracts are recognised if the contractual obligation is higher than the expected economic benefits. Provisions with a term of more than twelve months are discounted.

Restructuring provisions are only recognised when the company has issued a detailed formal plan for the restructuring and has raised a valid expectation in the employees affected that it will carry out the restructuring.

Share-based compensation programmes are accounted for in accordance with IFRS 2. The programmes in the Celesio Group qualify as cash-settled share-based payment transactions. The expenses generated by the programmes and the obligations to settle these benefits are recognised over the vesting period. The obligation is remeasured at the end of each reporting period using a binomial model. Changes in fair value are recognised through profit or loss. The resulting expense is reported as personnel expenses and the obligation is presented under other provisions.

With the exception of derivative financial instruments, liabilities are initially recognised at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

The debt components of convertible bonds issued in 2009 and 2011 and converted in 2014 were measured using the market interest rate obtainable on a similar debt instrument but one that is not convertible. These debt components were measured as liabilities at amortised cost until the conversion took place. The remaining component of the proceeds from the bond represented the value of the conversion right. This was presented under capital reserves in equity after deducting any income tax impact. The financial liability increased over the course of time by the difference between the effective interest rate and the hypothetical market interest rate. Transaction costs related to the issue of the instrument were allocated to the debt and equity components of the convertible bond in proportion to the capital extended to the group by the instrument.

The corporate bonds issued in 2010 and 2012 are measured at amortised cost as a liability using the effective interest rate method.

Financial liabilities designated as the hedged item of a fair value hedge are recognised at amortised cost plus any gain or loss allocated to the hedged risk (known as a basis adjustment). No fair value hedges were in place on the reporting

date. The fair values of financial liabilities were determined using interest rates valid for the corresponding maturities and repayment schedules at the end of the reporting period.

All liabilities denominated in foreign currency (including any hedged items) are translated using the closing rate at the end of the reporting period. Any resulting changes in value are posted to the income statement.

Current portions of originally non-current assets and liabilities whose residual terms are less than one year are reported on principle as current items in the statement of financial position.

Financial guarantees issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Contingent liabilities include present obligations that arise from past events where an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be estimated reliably. Contingent liabilities are recognised at their fair value if they were acquired in the course of a business combination and meet the criteria for recognition pursuant to IFRS 3. Subsequent measurement is based on the obligation initially recognised. If the obligation has been extinguished – statute-barred, for example – the contingent liability is released. Contingent liabilities not assumed in the course of a business combination are not recognised, but mainly explained within the notes to the consolidated financial statements. Contingent assets are not recognised.

Revenue in the Consumer Solutions and Pharmacy Solutions divisions mainly originates from the sale of merchandise and, to a lesser extent, from the provision of services and receipt of royalties. Revenue and other operating income are recognised when the goods or services are delivered provided that the amount can be reliably measured and it is likely that economic benefits will flow to the group. Any deductions from sales such as returned goods, rebates, discounts allowed and bonuses are deducted from gross revenue.

Upon the sale of merchandise to customers, the date on which the goods are delivered is also the date on which economic title to the merchandise passes to the customer. In this case, the transfer of economic title is not attached to the

transfer of legal title. Deliveries of merchandise where past experience shows that returns should be expected are not recognised in income until the deadline for the return has expired.

If Celesio collects amounts in the interest of third parties, these do not represent revenue as they do not represent an inflow of economic benefits for the company. Only the remuneration for arranging the transaction and not the total proceeds are recognised as revenue of the entity. Celesio is only regarded as the principal of such agency transactions if it bears the significant risks and rewards associated with the sale of the goods or the rendering of the services. In this case, all the cash received is recognised as revenue.

Revenue from the rendering of services is recognised using the percentage of completion method. The revenue from long-term service agreements is recognised on a straight-line basis over the term of the agreement or – if the services are not spread uniformly over this term – in accordance with the costs already incurred in relation to total costs measured on the basis of past experience.

Income from sale and lease-back transactions is recognised immediately in profit or loss providing the lease qualifies as an operating lease and the sales price corresponds to the fair value of the asset. When classifying a lease as a finance lease, the income is deferred and released through profit and loss over the term of the agreement.

Operating expenses are recognised in profit or loss when a service is used or when the costs are incurred. Expenses within the framework of rental agreements and leases that qualify as operating leases are recognised contemporaneously to the use of the rented or leased asset.

Interest is recorded as an expense or income respectively in the period in which it arises unless the criteria of IAS 23 are satisfied for capitalising it in the cost of an asset or liability.

Dividends are recognised when the legal right to receive the payment is established.

Management estimates and judgements

The preparation of the consolidated financial statements according to IFRSs requires that assumptions, judgements and estimates be made which have an effect on the carrying amount of assets and liabilities as well as expenses and income.

Accounting for business combinations

Goodwill is disclosed in the course of business combinations. Upon first-time consolidation, all the identifiable assets, liabilities and contingent liabilities are carried at fair value. The carrying amounts are subject to significant uncertainty. If intangible assets are identified, the fair value of the intangible asset is determined based on the nature of the asset using appropriate valuation techniques. These measurements are closely associated with assumptions of management about the future development of the value of the asset and the discount rates used.

Please refer to the disclosures on business combinations starting on page 140.

Valuation for assets held for sale

The valuation of discontinued operations as well as entities classified for assets held for sale is based on present value less costs for sale. The measurement of present value is orientated on offers to buy or preliminary offers to buy as well as generally applied company valuation models (discounted cash flow model).

Impairment of goodwill and commercial brands

The annual impairment test of goodwill and brands with an indefinite useful life (31 March 2015: EUR 2,220.5 m; previous year EUR 2102.8m) is based largely on assumptions pertaining to the future. The management planning for the next five years is derived from past developments and the expectations with respect to future market developments and does not include any restructuring activities that the group is not yet committed to or any capital expenditure related to its ordinary business that will enhance the earnings of the cash-generating unit being tested. Significant planning assumptions relate to revenue growth, the development of gross margins and operating margins, the discount rate and the growth rate in the period after the detailed planning period as well as direct synergies in procurement resulting from the business combination with McKesson, which can be allocated to the individual cash-generating units. In addition, the expected impact of government measures in the health sector is of special significance. The assessment of the cash flows from new business activities, on which the recoverable amount is based, is particularly reliant on management estimates of the future development of these market segments. In these cases historical information is available to a limited extent only. Moreover, unforeseen government measures could have a negative impact on future revenue and cash flows of Wholesale and Pharmacies. If demand for these products and services does not develop as expected, or if unexpected government measures are introduced, this

could reduce income and cash flows and possibly lead to a need to record an impairment loss. These premises and the underlying calculation model can have a material impact on the respective values and ultimately on the amount of a possible goodwill impairment. Please also refer to the notes on impairment testing for goodwill and brands starting on page 115.

Trade receivables and other assets

The allowance for bad debts totalling EUR 106.1m (previous year EUR 145.3m) is based to a large extent on estimates and judgements of individual receivables, taking into account the creditworthiness of the respective customer, the current economic situation and the analysis of historical bad debts on a portfolio basis. To the extent that impairments are derived from historical bad debt rates on a portfolio basis, a drop in the total volume of receivables reduces such provisions and vice versa. For more information please refer to note (17).

Pension benefits

The expenses from defined benefit plans after termination of the employment contract and the defined benefit obligation for the pension obligation amounting to EUR 1008.5 (previous year EUR 946.6m) are determined using actuarial calculations. Actuarial calculations involve making assumptions about discount rates, future wage and salary increases, the mortality rate and future pension increases. All assumptions are reviewed at each reporting date. When determining the appropriate discount rate, management bases its decision on the interest rates of corporate bonds with top ratings in the country in question. In Norway, the recommendations of the national standards-setting committee on discount rates are also taken into account. Moreover, Celesio conducts sensitivity analyses for the corresponding parameters and their impact on the present benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective country. For more information please refer to note (20).

Provisions

When measuring provisions, particularly those relating to property, litigation and tax risks, potential losses and restructuring measures, assumptions and estimates play an important role in assessing the probability of utilisation, the obligation amount and the interest rates used for non-current provisions. The measurement

is made on the basis of past experience and future price increases. Celesio recognises provisions for current litigation if it is more likely than not that an obligation will arise that will lead to an outflow of resources embodying economic benefits and these can be reliably measured. Celesio assesses the status of current litigation at regular intervals, also with the involvement of external lawyers. The assessment may change as new information becomes available, making it necessary to adjust the provision for litigation to reflect new developments. Upon conclusion of the litigation, expenses may arise for Celesio which exceed the amount provided for. For more information please refer to note (21).

Contingent liabilities

Contingent liabilities related to legal and tax risks that are recognised in the course of a business combination are subject to a high degree of planning uncertainty. Contingent liabilities were recognised primarily at Panpharma, Brazil, for legal and tax risks. The tax risks relate primarily to VAT liabilities towards Brazilian federal states. Due to uncertainty as to the exact outflow of cash, the risk was recognised upon initial consolidation as a contingent liability of EUR 113.9m. This assessment was based on an appraisal by an external expert. The carrying amount as of 31 March 2015 came to EUR 21.5m (previous year EUR 25.3m). This involved measuring a range of possible levels of utilisation and probabilities of occurrence. Celesio assesses these legal and tax risks at regular intervals, consulting external lawyers where necessary. The assessment may change as new information becomes available, making it necessary to recognise an additional provision pursuant to IAS 37, adjust the existing provision or release the contingent liability. Upon utilisation, expenses may arise for Celesio which exceed the provision amount.

In Brazil, there are disagreements between states regarding the mutual recognition of VAT concessions. As regards this, in December 2014 Panpharma received a tax assessment from a federal state tax authority in Rio de Janeiro with an amount of approx. EUR 80m for the years 2009 to 2013. Panpharma filed a defence against this claim. We disagree with the assessment of the State Tax Authorities and believe that we have strong legal arguments based on the usage of external lawyers to defend our positions. The chances for Panpharma of losing the legal dispute or rather overruling of the objection have been assessed to be possible, but not more likely than not. For more information please refer to note (26). Since the reporting

period, the Panpaharma unit has been recognised as held for sale. For detailed information and explanations please refer to note (16).

In Slovenia, contingent liabilities for risks due to an antitrust case were recognised.

Deferred taxes

The measurement of deferred tax assets and liabilities requires management to make certain assumptions and estimates. In addition to the interpretation of the tax legislation applicable to the respective taxpayer, the calculation of deferred tax assets on temporary differences and unused tax losses involves assessing the extent to which future taxable income will become available and how tax strategies will be implemented to exploit loss carryforwards. For more information please refer to note (14).

Contingent consideration from business combinations

The measurement of contingent consideration from business combination requires management to make certain assumptions and estimates. The measurement is based on management planning, if available. The disclosure of the possible range of contingent consideration usually assumes a hypothetical increase or decrease in the relevant underlying earnings or other performance indicators. Please refer to the disclosures on business combinations starting on page 140.

All assumptions and estimates are based on circumstances prevailing at the end of the reporting period. Future events and changes in conditions can mean that the actual amounts differ materially from the estimated figures. In such cases, the assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly. At the time of preparing the consolidated financial statements, the underlying discretionary decisions and estimates were not expected to be subject to any major changes. Based on the information available today, no significant adjustment of the carrying amounts of the assets and liabilities disclosed in the consolidated financial statements is therefore expected in the fiscal year 2015.

Consolidated group

The consolidated group comprises 339 (previous year 335) fully consolidated domestic and foreign companies. This includes six special purpose entities which are consolidated pursuant to IFRS 10 – Consolidated Financial Statements, even though Celesio AG does not hold the majority of the voting rights. The purpose of these companies is generally to lease properties. As of 31 March 2015, no entities were consolidated on the basis of potential voting rights (previous year none) relating to shares not held by Celesio, although there is no longer any actual voting majority.

Compared to the previous year, the consolidated group developed as follows:

	Number
As of 01/01/2015	335
Acquisition of shares	4
As of 31/03/2015	339
<i>Of which domestic entities</i>	18
<i>Of which foreign entities</i>	321

In 2015, no group companies were liquidated (previous year 29). 61 (previous year 60) associates were consolidated using the equity method. There were no joint ventures (previous year none).

The complete list of major shareholdings – an integral component of the notes to the consolidated financial statements – is published in the German Federal Gazette and on the website celesio.com.

The table below lists the most significant subsidiaries in which Celesio AG holds a direct or indirect controlling interest.

Name	Division
AAH Pharmaceuticals Limited	Coventry, UK
GEHE Pharma Handel GmbH	Stuttgart, Germany
Herba Chemosan Apotheker-AG	Vienna, Austria
Lloyds Pharmacy Limited	Coventry, UK
Norsk Medisinaldepot AS	Oslo, Norway
OCP Portugal, Produtos Farmaceuticos, S.A.	Maia, Portugal
OCP Répartition S.A.	Saint Ouen, France
Panpharma Distribuidora de Medicamentos Ltda. ¹⁾	Goiânia, Brazil
Pharma Belgium S.A.	Brussels, Belgium
Tjellesen Max Jenne A / S	Rodovre, Denmark

Business combinations and disposals in the fiscal year 2015

Business combinations

The Consumer Solutions division acquired two retail pharmacies in Norway in the fiscal year 2015. These acquisitions help to strengthen the Consumer Solutions division's market position and have been fully consolidated.

The table below provides the significant details of the companies acquired in the fiscal year 2015, which aren't material on a single entity basis:

EUR m	Total
Consideration transferred	4.6
Purchase price payment	0.0
Contingent consideration	4.6
Shares previously recognised using the equity method	0.0
Revaluation of shares previously recognised using the equity method	0.0
Cash purchase price	-0.6
Fair value of assets and liabilities assumed	
Total assets	1.7
Property, plant and equipment	0.3
Inventories	0.5
Trade receivables	0.1
Cash and cash equivalents	0.6
Other assets	0.2
Total liabilities	1.3
Trade payables	0.1
Other liabilities	1.2
Goodwill	4.2
Non-controlling interests	0.0

No equity instruments were issued to settle purchase price liabilities.

The fair value of the receivables acquired in the combinations comes to EUR 0.2m and corresponds to the gross amounts of the contractual receivables. This includes trade receivables of EUR 0.1m.

The resultant goodwill mainly represents the future prospects expected with the respective acquisition and the value of the experience among the employees acquired and is not tax deductible.

Revenue of EUR 1.4m and a net profit of EUR 0.0m are attributable to the companies acquired in the fiscal year 2015. If these companies had been acquired at the beginning of the fiscal year, they would have contributed EUR 1.4m to the revenues and EUR 0.0m to the net profit of the group.

Change in contingent consideration

The contingent consideration recognised for acquisitions in accordance with IFRS 3, which was revised in 2008 and has been mandatory since 2010, decreased by EUR 0.4m in the fiscal year 2015. Access to a new contingent consideration of EUR 4.5m was offset by repayment of existing contingent considerations amounting to EUR 5.0m. The adjustment to the current value of contingent considerations is mainly determined on the basis of an earnings variable taking account of long-term planning. This did not result in any material adjustments to the range of contingent consideration recorded at the end of the fiscal year 2015.

Disposals

Two retail pharmacies in the UK were disposed of in the fiscal year 2015 in the course of streamlining the portfolio. All disposals were made as part of an asset deal. The consideration received amounted to EUR 0,1m.

Business combinations and disposals in the fiscal year 2014

Business combinations

The Consumer Solutions division acquired seven retail pharmacies in Norway and eight retail pharmacies in Ireland in the course of fiscal 2014. Furthermore, one retail pharmacy was acquired in the UK as part of an asset deal. All of these acquisitions help to strengthen the Consumer Solutions division's market position and have been fully consolidated.

Furthermore, the German company GesuCon GmbH, a provider of IT solutions for optimising pharmacists' ordering and stock management, was acquired 100% and fully consolidated in the Others division. Moreover, the French company McKesson France Holding SAS, a shelf company without significant assets and liabilities was acquired in its entirety and fully consolidated in the Others division

The table below provides the significant details of the companies acquired in the fiscal year 2014, which aren't material on a single entity basis:

EUR m	Total
Consideration transferred	31.4
Purchase price payment	22.0
Contingent consideration	8.1
Shares previously recognised using the equity method	1.3
Revaluation of shares previously recognised using the equity method	0.0
Cash purchase price	16.9
Fair value of assets and liabilities assumed	
Total assets	13.1
Intangible assets	2.7
Property, plant and equipment	0.6
Inventories	2.1
Trade receivables	2.0
Cash and cash equivalents	5.1
Other assets	0.6
Total liabilities	4.5
Deferred tax liabilities	0.8
Trade payables	1.6
Other liabilities	2.1
Goodwill	22.8
Non-controlling interests	0.0

Incidental acquisition costs of EUR 0.5m were included in other expenses.

The fair value of the receivables acquired in the combination amounted to EUR 2.6m. This includes trade receivables of EUR 2.0m. No valuation allowances were recognised on these receivables. Thus the fair value corresponds to the amount agreed on in the contracts.

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

Revenue of EUR 16.6m and a net profit of EUR 0.0m were attributable in the previous year period to the companies acquired in the fiscal year 2014. If these companies had been acquired at the beginning of the comparative period, they would have contributed EUR 28.2m to the revenues of the group. The contribution to the group's net profit would have been EUR 1.3m.

Disposals

23 retail pharmacies in the UK were disposed of in fiscal 2014 in the course of streamlining the portfolio. Wilkinson, a small part of the Pharmacy Solution division in the UK, which is specialised in supplying medical devices and appliances in the United Kingdom was also disposed of. All disposals were made as part of an asset deal.

The table below provides the significant details of the companies disposed of in the fiscal year 2014:

EUR m	Total
Consideration received	20.0
of which cash	20.0
<i>Expenses related to sale</i>	<i>1.1</i>
Gain/loss on disposal	13.1
Total assets	5.9
Intangible assets	0.3
Goodwill	2.5
Property, plant and equipment	0.9
Deferred tax assets	0.0
Inventories	2.2
Cash and cash equivalents	0.0
Other assets	0.0
Total liabilities	0.1
Other liabilities	0.1

Change in ownership interests in subsidiaries that do not result in a loss of control

In the fiscal year 2015, no additional stakes were acquired.

