

# Annual Report 2016

Celesio AG

celesio



# 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 strong brands and more than 35,000 employees, we are active with own operations in 12 countries and manage operations in two countries around the world. Every day, we serve over 2 million customers – at more than 1,900 pharmacies of our own, at about 300 managed pharmacies and at over 4,500 participants in our brand partnership schemes. With 107 wholesale branches in Europe, we supply more than 50,000 pharmacies and hospitals every day with up to 130,000 pharmaceutical products.

McKesson Corporation, San Francisco, USA, is the majority shareholder in Celesio AG. The company acquired more than 75 percent of Celesio AG shares in February 2014. McKesson 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

Fiscal 2015

**Fiscal 2016**

Change on EUR  
basis %

### Continuing operations

Revenue	EUR m	20,646.6	5,269.1	<b>21,414.2</b>	3.7
Gross profit	EUR m	2,226.4	572.3	<b>2,340.1</b>	5.1
adjusted <sup>1)</sup>	EUR m	2,227.1	572.3	<b>2,340.1</b>	5.1
EBIT	EUR m	354.6	62.2	<b>621.5</b>	75.3
adjusted <sup>1)</sup>	EUR m	440.0	78.6	<b>426.6</b>	-3.1
Profit before taxes	EUR m	285.6	54.5	<b>573.6</b>	>100
adjusted <sup>1)</sup>	EUR m	371.1	70.8	<b>378.7</b>	2.1
Net profit/loss	EUR m	190.6	33.0	<b>491.1</b>	>100
adjusted <sup>1)</sup>	EUR m	269.8	47.7	<b>291.2</b>	7.9
Earnings per share (basic)	EUR	0.94	0.16	<b>2.40</b>	>100
Earnings per share (basic), adjusted <sup>1)</sup>	EUR	1.34	0.23	<b>1.41</b>	5.5
Cash inflow/outflow from operating activities	EUR m	277.5	-49.8	<b>321.8</b>	-
Net cash flow from investing activities	EUR m	-123.9	-29.9	<b>-411.9</b>	>-100
Free cash flow	EUR m	56.6	-84.1	<b>-140.1</b>	-66.6
Employees (full-time equivalent)		25,535 <sup>5</sup>	25,118 <sup>6</sup>	<b>23,404 <sup>2</sup></b>	/
Retail pharmacies		2,184 <sup>5</sup>	2,184 <sup>6</sup>	<b>1,913 <sup>2</sup></b>	/
Wholesale branches		108 <sup>5</sup>	108 <sup>6</sup>	<b>107 <sup>2</sup></b>	/

### Discontinued operations

Net profit/loss	EUR m	-138.2	-255.3	<b>-94.3</b>	31.8
Earnings per share (basic)	EUR	-0.70	-1.26	<b>-0.47</b>	32.3
Employees (full-time equivalent)		3,588 <sup>5</sup>	3,677 <sup>6</sup>	<b>3,311 <sup>2</sup></b>	/

### Continuing and discontinued operations

Total assets	EUR m	7,829.6 <sup>5</sup>	7,769.1 <sup>6</sup>	<b>8,081.8 <sup>2</sup></b>	4.0
Equity	EUR m	2,761.5 <sup>5</sup>	2,537.4 <sup>6</sup>	<b>2,752.5 <sup>2</sup></b>	8.5
Equity ratio	%	35.3 <sup>5</sup>	32.7 <sup>6</sup>	<b>34.1 <sup>2</sup></b>	/
Net financial debt	EUR m	867.0 <sup>5</sup>	897.0 <sup>6</sup>	<b>1,097.9 <sup>2</sup></b>	22.4
Net Financial Debt/EBITDA adj. <sup>1) 3) 4)</sup>		1.63 <sup>5</sup>	1.68 <sup>6</sup>	<b>2.05 <sup>2</sup></b>	/
Employees (full-time equivalent)		29,123 <sup>5</sup>	28,795 <sup>6</sup>	<b>26,715 <sup>2</sup></b>	/
Employees		38,788 <sup>5</sup>	38,404 <sup>6</sup>	<b>35,610 <sup>2</sup></b>	/
Net profit/loss for the period	EUR m	52.4	-222.3	<b>396.8</b>	/
Earnings per share (basic)	EUR	0.24	-1.10	<b>1.93</b>	/

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

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

3) Based on EBITDA of the last twelve months ending on the respective reporting date.

4) Previous year figures as reported.

5) Closing figures as at 31 December 2014.

6) Closing figures as at 31 March 2015.

