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# **Celesio AG**

Stuttgart

## **Annual General Meeting 2015**

**Counter proposals**

**As of 15 July 2015**

*For our Annual General Meeting taking place on Tuesday, 11 August 2015, in Stuttgart, we have received the following counter proposal to date.*

*Note: The counter proposals and reasons published below are the authors' views as notified to us. We have also placed assertions of fact in the Internet, where they are required to be disclosed, without changing or verifying them. If you want to support announced counter proposals, please vote "no" on the agenda items to which the counter proposals relate, i.e. against the management proposal.*

## **Counter proposal**

**Shareholders Magnetar Capital Master Fund Limited, Grand Cayman, Magnetar Global Event Driven Master Fund Limited, Grand Cayman, Hipparchus Master Fund Limited, Grand Cayman, and Spectrum Opportunities Master Fund Limited, Grand Cayman, re. agenda items 4 - 7:**

"No ratification of the acts of the management board and supervisory board will be granted"

### **Reasons:**

"Celesio AG was taken over by McKesson Corporation in 2014. Since then, McKesson has held approx. 76 per cent of the voting rights in Celesio AG.

The shares of Celesio AG are currently admitted to trading on the regulated market segment with additional post-admission obligations (Prime Standard) at Frankfurt Stock Exchange and to trading on the regulated market at the stock exchanges in Berlin, Düsseldorf, Stuttgart and Munich. Apart from this, the Celesio shares are included in trading on the open market at the stock exchanges in Hamburg and Hanover.

McKesson is now attempting to push the external shareholders out of Celesio AG in a way that is as financially efficient as possible for it and to fully integrate Celesio AG into the group. This is the reason why it is pursuing the delisting of Celesio AG.

The management board of Celesio AG decided on 11 March 2015, with the consent of the supervisory board which several representatives of the McKesson Corporation, particularly its CEO John Hammergren as chairman, are members of, to apply for admission of the shares at each of the exchanges where the shares in Celesio AG are traded on the regulated market to be revoked at short notice. Besides this, the management board of Celesio AG decided to apply for the shares in Celesio AG to be included in the open market in the Primary Market segment (Düsseldorf) and the m:access market segment (Munich). However, there is no doubt that complete delisting is ultimately intended. This is also confirmed by the statements made by John Hammergren in the telephone conference regarding the financial results of the McKesson Corporation on 12 May 2015.

In response to the action filed to the administrative court against the revocation of the admission of the shares to trading on the regulated market, Düsseldorf Stock Exchange has currently suspended execution of the revocation.

### Disadvantages

Revoking the admission of the shares in Celesio AG to trading on the regulated market entails serious disadvantages that cannot be compensated by (temporarily) listing the shares on the open market.

The open market is not a regulated market under the terms of section 2(5) German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*). Many duties under capital markets law designed to protect investors do not apply in this area. Most notably, there is no duty to publish inside information (section 15(1) Securities Trading Act), to communicate so-called directors' dealings (section 15a Securities Trading Act), to keep insider registers (section 15b Securities Trading Act) and to communicate and publish voting rights notifications.

It is a common feature of all the above rules that they serve the interests of all potential bidders by increasing transparency. Investors are put in a position where they can come to informed transaction decisions due to better comparability of the shares on the regulated market. This itself contributes to formation of realistic prices for the securities. In this way, investor confidence as a whole is reinforced. As these rules would cease to apply as a result of downlisting to the open market, the risk of a bad investments or unfavourable decisions to buy or sell is increased.

To be listed in an index such as the MDax or other indexes, as is currently still the case for Celesio AG, and in this way to profit from a higher degree of recognition, the shares must be listed on the regulated market. Apart from this, the securities listed on the regulated market fundamentally enjoy an enhanced reputation. All these characteristics benefiting the shareholders cease to apply as a result of downlisting to the open market, and the complete delisting that is ultimately intended.

### Falls in price

Revoking the admission of the shares in Celesio AG on the regulated market will lead to a fall in prices. This, alongside the reduced attractiveness of the shares for potential investors described above, is above all due to a significant proportion of institutional investors only being allowed to invest in shares listed on the regulated market and to them now being forced to sell the Celesio shares. Due to Celesio AG's shareholder structure it is also to be expected that the disinvestment momentum initiated by this will lead to particularly serious falls in price. This effect of down- and delisting can meanwhile also be corroborated by various studies.

Celesio AG's shareholder structure is characterised by a high freefloat of approx. 24 per cent and therefore very high market capitalisation of around EUR 5.4 billion. Thus numerous investors are affected by the downlisting being pursued at McKesson's initiative. It stands to reason that the disinvestment momentum described above is all the stronger the higher the share of freefloat – and with it the number of investors forced to sell – is. As more (minority) shareholders are pressured to sell their shares by the activities initiated by McKesson, the ratio of demand and supply for the securities in Celesio AG will increasingly shift in favour of an oversupply. This is certainly what is intended by

McKesson, as it can then opt to buy the shares for a favourable price itself and in this way come closer to the share ownership threshold required for a squeeze-out.

Therefore, the downlisting entails grave disadvantages for the minority shareholders of Celesio AG, whose involvement solely consists of upholding investors' interest and not influencing other management measures.

#### Management board der Celesio AG

When managing Celesio AG, the management board is above all required to protect the interests of the shareholders. This also applies to the decision to apply for revocation of the admission of the Celesio shares on the regulated market. However, the decision to apply for the revocation completely instead disregards the interests of minority shareholders and is merely designed to serve McKesson's business operations in such a way that Celesio AG's business can be integrated in to its operations as quickly and cheaply as possible, although this is not in Celesio AG's financial interest. In particular, allowing the revocation of the admission only to become effective at a point in time in the future (the "respite solution" (*Fristenlösung*)) is not sufficient protection for the minority shareholders.

It is incomprehensible that Celesio AG was allowed to raise money from shareholders on the stock exchange at the prices asked on the exchange, and to then withdraw from the exchange so that it does not have to pay back the prices asked on the exchange. Especially when the shares have been exchange-listed for a long time, as in the present case – Celesio AG's shares have been listed for more than 100 years – it cannot be sufficient to revoke the admission of the shares to trading on the regulated market without a settlement offer in order to guarantee sufficient protection of investors.

Moreover, there are no compelling grounds for delisting or downlisting. Owing to Celesio AG's market capitalisation described above, it cannot be assumed that no proper trading in Celesio shares could be expected to take place any more. Apart from this, Celesio AG is still in a position to follow the post-admission obligations on the regulated market both financially and due to its structure. Thus gaining access to capital by maintaining the admission of the shares to trading on the regulated market is far more in Celesio AG's interest.

Applying for the admission of the Celesio shares to trading on the regulated market to be revoked therefore constitutes a breach of the management board's duties, which the supervisory board has consented to."