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

Non-recurring expenses in the consolidated income statement

Non-recurring effects amounting to EUR 16.4m weighed on earnings of continued operations in the short fiscal year 2015. This breaks down into EUR 10.4m in particular for impairments on software that could no longer be used and similar items, as well as for legal and consultancy expenses in connection with the takeover by McKesson Corporation and EUR 6.0m for unscheduled impairment losses of current assets and provisions in conjunction with discontinued operations in accordance with IFRS 5.

In contrast, non-recurring effects amounting to EUR 85.5m weighed on earnings in the reference period. These special effects arise in particular from the impairment losses on goodwill of EUR 7,0m for Germany and impairment losses on land and buildings in Wholesale Germany (of EUR 6.9m). Additionally impairment losses were mainly taken on specific intangible assets with regard to IT infrastructure which could no longer be used expediently, as part of the centralised strategic realignment of IT strategy, primarily in the UK (amounting to EUR 27,4m). Additional non-recurring effects occurred due to contractual claims for termination benefits for former members of the Management Board and other related obligations (EUR 26,7m), legal and other consultancy expenses in connection with the takeover by the McKesson Corporation (EUR 14.3m) and provisions for restructuring expenses in Norway (EUR 3,2m).

(1) Revenue

A breakdown of revenue by division and country is part of segment reporting. The revenue generated by the group consists of EUR 5,119.0m (previous year EUR 21,161.5m) from sales of merchandise and EUR 150.2m (previous year EUR 485.1m) from services rendered.

(2) Other income

EUR M	2014	2015
Income from service offerings for manufacturer	70.5	14.6
Income from service offerings for pharmacists	45.1	10.7
Income from receivables written down and bad debts collected	7.5	4.7
Net gain on the disposal of non-current non-financial assets	15.1	0.1
Income from data sales	11.2	2.4
Income from rent and lease agreements	9.4	2.3
Sundry income	35.9	7.0
Total	194.7	41.8

Other income includes income from transactions that are not part of the core business of the Celesio Group. This mainly includes income from marketing activities, services, and data processing and IT services as well as income from letting buildings.

The income from service offerings for manufacturers and pharmacists includes advertising subsidies, income for sales promotions of particular products and other value-adding activities.

Income from bad debts collected comprises income from the reversal of valuation allowances and collections of bad debts written off in previous reporting periods.

Net gains on the disposal of non-current non-financial assets in the previous year mainly related to the sale of retail pharmacies in the United Kingdom and of the Wilkinson unit, a small part of the Pharmacy Solutions division in the UK. Other income includes own work capitalised from IT projects of EUR 0.9m (previous year EUR 2.5m). Moreover, this line item includes income from IT of EUR 1.1m (previous year EUR 4.6m). In addition, income of EUR 0.9m was generated from financial services. Sundry income also includes EUR 0.2m from recognising insurance claims.

(3) Other expenses

EUR M	2014	2015
Transportation costs	–172.3	–48.2
Building expenses	–201.8	–54.5
IT and communication expenses	–127.2	–42.2
Promotion and advertising expenses	–57.5	–12.5
Legal and consulting costs	–32.2	–8.0
Valuation allowances for bad debts	–31.9	–5.9
Travel expenses	–17.2	–5.4
Third-party personnel services	–15.1	–5.0
Net loss on IFRS 5 revaluations and disposal of non-current non-financial assets	–2.2	–5.9
Sundry expenses	–77.1	–17.2
Total	–734.5	–204.8

Building expenses include rent and lease expenses of EUR 31.1m (previous year EUR 123.7m).

Expenses from valuation allowances for bad debts consist of the cost of recognising valuation allowances and expenses from writing off bad debts on which no previous allowances had been recognised.

The third-party personnel services mainly include expenses for recruiting as well as basic and advanced staff training.

The net loss on the revaluation and disposal of non-current non-financial assets generally relate to the disposal of property, plant and equipment.

Sundry expenses relate to the general costs of administration and sales, such as the costs of office supplies, other taxes and fees. Moreover, this line item includes audit fees and other advisory services of EUR 3.1m (previous year EUR 9.4m) of which EUR 0.0m (previous year EUR 0.8m) constitutes non-recurring expenses incurred during the takeover by McKesson Corporation. Sundry expenses also include expenses for the security of land and buildings amounting to EUR 1.7m (previous year EUR 8.9m) as well as repairs and maintenance of EUR 1.9m (previous year EUR 8.5m). The net currency result from operations contains exchange rate gains of EUR –0.1m (previous year EUR 0.4m) and exchange rate losses of EUR 0.3m (previous year EUR 0.6m), in both cases including the revaluation of the allocated derivatives posted through profit or loss. Income from the reversal of provisions that are related to other expenses has been

offset directly against sundry expenses. Sundry expenses also include expenses for conferences, seminars and meetings amounting to EUR 1.3m (previous year EUR 7.5m) and other insurance costs of EUR 2.2m (previous year EUR 7.2m). Non-income related taxes amounting to EUR 1.3m (previous year EUR 8.1m) are recorded in the sundry expenses. The sundry expenses also include bank charges of EUR 1.4m (previous year EUR 7.8m). In the reporting period, expenses for the development of software of EUR 1.6m (previous year EUR 7.1m) were recorded under other expenses because the criteria for recognising them as assets pursuant to IAS 38 were not satisfied.

(4) Personnel expenses/employees

EUR M	2014	2015
Wages and salaries	–955.6	–251.1
Social security	–153.7	–39.7
Post-employment expenses	–10.3	–9.9
Personnel services	–45.7	–11.2
Other personnel expenses	–12.3	–2.5
Total	–1,177.6	–314.4

Wages and salaries in the previous fiscal year include special effects, mainly for termination benefits, personnel expenses in connection with the continued implementation of efficiency enhancement measures as well as the reorganisation of management structures within our companies totalling EUR 22.2m. In the previous year, pension benefit costs included past service costs of EUR 26.8m resulting from plan amendments and curtailments in Norway, France and at Celesio AG.

Personnel services essentially consist of expenses for freelance locum pharmacists used to fill in for absent employees at Celesio pharmacies and external sales staff in Wholesale.

Income from the release of provisions for obligations towards personnel of EUR 1.1m (previous year EUR 9.6m) was offset against personnel expenses.

Personnel expenses include EUR 0.1m (previous year EUR 2.9m) from cash-settled share-based compensation programmes.

(5) Depreciation, amortisation and impairment

EUR M	2014	2015
Depreciation on property, plant and equipment	—86.6	—22.0
Amortisation on intangible assets	—26.6	—4.6
Impairment losses recorded on property, plant and equipment	—6.9	—0.4
Impairment losses recorded on intangible assets	—34.3	—5.7
Total	—154.4	—32.7

In 2015, there were impairment losses recorded on property, plant and equipment of EUR 0.4m. In the previous year, there were impairment losses of EUR 6.9m for Wholesale in Germany.

Impairment losses on other intangible assets amounted to EUR 0.2m in 2015 (previous year EUR 0.0m). In addition there were impairment losses of EUR 5.5m (previous year EUR 27.4m) on IT infrastructure which could no longer be used expediently, as part of the strategic realignment of centralised IT, primarily in the UK.

The impairment test in the short fiscal year 2015 did not result in any need to write-down goodwill (previous year EUR 101.6m).

The impairment losses recorded on goodwill, property, plant and equipment, and other intangible assets with indefinite useful lives break down among the cash-generating units in the previous year as follows:

	Außerplanmäßige Abschreibung	Außerplanmäßige Abschreibung
	2014	2015
	EUR m	EUR m
Pharmacy Solutions Brazil	87.7	/
Pharmacy Solutions Deutschland	13.9	/

The impairment losses recorded on goodwill from the previous year related to the cash-generating units Wholesale Germany and Wholesale Brazil. The ongoing discount competition was primarily responsible for impairment losses of Wholesale Germany amounting to EUR 7.0m. The impairment losses of Wholesale Brazil are recognised in the net profit/loss from discontinued units.

(6) Investment result

EUR M	2014	2015	Abw.	Abw. In %
Result from associates accounted for using the equity method ¹⁾	12.8	15.2	2.4	18.8
Result from other investments	1.2	-0.1	-1.3	-
Total	14.0	15.1	1.1	7.9

The result from other investments primarily comprises income from dividends from non-listed entities. The increase in the reporting period was due to both a positive development of Dutch participation Brocacef Holding NV as well as a capital gain from the adjustment of pension commitments.

(7) Financial result

EUR M	2014	2015
Interest and similar expenses	-84.6	-17.5
Of which received from affiliates	0.0	0.0
Of which for finance leases	-0.7	0.0
Of which for pensions	-10.7	-2.2
Interest and similar income	5.5	1.8
Of which received from affiliates	0.0	0.0
Other financial result	-3.9	-7.1
Total	83.0	-22.8

Interest and similar expenses include interest expenses totalling EUR 14.8m (previous year EUR 66.1m) for financial liabilities not measured at fair value through profit or loss.

The interest portion of lease agreements that qualify as finance leases under IAS 17 is included in interest and similar expenses.

The net interest portion contained in the additions to pension provisions is recognised under interest expenses.

Interest and similar income includes interest income totalling EUR 1.8m (previous year EUR 5.5m) for financial liabilities not measured at fair value through profit or loss.

The line item other financial result includes changes in the fair value of derivatives used to hedge financial liabilities. Changes in the market value of derivative exchange rates gave rise to expenses of EUR 38.7m (previous year expenses of EUR 19.5m). Moreover, the other financial result contains exchange rate gains of EUR 91.3m (previous year EUR 85.4m) and exchange rate losses of EUR 59.5m (previous year EUR 69.8m). In addition, the other financial result contains impairment losses of EUR 0.3m (previous year EUR 0.0m) and income from impaired loan receivables of EUR 0.1m (previous year EUR 0.0m).

(8) Income taxes

EUR M	2014	2015
Current taxes	–98.1	–4.8
Deferred tax	3.1	–16.7
Income taxes	–95.0	–21.5

Deferred tax expenses of EUR –16.7m (previous year EUR 3.6m tax income) primarily originates in other countries which this year account for EUR 17.5m (previous year EUR 1.1m tax income). This was countered in Germany to some extent by deferred tax income of EUR 0.8m (previous year EUR 2.5m). With regard to current taxes an amount of EUR 1.0m is attributable to Germany (previous year EUR 0.6m) and an amount of EUR 3.8m to other countries (previous year EUR 108.9m).

Tax expenses include income tax at foreign and German entities and deferred taxes. Other taxes (property tax, vehicle tax and VAT) are included in other expenses.

Temporary differences of EUR 12.0m (previous year EUR 12.6m) arose on the retained earnings of domestic and foreign subsidiaries and associates. Deferred tax liabilities of EUR 4.0m (previous year EUR 3.9m) were recognised on these differences. No deferred tax liabilities are recorded for the retained earnings of

domestic and foreign subsidiaries if they are expected to remain within the company in the long term.

At the end of the reporting period, the group carried unused tax losses of EUR 210.1m (previous year EUR 400.4m), which from a current perspective are unlikely to be utilised. Consequently, no deferred taxes have been recognised. The change in the shareholder structure at Celesio AG is primarily responsible for this. Of the total unused tax losses an amount of EUR 227.4m (previous year EUR 431.1m) can be carried forward indefinitely. EUR 4.7m (previous year EUR 2.8m) will generally expire in the next twelve years.

In addition, deferred taxes totalling EUR 5.7m (previous year EUR 9.7m) were recognised on unused tax losses of EUR 17.0m (previous year EUR 33.5m).

Deferred tax assets on unused loss carryforwards were written down by EUR 5.6m in the reporting period (previous year EUR 20.9m).

Current taxes include tax expenses from other periods of EUR 0.7m (previous year EUR 5.1m). Deferred taxes on temporary differences led to total expenses of EUR 16.0m (previous year EUR 22.6m earnings).

The table below shows a reconciliation of the differences between the current taxes reported in the income statement and the theoretical tax expenses arising from applying the tax rate of Celesio AG to the group's profit before tax. Due to a change in the trade tax rate, the tax rate applied at Celesio AG rose to 30.7% (previous year 29.8 %) due to changed commercial taxation rates.

	2014			2015		
	EUR m	%		EUR m	%	
Profit before taxes	-285.6	100.0		54.5	100.0	
Expected income tax expense	85.1	-29.8		16.8	30.7	
Effect of differing national tax rates	-19.2	6.7		-5.0	-9.1	
Tax from previous periods	-2.6	0.9		11.8	21.7	
Tax effect of non-deductible expenses and tax-exempt income	28.3	-9.9		-1.0	-1.8	
Impact of changes to tax rates on deferred taxes	0.7	-0.2		0.2	0.4	
Non-recognition, adjustment or utilisation of tax losses	13.5	-4.7		4.0	7.3	
Impact of amortisation of goodwill	2.0	-0.7		0.0	0.0	
Deferred taxes on distributable earnings	0.0	0.0		0.0	0.0	
Other tax effects	-12.8	4.5		-5.3	-9.7	
Income tax expense	95.0	-33.3		21.5	39.4	

The effective tax rate amounted to 39.4% for the reporting period, compared to 33.3% in the fiscal year 2014. This is primarily due to the non-recognition or the allowance of tax loss carryforwards. Adjusted for special effects, the tax rate would have been 32.7% compared to 32.9% in the fiscal year 2014.

(9) Earnings per share from continuing operations

	2014	2015
Profit/loss attributable to shareholders of Celesio AG (EUR m)	186.8	32.2
Weighted number of no-par shares outstanding	199,041,538	203,220,932
Earnings per share – undiluted (EUR)	0.94	0.16
Profit/loss attributable to shareholders of Celesio AG (EUR m)	186.8	32.2
Adjustment to interest expense for convertible bond (net, EUR m)	/	/
Net profit used to determine diluted earnings per share	186.8	32.2
Weighted number of no-par shares outstanding	199,041,538	203,220,932
Weighted adjustment to potentially convertible no-par shares	/	/
Weighted average number of shares used to determine diluted earnings per share	199,041,538	203,220,932
Earnings per share – diluted (EUR)	0.94	0.16

The basic earnings per share from continuing operations are calculated by dividing the net profit from continuing operations attributable to shareholders of Celesio AG by the weighted average number of shares outstanding during the fiscal year.

The diluted earnings per share from continuing operations are a result of adding all options to Celesio shares associated with convertible bonds to the average number of shares outstanding. In the previous year the convertible bonds were converted in several portions between January and May. Therefore the weighted average number of shares was calculated according to IAS 33.20. The number of non-par shares outstanding at the beginning of the period, adjusted by the number of non-par shares issued during the period multiplied by a time-weighting factor – the number of days that the shares are outstanding as a portion of the total number of days in the period – reflects the weighted average number of shares. In the current fiscal year, no further conversions were made; there are still other options that could dilute the result.

(10) Components of other comprehensive income

The line items of other comprehensive income after taxes – including non-controlling interests – performed as follows:

EUR M	2014			2015		
	before taxes	taxes	after taxes	before taxes	taxes	after taxes
Items that will not be recycled through profit or loss						
Revaluation of defined benefit plans	-113.9	17.9	-96.0	-7.3	-5.3	-12.6
Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method	-8.7	/	-8.7	0.0	/	0.0
Items that may be subsequently recycled through profit or loss						
Unrealised gains/losses from the current year	-0.6	0.0	-0.6	0.0	0.0	0.0
Gains/losses recycled through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0
Unrealised gains from marking available-for-sale financial assets to market	-0.6	0.0	-0.6	0.0	0.0	0.0
Unrealised gains/losses from the current year	-2.1	1.1	-1.0	0.0	0.0	0.0
Gains/losses recycled through profit or loss	3.7	-1.4	2.3	0.0	0.0	0.0
Unrealised gains from derivative financial instruments used to hedge cash flows	1.6	-0.3	1.3	0.0	0.0	0.0
Foreign currency translation posted directly to other comprehensive income	56.4	0.0	56.4	18.7	/	18.7
Release to profit or loss due to loss of control	0.0	0.0	0.0	0.0	/	0.0
Exchange differences	56.4	0.0	56.4	18.7	/	18.7
Other comprehensive income	-65.2	17.6	-47.6	11.4	-5.3	6.1

Notes to the group statement of financial position

(11) Intangible assets

	2014		
	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets
EUR m			
Accumulated historical costs as of the beginning of the fiscal year	261.6	2,495.0	71.8
Foreign currency translation differences	1.3	81.3	0.5
Additions to the consolidated group	0.0	0.4	2.6
Additions	9.8	22.4	5.7
Reclassifications	7.3	0.0	-2.4
Disposals	-4.9	0.0	0.0
Disposals from the consolidated group	-0.3	-2.5	0.0
Reclassification to or from assets held for sale	0.0	0.0	0.0
As of the end of fiscal year	274.8	2,596.6	78.2
Accumulated amortisation and impairment as of the beginning of the fiscal year	202.6	412.4	45.8
Foreign currency translation differences	1.2	-2.5	-0.1
Additions	30.1	84.0	14.8
Reclassifications	-0.1	0.0	0.0
Disposals	-4.9	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0
Reclassification to or from assets held for sale	0.0	0.0	0.0
As of the end of the fiscal year	228.9	493.9	60.5
Carrying amount at the end of the fiscal year	45.9	2,102.7	17.7

Information on the impairment of goodwill can be found in note (5) Impairments.

2014		2015					
Payments on account	Total	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets	Payments on account	Total	
41.9	2,870.3	274.8	2,596.6	78.2	47.7	2,997.3	
1.4	84.5	4.2	107.3	-3.4	2.6	110.7	
0.0	3.0	0.0	0.0	0.0	0.0	0.0	
10.1	48.0	1.7	4.6	0.6	7.2	14.1	
-5.7	-0.8	0.7	0.0	0.2	-0.9	0.0	
0.0	-4.9	-0.5	0.0	0.0	0.0	-0.5	
0.0	-2.8	0.0	-0.1	0.0	0.0	-0.1	
0.0	0.0	-7.3	-68.7	-41.9	-0.8	-118.7	
47.7	2,997.3	273.6	2,639.7	33.7	55.8	3,002.8	
10.5	671.3	228.9	493.9	60.5	35.1	818.4	
0.4	-1.0	3.4	-6.0	-3.3	2.2	-3.7	
24.2	153.1	5.0	0.0	0.8	5.5	11.3	
0.0	-0.1	0.0	0.0	0.0	0.0	0.0	
0.0	-4.9	-0.5	0.0	0.0	0.0	-0.5	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0.0	0.0	-4.1	-68.7	-36.7	0.1	-109.4	
35.1	818.4	232.7	419.2	21.3	42.9	716.1	
12.6	2,178.9	40.9	2,220.5	12.4	12.9	2,286.7	

In the short fiscal year 2015, impairment losses were taken on specific intangible assets with regard to IT infrastructure which could no longer be used expediently, as part of the strategic realignment of central IT, primarily in the UK. The change in goodwill and other intangible assets were chiefly due to the reclassifications from discontinued operations and disposal groups to assets held for sale. Please also see the explanations in note (16) Discontinued operations and disposal groups.