To our  
shareholders  
Celesio AG  
2016

# The Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD OF CELESIO AG  
AS OF 31/ 03/2016

John H. Hammergren	<sup>2) 4) 5) 6)</sup>		(Chairman)
Ihno Goldenstein	<sup>1) 2) 5)</sup>		(Deputy Chairman)
James A. Beer	<sup>3)</sup>		
Klaus Borowicz	<sup>1) 3)</sup>		
Paul C. Julian	<sup>4) 5)</sup>		
Jörg Lauenroth-Mago	<sup>1)</sup>		
Pauline Lindwall			
Susan Naumann	<sup>1) 5)</sup>		
Ulrich Neumeister	<sup>1) 3)</sup>		
W.M. Henning Rehder	<sup>3) 6)</sup>		
Patrick Schwarz-Schütte	<sup>2)</sup>		
Gabriele Katharina Stall	<sup>1)</sup>		

<sup>1)</sup> Employee representative  
<sup>2)</sup> General Committee  
<sup>3)</sup> Audit Committee  
<sup>4)</sup> Nomination Committee  
<sup>5)</sup> Mediation Committee  
<sup>6)</sup> Chairman of respective Committee

# Report of the Supervisory Board

**Shareholders,  
Ladies and gentlemen,**

Throughout the fiscal year 2016 (01/04/2015 to 31/03/2016), we the Supervisory Board of Celesio AG regularly advised the Management Board in its management of the company and continuously supervised its management team. We performed the tasks required of 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

The cooperation between the Management Board and ourselves over the past fiscal year was once again marked by intensive and frank dialogue that was based upon trust. The Management Board regularly and comprehensively informed the Board and the Chairman of the Supervisory Board, both verbally and in writing, of 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

In preparation for its meetings and written resolutions, the Management Board sent written reports and proposed resolutions to the Supervisory Board. The attendance rate of members of the Supervisory Board at the meetings was 95%. We also remained in close contact with the Management Board outside of the meetings. 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.

The Supervisory Board's activities in the past fiscal year focused on matters including approving acquisitions and disinvestments and changing the remuneration system for members of the Management Board.

In its first ordinary meeting held on 11 June 2015, the Supervisory Board was joined by representatives from the statutory auditor to confer over the annual

financial statements of Celesio AG and the consolidated financial statements including the joint management report for the short fiscal year 2015. In this meeting, the Supervisory Board also discussed the budget for the fiscal year 2016 and approved the report of the Supervisory Board and the joint corporate governance report of the Management Board and the Supervisory Board. The Supervisory Board also approved an investment in electric points of sale (EPoS) in the UK and the acquisition of the pharmacy business of Sainsbury's, also in the UK.

The Supervisory Board adopted an amended resolution regarding this acquisition on 13 July 2015.

It also approved a change to the remuneration system of the Management Board by way of a Supervisory Board resolution of 24 July 2015.

The Supervisory Board addressed the audit commissioned to the statutory auditor at its meeting immediately before the Annual General Meeting on 11 August 2015 as well as making preparations for the Annual General Meeting itself, and adopting the necessary resolutions. Among other things, this meeting also resolved to set a target for the ratio of women on the Supervisory and Management Boards for the first time.

In its ordinary meeting on 17 November 2015, the Supervisory Board discussed matters including a further change to the Management Board remuneration system.

The sale of the stakes in Panpharma and Oncoprod was approved in the telephone meeting on 18 December 2015.

On 28 January 2016, the Supervisory Board held another telephone meeting at which it was agreed to acquire Bupa's healthcare business and sign the contract to sell the stakes in Norsk Medisinaldepot AS to McKesson Norway Holding AS.

The Supervisory Board resolved to invest in a national redistribution centre (NRDC) in France on 29 March 2016. It also approved the acquisitions of MDD Pharma NV in Belgium, Grupo Holon in Portugal, UD Sangers in Northern Ireland and MASTA in the United Kingdom.



## Committees

In order to ensure efficient performance, the Supervisory Board of Celesio 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 4 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.

## 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 combined management report as of 31 March 2016, 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 11 August 2015.

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 21 June 2016. Following the final outcome of its detailed audit and consultation, the Supervisory Board had no objections to make. 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.

## 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 fiscal year 2016. We are confident that together Celesio and McKesson are well and successfully on track and continue to have the expertise to seize the opportunities and overcome the challenges that the fiscal year 2017 will bring.