(12) Property, plant and equipment

	2014		
	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures
EUR m			
Accumulated historical costs as of the beginning of the fiscal year	678.3	277.4	616.4
Foreign currency translation differences	3.9	4.4	22.1
Additions to the consolidated group	0.1	0.0	0.6
Additions	18.2	20.3	62.1
Reclassifications	1.6	8.1	3.7
Disposals	-8.1	-3.2	-39.8
Disposals from the consolidated group	-0.6	-0.4	-2.3
Reclassification to or from assets held for sale	-0.2	0.0	0.0
As of the end of the fiscal year	693.2	306.6	662.8
Accumulated amortisation and impairment as of the beginning of the fiscal year	393.6	220.8	462.0
Foreign currency translation differences	1.2	3.6	18.3
Additions	36.0	14.2	47.1
Reclassifications	0.0	0.0	0.0
Disposals	-7.6	-2.9	-37.8
Disposals from the consolidated group	-0.3	-0.3	-1.9
Write-ups	0.0	0.0	0.0
Reclassification to or from assets held for sale	-0.1	0.0	0.0
As of the end of the fiscal year	422.8	235.4	487.7
Carrying amount at the end of the fiscal year	270.4	71.2	175.1
<i>Of which finance leases</i>			
<i>Carrying amount as of the end of the fiscal year</i>	<i>17.6</i>	<i>0.1</i>	<i>1.1</i>

Property, plant and equipment of EUR 34.8m (previous year EUR 36.2m) from continuing operations was pledged as collateral. With regard to the changes due to the reclassifications from discontinued operations and disposal groups to assets held for sale, please also see the explanations in note (16) Discontinued operations and disposal groups.

2014			2015					
Payments on account and assets under construction	Total	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total		
11.0	1,583.1	693.2	306.6	662.8	9.2	1,671.8		
0.0	30.4	10.3	4.8	30.6	0.1	45.8		
0.0	0.7	0.0	0.0	0.2	0.0	0.2		
11.9	112.5	3.6	1.1	8.6	3.8	17.1		
-13.4	0.0	1.1	2.3	0.0	-3.4	0.0		
-0.3	-51.4	-0.9	-1.2	-2.1	0.0	-4.2		
0.0	-3.3	0.0	0.0	0.0	0.0	0.0		
0.0	-0.2	0.0	-14.2	-8.8	-1.1	-24.1		
9.2	1,671.8	707.3	299.4	691.3	8.6	1,706.6		
-0.2	1,076.2	422.8	235.4	487.7	-0.2	1,145.7		
0.0	23.1	4.8	4.1	22.7	0.5	32.1		
0.0	97.3	6.7	3.9	12.9	0.0	23.5		
0.0	0.0	0.0	0.9	-0.9	0.0	0.0		
0.0	-48.3	-0.9	-1.2	-2.3	0.0	-4.4		
0.0	-2.5	0.0	0.0	0.0	0.0	0.0		
0.0	0.0	0.0	0.0	0.0	0.0	0.0		
0.0	-0.1	0.0	-4.8	-2.7	0.0	-7.5		
-0.2	1,145.7	433.4	238.3	517.4	0.3	1,189.4		
9.4	526.1	273.9	61.1	173.9	8.3	517.2		
0.0	18.8	16.9	0.1	0.7	0.0	17.7		

(13) Other financial assets and associates accounted for using the equity method

Other financial assets mainly contain investments in entities that are not listed on a public exchange and over which the group has neither control nor the ability to exercise a significant influence.

If there is no active market for these financial assets, they are measured at amortised cost. As of 31 March 2015, investments in entities not listed on a public exchange with a carrying amount of EUR 0.4m (previous year EUR 0.3m) were measured at amortised cost for that reason.

Associates accounted for using the equity method consist primarily of the investments in Brocacef Holding N.V., Netherlands. The reporting date of Brocacef Holding N.V. is 31 January, however, it is consolidated on the basis of profit/loss for the period from 1 January to 31 December 2014. The following table shows the key financial details of the Brocacef Groep N.V.:

EUR M	2014	2015
Received (dividend) payments from Brocacef	2.9	0.0
Revenue	1,341.4	327.4
Total profit / loss after taxes from continued operations	24.1	29.0
Total profit / loss after taxes from discontinued operations	0.0	0.0
Other comprehensive income / expenses	-10.5	0.0
Total comprehensive income / expenses	13.6	29.0
Current assets	233.0	236.7
Non-current assets	254.1	244.8
Current liabilities	178.8	178.9
Non-current liabilities	73.2	45.9
Equity	235.0	256.8
Equity net of goodwill	93.6	115.4
Proportion of Celesio Group's ownership (45.0 %)	42.1	51.9
Carrying amount of intangible assets and goodwill identified during the purchase price allocation	30.8	35.0
Carrying amount of the interest as of 31/12	72.9	86.9

As part of reassessing the entities to be included in consolidation, the figures reported by certain European pharmacy holdings were corrected. The previous year's figures were adjusted accordingly and presented in a comparable manner. The share of the net profit of all other associates measured at equity attributable to Celesio, including amortisation of intangible assets identified during the purchase price allocation, amounted to EUR 1.2m (previous year EUR 3.7m). No amount was recorded in other comprehensive income in this or the previous fiscal year. The carrying amount of other associates measured at equity came to EUR 63.6m (previous year EUR 58.1m).

These entities generated revenue of EUR 41.1m in the reporting period (previous year EUR 146.8m) and net profit of EUR 2.0m (previous year EUR 6.9m). Non-current assets totalled EUR 36.0m (previous year EUR 32.4m) while current assets came to EUR 13.5m (previous year EUR 16.1m). Total liabilities break down into non-current items of EUR 2.7m (previous year EUR 2.5m) and current liabilities of EUR 14.6m (previous year EUR 13.9m).

(14) Deferred taxes

Depending on their origin, deferred tax assets and liabilities can be allocated to the following items in the statement of financial position:

EUR m	31/12/2014		31/03/2015	
	assets	liabilities	assets	liabilities
Intangible assets	25.6	66.1	3.6	51.5
Property, plant and equipment	16.1	28.8	12.6	26.5
Other non-current assets	7.1	5.0	2.4	18.9
Current assets	26.9	5.1	10.0	11.9
Financial liabilities	1.6	3.7	1.5	4.2
Provisions	83.6	0.0	61.2	10.3
Other liabilities	29.3	0.9	52.7	0.7
Sum of deferred taxes on temporary differences	190.2	109.6	144.0	124.0
Deferred taxes on unused tax losses	9.7	0.0	5.7	0.0
./. Less offsetting	-86.7	-86.7	-93.1	-93.1
Total	113.2	22.9	56.6	30.9

Other comprehensive income includes deferred tax assets totalling EUR 55.7m (previous year EUR 63.7m). These are a result of changes in the revaluation of defined benefit plans. More information on deferred taxes can be found in note (8) Income taxes.

(15) Inventories

EUR M	2014	2015
Raw materials, consumables and supplies	1.3	1.3
Finished goods and merchandise	1,743.8	1,444.1
Total	1,745.1	1,447.7

Inventories were written down by EUR 3.1m in the reporting period (previous year EUR 9.0m). This was offset by write-ups of inventories of EUR 2.4m (previous year EUR 2.1m) that were sold after having previously been written down. The carrying amount of inventories, measured at the lower of cost and net realisable value, came to EUR 19.2m (previous year EUR 32.7m). In addition to the customary retention of title clauses, inventories of EUR 74.6m (previous year EUR 92.0m) at Wholesale Brazil have been pledged as collateral due to pending tax litigation. Since the reporting year, Wholesale Brazil has been reported under assets held for sale. Please see (16) for further information.

(16) Discontinued operations and disposal groups

General

Following careful scrutiny and analysis of the strategic options, the Management Board of Celesio passed a resolution at the end of March 2015 to introduce the Panpharma and Oncoprod units to the sales process. These were previously recorded in the Pharmacy Solutions division and no longer form part of the core business of Celesio AG. With the planned sale of the Brazilian subsidiaries, Celesio is setting its focus on European markets and customers.

Following the decision, the two Brazilian units have been classified as discontinued operations in the short fiscal year 2015. The previous year's figures from the group income statement and group statement of cash flows were adjusted accordingly and presented in a comparable manner.

In addition, the resolution to sell a small entity of GCU PS Germany was passed at the start of February 2015. Since this time, GVW GmbH has been classified as a disposal group.

Measurement effects and disposals

The units classified as discontinued operations and disposal groups are measured at fair value less the costs of disposal. In this case, fair value is based on the preliminary offers of purchase and standard company evaluation models such as the discounted cashflow process. Adjustments (before and after taxes) were made in the reporting period for the Wholesale Brazil cash-generating unit in the amount of EUR 210.5m, and are reported in the net profit/loss from discontinued operations. The adjustments for a small entity of GCU PS Germany being for sale amounted to EUR 6.6m, which is included in the net profit/loss from continuing operations.

Assets and liabilities held for sale

The assets and liabilities held for sale at the end of the reporting period are summarised below:

	31/12/2014 Non-current assets held for sale	31/03/2015 Non-current assets held for sale
EUR m		
Intangible assets	0.0	0.0
Property, plant and equipment	1.0	0.6
Inventories	0.0	51.3
Trade receivables	0.0	262.4
Cash and cash equivalents	0.0	6.3
Other assets	0.0	98.2
Assets	1.0	418.8
Financial liabilities	0.0	134.0
Trade payables	0.0	195.2
Other liabilities	0.0	86.6
Equity and liabilities	0.0	415.8

Wholesale Brazil pledged receivables totalling EUR 54.0m (previous year EUR 58.7m) as collateral for its own liabilities.

In the previous year, properties with a value of EUR 0.4m were reported in the Consumer Solutions division and properties with a value of EUR 0.6m were reported in the Pharmacy Solutions division as certain non-current assets held for sale.

Net profit/loss from discontinued operations

The net profit/loss from the business activities of Wholesale Brazil is as follows:

EUR M	Total	
	2014	2015
Revenue	1,679.3	391.3
Cost of materials	-1,526.4	-360.5
Gross profit	152.9	30.8
EBITDA	-21.6	-9.3
EBIT	-117.6	-11.4
Profit/loss before tax from discontinued operations	-126.8	-15.7
Income taxes	-10.9	-30.1
Profit/loss after tax from discontinued operations	-137.7	-45.8
Profit/loss after tax from the measurement and disposals of discontinued operations	-0.5	-209.5
Net profit/loss from discontinued operations	-138.2	-255.3

(17) Receivables and other assets

At the end of the reporting period, current receivables and other assets are as follows:

EUR M	31/12/2014	31/03/2015
Trade receivables	2,298.4	2,201.5
Income tax receivables	58.2	24.4
Receivables from affiliates	2.4	0.2
Receivables from associates and other investments	3.9	5.0
Derivative financial instruments	0.3	6.6
VAT and other tax receivables	144.6	41.8
Other assets	202.8	186.6
Other receivables and other assets	353.7	240.2
Total	2,710.3	2,466.1

Other assets include supplier bonuses, creditors with debit balances, receivables from employees and other short-term receivables.

In the previous year derivative financial instruments had been used for interest and currency hedging. In the reporting year derivative financial instruments served as currency hedges. Derivative financial instruments are discussed in more detail in note (25).

Receivables from affiliates, which are due from the McKesson Group,, and receivables from associates and other investments were neither impaired nor past due at the end of the reporting period.

Bad debt allowances developed as follows over the reporting period:

EUR M	2014	2015
As of 01/01	98.8	112.8
Additions	36.7	5.3
Utilisations	-17.9	-6.6
Reversals	-5.5	-1.3
Currency, consolidated group and other changes	0.7	-7.0
As of 31/12	112.8	103.2

The table below shows the ageing structure of trade receivables as of the reporting date:

EUR M	31/12/2014	31/03/2015
Trade receivables that are neither impaired nor past due	2,049.2	1,909.4
Trade receivables that are not impaired but are past due	162.6	201.8
Of which < 3 month	116.9	163.6
Of which 3 – 6 month	30.8	18.8
Of which 6 – 12 month	7.4	5.7
Of which > 12 month	7.5	13.6
Impaired trade receivables	86.6	90.3
Trade receivables	2,298.4	2,201.5

In the case of the receivables that are neither impaired nor past due, there is no indication that the debtors will not be able to meet their payment obligations.

The development of allowances on other receivables reported under other assets is as follows:

EUR M	2014	2015
As of 01/01	20.8	32.5
Additions	19.6	4.3
Utilisations	-6.6	-13.2
Reversals	-1.0	-1.5
Currency, consolidated group and other changes	-0.3	-19.2
As of 31/12	32.5	2.9

The table below shows the ageing structure of receivables recognised in other assets as of the reporting date:

EUR M	31/12/2014	31/03/2015
Receivables reported under other assets that are not impaired but are past due	111.0	83.1
Receivables reported under other assets that are not impaired but are past due	18.5	19.4
Of which < 3 month	11.6	7.0
Of which 3 – 6 month	3.0	0.5
Of which 6 – 12 month	0.8	0.1
Of which > 12 month	3.1	11.8
Impaired receivables reported under other assets	23.1	1.4
Impaired receivables reported under other assets	152.6	103.9

Impairments of EUR 1.0m (previous year EUR 1.8 m) were recorded in addition to the allowances on trade receivables shown above. Moreover, impairments of EUR 0.0m (previous year EUR 0.1m) were incurred on the receivables recorded under other assets in addition to the allowances reported above. The total amount of write-downs on trade receivables and receivables reported under other assets is therefore EUR 10.6m (previous year EUR 58.2m).

(18) Cash and cash equivalents

EUR M	31/12/2014	31/03/2015
Cash on hand	8.6	8.7
Cash at banks	327.2	362.9
Total	335.8	371.6

Movements in cash and cash equivalents as defined by IAS 7 are presented in the accompanying statement of cash flows.

Cash at banks is only maintained at selected banks. No bank deposits have been assigned as collateral, either for existing loans or approved lines of credit.

(19) Equity

The issued capital of Celesio AG is split into 203,220,932 (previous year 203,220,932) non-par value registered shares.

Authorised capital of EUR 43.5m has been approved until 15 May 2017 (authorised capital 2012) and of EUR 65.3m until 16 May 2016 (authorised capital 2011).

The articles of association were amended by resolution of the General Committee of the Supervisory Board of Celesio AG on 22 May 2014 (share capital, number of non-par value shares, removal of the paragraphs for section 3, item 4 and 5 (contingent capital 2009 and 2010) and were submitted to the commercial register.

Capital reserves did not change compared to 2014.

Reserves

In addition to the reserves carried by Celesio AG, the reserves also contain the retained profits generated by subsidiaries since their first-time consolidation and the effects of consolidation entries. Non-controlling interests are measured on the net assets of the subsidiaries concerned after being adjusted to the accounting policies of the Celesio Group.

Other reserves recorded under other comprehensive income mainly consist of the effects of foreign currency translation and the revaluation of defined benefit plans. The foreign currency translation reserve amounts to EUR –211.5m (previous year EUR -238.7m). The revaluation of defined benefit pension plans amounts to EUR –265.9m as of 31 March 2015 and EUR -154.1m as of 31 December 2014. In the fiscal year an amount of EUR 0.0m (previous year EUR 2.3m), after considering deferred taxes, was reclassified from the reserves and allocated to interest expense, the investment result, other operating income and the result from discontinued operations.

Capital management

The prime objective of the group's capital management is to ensure that it maintains the company's financial flexibility to allow for investments that will appreciate in value while simultaneously ensuring healthy financial ratios.

The group monitors its capital based on the equity ratio, gearing and the interest coverage ratio. The loan agreements do not contain any covenants.

However, the bond agreements do contain a change of control clause which provides for premature termination by the bond creditors of all or some of the convertible bonds under certain circumstances.

EUR M	31/12/2014	31/03/2015
Equity	2,761.5	2,537.4
/ Total assets	7,829.6	7,769.1
Equity ratio (%)	35.3	32.7
<hr/>		
Net Financial Debt	867.0	897.0
/ Equity capital	2,761.5	2,537.4
Gearing	0.31	0.35
<hr/>		
EBIT	354.6	62.2
/ Financial result	83.0	22.8
Interest coverage ratio	4.3	2.7

(20) Pension provisions

Depending on the economic, legal and tax environment of the respective country, the employees of the Celesio Group are entitled to join various pension schemes. These include both defined benefit schemes and defined contribution schemes.

The obligations arising from the defined benefit schemes are covered by external pension funds and appropriate provisions and are determined using the actuarial projected unit credit method in accordance with IAS 19 (revised 2011). In order to avoid a concentration of risks, plan assets are invested in a range of different investment categories. The investment strategy also takes account of the age structure of the assets and harmonises this with the expected date on which pensions will be paid out.

Most of the obligations relate to companies in the UK, Norway and Germany. These consist primarily of pension plans measured on the final salary. The pension payments to the beneficiaries are generally adjusted for inflation annually.

The obligation in Norway is largely related to the state-regulated pension scheme which is managed by the Norwegian Public Service Pension Fund. According to the terms of the pension fund, the plan assets of state regulated plans in Norway must correspond very closely to the pension obligation calculated using the principles codified in Norwegian law, which do not consider any future salary increases. The shortfall may not exceed 1% of the obligation. If the shortfall exceeds this threshold, it must be compensated within two years.

In the UK there is a joint pension scheme in place for employees of Consumer Solutions and Pharmacy Solutions. This scheme is largely funded by external

pension funds. The Trustee Board decides on the minimum contribution to the plan in association with selected employees of the entity. A valuation is performed at regular intervals in order to determine the amount of the contribution and ensure that the minimum contribution is made.

The pension obligation in Germany is financed via provisions with the exception of the contractual trust arrangement entered into in 2011 for some of the pension obligations for the Management Board.

The actuarial calculations for determining the defined benefit obligations were based on the following country-specific parameters:

	2014			2015		
%	NO	UK	EU	NO	UK	EU
Interest rate	2.3	3.2	2.2	2.3	3.1	1.4
Future salary increases	2.75	4	2.75–3.9	2.75	4.0	1.0–3.0
Future pension increases	1.8	2.9	1.75–2.0	1.75	3.0	1.7–2.0

For domestic plans, the 2005G mortality tables issued by K. Heubeck are used for the life expectancy. For foreign pension plans, comparable assessment bases are used. Net benefit expense recognised in the income statement in the reporting period can be broken down as follows:

EUR M	2014	2015
Service cost	25.2	7.5
Past service cost	–26.8	–2.6
Net interest expense	10.7	2.2
Gain or loss from settlements and other plan amendments	0.0	1.8
Total	9.1	8.9

The net interest expense contained within pension expenses is reported under interest result.

The table below shows a reconciliation of the funding status of defined benefit plans to the amounts recognised in the group statement of financial position:

EUR M	31/12/2014	31/03/2015
DBO, funded	-733.7	-758.1
Fair value of plan assets	552.6	604.9
Funded status	-181.1	-153.2
DBO, unfunded	-212.9	-250.4
Defined benefit obligation as of 31/12	-394.0	-403.6

The present value of the defined benefit obligation and the fair value of the plan assets developed as follows in the reporting period:

EUR M	2014	2015
Define benefit obligations as of the beginning of the fiscal year	814.7	946.6
Service cost	25.2	7.5
Interest expense	31.2	6.2
Contributions by plan participants	0.1	0.1
Benefits paid	-36.0	-11.7
Actuarial losses from changes in financial assumptions	147.3	40.7
Actuarial losses from changes in demographic assumptions	-6.3	0.5
Experience-based adjustments	4.4	-16.8
Past service cost	-26.8	-2.6
Gains and losses from plan settlements	0.0	0.0
Currency changes	-7.2	38.0
changes in the consolidated group	0.0	0.0
Other changes	0.0	0.0
Defined benefit obligations as of the end of the fiscal year	946.6	1008.5

EUR 357.9m (previous year EUR 362.3m) of the defined benefit obligation is attributable to Norway and EUR 358.3m (previous year EUR 330.1m) to the United Kingdom and EUR 195.2m to Germany (previous year EUR 168.0m).

EUR M

2014

2015

Fair value of the plan asset as of**the beginning of the fiscal year** 477.9 552.6

Interest income from plan assets 20.5 4.0

Contributions by employer 39.6 6.0

Contributions by plan participants 4.2 4.7

Benefits paid from plan assets -24.3 -8.1

Difference between interest income recognised through
profit and loss and actual return on plan assets 31.4 16.9

Currency changes 3.3 30.6

changes in the consolidated group 0.0 0.0

Payments curtailments 0.0 -1.8

Other changes 0.0 0.0

Fair value of the plan assets as of**the end of the fiscal year** 552.6 604.9**of which based on an active market**

Cash and cash equivalents 1.3 2.0

Equity instruments 61.2 69.8

Notes and loans 188.0 180.8

Real estate 16.8 18.1

Derivatives 0.0 28.3

Mutual funds 12.7 17.6

Asset-backed securities 1.7 0.9

Insurance policies 1.3 1.3

Others 41.6 46.6

of which without an active market

Cash and cash equivalents 5.5 2.3

Equity instruments 26.9 31.2

Notes and loans 130.0 127.4

Real estate 17.1 23.7

Derivatives 4.4 10.0

Insurance policies 3.0 3.6

Others 41.1 41.3

The reduction of the numbers of employees covered by a minor pension plan in Norway resulted in past service costs and expenses from a payment, which was incurred in conjunction with the curtailment, of EUR -0.2m (previous year EUR -2,3m). The pension plan in the United Kingdom was also amended to

accommodate an increase to the pension payments to pensioners in place of a future pension increase, amounting to past service costs of EUR –0.6m (previous year EUR –0,6m).

In the previous year, the plan in France was amended due to an adjustment to the benefits payable to pensioners that retire after a certain age. This amounted to past service costs of EUR 8,6m. In Norway the benefit level of the state-regulated pension scheme was adjusted in the previous year due to a legislative reform, resulting in past service costs of EUR – 36,9m. Early termination of contracts with three members of the Management Board gave rise to past service costs of EUR 4,4m in the previous year.

EUR 348.9m (previous year EUR 310.0m) of the defined benefit obligation is attributable to the United Kingdom and EUR 234.0m (previous year EUR 220.9m) to Norway.

Plan assets do not include any financial instruments or assets owned or used by the Celesio Group.

Employer contributions to plan assets are expected to come to EUR 33.5m in the following twelve months.

The following table illustrates the impact of an isolated 0.5% change in the interest rate:

	2014	2015
0.5% increase		
Impact on defined benefit obligation	–72.2	–80.5
0.5% decrease		
Impact on defined benefit obligation	90.1	95.6

The following table illustrates the impact of an isolated 0.5% change in the benefit trend:

	2014	2015
0.5% increase		
Impact on defined benefit obligation	39.0	39.3
0.5% decrease		
Impact on defined benefit obligation	–33.1	–37.8

The following table illustrates the impact of an isolated 0.5% change in the salary trend:

	2014	2015
0.5% increase		
Impact on defined benefit obligation	29.5	29.0
0.5% decrease		
Impact on defined benefit obligation	-24.3	-27.1

The following table illustrates the impact of an isolated change of one year in the life expectancy of 10% of the beneficiaries:

	2014	2015
10% increase		
Impact on defined benefit obligation	23.6	25.0
10% decrease		
Impact on defined benefit obligation	-25.1	-28.1

The following table contains the pension payments expected in the subsequent reporting periods:

EUR M	2015	2016–2019	2020–2024
Expected payments	12.0	57.8	95.8

The average duration of defined benefit plans in the reporting year was 19 years (previous year 18).

For the defined contribution pension plan there were no further obligations for Celesio Group companies at the end of the reporting period other than the payment of the defined contribution to external funds. The expenses from ongoing contributions amounted to EUR 3.2m in the reporting period (previous year EUR 12.8m). In addition, employer contributions were made to state pension funds. The employer's direct contribution amounted to EUR 9.1m (previous year EUR 37.7m).

(21) Other provisions

Non-current provisions and current provisions developed as follows in the reporting period:

	2014	
	Carrying amount as of 31/12	Of which due within 1 year
EUR M		
Provisions for obligations to personnel	84.8	52.1
Provisions for litigation and other legal risks	34.0	8.4
Provisions for restructuring measures	13.0	10.7
Other provisions	62.8	48.4
Total	194.6	119.6

Provisions with a term of more than twelve months are discounted. This involves applying risk-free interest rates ranging from 0.1 bis 12.8% (previous year 0.2-12.4%) depending on the term and currency zone.

Provisions with an expected term to maturity of more than five years amount to EUR 26.5m (previous year EUR 29.0m). The decline in provisions was mainly the result of reclassification of the items relating to Brazil as liabilities held for sale. Provisions for obligations to personnel relate primarily to short-term bonuses and severance payments as well as long-term claims arising from the German phased retirement scheme (Altersteilzeit) and long-service bonuses. Moreover, provisions include provisions for ongoing litigation and contingent liabilities for pending legal disputes regarding obligations to personnel.

Obligations to personnel consist of share-based compensation programmes. In previous years these cash-settled share-based payment transactions comprised the performance cash schemes, the deferred share programme and the performance share plans of the Management Board, a phantom share plan for managers, and a share-based programme for employees. Since 2012 the long-term rolling remuneration component has taken the form of a Performance Share Plan. The prior Performance Cash Plan was paid out in accordance with the plan's conditions.

The average residual term of share-based payment programmes is 1.7 years (previous year 2.0 years).

2015								
Changes in currency and the consolidated group	Additions	Utilisation	Reversals	Unwinding	Reclassificatio ns	Carrying amount as of 31/03/2015	Of which due within 1 year	
-5.7	16.6	-9.6	-1.3	1.1	0.0	85.9	54.9	
-31.6	3.5	-0.4	-1.8	0.0	-0.3	3.4	3.0	
0.5	-0.1	-1.2	-0.6	0.0	0.0	11.6	9.7	
-8.3	11.2	-5.5	-5.4	0.0	-1.8	53.0	42.3	
-45.1	31.2	-16.7	-9.1	1.1	-2.1	153.9	109.9	

The Performance Share Plan, the portion of the Management Board bonus and the bonuses for managers (deferred share programme) are classified as cash-settled share-based payment transactions as defined by IFRS 2.

The expenses for the benefits received or the liability to settle these benefits are recognised over the vesting period. The portion of the Management Board bonus and the bonuses for managers retained over a vesting period of approximately three years were measured at fair value on the reporting date. The liability is remeasured at each reporting date and on the settlement date. Changes in fair value are recognised through profit or loss.

The provisions for litigation and other legal risks relate to legal expenses for court costs, ongoing litigation and contingent liabilities for pending litigation. They do not include obligations to personnel and income tax liabilities.

Restructuring provisions mainly relate to claims in connection with termination benefits related to the continued implementation of the measures to improve efficiency and the reorganization of management structures in our entities.

Other provisions contain obligations from real estate such as the obligation to restore rented buildings and rooms or pending losses from properties rented under non-cancellable rental agreements that are no longer needed.

In addition, contingent liabilities for legal and tax risks were recognised primarily in the course of the business combination with Panpharma. These are presented under provisions for litigation and other legal risks in accordance with the underlying issues. Since the reporting period, these contingent liabilities have been recorded under available-for-sale liabilities (16). During the reporting period, these recognised contingent liabilities were reduced by EUR 3.8m with regard to provisions for litigation, mainly because the associated legal and tax risks are now statute-barred. Due to the fact that the recognised contingent liabilities originating from the acquisition of Panpharma are offset by rights of reimbursement against the sellers, the reversal of contingent liabilities automatically reduces the rights of reimbursement and therefore has no impact on profit or loss.

Tax provisions and income tax liabilities of EUR 14.2m were recognised in Brazil in the previous fiscal year 2014 to cover risks for corporate income tax and VAT, resulting from various interpretations due to the complexity of the tax laws. For more information please refer to note (26).

In Slovenia, the administrative court delivered a judgement on 28 April 2014 against Kemofarmacija from 2010. The court upheld the decision of the antitrust authority regarding the violation of Slovenian antitrust law against our wholesale subsidiary. Kemofarmacija has lodged an appeal against the decision. As regards the violation of European antitrust law, the court has remanded the decision back to the Slovenian antitrust authority. A new decision is now expected here within the next few months. Administrative proceedings regarding a fine have now been initiated by the authority. We do not consider that the outcome of this case will have a significant impact on our results of operations, financial position or assets position. However, a provision of EUR 0.5m was recognised in the previous year to cover potential risks. The maximum conceivable penalty, which is considered extremely unlikely to be imposed, is 10% of the annual revenue of the Slovenian subsidiary.

Due to the uncertainty about the expected outflow of cash, the risk was recognised at the amount expected to be incurred.

(22) Liabilities

	31/12/2014			Carrying amount
	< 1 year	Due in 1 – 5 years	> 5 years	
EUR M				
Financial liabilities				
Liabilities to banks	158.2	88.1	11.2	257.4
Promissory notes and bonds	50.0	885.7	0.0	935.6
Lease liabilities	2.2	5.2	0.0	7.5
Other financial liabilities	0.3	0.9	1.1	2.3
	210.7	979.8	12.3	1,202.8
Trade payables and other liabilities				
Trade payables	2,553.1	0.0	0.0	2,553.1
Income tax liabilities	121.9	0.0	0.0	121.9
Liabilities to affiliates	0.0	0.0	0.0	0.0
Liabilities to associates and other investments	3.1	0.0	0.0	3.1
Other liabilities	568.6	7.1	0.0	575.7
	3,246.7	7.1	0.0	3,253.8
Liabilities	3,457.4	986.9	12.3	4,456.6

(23) Financial liabilities

a) Liabilities to banks

Liabilities to banks consist primarily of long-term bilateral credit lines. In addition, special purpose lease entities have arranged fixed-interest loans of EUR 26.6m (previous year EUR 33.1m). The market value of these fixed interest loans is EUR 30.3m (previous year EUR 37.1m). Liabilities to banks are broken down by the term of the financing.

	31/03/2015			Carrying amount
	< 1 year	Due in 1 – 5 years	> 5 years	
	19.3	78.1	11.0	108.4
	0.0	846.0	0.0	846.0
	1.8	4.7	0.0	6.5
	1.1	305.5	1.1	307.7
	22.2	1,234.3	12.1	1,268.6
	2,385.0	0.0	0.0	2,385.0
	66.9	0.0	0.0	66.9
	0.0	0.0	0.0	0.0
	3.2	0.0	0.0	3.2
	497.6	6.2	0.0	503.8
	2,952.8	6.2	0.0	2,959.0
	2,975.0	1,240.5	12.1	4,227.6

b) Promissory notes and bonds

As part of the diversification and optimisation of its financing structure, Celesio placed promissory notes in previous years. In addition, Celesio placed a convertible bond in 2009 and 2011 and a corporate bond in 2010 and 2012.

The outstanding promissory notes were repaid early in 2015.

In 2014, the convertible bonds were fully converted within the authorised capital. Convertible bonds for which there were no more shares available from the authorised capital were paid out in cash. Explanatory notes on the convertible bonds are presented in note (19).

As of 31 March 2015 the promissory note and bonds displayed the following features:

	Promissory notes		Convertible bonds		Corporate bonds	
EUR M	31/12/2014	31/03/2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015
Nominal values	90.0	0.0	0.0	0.0	850.0	849.4
Of which at fixed interest	40.0	0.0	0.0	0.0	850.0	849.4
Of which at floating interest	50.0	0.0	0.0	0.0	0.0	0.0
Market values	96.5	0.0	0.0	0.0	902.7	897.7
Of which at fixed interest	46.6	0.0	0.0	0.0	902.7	897.7
Of which at floating interest	50.0	0.0	0.0	0.0	0.0	0.0
Carrying amount	90.0	0.0	0.0	0.0	845.6	846.0
Currencies	EUR	-	-	-	EUR	EUR
Original maturities	4–7 years	-	-	-	4–7 years	4–7 years
Effective interest rates	1.23–5.35%	-	-	-	4.19–4.74%	4.19–4.74%

c) Lease liabilities

Pursuant to IAS 17, liabilities from finance leases are recognised at the present value of future minimum lease payments. Most of these relate to liabilities from leasing real estate in the Celesio Wholesale business area. Fair values generally correspond with their carrying amounts.

EUR M	31/12/2014	31/03/2015
Minimum lease payments	8.5	7.3
Due within 1 year	2.8	2.3
Due within 2 to 5 years	5.7	5.0
Due in more than 5 years	0.0	0.0
Interest portion	–1.0	–0.8
Net present value	7.5	6.5

d) Other financial liabilities

The other financial liabilities to affiliates include loan liabilities to McKesson Deutschland GmbH & Co.KGaA in the amount of EUR 300m. Through the loan agreement concluded on 23 March 2015, Celesio AG was granted a credit line of EUR 500.0m from McKesson Deutschland GmbH & Co.KGaA.

(24) Trade payables and other liabilities

Trade payables contain payments on account of orders of EUR 109.5m (previous year EUR 107.6m).

Other liabilities comprise:

EUR M	2014	2015
Personnel liabilities	112.8	107.8
Other tax liabilities	87.4	32.0
Outstanding invoices	224.1	158.6
Derivative financial instruments	28.2	73.2
Interest liabilities	21.8	29.5
Other liabilities	101.4	102.7
Total	575.7	503.8

Derivative financial instruments are used, in particular, for currency hedging. Derivative financial instruments are discussed in more detail in note (25).

(25) Financial risk management and derivative financial instruments

a) Principles of risk management

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 constantly monitored. 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 good credit ratings.

Other disclosures on risk concentrations and diversification of risks can be found in the risk and opportunities report of the management report.

b) Interest rate risks

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 for the residual term of the respective payment. 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).

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.

The conclusion of new interest swaps is not currently necessary, as Celesio is primarily funded through fixed-interest financial instruments.

Past interest swaps in EUR, which were used to hedge interest rate risks, expired as scheduled in fiscal year 2014. Furthermore an interest swap in GBP was terminated prematurely in 2014.

The interest sensitivity analysis presented below shows the hypothetical effects that a change in the market interest rate at the end of the reporting period would have had on the pre-tax profit and on equity. It is assumed here that the exposure at the end of the reporting period is representative of the year as a whole and that the assumed change in the market interest rate at the end of the reporting period was possible:

- A hypothetical increase of one percentage point in the EUR-market interest rate as of 31 March 2015 would have resulted in a pre-tax profit that was EUR 6.2m lower (previous year EUR 3.9m). A hypothetical decrease of one percentage point in the EUR-market interest rate would have resulted in a pre-tax profit that was EUR 6.3m higher (previous year EUR 3.9m). An increase or decrease of one percentage point in the EUR-market interest rate as of 31 March 2015 or as of 31 December 2014 would not have influenced the equity.
- A hypothetical increase of one percentage point in the GBP-market interest rate as of 31 March 2015 would have resulted in a pre-tax profit that was EUR 1.5m higher (previous year EUR 0.8m). A hypothetical decrease of one percentage point in the GBP-market interest rate would have resulted in a pre-tax profit that was EUR 1.6m lower (previous year 0.8m). An increase or decrease of one percentage point in the GBP-market interest rate as of 31 March 2015 or as of 31 December 2014 would not have influenced the equity.

c) Currency risks

Currency risks refer to the possible write-down of items in the statement of financial position 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 pound sterling. The currency risks at Celesio pertain, among other things, to capital expenditures, financing measures and operating activities. As the group companies largely settle their operating business in their respective

functional currency, the foreign exchange exposure on transaction costs can be classified as low.

Forward exchange contracts and currency swaps were used in the fiscal year 2015 to hedge against foreign exchange exposures. This involves a direct hedge of the underlying transaction by means of a foreign exchange derivative. 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. Celesio eliminates the economic currency risk associated with intercompany loans denominated in a different currency by means of currency swaps.

The basis for the sensitivity analysis of currency risks includes the non-derivative financial instruments at the end of the reporting period which group entities hold in currencies other than the functional currency.