STUTTGART, JUNE 2016

ON BEHALF OF THE SUPERVISORY BOARD

A handwritten signature in black ink, reading "John Hammergren". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

JOHN H. HAMMERGREN  
CHAIRMAN

# Corporate responsibility

## Corporate responsibility at Celesio

Corporate responsibility (CR) describes our responsibility for handling economic, ecological and social resources responsibly.

We put this principle into practice by continuously adapting our strategy and deciding on CR measures accordingly. Our ICARE shared principles serve as our foundation and compass: Integrity, Customer-First, Accountability, Respect and Excellence.

## CR strategy with focus on the core business

As one of the leading international service providers for retail and wholesale operations in the healthcare sector, Celesio performs an important role in society: We supply up to 130,000 medicines to approximately 35,000 pharmacies and hospitals in nine European countries via our 107 branches. Consequently, we are able to reach around 15 million patients every day. To do this we cover an average of 1.5 million kilometres per day – the equivalent of circumnavigating the globe 40 times.

We have begun to identify the key ways in which our operations have impact on the environment and society and decide on measures accordingly. These are divided into three CR key areas: energy efficiency, dematerialisation and better health. We will develop measures for this area that conserve resources in the long term and that offer added value for society.

## CR key areas

### Energy efficiency

From lighting and heating our buildings and vehicle management through to business trips, our activities have impact on the environment in many ways. This is why we strive to constantly improve our environmental and energy management. We aim to achieve more with fewer resources in future.

### Dematerialisation

We use a variety of materials both in our operations and in administrative work: office paper, packaging and transport materials. Going forward, we want to limit usage to the minimum amount required and where the use of materials is unavoidable to opt for recycled products.

### Better health

We use our strengths to target those areas of society that need help. To this end, we make use of our international, national and local presence, our logistical expertise and the extensive pharmaceutical knowledge and dedication of our employees. We want to make a key contribution to improving health – both within and outside our company.

### Stakeholder dialogue

We regularly exchange ideas with our internal and external stakeholders in order to develop viable solutions for the sustainable development of our company. The dialogue shows us which aspects of sustainable business are of particular interest for stakeholders. Open dialogue also creates the basis for mutual understanding as well as social acceptance. Dialogue with stakeholders makes an important contribution to our opportunity and risk management and forms a basis for the further development of our CR strategy and reporting.

Moreover, we maintain contact with government and oversight agencies. Our external affairs team works together with various political decision-makers and stakeholders with the aim of identifying regulatory and policy risks for our company. Our interactions with the European institutions are carried out with full transparency. Therefore Celesio is registered under the EU Transparency Register No. 009272210002-09.

Further information can be found at [celesio.com](https://celesio.com) in the CR section.

# Combined Management Report Celesio AG 2016

(01/04/2015 – 31/03/2016)

# Background of the group/ Business activity and organisation

This combined Management Report is based on the fiscal year 2016 (01/04/2015 – 31/03/2016). 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).

The down listing of the Celesio AG shares from the regular markets in Frankfurt, Berlin, Düsseldorf, Stuttgart and Munich impacted the content of our annual report. We are no longer obligated to publish the following information within the management report: Corporate Governance report and declaration, remuneration system of the Management Board and the expanded disclosures on capital and shareholder structure.

The shares of Celesio AG are still listed on the m:access in Munich and the Primary Market in Düsseldorf.

## Our business model

We manage strong brands in 14 pharmaceutical and healthcare markets in Europe and Brazil, making Celesio one of the leading international trading companies and service providers in the pharmaceutical market. We have own operations in 12 countries and manage McKesson operations in two Scandinavian countries. 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 35,000 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 107 branches delivers to some 35,000 pharmacies every day in nine European countries.

We manage the operations of around 1,900 and manage more than 300 pharmacies in six European countries. 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 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 approximately 76% of Celesio shares. The existence of a domination and profit and loss transfer agreement between Celesio Holdings Deutschland GmbH & Co. KGaA (formerly named McKesson Deutschland GmbH & Co. KGaA and Dragonfly GmbH & Co. KGa), 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.

One 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 combined procurement activities with McKesson Corporation which we started in short fiscal 2015 and continued in fiscal year 2016. Group Procurement aligns the global approach with local actions and drives 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 the past fiscal years in rolling out our competitive pan-European pharmacy network (EPN), we continued with our efforts in fiscal 2016. 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, gesundeleben 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. The businesses in the countries are supported by the following corporate functions:

- Marketing and Sales
- Operations
- Finance
- Governance
- IT
- Procurement

## 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 supported by a leadership team, but the management board makes the ultimate decision.