The Celesio Group has concentrated its mid-term and long-term borrowings at Celesio Finance B.V. based in the Netherlands and Celesio AG. In accordance with the requirements of the individual group companies, Celesio AG also takes out loans in currencies other than euro and extends them to other entities in the group. As they are not denominated in the functional currency of the group, these loans must be included in the assessment of the currency risk in accordance with IFRS 7.40.

Without adjusting for loans denominated in currencies other than the functional currency, a 10% appreciation or depreciation of pound sterling against the euro would have increased or decreased pre-tax profit by EUR 164.4m (previous year increased or decreased by EUR 139.6m).

Adjusted for these loans, a 10% appreciation or depreciation of pound sterling against the euro would have increased or decreased the pre-tax profit by EUR 155.9m (previous year increased or decreased by EUR 127.8m).

A significant portion of this adjusted currency risk sensitivity analysis results from the possible market price fluctuations of currency swaps.

A 10% appreciation or depreciation of pound sterling against the euro as of 31 March 2015 or 31 December 2014 would not have increased or decreased the other reserves recorded under other comprehensive income.

The indirect impact of foreign exchange fluctuations on operating activities is not considered in the sensitivity analysis.

This analysis assumes that the exchange rates change by the percentage stated at the end of the reporting period. Movements over time and the changes in other market parameters observed in reality are not considered in this analysis.

d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Due to its current customer structure, the bad debt risk in the Celesio group can be classified as relatively low as the largest customers are the state-run healthcare systems and therefore enjoyed a very high credit standing in the past. Due to the large number of business relationships there is no significant concentration of risk either. The theoretical maximum credit risk basically corresponds to the carrying amounts of the receivables and financial assets presented in note (17) and in the table allocating the assets to the IAS 39 categories starting on page 198. In addition, individual significant receivables are secured if needed by using certified land charges or similar instruments. The balance of hedged receivables in 2015 came to EUR 4.0m (previous year EUR 4.0m). The maximum credit risk of the Celesio Group is limited to the nominal amounts possible from financial guarantees as well as the fair values of financial assets – including derivative financial instruments with a positive fair value – disclosed in the statement of financial position. On the reporting date, the group had issued guarantees with a total nominal amount of EUR 81.6m (previous year EUR 78.8m). Celesio mitigates the counterparty risk of cash and cash equivalents held at banks by selecting banks with a defined minimum rating. It mitigates the credit risk from financial instruments by only entering into such contracts with selected partners. The maximum theoretical risk of default on current derivative financial instruments equals the positive fair values of the instruments. At the end of the reporting period these amounted to EUR 6.6m (previous year EUR 0.3m).

e) Liquidity risk

Liquidity risk is understood as the risk of the Celesio Group not being in the position to meet its ongoing payment obligations at any time. The liquidity risk is managed by means of centralised financial planning which provides the required finance for operations and capital expenditures. Liquidity management takes the form of rolling liquidity planning taking existing lines of credit into account. The Celesio Group has a significant number of unused long-term confirmed lines of credit and bank guarantees and can make use of these at any time. In addition, the

group had access to a syndicated credit line of EUR 500m on the reporting date. This credit facility expires on 12 February 2018. It had not been drawn on by the reporting date. The Celesio Group maintains a suitable level of free credit lines in reserve commensurate with the group's indebtedness.

The table on page 190 presents the contractually agreed undiscounted debt service payments due on the financial liabilities and derivative financial assets and liabilities over time, and therefore their impact on the liquidity of the group.

f) Other price risks

The Celesio Group was not exposed to any material risks from other price fluctuations as of the reporting date.

g) Hedges

The Celesio Group uses hedges to secure future cash flows. These include exchange rate hedges for planned purchases of merchandise as well as capital expenditures and disposals, although there were no cases requiring a hedge as of the reporting date.

Cash flow hedges

The Celesio Group is primarily financed through fixed-interest financial instruments. There is no risk to cash flow due to interest rates. Therefore, it does not need to use cash flow hedges.

In previous years, the Celesio Group was financed partly through floating rate promissory notes. Celesio used cash flow hedges as one of the measures to secure the associated interest risk.

In connection with cash flow hedges, losses of EUR 0.0 m (previous year EUR 0.4m) including deferred taxes were made in the reporting year; these have been recorded under other comprehensive income. During the fiscal year losses of EUR 0.0m (previous year 2.3m) from previous years were transferred from equity to interest expenses and deferred taxes. Of this, an amount of EUR 0.0m (previous year EUR 1.9m) originates from the sale of hedging instruments as the underlying transactions were extinguished in the process and was posted to interest expenses.

Summary of derivative financial instruments

Derivative financial instruments break down as follows:

EUR M	31/12/2014			31/03/2015		
	Market value					
	Nominal volume	Total	of which cash flow hedges	Nominal volume	Market value	of which cash flow hedges
Interest instruments	0.0	0.0	0.0	0.0	0.0	0.0
Currency instruments	118.0	0.3	0.0	458.1	6.6	0.0
Derivative financial assets	118.0	0.3	0.0	458.1	6.6	0.0
Interest instruments	0.0	0.0	0.0	0.0	0.0	0.0
Currency instruments	1370.9	28.2	0.0	1,172.9	73.2	0.0
Liabilities from derivative financial instruments	1370.9	28.2	0.0	1,172.9	73.2	0.0

The tables below present the contractually agreed undiscounted debt service payments due on the non-derivative financial liabilities and derivative financial assets and liabilities over time. As of 31 March 2015 the values were as follows:

EURM

Non-derivative financial liabilities and financial guarantees _____

Liabilities to banks _____

Promissory notes and bonds _____

Trade payables (excluding payments received on account of orders) _____

Liabilities to affiliates _____

Liabilities to associates and other investments _____

Lease liabilities _____

Other financial liabilities _____

Liabilities from business combinations _____

Financial guarantees _____

Derivative financial assets _____

Derivatives not designated for hedge accounting _____

Derivative financial liabilities _____

Derivatives designated for hedge accounting _____

Derivatives not designated for hedge accounting _____

	Cash flows 2016	Cash flows 2017	Cash flows 2018–2020	Cash flows 2021–2025	Cash flows 2026 ff	Total cash flows	Total carrying amounts
	– 23.7	– 23.3	– 69.5	– 8.3	0.0	– 124.8	108.4
	– 36.5	– 386.2	– 522.2	0.0	0.0	– 944.9	846.0
	– 2,275.5	0.0	0.0	0.0	0.0	– 2,275.5	2,275.5
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	– 3.2	0.0	0.0	0.0	0.0	– 3.2	3.2
	– 2.3	– 2.2	– 2.8	0.0	0.0	– 7.3	6.5
	– 300.5	– 0.5	– 0.2	– 0.3	– 1.1	– 302.6	307.7
	– 0.6	0.0	0.0	0.0	0.0	– 0.6	0.6
	– 46.4	– 8.6	– 14.9	– 8.5	– 3.1	– 81.5	0.8
	– 2,688.7	– 420.8	– 609.6	– 17.1	– 4.2	– 3,740.4	3,548.7
	6.1	0.0	0.0	0.0	0.0	6.1	6.6
	6.1	0.0	0.0	0.0	0.0	6.1	6.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	– 74.5	0.0	0.0	0.0	0.0	– 74.5	73.2
	– 74.5	0.0	0.0	0.0	0.0	– 74.5	73.2

As of 31 December 2014 the values were as follows:

EURM

Non-derivative financial liabilities and financial guarantees _____

Liabilities to banks _____

Promissory notes and bonds _____

Trade payables (excluding payments received on account of orders) _____

Liabilities to affiliates _____

Liabilities to associates and other investments _____

Lease liabilities _____

Other financial liabilities _____

Liabilities from business combinations _____

Financial guarantees _____

Derivative financial assets _____

Derivatives not designated for hedge accounting _____

Derivative financial liabilities _____

Derivatives designated for hedge accounting _____

Derivatives not designated for hedge accounting _____

Cash flows denominated in foreign currency are translated using the spot rate at the end of the reporting period. Variable cash flows from interest are disclosed on the basis of the rate most recently fixed. On-call liabilities have been allocated to the earliest possible period in the table. Consequently, credit lines are presented in the earliest period in which repayment can be demanded by the creditor.

The gross cash flows have been presented for derivatives that are to be settled on a gross basis in cash. However, from an economic perspective, the derivatives will be settled on a net basis.

	Cash flows 2015	Cash flows 2016	Cash flows 2017–2019	Cash flows 2020–2024	Cash flows 2025 ff	Total cash flows	Total carrying amounts
	–164.3	–27.5	–76.9	–8.6	0.0	–277.3	257.4
	–88.0	–387.6	–566.5	0.0	0.0	–1,042.1	935.6
	–2,445.6	0.0	0.0	0.0	0.0	–2,445.6	2,445.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	–3.1	0.0	0.0	0.0	0.0	–3.1	3.1
	–2.8	–2.5	–3.0	0.0	0.0	–8.3	7.5
	–0.4	–0.9	–0.2	–0.3	–1.2	–3.0	2.3
	–1.0	0.0	0.0	0.0	0.0	–1.0	1.0
	–44.3	–8.4	–14.7	–8.4	–3.1	–78.9	0.7
	–2,749.5	–426.9	–661.3	–17.3	–4.3	–3,859.3	3,653.2
	0.3	0.0	0.0	0.0	0.0	0.3	0.3
	0.3	0.0	0.0	0.0	0.0	0.3	0.3
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	–30.2	0.0	0.0	0.0	0.0	–30.2	28.2
	–30.2	0.0	0.0	0.0	0.0	–30.2	28.2

Reconciliation of financial instruments to IAS 39 categories as of 31 March 2015

EUR M

Assets

Available-for-sale financial assets - equity instruments

Available-for-sale financial assets - debt instruments

Financial assets measured at fair value through profit or loss

Loans to investments

Other loans

Other financial assets

Other non-current assets

Trade receivables

Receivables from affiliates

Receivables from associates and other investments

Derivative financial instruments - designated as hedging instruments

Derivative financial instruments - not designated as hedging instruments

Other assets

Other receivables and other assets

Cash and cash equivalents

Trade receivables, receivables from affiliates, joint ventures, associates and other investments, as well as other assets and cash and cash equivalents generally all have short maturities. For this reason in particular, their carrying amounts approximate their fair values on closing date.

2015

Financial assets measured at fair value through profit or loss	Financial assets held for trading	Loans and receivables	Available for sale financial assets	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
0.0	0.0	0.0	0.7	0.0	0.0	0.7	0.7
0.0	0.0	0.0	3.7	0.0	0.0	3.7	3.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	15.8	0.0	0.0	0.0	15.8	15.7
0.0	0.0	28.4	0.0	1.9	0.0	30.3	30.2
0.0	0.0	44.2	4.4	1.9	0.0	50.5	50.3
0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
0.0	0.0	2,201.5	0.0	0.0	0.0	2,201.5	2,201.5
0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.2
0.0	0.0	5.0	0.0	0.0	0.0	5.0	5.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	6.6	0.0	0.0	0.0	0.0	6.6	6.6
0.0	0.0	124.6	0.0	0.7	103.1	228.4	228.4
0.0	6.6	129.8	0.0	0.7	103.1	240.2	240.2
0.0	0.0	371.6	0.0	0.0	0.0	371.6	371.6

The development of impairments on loans and receivables is presented in note (17). Impairment losses of EUR 0.3m were incurred on available-for-sale financial assets (previous year EUR 0.4m).

Reconciliation of financial instruments to IAS 39 categories as of 31 December 2014

EUR M

Assets

Available-for-sale financial assets - equity instruments

Available-for-sale financial assets - debt instruments

Financial assets measured at fair value through profit or loss

Loans to investments

Other loans

Other financial assets

Other non-current assets

Trade receivables

Receivables from affiliates

Receivables from associates and other investments

Derivative financial instruments - designated as hedging instruments

Derivative financial instruments - not designated as hedging instruments

Other assets

Other receivables and other assets

Cash and cash equivalents

2014

Financial assets measured at fair value through profit or loss	Financial assets held for trading	Loans and receivables	Available for sale financial assets	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
0.0	0.0	0.0	0.9	0.0	0.0	0.9	0.9
0.0	0.0	0.0	3.6	0.0	0.0	3.6	3.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	14.3	0.0	0.0	0.0	14.3	14.2
0.0	0.0	34.8	0.0	1.9	0.0	36.7	36.3
0.0	0.0	49.1	4.5	1.9	0.0	55.5	55.0
0.0	0.0	0.0	0.0	24.8	6.5	31.3	31.4
0.0	0.0	2,298.4	0.0	0.0	0.0	2,298.4	2,298.4
0.0	0.0	2.4	0.0	0.0	0.0	2.4	2.4
0.0	0.0	3.9	0.0	0.0	0.0	3.9	3.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.3	0.0	0.0	0.0	0.0	0.3	0.3
0.0	0.0	164.3	0.0	3.2	179.9	347.4	347.3
0.0	0.3	170.6	0.0	3.2	179.9	354.0	353.9
0.0	0.0	335.8	0.0	0.0	0.0	335.8	335.8

Reconciliation of financial instruments to IAS 39 categories as of 31 March 2015

EUR M

Equity and liabilities

Liabilities to banks

Promissory notes and bonds

Lease liabilities

Other financial liabilities

Non-current liabilities

Other non-current liabilities

Liabilities to banks

Promissory notes and bonds

Lease liabilities

Other financial liabilities

Current liabilities

Trade payables

Liabilities to affiliates

Liabilities to associates and other investments

Personnel liabilities

Other tax liabilities

Outstanding invoices

Derivative financial instruments - designated as hedging instruments

Derivative financial instruments - not designated as hedging instruments

Interest liabilities

Other liabilities

Other non-current financial liabilities

2015							
	Financial liabilities held for trading	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value	
	0.0	89.1	0.0	0.0	89.1	95.7	
	0.0	846.0	0.0	0.0	846.0	897.7	
	0.0	0.0	4.7	0.0	4.7	4.7	
	0.0	306.6	0.0	0.0	306.6	306.6	
	0.0	1,241.7	4.7	0.0	1,246.4	1,304.7	
	0.0	0.0	6.0	0.2	6.2	6.2	
	0.0	19.3	0.0	0.0	19.3	19.3	
	0.0	0.0	0.0	0.0	0.0	0.0	
	0.0	0.0	1.8	0.0	1.8	1.8	
	0.0	1.1	0.0	0.0	1.1	1.1	
	0.0	20.4	1.8	0.0	22.2	22.2	
	0.0	2,275.5	0.0	109.5	2,385.0	2,385.0	
	0.0	0.0	0.0	0.0	0.0	0.0	
	0.0	3.2	0.0	0.0	3.2	3.2	
	0.0	0.0	0.0	107.8	107.8	107.8	
	0.0	0.0	0.0	32.0	32.0	32.0	
	0.0	158.6	0.0	0.0	158.6	158.6	
	0.0	0.0	0.0	0.0	0.0	0.0	
	73.2	0.0	0.0	0.0	73.2	73.2	
	0.0	29.5	0.0	0.0	29.5	29.5	
	0.0	32.3	0.6	63.6	96.5	96.5	
	73.2	223.6	0.6	203.4	500.8	500.8	

Reconciliation of financial instruments to IAS 39 categories as of 31 December 2014

EUR M

Equity and liabilities

Liabilities to banks

Promissory notes and bonds

Lease liabilities

Other financial liabilities

Non-current liabilities

Other non-current liabilities

Liabilities to banks

Promissory notes and bonds

Lease liabilities

Other financial liabilities

Current liabilities

Trade payables

Liabilities to affiliates

Liabilities to associates and other investments

Personnel liabilities

Other tax liabilities

Outstanding invoices

Derivative financial instruments - designated as hedging instruments

Derivative financial instruments - not designated as hedging instruments

Interest liabilities

Other liabilities

Other non-current financial liabilities

2014

	Financial liabilities held for trading	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
	0.0	99.3	0.0	0.0	99.3	105.8
	0.0	885.7	0.0	0.0	885.7	949.3
	0.0	0.0	5.2	0.0	5.2	5.2
	0.0	2.0	0.0	0.0	2.0	2.0
	0.0	987.0	5.2	0.0	992.2	1,062.3
	0.0	0.0	6.9	0.2	7.1	7.1
	0.0	158.2	0.0	0.0	158.2	158.2
	0.0	50.0	0.0	0.0	50.0	50.0
	0.0	0.0	2.3	-0.1	2.2	2.2
	0.0	0.3	0.0	0.0	0.3	0.3
	0.0	208.5	2.3	-0.1	210.8	210.8
	0.0	2,445.6	0.0	107.6	2,553.1	2,553.1
	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	3.1	0.0	0.0	3.1	3.1
	0.0	0.0	0.0	112.8	112.8	112.8
	0.0	0.0	0.0	87.4	87.4	87.4
	0.0	224.1	0.0	0.0	224.1	224.1
	0.0	0.0	0.0	0.0	0.0	0.0
	28.2	0.0	0.0	0.0	28.2	28.2
	0.0	21.8	0.0	0.0	21.8	21.8
	0.0	29.1	1.0	64.2	94.3	94.3
	28.2	278.1	1.0	264.4	571.7	571.7

The fair values of the non-current financial liabilities are determined by discounting future contractually agreed cash flows at the current market rate.

Due to their short maturities the fair value of current financial liabilities, trade payables and other current liabilities corresponds to their carrying amounts with the exception of securitised debt instruments.

The net result of IAS 39 categories breaks down as follows:

EUR M	2014	2015
Financial assets measured at fair value through profit or loss	0.0	0.0
Financial assets held for trading	-19.5	-38.1
Available for sale financial assets	1.2	-0.1
Loans and receivables	-23.8	-0.7
Other financial liabilities	-46.9	18.0
Financial liabilities held for trading	0.0	0.0
Total	-89.0	-20.9

The net gains or losses from financial assets measured at fair value through profit or loss are primarily composed of dividends and the results of marking these financial instruments to market.

The net gains or losses from financial assets held for trading include the net gains or losses from changes in fair value as well as interest income and expenses from these financial instruments.

Among other things, net gains and losses from available-for-sale financial assets contain the investment result and any gains on the sale of these shares.

The net gains or losses from loans and receivables chiefly include the net result of impairment losses and write-ups as well as interest income.

The net gains or losses on other financial liabilities that are not measured at fair value through profit or loss generally consist of interest expenses and exchange rate gains and losses from measuring loans denominated in foreign currency.