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 Celesio Holdings Deutschland GmbH & Co. KGaA (former McKesson Deutschland GmbH & Co. KGaA), a wholly owned subsidiary of McKesson Corporation, and Celesio AG was registered in the Commercial Register and became effective. This means that since 1 January 2015 Celesio AG must transfer all of its profits to Celesio Holdings Deutschland GmbH & Co. KGaA. Conversely, Celesio Holdings Deutschland GmbH & Co. KGaA 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. Celesio Holdings 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.

## Internal performance measurement system

EBIT (earnings before interest and taxes) and EBIT adjusted are two of the main key performance indicators for our performance measurement of our business. A detailed description of special effects leading to the adjustments on EBIT is provided on page 24. EBIT allows us to measure the operating business success including amortisation and depreciation and to compare ourselves with other international companies.

Additionally, we plan and measure a number of financial and non-financial key performance indicators on a monthly basis, such as net working capital, net debt and free-cash flow.

## 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, United Nations, Deutsche Herzstiftung):

- The global population will continue to increase, rising by 1.18% per year. This equates about 83 Million people a year.
- 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 2015, the proportion of the over-60s age group was making up around 12% of the population. The estimated growth rate of this age group is about 3.26% per year;
- 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, cardiovascular disorders are responsible for two of three deaths and thereby the main cause of death.

Overall, the global pharmaceutical and healthcare markets will grow by 6% per year on average until 2019, when the total volume will reach USD 1.335 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 3.3% per year is expected until 2019, according to IMS Health. According to IMS Health 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.

Celesio aims 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.

## 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.

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 European 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 decided to sell its Brazilian operations. On 31 January 2016 the share and purchase agreement was signed, the closing is expected to occur in first half of fiscal 2017. The sale allows Celesio's management to focus on markets that demonstrate more attractive characteristics and which utilise Celesio's strong European footprint. As already announced during the fiscal year 2016, we will do further acquisitions to extend our footprint within Europe.

In July 2015 Celesio AG announced the formation of a strategic partnership that will see LloydsPharmacy in the UK acquire Sainsbury's pharmacy business. The deal is expected to complete within the first half of fiscal year 2017, subject to regulatory conditions being satisfied.

On 18 September 2015 McKesson announced the agreement to purchase the pharmaceutical distribution division of UDG based in Northern Ireland (UD Sangers), England (MASTA) and the Republic of Ireland (UD). Celesio will acquire the activities of UD Sangers and MASTA in the UK.

In February 2016 we announced an agreement to purchase Bupa Home Healthcare in the United Kingdom, a clinical homecare provider. Celesio will expand its home healthcare expertise and capabilities with this acquisition. The deal is subject to regulatory approval.

In addition to the announced acquisitions, we sold in February 2016 our Norwegian and Swedish operations to McKesson Norway Holding AS, a subsidiary of the McKesson Corporation. We still continue to manage these operations.

## Moderate economic growth in calendar year 2015 and first quarter of 2016

The pharmaceutical wholesale business operates in a relatively stable market environment that is not directly dependent on the economic cycle. 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 calendar year 2015 and the first three months of 2016, the basic parameters of the economic environment changed, but had no impact on Celesio.

Our Brazilian business, which is classified as discontinued operations, is slightly more dependent on the overall economic environment, especially in respect of inflation, which is still at a high level and is expected to be at 10.5% in 2016 according to the IfW ["Institut für Weltwirtschaft der Universität Kiel": Kiel Institute for the World Economy]. GDP is expected to decline by -3.8% in 2016 compared to 2015 in Brazil.

# Revenue and earnings development

CELESIO GROUP REVENUE AND OPERATING RESULTS		Fiscal 2014		Fiscal 2015		Fiscal 2016	
		of revenue		of revenue		of revenue	
	EUR m	%	EUR m	%	EUR m	%	
Revenue	20,646.6	100.0	5,269.1	100.0	21,414.2	100.0	
Gross profit	2,226.4	10.8	572.3	10.9	2,340.1	10.9	
adjusted <sup>1)</sup>	2,227.1	10.8	572.3	10.9	2,340.1	10.9	
EBIT	354.6	1.7	62.2	1.2	621.5	2.9	
adjusted <sup>1)</sup>	440.0	2.1	78.6	1.5	426.6	2.0	
Profit before taxes	285.6	1.4	54.5	1.0	573.6	2.7	
adjusted <sup>1)</sup>	371.1	1.8	70.8	1.3	378.7	1.8	
Net profit from continuing operations	190.6	0.9	33.0	0.6	491.1	2.3	
adjusted <sup>1)</sup>	269.8	1.3	47.7	0.9	291.2	1.4	
Net profit from discontinued operations	-138.2	-0.7	-255.3	-4.8	-94.3	-0.4	
<b>Net profit/loss from continuing and discontinued operations</b>	<b>52.4</b>	<b>0.3</b>	<b>-222.3</b>	<b>-4.2</b>	<b>396.8</b>	<b>1.9</b>	