Measurement losses of EUR 0.0m (previous year measurement gains of EUR 0.5m) were recorded in other comprehensive income upon the sale of available-for-sale financial assets in the reporting period. This year, no losses (previous year EUR 0.0m) were reclassified from equity to the other investment result.

Fair value hierarchy of financial instruments

Celesio applies the following fair value hierarchy to define and present its assets and liabilities measured at fair value:

Level 1: Quoted prices on an active market for identical assets and liabilities

Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques, the inputs of which are based on observable market data

Level 3: Valuation techniques in which all the relevant inputs are not based on observable market data

As of 31 March 2015 the following assets and liabilities were measured at fair value, broken down into the fair value hierarchy as shown:

Assets measured at fair value

EUR M

Fair value measurement on a recurring basis _____

Available-for-sale financial assets _____

Derivative financial instruments - not designated as hedging instruments _____

Available-for-sale financial assets for which there is no active market and whose fair value cannot be reliably determined are measured at cost. For this reason, these amounts are not included in the fair value hierarchy.

Liabilities measured at fair value

EUR M

Fair value measurement on a recurring basis _____

Derivative financial instruments - designated as hedging instruments _____

Derivative financial instruments - not designated as hedging instruments _____

Other liabilities _____

31/12/2014				31/03/2015			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
4.2	0.0	0.0	4.2	4.0	0.0	0.0	4.0
0.0	0.3	0.0	0.3	0.0	6.6	0.0	6.6

31/12/2014				31/03/2015			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	28.2	0.0	28.2	0.0	73.2	0.0	73.2
0.0	0.0	1.0	1.0	0.0	0.0	0.6	0.6

The following table shows the fair value of assets and liabilities of the group that are not measured at fair value, broken down into the fair value hierarchy.

Assets not measured at fair value

EUR M	
Loans to investments	
Other loans	

Liabilities not measured at fair value

EUR M	
Non-current liabilities	
Liabilities to banks	
Promissory notes and bonds	
Other financial liabilities	
Other non-current liabilities	
Current liabilities	
Liabilities to banks	
Promissory notes and bonds	
Other financial liabilities	

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

31/12/2014					31/03/2015				
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
0	14.2	0	14.2		0.0	15.7	0.0	15.7	
0	36.3	0	36.3		0.0	30.2	0.0	30.2	

31/12/2014					31/03/2015				
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
0.0	105.8	0.0	105.8		0.0	95.7	0.0	95.7	
902.7	46.6	0.0	949.3		897.7	0.0	0.0	897.7	
0.0	2.0	0.0	2.0		0.0	306.6	0.0	306.6	
0.0	7.1	0.0	7.1		0.0	6.2	0.0	6.2	

0.0	158.2	0.0	158.2		0.0	19.3	0.0	19.3	
0.0	50.0	0.0	50.0		0.0	0.0	0.0	0.0	
0.0	0.4	0.0	0.4		0.0	1.2	0.0	1.2	

The fair value of financial instruments, which are traded on an active market, is based on listed prices on the balance sheet date. In level 2 and 3, assets and liabilities measured at fair value on a recurring basis are determined using the DCF method. This involves discounting the cash flows expected from the financial instruments using market interest rates for instruments of a similar term. Celesio accounts for the credit rating of the respective debtor by means of credit value adjustments (CVA) or debt value adjustments (DVA) on the basis of a mark-up/mark-down procedure. Where possible, the CVAs and DVAs are determined from observable prices for credit derivatives on the market.

Level 3 liabilities consist of liabilities from business combinations made after 1 January 2010 that were measured on the basis of earnings indicators as well as the assumptions and estimates of management. Please see page 140 for a reconciliation of the opening and closing balances of liabilities measured at fair value in level 3 of the hierarchy.

The recurring fair value measurement of financial instruments in level 3 of the hierarchy held as of 31 March 2015 did not result in any aggregate gains and losses (previous year none).

Financial instruments subject to an offsetting arrangement

The following table provides a summary of the financial assets and financial liabilities that were offset in the statement of financial position. Moreover, it illustrates the extent to which offsetting arrangements are in place with contractual partners that did not lead to offsetting in the statement of financial position because not all of the criteria of an offsetting arrangement pursuant to IAS 32 were met. The global netting arrangements affecting the Celesio Group consist solely of derivative financial instruments in which master agreements have been entered into with banks to offset the current balance of receivables and liabilities in the event and at the time of default.

Financial assets subject to an offsetting arrangement

31/03/2015	Gross amount of financial assets recognised in the statement of financial position	Gross amount of financial liabilities offset in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related financial liabilities that were not offset in the statement of financial position	Net amount
EUR M					
Trade receivables	2,252.3	46.8	2,201.5	/	2,201.5
Cash at banks	20.6	/	20.6	/	20.6
Cash and cash equivalents	371.6	/	371.6	/	371.6
Derivative financial instruments	6.6	/	6.6	6.6	0.0

31/12/2014	Gross amount of financial assets recognised in the statement of financial position	Gross amount of financial liabilities offset in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related financial liabilities that were not offset in the statement of financial position	Net amount
EUR M					
Trade receivables	2,314.3	15.9	2,298.4	/	2,298.4
Cash at banks	14.0	/	14.0	/	14.0
Cash and cash equivalents	335.8	/	335.8	/	335.8
Derivative financial instruments	0.3	/	0.3	0.3	0.0

Financial liabilities subject to an offsetting arrangement

31/03/2015	Gross amount of financial liabilities offset in the statement of financial position	Gross amount of financial assets recognised in the statement of financial position	Net amount of financial liabilities offset in the statement of financial position	Related financial assets that were not recognised in the statement of financial position	Net amount
EUR M					
Trade payables (excluding payments received on account of orders)	2,352.3	46.8	2,275.5	/	2,275.5
Liabilities to banks	108.4	/	108.4	/	108.4
Derivative financial instruments	73.2	/	73.2	6.6	66.6

31/12/2014

	Gross amount of financial liabilities offset in the statement of financial position	Gross amount of financial assets recognised in the statement of financial position	Net amount of financial liabilities offset in the statement of financial position	Related financial assets that were not recognised in the statement of financial position	Net amount
EUR M					
Trade payables (excluding payments received on account of orders)	2,471.7	26.1	2,445.6	/	2,445.6
Liabilities to banks	257.4	/	257.4	/	257.4
Derivative financial instruments	28.2	/	28.2	0.3	27.9

(26) Contingent liabilities and other financial obligations

On the reporting date, the group had issued guarantees and warranties of EUR 81.6m (previous year EUR 78.8m). The increase of EUR 2.8m is mainly due to foreign currency effects as well as new guarantees issued in Austria.

The guarantees and warranties were mainly issued in the Celesio Wholesale business area, particularly in the UK where they amount to EUR 47.0m (previous year EUR 46.2m) and Austria where they amount to EUR 33.9m (previous year EUR 31.9m).

Provisions of EUR 0.8m (previous year EUR 0.7m) have been recognised for some of the warranties and guarantees at Celesio Wholesale. These have been included under other provisions.

Panpharma, Brazil, in particular is exposed to tax risks mainly in connection with VAT concessions as well as corporate income tax on these concessions. These result from the complexity of the tax laws as well as disagreements between states regarding the mutual recognition of concessions. In this regard, in December 2014 Panpharma received a tax bill from the federal tax authority of Rio de Janeiro referring to the years 2009 to 2013 for an amount of approx. EUR 80m (previous year: approx. EUR 70m). The difference in amount over the previous year was the result of interest rate and exchange rate effects as well as considering potential penalties. Panpharma already filed a defence against this claim in the previous year. We disagree with the assessment of the federal tax authorities and believe that we have strong legal arguments to defend our position. It is not considered likely that Panpharma will lose the lawsuit.

Contingent liabilities recognised for tax risks of EUR 113.9m in connection with the business combination with Panpharma in 2009 amounted to EUR 21.5m as of

31 March 2015 (31 December 2014: EUR 25.3m). The reduction is primarily attributable to legal and tax risks becoming statute barred and arrangements reached with the tax authorities. To cover these legal and tax risks, an agreement was entered into with the former owners for the reimbursement of the risks originating in the time prior to the majority takeover in 2009. Until March 2014, these reimbursement claims were limited to a maximum amount and offset against the purchase price for the remaining shares when the options were exercised. Following the acquisition of the outstanding shares in Panpharma in the second quarter of 2012, these claims were presented under current and non-current assets respectively as a receivable from the former owners. Celesio has options to offset the claims with liabilities, which partially hedges the potential reimbursement claims. Since the reporting year, the contingent liabilities have been presented under the liabilities held for sale.

As regards the privatisation process in Slovenia, a favourable judgement was given for Kemofarmacija in the first instance. The process is, however, currently under revision. The possibility that a higher court will pronounce a judgement that will lead to a cash outflow for Kemofarmacija is considered to be unlikely. The maximum risk is EUR 8.5m.

The following table summarizes the other financial obligations of the Celesio Group:

EUR M	31/12/2014	31/03/2015
Rental agreements and operating leases	851.0	895.5
Due within 1 year	110.6	115.2
Due within 2 to 5 years	310.4	328.6
Due in more than 5 years	430.0	451.7
Purchase commitments for capital expenditures	57.8	58.6
Property, plant and equipment	0.8	0.5
Intangible assets	0.8	0.5
Other assets	56.2	57.6
Total	908.8	954.1

Of the total obligations from rental agreements and leases, an amount of EUR 515.7m (previous year EUR 481.5m) relates to the Wholesale and the Pharmacies business areas in the UK, an amount of EUR 98.6m (previous year EUR 199.4m), to the Wholesale and Pharmacies business areas in Norway, and an amount of EUR 93.6m (previous year EUR 91.7m) to retail pharmacies in Ireland. As of the reporting date, the future minimum lease payments expected from uncancellable operating leases come to EUR 3.7m (previous year EUR 3.6 m). Of this amount, EUR 1.6m (previous year EUR 1.6m) is due within a year. An additional EUR 2.0m (previous year EUR 1.9m) is due in a period of between two and five years and EUR 0.1m (previous year EUR 0.1m) after a period of five years. In addition, future revenue from subleases is expected of EUR 36.1m (previous year EUR 35.5m). During the short fiscal year 2015, an amount of EUR 2.3m (previous year EUR 2.1m) was received as income from contingent rent payments.

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 45.6m (previous year EUR 58.9m). 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 11.8m (previous year EUR 13.5m) from data and voice communication service agreements. These have a remaining term of one year and nine months.

Notes to the group statement of cash flows

Pursuant to IAS 7, the group statement of cash flows presents the changes in the liquid funds of the Celesio Group due to cash flows over the course of the reporting period. The group statement of cash flows begins by deriving the cash flows from operating activities, followed by the change in cash and cash equivalents from investing activities and financing activities. The cash flows attributable to discontinued operations are presented as net figures within each of these three sections.

Changes in cash flows from operating activities are calculated indirectly. This involves eliminating all non-cash income and expenses from the group's net profit after tax and considering the cash effects of changes in net working capital. Net operating assets comprise inventories, trade receivables and other assets as well as trade payables and certain other operating assets and liabilities. Other assets and liabilities mainly include provisions and other non-interest-bearing liabilities.

Cash flows from investing activities comprise receipts from the sale of non-current assets, payments for capital expenditures, and the cash effects of acquiring and disposing of companies. Proceeds from the sale of subsidiaries – continuing operations – of EUR 0.1m (previous year EUR 20.2 m) correspond to the proceeds less the cash and cash equivalents transferred of EUR 0.0m. (previous year EUR 0.0 m). The cash flows from the sale of subsidiaries primarily result from the sale of two retail pharmacies in the United Kingdom. Cash paid for business combinations – continuing operations – corresponds to the purchase prices paid of EUR 5.3m (previous year EUR 28.9 m) less the cash and cash equivalents acquired in the amount of EUR 0.6m (previous year EUR 5.2m). This includes payments to settle contingent purchase obligations for business combinations made in previous years. These came to EUR –0.5m (previous year EUR 0.8m). The corresponding disclosures are contained in the notes on business combinations. There were no non-cash investments in non-current assets in the reporting year or in the previous year. The cash flow from investing activities – discontinued operations amounted to EUR –1.7m in the reporting year (previous year EUR –5.9m). The cash flow from financing activities – continuing operations comprises dividends paid to the shareholders of Celesio AG and the non-controlling interests of subsidiaries as well as cash flows associated with new financial liabilities and repayments of such liabilities plus any capital contributions from the shareholders and the interest received and paid. The line item "Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control" reflects cash paid to increase the ownership interest or cash received as a result of reducing the ownership interest of subsidiaries that do not result in a loss of

control. In the reporting period, cash effect in connection with the increase of ownership interests amounted to EUR -0.9m. The previous-year period reflects an effect from dividend payments to shareholders of Celesio AG as well as to non-controlling interests of subsidiaries, which takes place in the third quarter of the year and is not yet reflected in the current reporting period. In the current fiscal year, there was also a positive cash effect from a loan granted by McKesson Deutschland GmbH & Co. KGaA for the amount of EUR 300.0m. This was offset by payments for various financial liabilities in the amount of EUR -137.9m. In the current year, the cash flow from financing activities – discontinued operations amounted to EUR 33.0m (previous year EUR 32.5 m).

The segments are defined in line with the internal reporting structure of Celesio and are divided into the Consumer Solutions and Pharmacy Solutions divisions. These divisions form the basis for the internal controlling by the Management Board and thus correspond to the reportable segments.

The Management Board of Celesio AG is the chief operating decision maker referred to in IFRS 8.7. The divisions of Celesio AG can be described as follows:

- The Consumer Solutions division is aimed at patients and consumers. It includes the entire logistics chain from purchasing merchandise to handing it over to end consumers. In particular, the division includes activities relating to retail and mail-order pharmacies, as well as activities in brand partner shops. In addition, the division contains our investment in Brocacef Holding N.V. in the Netherlands, which is reported as an associate.
- The Pharmacy Solutions division offers solutions for pharmacists; it concentrates on wholesale business with third party customers. The operating segments in this division have likewise been combined at country level. The Pharmacy Solutions division comprises the property developers for pharmacies Inten.
- The Others division mainly includes the activities of the ultimate parent company Celesio AG and other companies that are not attributable directly to operations. Celesio AG has shareholdings in the key national operating companies and holding companies. In addition, the operating entities of the Celesio Group are primarily financed via Celesio AG and Celesio Finance B.V., Netherlands. Moreover, Celesio AG bundles essential group functions, primarily in the fields of accounting, controlling, treasury and IT. Consolidation of intra-group activities is shown separately.

The Management Board measures the success of the segments through EBIT calculated in accordance with IFRS. EBIT is defined as earnings before interest, taxes and investment result. Gross profit and EBITDA are also provided as additional voluntary information.

Segment assets pursuant to IFRS 8 correspond with the tied capital, which is calculated as the sum of the carrying amount of all non-interest-bearing assets (except for income tax assets) less non-interest-bearing liabilities (except for income tax liabilities).

Capital expenditures include non-cash additions to non-current assets.

The same accounting standards as for the Celesio Group have been used in segment reporting. Transactions within the group are measured at market prices. There are no customers individually accounting for more than 10% of revenue.

With regard to the information on countries, segment revenue is allocated to the country in which the revenue is generated. Segment assets are allocated to the country in which they are located.

Other disclosures

Related parties

The largest shareholder is the McKesson Corporation, San Francisco which holds around 76% of the share capital of Celesio AG. The Celesio consolidated financial statements are included in the financial statements of the McKesson Group. McKesson Deutschland GmbH & Co. KG and Celesio AG have concluded a domination and profit and loss transfer agreement.

Related parties as defined by IAS 24 (Related Party Disclosures) are legal entities and natural persons who can exercise significant influence or control over Celesio AG and its subsidiaries or, alternatively, are subject to the control or significant influence of Celesio AG or its subsidiaries. Up to and including 5 February 2014 Franz Haniel & Cie. GmbH, Duisburg was a related party of Celesio AG. Since 6 February 2014, the related parties of Celesio AG have included the majority shareholder McKesson Corporation, San Francisco, USA, and its subsidiaries, joint ventures and associates. In addition, related parties include the joint ventures, associates and members of the boards of Celesio AG. All transactions with related parties have been conducted at arm's length.

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

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

	Franz Haniel & Cie. GmbH, Duisburg		Subsidiaries of Franz Haniel & Cie. GmbH		Joint Ventures and associates of Franz Haniel & Cie. GmbH	
	05/02/2014	31/03/2015	05/02/2014	31/03/2015	05/02/2014	31/03/2015
EUR m						
Loans and receivables	0.0	0.0	0.1	0.1	0.0	0.0
Liabilities	0.0	0.0	0.1	0.0	0.0	0.0
	01.01.2014 - 05.02.2014	01.01.2015 - 31.03.2015	01.01.2014 - 05.02.2014	01.01.2015 - 31.03.2015	01.01.2014 - 05.02.2014	01.01.2015 - 31.03.2015
Income	0.4	0.0	0.0	0.0	0.1	0.1
Expenses	1.1	0.0	0.3	0.0	0.0	0.0

McKesson Corporation,
San Francisco, USA

31/12/2014 31/03/2015

EUR M

Loans and receivables	2.4	0.2
Liabilities	0.0	0.0

McKesson Corporation,
San Francisco, USA

2014 2015

EUR M

Income	5.9 ¹	0.0
Expenses	0.0	0.0

The disclosure of remuneration of key management personnel in accordance with IAS 24 requires the disclosure of the remuneration of the Management Board and Supervisory Board.

Subsidiaries of McKesson Corporation, San Francisco, USA		Joint Ventures and associates of McKesson Corporation, San Francisco, USA		Joint ventures and associates of Celesio AG	
31/12/2014	31/03/2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015
0.0	0.0	0.0	0.0	24.3	25.6
0.0	310.5 ³	0.0	0.0	0.9	0.9

Subsidiaries of McKesson Corporation, San Francisco, USA		Joint Ventures and associates of McKesson Corporation, San Francisco, USA		Joint ventures and associates of Celesio AG	
2014	2015	2014	2015	2014	2015
0.5 ²	0.0	0.0	0.0	66.7	15.9
0.0	0.0	0.0	0.0	0.0	0.0

The active members of the Management Board and Supervisory Board received the following remuneration in the reporting period and in the comparative period.