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

## Change in the financial year and additional notes

Until the end of fiscal year 2014 our business year lasted from 1 January to 31 December. At the Annual General Meeting 2014, shareholders decided to align the business year with the business year of the majority shareholder McKesson Corporation, San Francisco, USA. Therefore the months from 1 January 2015 to 31 March 2015 formed our previous short fiscal year 2015. All following business years now last from 1 April to 31 March. For comparison purposes within this annual report, statements referring to the reporting period (1 April 2015 to 31 March 2016), will be compared with the fiscal year 2014 (1 January 2014 to 31 December 2014). Statements referring to the reporting date 31 March 2016 are compared with the short fiscal year figures (31 March 2015).

Following the decision to put our Brazilian activities on sale, the corresponding entities have been classified as discontinued operations in short fiscal year 2015 and fiscal year 2016. The figures for fiscal year 2014 were restated according to IFRS regulations



to allow comparison to the previous year periods. Unless stated otherwise, the following comments on revenue and earnings development pertain to continuing operations, only.

On 16 February 2016 our Norwegian and Swedish entities were sold to McKesson Norway Holding AS, a subsidiary of McKesson Corporation. Therefore the corresponding entities no longer belong to the Celesio Group and are only included in the revenue and earnings report as well as in the asset and financial position until 16 February 2016. The deconsolidation for these entities was done per 16 February 2016. So all statistic figures (number of warehouses, number of pharmacies and employees) as of 31 March 2016 are therefore excluding Norway and Sweden.

### Revenue

Group revenue came to EUR 21,414.2m in fiscal year 2016, up 3.7% on the fiscal year 2014 figure of EUR 20,646.6m. The gain of an exclusive distribution contract with a major manufacturer in the United Kingdom and the volume growth in the British pharmacies more than offset the loss in revenue due to the loss of the hospital contract in Norway in 2014. Thereby overall positive exchange rate effects amounted to EUR 517.6m, mainly related to the British pound.

Different to previous years, UK made the largest contribution to revenue (~~29.5%~~; fiscal year 2014: 24.8%) followed by France (28.9%; fiscal year 2014: 30.2%), and Germany (21.1%; fiscal year 2014: 21.8%).

### Gross profit

Gross profit (revenue less cost of goods sold) rose by 5.1%, more than revenue in fiscal year 2016 from EUR 2,226.4m to EUR 2,340.1m. This increase is mostly due to exchange rate effects mainly from the British pound of EUR 89.2m. Unfavourable effects from state-imposed price reduction mainly in the United Kingdom and Ireland were compensated by a stronger performance in the German wholesale business. At 10.9%, the gross profit margin in the reporting period was slightly above the level in fiscal year 2014 of 10.8%.

## EBIT

EBIT (earnings before interest and taxes) for continuing operations saw a strong increase of 75.3% from EUR 354.6m to EUR 621.5m, which is mainly driven by the earnings realised from the sale of our Norwegian and Swedish businesses.

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 newly acquired entities as well as the integration into McKesson Corporation.

In fiscal year 2016, non-recurring effects amounted to EUR 194.9m (fiscal year 2014: EUR –85.5m). Thereof earnings of EUR 232.5m are derived from the sale of our Norwegian and Swedish entities. By contrast EUR 14.1m were incurred for legal and other consultancy expenses in connection with the integration newly acquired entities and the integration into McKesson Corporation and EUR 23.6m for efficiency improvement and restructuring measures within the Celesio Group. The Management Board of Celesio AG is confident that the short term integration costs are counterbalanced with long term advantages.

EBIT adjusted for these special effects mentioned above fell by 3.1% to EUR 426.6m compared to EUR 440.0m in fiscal year 2014. This decrease was due to the one-off pension gain of EUR 39.2m in Norway in fiscal year 2014, 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. Thereby overall positive exchange rate effects amounted to EUR 24.4m, mainly related to the British pound sterling.

Excluding the one-off pension gain of EUR 39.2m in Norway in fiscal year 2014, EBIT adjusted for the special effects mentioned above increased by 6.4 % to EUR 426.6m in fiscal year 2016 compared to fiscal year 2014.

Taking into account the holding's expenses incurred in euro, the foreign currency share in EBIT fell by 16.5 percentage points.

EBIT	Fiscal 2014		Fiscal 2015		Fiscal 2016	
BY CURRENCY						
	EUR m	%	EUR m	%	EUR m	%
<b>Group total</b>	<b>354.6</b>	<b>100.0</b>	<b>62.2</b>	<b>100.0</b>	<b>621.5</b>	<b>100.0</b>
EUR	-9.0	-2.5	0.8	1.2	86.9	14.0
GBP	263.6	74.3	56.7	91.2	272.6	43.9
Others	100.0	28.2	4.7	7.6	262.0	42.2

### Investment result

At EUR 15.7m, the investment result was above the previous-year level of EUR 14.0m. This was primarily attributable to the positive development of the Dutch investment Brocacef Holding N.V. and other European pharmacy investments in fiscal year 2016.

### Financial result

The financial result, the balance of the items interest expense, interest income and other financial result, increased to EUR -63.6m in fiscal year 2016, compared to EUR -83.0m in fiscal year 2014. This was primarily based on the termination of financial instruments which were substituted by an intra-group credit facility granted by Celesio Holdings with lower interest rates. The adjusted interest coverage ratio (defined as EBIT adjusted/financial result) was 6.7 (fiscal year 2014: 5.3). The unadjusted interest coverage ratio came to 9.8 (fiscal year 2014: 4.3).

### Income taxes

At EUR 82.5m (fiscal year 2014: EUR 95.0m), the tax expenditure decreased by 13.1%. This results in an effective tax rate of 14.4% for the reporting period compared to 33.3% in fiscal year 2014. The decrease is mainly due to the tax-free earnings from the sale of subsidiaries. Adjusted for the special effects mentioned

above, the tax rate would have been 23.1% in fiscal year 2016 compared to 27.4% in fiscal year 2014 and therefore significantly improved compared to fiscal year 2014 level. The decrease in the adjusted tax rate is mainly due to the shift in the geographically earnings mix and to the decrease of the nominal tax rates in selected countries, especially in the UK.

### **Net profit/loss from continuing operations**

The net profit from continuing operations at the Celesio Group came to EUR 491.1m, a strong increase of more than 100% on the figure for fiscal year 2014 of EUR 190.6m, which results from the previously described increase in EBIT. After adjustments for special effects net profit from continuing operations, at EUR 291.2m, was up 7.9% on the fiscal year 2014 figure of EUR 269.8 m. The basic and diluted earnings per share of the Celesio Group increased from EUR 0.94 in fiscal year 2014 to EUR 2.40.

### **Net profit/loss from discontinued operations**

In April 2015, a fire destroyed our Brazilian warehouse in Sao Paulo. The fire did not have any material effect on our financial condition and results of our operations as we have insurance to cover most of the arising expenses and losses.

Discontinued operations generated revenue of EUR 1,440.9m in fiscal year 2016, a decrease of 14.2% on the fiscal year 2014 figure of EUR 1,679.3m. Thereby, currency effects, caused by the Brazilian real amounted to EUR –372.1m.

Due to goodwill impairment in fiscal year 2014 (EUR 77.0m) the discontinued operations' EBIT rose significantly to EUR –14.4m in fiscal year 2016 (fiscal year 2014: EUR –117.6m). Overall, currency effects, caused by the Brazilian real amounted to EUR 3.6m.

The net loss incurred by discontinued operations thus improved to EUR –94.3m in fiscal year 2016 compared to EUR –138.2m in fiscal year 2014. This is also a significant improvement to the net loss of EUR -255.3m in short fiscal year 2015, which resulted from the impairment loss of EUR -210.5m.

The loss after tax from the measurement and disposals of discontinued operations (EUR -56.4m) comprises the additional impairment recognized (EUR -66.5m), also reflecting the transfer of certain tax exposures in Brazil to the purchaser.

With the disposal of the Brazilian operations expected within the next few months, the foreign currency translation reserves with a current aggregate loss as of 31 March 2016 of EUR –132.0m will be recorded as a discontinued operation 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 396.8m compared to a net profit and loss of EUR 52.4m in fiscal year 2014. Accordingly, basic and diluted earnings per share came to EUR 1.93 compared to EUR 0.24 in fiscal year 2014.

### Investments and capital expenditures

Investments and capital expenditures of continuing operations recognised in the statement of financial position as well as prepayments for acquisitions increased in fiscal year 2016 to EUR 416.3m (fiscal year 2014: EUR 159.0m). 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 270.2m, investments in acquisitions and new pharmacies rose significantly above the fiscal year 2014 level of EUR 31.5m. The sharp increase is due to the prepayments of the purchase price for the Sainsbury's pharmacy business (EUR 157.9m) and for the acquisition of UD Sanger and Masta, all in the United Kingdom. Furthermore we continued the optimisation of our pharmacy portfolio in fiscal year 2016.