EUR THSD.	2014	2015
Short-term benefits	4,800	852
Service cost	659	100
Termination benefits	26,693	0
long-term benefits	0	0
share-based compensation	844	455
Total	32,995	1,407

The total remuneration of the Management Board in terms of Sec. 314 (1) No. 6 a) Sentence 1 to 4 HGB came to EUR 775k in the fiscal year 2015 (previous year EUR 11,945k). This breaks down into EUR 437k for the basic component including additional benefits (previous year EUR 2,086k), EUR 234k for the portion of bonuses payable immediately (single-year variable remuneration; previous year EUR 1,899k) and EUR 104k for the value of the 2014 tranche of the Performance

Cash Plan and the value of retained bonuses on the date of issue (multiple-year variable remuneration; previous year EUR 2,960k).

No advances, loans or similar benefits were granted to members of the Management Board or Supervisory Board in the reporting period or in the previous year.

Former members of the Management Board and their surviving dependants received remuneration of EUR 86k (previous year EUR 27,570k). Celesio AG has set up pension provisions of EUR 22,397k (previous year EUR 22,796k) for this group of persons. The composition of the Management Board for the past fiscal year remains unchanged. In the fiscal year 2014, benefits of EUR 26.7m were reported under personnel expenses due to the termination of employment contracts of the former Management Board. Of this amount, EUR 4.4m is attributable to pension commitments. Remuneration for serving on the Supervisory Board of Celesio AG, including attendance fees, came to EUR 181.1.4k in the fiscal year (previous year EUR 814.4k). The entire amount comprised short-term benefits. In addition, the employee representatives sitting on the Supervisory Board received the customary market salaries for their services.

No remuneration was paid to members of the Supervisory Board for services rendered individually nor were transactions requiring disclosure conducted between members of the Supervisory Board or Management Board and other persons of the management, where such persons hold key positions. Likewise no transactions were conducted between members of the Supervisory Board or Management Board and any other entities where such persons sit on the respective management or Supervisory Boards. This also applies to close family members of these persons.

The main features of the compensation structure of the Management Board and the remuneration paid to members of the Management Board and the Supervisory Board in the fiscal year are described in the remuneration report, which is a component of the management report.

Audit fees

The annual financial statements of Celesio AG, the German subsidiaries and the consolidated financial statements were audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft. In the past fiscal year, expenses for services rendered by Deloitte & Touche GmbH totalled EUR 0.4m.

In the previous year, expenses for services rendered by Ernst & Young Germany totalled EUR 1.9m. Of this amount, EUR 1.4m was for the audit of the financial statements, EUR 0.2m for other attest services, EUR 0.3m for tax advisory services and EUR 0.1m for other services.

Exemption pursuant to Sec. 264 (3) 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
- Ancavion GmbH, Weiterstadt
- DocMorris Kooperationen GmbH, Stuttgart
- GEHE Pharma Handel GmbH, Stuttgart
- GEHE Informatik Services GmbH, Stuttgart
- GEHE Immobilien Verwaltungs-GmbH, Stuttgart
- Gesellschaft für Versorgungskonzepte in der Wundbehandlung GmbH, Stuttgart
- Inten GmbH, Stuttgart
- iCESS-Solutions GmbH, Frankfurt am Main

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

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 2014. This has been complied with since the last version was released on 13 May 2013 and since the version dated 25 June 2014 came into effect. Moreover, the declaration of compliance was made permanently available on the website, www.celesio.com.

Proposal of the Management Board for the appropriation of profits

The net retained profit of Celesio AG is EUR 709,297,135 (previous year EUR 709,297,135) and comprises the annual net profit of EUR 0 and the retained earnings of EUR 709,297,135. On the basis of the domination and profit and loss transfer agreement of 22 May 2014, the annual net profit of EUR 7,925,340 will be paid to McKesson Deutschland GmbH & Co. KGaA (previously Dragonfly GmbH & Co. KGaA).

On the basis of the domination and profit and loss transfer agreement, McKesson Deutschland GmbH & Co. KGaA (previously Dragonfly GmbH & Co. KGaA) guarantees external shareholders of Celesio AG the payment of a guaranteed dividend for the short fiscal year 2015 of EUR 0.21 per share and has declared to the Management Board of Celesio AG that it is prepared to pay this out in the full amount to the external shareholders for the short fiscal year 2015.

Subsequent events

On 11 March 2015, Celesio announced that the Management Board of Celesio AG with the approval of the Supervisory Board, had resolved to apply to revoke, in the short term, the admission of the company shares for trading on the regulated market on the stock exchanges in which the shares are traded on the regulated market (delisting). In the meantime, all the stock exchange trading centres have given their consent to the applications.

In addition, the Düsseldorf and Munich stock exchanges have approved the applications for admission of the shares in qualified over-the-counter trading following the delisting in the primary market (Düsseldorf) and m:access (Munich) segments.

On 19 April 2015 a fire destroyed our Brazilian warehouse in Sao Paulo. From a current perspective, we do not expect the fire to have an overall material effect on the assets position and revenue and operating results of the Celesio Group as an insurance is in place, covering most of the arising expenses and losses. The entire value for property damage and business interruption is assumed to be a double-digit million EUR figure. Orders usually made through the respective warehouse will be redirected to our other warehouses based in the region of Sao Paulo. However, this event may have some influence on the expected value of proceeds from the sale of the Brazilian business.

Stuttgart, 18 May 2015

The Management Board

Members of the Management Board¹⁾

Name	Membership in other supervisory boards and comparable bodies	Celesio shares
Marc E. Owen Chairman of the Management Board, HR Director	<ul style="list-style-type: none">• Norsk Medisinaldepot AS, Member of the Supervisory Board• Brocacef Holding N.V., Member of the Supervisory Board	None
Tilo Köster Member of the Management Board, Legal and Compliance	<ul style="list-style-type: none">• GEHE Pharma Handel GmbH, Chairman of the Supervisory Board• Norsk Medisinaldepot AS, Member of the Supervisory Board• Tjellesen Max Jenne A/S, Chairman of the Supervisory Board• Todin A/S, Chairman of the Supervisory Board	None
Alain Vachon Member of the Management Board, Finance	None	None

Members of the Supervisory Board¹⁾

Name	Occupation / Current position	Membership in other supervisory boards and comparable bodies	Celesio shares
John H. Hammergren,	Chairman of the Board, President and Chief Executive Officer, McKesson Corporation, San Francisco (USA)	<ul style="list-style-type: none"> • McKesson Corporation, USA, Chairman of the Board of Directors • Memberships in Organisations • Business Council, USA • Business Roundtable, USA • Healthcare Leadership Council, USA • Member on the Board of Trustees at the CSIS (Center for Strategic and International Studies), USA 	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	None
James A. Beer	Executive Vice	None	None

Since 01/01/2015	President and Chief Financial Officer, McKesson Corporation, San Francisco (USA)		
Klaus Borowicz	Head of Hamburg branch of GEHE Pharma Handel GmbH Head of the Northern branch of GEHE Pharma Handel GmbH	None	None
Prof. Dr. Wilhelm Haarmann (to 28 February 2015)	Lawyer, auditor, tax consultant and partner, Linklaters LLP, Frankfurt am Main	• SAP SE, Member of the Supervisory Board	None
Paul C. Julian	Executive Vice President and Group President, McKesson Corporation, San Francisco, USA	• None	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	None
Pauline Lindwall	Category Director Coffee Southern Europe of Mondelez Europa, Zurich	• DUNI AB, Sweden, Member of the Supervisory Board	None
Susan Naumann	Trade Union Secretary responsible for legal and	• GEHE Pharma Handel GmbH, Member of the	None

	accounting, ver.di division in Hamburg,	Supervisory Board	
Ulrich Neumeister	Logistics employee of GEHE Pharma Handel GmbH, Stuttgart Headquarters	None	None
W.M. Henning Rehder	Former Member of the Management Board (CFO) of Siemens Enterprise Communications GmbH & Co. KG (SEN Group), Munich	<ul style="list-style-type: none"> Karl Kühne KG, Chairman of the Administrative Board 	None
Patrick Schwarz- Schütte	Managing Director of Black Horse Investments GmbH, Düsseldorf	<ul style="list-style-type: none"> Heinrich-Heine- University Düsseldorf, Deputy Chairman of the University Council / Chairman of the Finance Committee 	None
Gabriele Katharina Stall	Assistant of the Branch Management of GEHE Pharma Handel GmbH, Troisdorf branch	None	None

Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Stuttgart, 18 May 2015

MARC E. OWEN
Chairman of the
Management Board
Labour Relations Director

ALAIN VACHON
Member of the Board for
Finance

TILO KÖSTER
Member of the Management Board
Legal and Compliance

List of sharholdings Celesio Group, Stuttgart as of 31 March 2015 pursuant to § 313 Sec. 2 HGB

Name and registered office of company	Interest 1) (in %)	Equity 2) in thsd.	Net profit/loss 2) in thsd.
I. Parent company			
Celesio AG, Stuttgart			
II. Subsidiaries (fully consolidated companies)			
"Aewige" ärztliche Wirtschaftsgesellschaft m.b.H., Wien	100.00		
2012 DREAM LIMITED, COVENTRY	100.00		
28CVR LIMITED, COVENTRY	100.00		
30MC LIMITED, COVENTRY	100.00		
A C FERGUSON (CHEMIST) LIMITED, COVENTRY	100.00		
A F CANNON (DISPENSING CHEMISTS) LIMITED, COVENTRY	100.00		
A MILLER (CHEMIST) LIMITED, Glasgow	100.00		
A. SUTHRELL (HAULAGE) LIMITED, COVENTRY	100.00		
AAH BUILDERS SUPPLIES LIMITED, COVENTRY	100.00		
AAH FURB PENSION TRUSTEE LIMITED, COVENTRY	100.00		
AAH GLASS & WINDOWS LIMITED, COVENTRY	100.00		
AAH Ireland, Dublin	100.00		
AAH LIMITED, COVENTRY	100.00		
AAH Lloyds Insurance (IoM) Limited, Douglas	100.00		
AAH LLOYDS PENSION TRUSTEES LIMITED, COVENTRY	100.00		
AAH NOMINEES LIMITED, COVENTRY	100.00		
AAH ONE LIMITED, Glasgow	100.00		
AAH PHARMACEUTICALS LIMITED, COVENTRY	100.00		
AAH RETAIL PHARMACY LIMITED, COVENTRY	100.00		
AAH TWENTY FIVE LIMITED, COVENTRY	100.00		
AAH TWENTY FOUR LIMITED, Glasgow	100.00		
AAH TWENTY LIMITED, COVENTRY	100.00		
AAH TWENTY SEVEN LIMITED, COVENTRY	100.00		
AAH TWENTY SIX LIMITED, COVENTRY	100.00		
AAH TWENTY THREE LIMITED, GLASGOW	100.00		
AAH TWENTY TWO LIMITED, COVENTRY	100.00		
ABG Apotheken-Beratungsgesellschaft mbH,	100.00		

Stuttgart	
ACEPEARL LIMITED, COVENTRY	100.00
ACME DRUG CO. LIMITED, GLASGOW	100.00
ADDED MARKETING LIMITED, COVENTRY	100.00
Admenta Beteiligungs GmbH, Wien	100.00
Admenta Denmark ApS, Rodovre	100.00
Admenta Deutschland GmbH, Stuttgart	100.00
ADMENTA FRANCE, Saint Ouen	99.72
ADMENTA HOLDINGS LIMITED, COVENTRY	100.00
ADMENTA ITALIA S.P.A., Bologna	100.00
ADMENTA PENSION TRUSTEES LIMITED, COVENTRY	100.00
Admenta Sweden AB, Stockholm	100.00
ADMENTA UK PLC, COVENTRY	100.00
Admenta Verwaltungs GmbH, Wien	100.00
AFM - S.P.A., Bologna	79.91
AHLP PHARMACY LIMITED, COVENTRY	100.00
ALCHEM (SOUTHERN) LIMITED, COVENTRY	100.00
ALPE-ADRIA PHARMA pharmazeutisches Unternehmen GesmbH., Ljubljana	100.00
American Farma Distribuidora Farmacêutica Ltda., Recife	100.00
ANANCREST LIMITED, COVENTRY	100.00
Ancavion GmbH, Weiterstadt	100.00
ANSON TRADING LIMITED, COVENTRY	100.00
Apo-Holding Gesellschaft m.b.H., Wien	66.67
Apothek Solsiden AS, Trondheim	100.00
ARCHSILVER LIMITED, COVENTRY	100.00
AYRSHIRE PHARMACEUTICALS LIMITED, Glasgow	100.00
AZIENDA FARMACEUTICA MUNICIPALE di Cremona S.p.A., Cremona	77.84
Azienda Farmacie Milanesi - A.F.M. S.p.A.	80.00
Babbingore Limited, Co Dublin	100.00
Ballycane Pharmacy Limited, Co Dublin	50.00
BAILLIESTON HEALTH CENTRE PHARMACY LIMITED, Baillieston	64.00
BANNISTER & THATCHER LIMITED, COVENTRY	100.00
BARCLAY ENTERPRISE LIMITED, COVENTRY	100.00

BARCLAY PHARMACEUTICALS (ATHERSTONE) LIMITED, COVENTRY	100.00
BARCLAY PHARMACEUTICALS LIMITED, COVENTRY	100.00
BARLEY CHEMISTS HOLDINGS LIMITED, COVENTRY	100.00
BARRY SHOOTER (ROMFORD) LIMITED, COVENTRY	100.00
BARTON PHARMACY (TORQUAY) LIMITED, COVENTRY	100.00
BEAUTY CARE DRUGSTORES LIMITED, COVENTRY	100.00
BELLA DONNA PHARMACY LIMITED, COVENTRY	100.00
BENSON PHARMACY LIMITED, COVENTRY	100.00
BERKSHIRE MEDICAL SUPPLIES LIMITED, COVENTRY	100.00
BETTERLIFEHEALTHCARE LIMITED, COVENTRY	100.00
BIG PHARMA LIMITED, Glasgow	100.00
BLAKEY & GRIFFIN LIMITED, COVENTRY	100.00
Breamor Pharmacy Limited	100.00
BRIAN CORPS (CHEMIST) LIMITED, COVENTRY	100.00
BRIDGETON HEALTH CENTRE PHARMACY LIMITED, Glasgow	86.00
BRIDPORT MEDICAL CENTRE SERVICES LIMITED, COVENTRY	100.00
BRUGEFI INVEST S.A.S., SAINT OUE	100.00
C E UNDERHILL & SONS LIMITED, COVENTRY	100.00
C. H. POMEROY LIMITED, COVENTRY	100.00
CAHILL MAY ROBERTS GROUP LIMITED, Dublin	100.00
Camic Pharmacies Limited, Co Dublin	100.00
CARONET TRADING LIMITED, COVENTRY	100.00
CASTLEREAGH PHARMACEUTICALS LIMITED, COVENTRY	100.00
Castletroy SCP, Co Dublin	100.00
Celesio Business Services Ltd., Co Dublin	100.00
Celesio Finance B.V., Amsterdam	100.00
CELESIO UK HEALTHCARE (A) LIMITED, COVENTRY	100.00
CELESIO UK HEALTHCARE (B) LIMITED, COVENTRY	100.00
CENTRALE D'ADMINISTRATION DE BIENS IMMOBILIERS, Saint Ouen	100.00
Chem Labs Limited, Dublin	100.00
CLARK CARE GROUP LIMITED, COVENTRY	100.00
CLARK MUNRO LIMITED, Glasgow	100.00

CMN Healthcare Limited	100.00
CMN Pharmacy Limited	100.00
CMR HOLDINGS (UK) LIMITED, COVENTRY	100.00
CMR Holdings Ltd, Dublin	100.00
Coleham, Co Dublin	100.00
COMPTOIR MONEGASQUE DE BIOCHIMIE, Monaco	100.00
COMPTOIR PHARMACEUTIQUE MEDITERRANEEN, Monaco	99.40
CORNWELLS (WHOLESALE) LIMITED, COVENTRY	100.00
CRAIG & LOVERING LIMITED, COVENTRY	100.00
CROSS AND HERBERT (DEVON) LIMITED, COVENTRY	100.00
CROSS AND HERBERT (HOLDINGS) LIMITED, COVENTRY	100.00
CROSS AND HERBERT LIMITED, COVENTRY	100.00
Crowley's Blackrock Limited, Dublin	100.00
D.F. BRINT (PORTISHEAD) LIMITED, COVENTRY	100.00
D.F. O'Neill (Chemists) Ltd, Co Dublin	100.00
DAVID J THOMAS LIMITED, COVENTRY	100.00
DAVID LOW (CHEMISTS) LIMITED, COVENTRY	100.00
DAVID TAUBER LIMITED, COVENTRY	100.00
DEPOTRADE, Saint Ouen	100.00
DocMorris Kooperationen GmbH, Stuttgart	100.00
DOL Pharmacy Limited, Co Dublin	100.00
Donald Munro Limited, Glasgow	100.00
Donnybrook Pharmacy Limited, Co Dublin	100.00
DRTHOM BILLING LIMITED, COVENTRY	100.00
E & M HAZLEHURST (SKIPTON) LIMITED, COVENTRY	100.00
ECLIPSE HEALTHCARE LIMITED, COVENTRY	100.00
ELGIN COURT LIMITED, COVENTRY	100.00
ESCON (ST NEOTS) LIMITED, COVENTRY	100.00
Etne Apotek AS, Etne	100.00
EUROSANTE (Société en liquidation), LUXEMBOURG	100.00
Evesland Limited, Co Dublin	100.00
EVOLUTION HOMECARE SERVICES LIMITED, COVENTRY	100.00
EXPERT HEALTH LIMITED, COVENTRY	100.00
FAR.CO.SAN S.p.A., San Giovanni Valdarno	80.00