In fiscal year 2016, the capital expenditure of Celesio for its operating business totalled EUR 146.1m compared to EUR 127.4m in fiscal year 2014, a rise in the investment level. This development generally reflects the low investment level in fiscal year 2014 and in particular higher IT investments and new warehouses in Italy, France and Belgium.

### 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. Closing is expected during the first half of fiscal year 2017.

## Market environment and business development

The Consumer Solutions division is aimed at patients and consumers. It includes the entire logistics chain from purchasing merchandise to handing it over to the end customers. In particular, the division includes activities relating to retail and mail-order pharmacies, as well as brand partner shops.

Celesio is one of the largest pharmacy operators in Europe. As of the end of fiscal year 2016 Celesio operated 1,913 retail pharmacies in four countries.

Excluding the Norwegian and Swedish pharmacies, which we sold in fiscal 2016 as mentioned previously, we opened nineteen, acquired thirteen, closed ten and sold one pharmacy in fiscal year 2016 due to the ongoing optimisation of our portfolio – a net increase of twenty-one pharmacies.

The expansion of the European pharmacy network has also taken effect and will allow us to grow in fiscal year 2017.

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.

In July 2015 Celesio AG announced the formation of a strategic partnership that will see LloydsPharmacy acquire Sainsbury's pharmacy business for EUR 157.9m. Under the terms of the transaction, LloydsPharmacy has agreed to acquire 281 pharmacies in total, including 277 in-store pharmacies and four located in hospitals, all of which will be rebranded as LloydsPharmacy. The deal is expected to complete within the first half of fiscal year 2017, subject to regulatory conditions being satisfied.

## Revenue and earnings development

CONSUMER SOLUTIONS REVENUE AND OPERATING RESULTS	Fiscal 2014		Fiscal 2015		Fiscal 2016	
	EUR m	OF REVENUE %	EUR m	OF REVENUE %	EUR m	OF REVENUE %
Revenue	3,677.7	100.0	979.0	100.0	4,138.2	100.0
Gross profit	1,230.9	33.5	320.7	32.8	1,304.8	31.5
adjusted <sup>1)</sup>	1,230.9	33.5	320.7	32.8	1,304.8	31.5
EBIT	234.8	6.4	30.4	3.1	365.1	8.8
adjusted <sup>1)</sup>	256.5	7.0	36.3	3.7	207.4	5.0

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

### Revenue

Revenue in the Consumer Solutions division increased by 12.5% in fiscal year 2016 from EUR 3,677.7m in fiscal year 2014 to EUR 4,138.2m. The performance was supported by overall positive currency exchange rate effects and by growing revenue from service agreements with hospitals in the United Kingdom. Thereby overall positive exchange rate effects amounted to EUR 226.2m, mainly related to the British pound.

### Gross profit

In fiscal year 2016, the division's gross profit increased by 6.0% from EUR 1,230.9m in the comparison period to EUR 1,304.8m. Most of the increase is due to overall positive exchange rate effects which amounted to EUR 65.2m, mainly related to the British pound. The gross profit margin decreased from 33.5% in fiscal year 2014 to 31.5% in fiscal year 2016. The governmental measures in the United Kingdom and 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 365.1m compared to EUR 234.8m in fiscal year 2014, an increase of 55.5%. Exchange rate effects had an overall negative impact of EUR –8.7m, mainly derived from the British pound.

EBIT adjusted decreased by 19.1% from EUR 256.5m in fiscal year 2014 to EUR 207.4m in fiscal year 2016. The decrease was driven by the one-off pension gain of EUR 39.2m in Norway in fiscal year 2014, higher costs related to newly opened pharmacies in fiscal year 2016 also in Norway, as well as negative one-off effects in fiscal year 2016 in Ireland.

Adjusted for the one-off pension gain in Norway of EUR 39.2m in fiscal year 2014, EBIT adjusted for special effects decreased by only 4.6 % to EUR 207.4m in fiscal year 2016 compared to fiscal year 2014.



## Market environment and business development

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

With 107 wholesale branches as of end of fiscal year 2016, Celesio subsidiaries are active in nine European countries.

Celesio is one of the top players in all 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, France and Belgium. 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.