FARILLON LIMITED, COVENTRY	100.00
Farmacie di Parma S.p.A., PARMA	80.00
Farmacie Pratesi Pratoforma S.p.A., Prato	80.00
Farmalvarion Srl Socio Unico	100.00
Felview Limited, Co Dublin	100.00
FENDGROVE LIMITED, COVENTRY	100.00
FERAX LIMITED, COVENTRY	100.00
FIELD COURT LIMITED, COVENTRY	100.00
FIRTH & PILLING LIMITED, COVENTRY	100.00
FOSTER & PLUMPTON GROUP LIMITED, COVENTRY	100.00
FOSTER & PLUMPTON LIMITED, COVENTRY	100.00
FOSTER PHARMACEUTICALS LIMITED, COVENTRY	100.00
FULLPAD LIMITED, COVENTRY	100.00
G J MALEY LIMITED, Douglas	100.00
G K CHEMISTS (GLOS) LIMITED, COVENTRY	100.00
G K CHEMISTS LIMITED, COVENTRY	100.00
GAMECREST LIMITED, COVENTRY	100.00
GEHE Immobilien GmbH & Co. KG, Stuttgart	100.00
GEHE Immobilien Verwaltungs-GmbH, Stuttgart	100.00
GEHE Informatik Services GmbH, Stuttgart	100.00
GEHE Pharma Handel GmbH, Stuttgart	100.00
GEHIS FRANCE, Saint Ouen	100.00
GEORGE STAPLES (OPTICIANS) LIMITED, COVENTRY	100.00
GEORGE STAPLES (STOKE) LIMITED, COVENTRY	100.00
Gerard Ryan Pharmacy (Clonmel) Limited, Co Dublin	100.00
Gerard Ryan Pharmacy (O'Connell Street) Limited, Co Dublin	100.00
Gerard Ryan Pharmacy (Patrick Street) Limited, Co Dublin	100.00
Gesellschaft für Versorgungskonzepte in der Wundbehandlung GmbH, Stuttgart	100.00
Gorrys Pharmacy Limited	100.00
GOBAL Beteiligung GmbH & Co. Vermietungs KG	3) 0.00
GORDON'S PHARMACY LIMITED, COVENTRY	100.00
Gouldson Pharmacy, Co Dublin	100.00
Goviltown Limited, Co Dublin	100.00
GOWCHARM LIMITED, COVENTRY	100.00

GPL 2007 LIMITED, COVENTRY	100.00
GRAEME PHARMACY (STIRLING) LIMITED, Glasgow	100.00
GREENS PHARMACEUTICAL (HOLDINGS) LIMITED, COVENTRY	100.00
Greystones Pharmacy Limited, Co Dublin	100.00
H H THATCHER LIMITED, COVENTRY	100.00
H.E. NIBLETT LIMITED, COVENTRY	100.00
H.E.W.S LIMITED, COVENTRY	100.00
Haleston Enterprises Limited, Co Dublin	100.00
HAMMOND & BROWN LIMITED, COVENTRY	100.00
HAMMOND HOPKINS LIMITED, COVENTRY	100.00
HC Beteiligungsgesellschaft mbH, Wien	100.00
HEALTH NEEDS LIMITED, COVENTRY	100.00
HEALTHCLASS LIMITED, COVENTRY	100.00
Helmard Holdings Limited, Co Dublin	100.00
Herba Chemosan Apotheker-AG, Wien	99.06
Herba Immobilienvermietungs GesmbH, Wien	99.95
HERBA Pharma d.o.o., Zagreb	100.00
HERBERT FERRYMAN LIMITED, COVENTRY	100.00
HIGGINS & SON (CHEMISTS) LIMITED, COVENTRY	100.00
HILLCROSS PHARMACEUTICALS LIMITED, COVENTRY	100.00
HILLS PHARMACEUTICALS LIMITED, COVENTRY	100.00
HILL-SMITH (WARRINGTON) LIMITED, COVENTRY	100.00
Hittelford Limited, Co Dublin	100.00
HOSP-LOG COMÉRCIO DE PRODUTOS HOSPITALARES LTDA., Brasilia	100.00
HOUGHTON & LAPPIN LIMITED, COVENTRY	100.00
HYWEL DAVIES (CAERPHILLY) LIMITED, COVENTRY	100.00
iCESS-Solutions GmbH	100.00
INDEPENDENT PHARMACY CARE CENTRES (2008) LIMITED, COVENTRY	100.00
INSPIRON DISTRIBUTION LIMITED, COVENTRY	100.00
Inten GmbH, Stuttgart	100.00
INTERFACE und DATA Elektronische Baugruppen Gesellschaft m.b.H., Wien	100.00
IPCC LIMITED, COVENTRY	100.00
ISON & BOWYER LIMITED, COVENTRY	100.00

J A R BURBANK LIMITED, COVENTRY	100.00
J S DENT LIMITED, COVENTRY	100.00
J.G. Crowley Pharmacy Limited, Co Dublin	100.00
JOHN BELL & CROYDEN LIMITED, COVENTRY	100.00
JOHN HAMILTON (PHARMACEUTICALS) LIMITED, Glasgow	100.00
JOHN ROBERTSON BUTLER AND SON (GORING) LIMITED, COVENTRY	100.00
JOHN ROBERTSON BUTLER AND SON (NEWBURY) LIMITED, COVENTRY	100.00
JOHN ROBERTSON BUTLER AND SON (WEST READING) LIMITED, COVENTRY	100.00
JOHN ROBERTSON BUTLER AND SON LIMITED, COVENTRY	100.00
John Smith & Son Limited, Co Dublin	100.00
JORDANS PHARMACY LIMITED, COVENTRY	100.00
Kairnburry, Dublin	100.00
Kemofarmacija, d.d, Ljubljana	98.04
Kilshallow Limited, Co Dublin	100.00
KINGSWOOD CHEMISTS LIMITED, COVENTRY	100.00
KINGSWOOD GK LIMITED, COVENTRY	100.00
KNOWLE PHARMACY LIMITED, COVENTRY	100.00
KYLE & CARRICK HOLDINGS LIMITED, Glasgow	100.00
Laboratoria Flandria NV, Zwijnaarde	100.00
LCH CHAPMAN (WHITESTONE) LIMITED, COVENTRY	100.00
LEEMA CONSULTANCY SERVICES LIMITED, COVENTRY	100.00
LEVELCROWN LIMITED, COVENTRY	100.00
LINFORD PHARMACIES LIMITED, COVENTRY	100.00
Lissone Farmacie S.p.A., Lissone	80.00
LIVINGSTON HEALTH CENTRE (P.D) CO. LIMITED, Glasgow	100.00
LLOYDS CHEMISTS LIMITED, COVENTRY	100.00
LLOYDS CHEMISTS RETAIL (NORTHERN) LIMITED, COVENTRY	100.00
LLOYDS CHEMISTS RETAIL LIMITED, COVENTRY	100.00
LLOYDS GROUP PROPERTIES LIMITED, COVENTRY	100.00
LLOYDS HEALTHCARE HOLDINGS LIMITED, COVENTRY	100.00

Lloydspharmacy Ireland Limited, Co Dublin	100.00
LLOYDS PHARMACY LIMITED, COVENTRY	100.00
LLOYDS PROPERTIES LIMITED, COVENTRY	100.00
LLOYDS Property Management Company Belgium S.A., Wavre	100.00
LLOYDS RETAIL CHEMISTS LIMITED, COVENTRY	100.00
Lloydspharma Group S.A., Wavre	100.00
Lloydspharma S.A., Wavre	100.00
LPL ONE LIMITED, COVENTRY	100.00
M & J HOLDINGS LIMITED, COVENTRY	100.00
M H GILL LIMITED, COVENTRY	100.00
M PAYNE & CO LIMITED, COVENTRY	100.00
M.& M.L.GRUNDY LIMITED, COVENTRY	100.00
M.J.F LIMITED, COVENTRY	100.00
MACEYS LIMITED, COVENTRY	100.00
MANTRE LIMITED, COVENTRY	100.00
MARYHILL DISPENSARY LIMITED, Glasgow	50.00
MATIS Grundstücks-Vermietungsgesellschaft mbH & Co. Gehe Objekte OHG, Haan	100.00
Maurice F. Dougan Limited, Co Dublin	100.00
May Roberts Ltd, Dublin	100.00
McKESSON FRANCE HOLDINGS	100.00
McSweeney Dispensers 10 Limited, Co Dublin	100.00
McSweeney Dispensers 23 Limited, Co Dublin	100.00
MEDIMART LIMITED, COVENTRY	100.00
Mesara Grundstücks-Verwaltungsgesellschaft mbH	3) 0.00
MOUNT PHARMACY LIMITED, COVENTRY	100.00
MPWB (ROMFORD) LIMITED, COVENTRY	100.00
MUNRO PHARMACY LIMITED, Glasgow	100.00
Natureline, Dublin	100.00
NEW KIRK PHARMACY LIMITED, Glasgow	100.00
NORPROD DISTRIBUIDORA DE PRODUTOS HOSPITALARES LTDA., Recife	100.00
Norsk Medisinaldepot AS, Oslo	100.00
O`Leary Pharmacy (Lucan) Limited, Co Dublin	100.00
OCP FORMATION	100.00
OCP PORTUGAL, PRODUTOS FARMACÊUTICOS, S.A.,	100.00

Maia	
OCP REPARTITION, Saint Ouen	100.00
OCP, Saint Ouen	99.99
OLOR Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	3) 0.00
ONCO PROD DISTRIBUIDORA DE PRODUTOS	60.00
HOSPITALARES E ONCOLÓGICOS S/A, Sao Paulo	
P C Cahill & Company Limited, Dublin	100.00
P.C.B., Bruxelles	86.78
PALEMODA LIMITED, COVENTRY	100.00
Panpharma Distribuidora de Medicamentos Ltda., Goiânia	100.00
PAUL WHEELER LIMITED, COVENTRY	100.00
PEEL STREET PHARMACY LIMITED, COVENTRY	100.00
PERILLA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	95.00
PHARMA BELGIUM, Bruxelles	100.00
PHARMA PARTNERS, Ostende	100.00
PHARMACTIV DISTRIBUTION, Saint Ouen	97.45
Pharmacy O'Riada Holdings Limited, Co Dublin	100.00
PHARMAGEN LIMITED, COVENTRY	100.00
PHARMATEL, Marseille	99.97
PHARMED LIMITED, COVENTRY	100.00
PHILIP GOODMAN LIMITED, COVENTRY	100.00
PRESOLVE LIMITED, COVENTRY	100.00
PRIMELIGHT LIMITED, COVENTRY	100.00
R F FOSKETT & SON LIMITED, COVENTRY	100.00
R GORDON DRUMMOND LIMITED, COVENTRY	100.00
R.J. MAIR LIMITED, GLASGOW	100.00
Ryle and de Lacy Pharmacies Limited	100.00
S. E. BURGESS LIMITED, COVENTRY	100.00
SANOVA Pharma GesmbH, Wien	100.00
Sapphire Primary Care Developments, Ireland Limited, Co Dublin	100.00
SARACO'S LIMITED, COVENTRY	100.00
SATURA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	3) 0.00

SAVORY & MOORE (JERSEY) LIMITED, St Helier	90.00
SAVORY & MOORE LIMITED, Glasgow	100.00
SCHOLES (CHEMISTS) LIMITED, COVENTRY	100.00
SELBYS (SUSSEX) LIMITED, COVENTRY	100.00
Sheridan Distribution Services Ltd, Co Antrim	100.00
SOCIETE D`ETUDES ET DE REALISATIONS INFORMATIQUES, Monaco	99.50
SOLIHULL PHARMACY LIMITED, COVENTRY	100.00
SOLUSOFT, Saint Ouen	100.00
SP DISTRIBUIDORA DE VACINAS E MEDICAMENTOS LTDA. (ES), Portal de Jacaraípe	100.00
SP DISTRIBUIDORA DE VACINAS E MEDICAMENTOS LTDA. (SP), São Paulo	100.00
ST MATTHEWS PHARMACY LIMITED, COVENTRY	100.00
STATIM FINANCE LIMITED, COVENTRY	100.00
STEPHEN SMITH LIMITED, St Peter Port	57.14
Sudestefarma S.A. Produtos Farmacêuticos, Chácara Parreiral	100.00
SUMMITLANE LIMITED, COVENTRY	100.00
SUPERFIELD LIMITED, COVENTRY	100.00
T AND I WHITE LIMITED, COVENTRY	100.00
T TEMPLE (CHEMISTS) LIMITED, COVENTRY	100.00
T. Sheridan Sales & Marketing, Dublin	100.00
TANZAN CHEMISTS LIMITED, COVENTRY	100.00
TERRAPHARMA LIMITED, COVENTRY	100.00
THURNBY ROSE LIMITED, COVENTRY	100.00
TIRES Beteiligungs GmbH & Co. KG	3) 0.00
Tjellesen Max Jenne A/S, Rodovre	100.00
Todin A/S, Rodovre	100.00
TREDIMED FRANCE, Saint Ouen	100.00
TREDIMED, Saint Ouen	100.00
TRIDENT PHARMACEUTICALS LIMITED, COVENTRY	100.00
Unicare Dispensers 11 Limited, Co Dublin	100.00
Unicare Dispensers 12 Limited, Co Dublin	100.00
Unicare Dispensers 13 Limited, Co Dublin	100.00
Unicare Dispensers 16 Limited, Co Dublin	100.00
Unicare Dispensers 20 Limited, Co Dublin	100.00

Unicare Dispensers 21 Limited, Co Dublin	100.00
Unicare Dispensers 27 Limited, Co Dublin	100.00
Unicare Dispensers 5 Limited, Co Dublin	100.00
Unicare Dispensers 6 Limited, Co Dublin	100.00
Unicare Dispensers 8 Limited, Co Dublin	100.00
Unicare Pharmacy Group Limited, Co Dublin	100.00
USCITA LIMITED, COVENTRY	100.00
V G EVANS LIMITED, COVENTRY	100.00
VESTRIC LIMITED, COVENTRY	100.00
VESTRIC PENSIONS LIMITED, COVENTRY	100.00
Vitapharm, proizvodnja in trgovina farmacevtskih izdelkov d.o.o., Murska sobota	51.00
W A G GIBB LIMITED, COVENTRY	100.00
W A STROYDE (CHEMISTS) LIMITED, COVENTRY	100.00
W H CHANTER LIMITED, COVENTRY	100.00
W H GREEN (CHEMISTS) LIMITED, COVENTRY	100.00
W JAMIESON (CHEMISTS) LIMITED, COVENTRY	100.00
W. HEDLEY HEWES LIMITED, COVENTRY	100.00
WESTCLOSE LIMITED, COVENTRY	100.00
WOODSIDE PHARMACY (GLASGOW) LIMITED, Glasgow	75.00

III. ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Aporana AS, Mo i Rana	49.00
Apovest AS	33.00
Blomsterdalen Apotek AS, Blomsterdalen	40.00
Brocef Holding N.V., BB Maarssen	45.00
LISEAPOTEKENE AS	49.00
Nensi d.o.o., Ljubljana	35.00
SENS AS, Oslo	32.00
Vitus-Apoteket Torvbyen Fredrikstad AS, Fredrikstad	34.00

IV. OTHER INTERESTS WITH AT LEAST 5% OF VOTING RIGHTS

ASHLEY HOUSE PLC	10)	9.42	15	-4,178
COATBRIDGE DISPENSARY LIMITED, Coatbridge	5)	17.14	179	179
COMPANY CHEMISTS ASSOCIATION LIMITED, Milton Keynes	5)	27.09	-9	30
DATA CARE Datenpflege des Pharmagroßhandels Ges.m.b.H., Wien	12)	36.67	120	9
DATAPHARM, Paris	11)	38.89	38	22
GALEN PHARMACY LIMITED, South Shields	5)	18.00	30	8
GOVANHILL PHARMACY LIMITED, Glasgow	5)	13.40	2	-1
HOLMSCROFT HC LIMITED, Greenock	7)	20.00	231	270
KEIGHLEY HEALTH CENTRE LIMITED, KEIGHLEY, West Yorkshire	6)	16.67	222	90
SERVICE DE LA REPARTITION PHARMACEUTIQUE, Paris	8)	39.50	64	5
SHC PHARMACY LIMITED, Edinburgh	9)	33.33	85	124
SPRINGBURN DISPENSARY LIMITED, Glasgow	4)	25.00	-6	-7
Swindon Health Centre (Pd) Limited, Swindon	5)	14.83	212	20
THE AHLP LIMITED PARTNERSHIP, COVENTRY	8)	50.00	0	0
TORRINGTON PARK HCC LIMITED, London	5)	4.00	191	68
VICTORIA PHARMACY LIMITED	6)	7.32	-16	-115
W.H.C.P. (DUNDEE) LIMITED, Dundee	5)	13.70	136	98
WROSE HEALTH CENTRE P.D. LIMITED, Keighley	4)	42.59	45	0

1) Interests held by dependent companies are included in the calculation in full, even if the interest in this company is less than 100%.

2) In local currency.

3) Special purpose entity

4) Closing as of 31/01/2013

5) Closing as of 31/03/2013

6) Closing as of 30/06/2013

7) Closing as of 30/06/2013

8) Closing as of 31/12/2013

9) Closing as of 31/03/2014

10) Closing as of 30/04/2014

11) Closing as of 31/12/2014

12) Closing as of 31/03/2015

Additionally, there are further shareholdings in 53 european pharmacies.

We have audited the consolidated financial statements - comprising the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of cash flows, the group the statement of changes in equity and the notes to the consolidated financial statements - prepared by the Company and its combined management report for the abridged reporting period from 1 January to 31 March 2015. The preparation of the consolidated financial statements and the combined management report in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and the regulations under German commercial law as complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements, together with the bookkeeping system and the group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 German Commercial Code (HGB) in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). 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 consolidated financial statements in accordance with applicable accounting regulations and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group 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, which is based on the results of our audit, the consolidated financial statements of Celesio AG, Stuttgart/Germany, comply with the IFRS, as applicable in the EU, and the regulations under German commercial law as complementarily applicable under Sec. 315a (1) German Commercial Code (HGB) and convey a true and fair view of the Group's net assets, financial position and results of operations in accordance with these regulations. The group management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's and Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, 29 May 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft



DR. RÖHM
Wirtschaftsprüfer
[German Public Auditor]



DR. BUHLEIER
Wirtschaftsprüfer
[German Public Auditor]

Contacts and Imprint

Celesio AG

Neckartalstrasse 155
70376 Stuttgart
Germany
Telephone +49 (0) 711 5001-00
Fax +49 (0) 711 5001-1260
service@celesio.com
www.celesio.com

Communications

Telephone +49 (0) 711 5001-549
Fax +49 (0) 711 5001-543
media@celesio.com

Investor Relations

Telephone +49 (0) 711 5001-735
Fax +49 (0) 711 5001-740
investor@celesio.com

This annual report was published on 17 June 2015. It is available in German and English and can be downloaded from the investor relations section of celesio.com. A printed version of the annual report can be ordered there. The German version is legally binding.

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