## Revenue and earnings development

### PHARMACY SOLUTIONS REVENUE AND OPERATING RESULTS

	Fiscal 2014		Fiscal 2015		Fiscal 2016	
	EUR m	OF REVENUE %	EUR m	OF REVENUE %	EUR m	OF REVENUE %
Revenue	16,969.4	100.0	4,290.1	100.0	17,276.0	100.0
Gross profit	995.5	5.9	251.6	5.9	1,035.3	6.0
adjusted <sup>1)</sup>	996.2	5.9	251.6	5.9	1,035.3	6.0
EBIT	227.7	1.3	33.4	0.8	311.4	1.8
adjusted <sup>1)</sup>	248.4	1.5	41.7	1.0	262.1	1.5

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

### Revenue

In fiscal year 2016, the Pharmacy Solutions division generated revenue of EUR 17,276.0m compared to EUR 16,969.4m in fiscal year 2014, an increase of 1.8%. Except for Belgium, France and Norway all other countries have realised sales growth in fiscal year 2016. Mainly the gain of an exclusive distribution contract with a major manufacturer in the United Kingdom and overall positive currency effects of EUR 291.4m from the British pound have contributed to this growth.

### Gross profit

In fiscal year 2016, the division's gross profit increased by 4.0% from EUR 995.5m in fiscal year 2014 to EUR 1,035.3m. This increase was driven by overall positive currency exchange rate effects of EUR 24.0m mainly caused by the British pound. The gross profit margin in fiscal year 2016 of 6.0% was slightly above the level of fiscal 2014 of 5.9%. The trend in margin was mainly caused by reducing discount competition in Germany. However, the low margin from the exclusive distribution contract with a major manufacturer in the United Kingdom and higher discounts in France mostly offset the positive trend in Germany.

### EBIT

In fiscal year 2016, the division's EBIT strongly increased by 36.7% from EUR 227.7m to EUR 311.4m. EBIT adjusted for special effects increased by 5.5% from EUR 248.4m in fiscal year 2014 to EUR 262.1m in fiscal year 2016. The loss of the hospital contract in Norway as well as the challenging environment in France had a negative effect on EBIT, which was offset by the positive gross profit development in Germany and value adjustments from doubtful receivables in Portugal in fiscal year 2014. Overall positive currency effects, mainly caused by the British pound, amounted to EUR 12.0m.

## Statement of cash flows

EUR M	Fiscal 2014	Fiscal 2016	Dev.
CASHFLOW STATEMENT - CONTINUED OPERATIONS			
Net cash flow from operating activities			
- continuing activities	277.5	321.8	44.3
Net cash flow from investing activities			
- continued operations	-123.9	-411.9	-288.0
Interest paid and received	-97.0	-50.0	47.0
<b>Free cash flow</b>	<b>56.6</b>	<b>-140.1</b>	<b>-196.7</b>
Payments made to shareholders (including non-controlling interests)	-53.0	-10.0	43.0
Net cash flow from change in borrowings	-130.8	259.0	389.8
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	0.0	-0.6	-0.6
<b>Net change in cash and cash equivalents - discontinued operations</b>	<b>-18.3</b>	<b>-2.4</b>	<b>15.9</b>
<b>Payments for group hedging activities</b>	<b>-67.1</b>	<b>-31.9</b>	<b>35.2</b>
<b>Net change in cash and cash equivalents</b>	<b>-212.6</b>	<b>74.0</b>	<b>286.6</b>
Net foreign exchange rate difference	12.7	-19.2	-31.9
<b>Change in cash and cash equivalents</b>	<b>-199.9</b>	<b>54.8</b>	<b>254.7</b>

The cash flow from operating activities comes to EUR 321.8m for continuing operations in fiscal 2016. This compares to a cash flow of EUR 277.5m generated in the previous year period fiscal 2014. This trend was primarily the result of a higher operative profit and changes in operating net assets. Trade receivables increased, mainly impacted by improved revenue development in UK and the termination of the factoring programme. This increase was partially compensated by the decrease due to the sale of the Norwegian and Swedish activities and currency effects. The decrease in trade payables was primarily influenced by currency and reporting-date effects.

Cash flow from operating activities came to EUR -21.3m for discontinued operations, compared to EUR -44.9m in the previous year period fiscal 2014.

The cash flow from investing activities for continuing operations amounted to EUR –411.9m, compared to EUR –123.9m in the previous year period fiscal 2014.

Compared to fiscal year 2014, higher investments and prepayments for acquisitions led to an increase in cash outflow for investments. Additionally, the acquisition of Sainsbury's, UD Sangers and MASTA, two pharmacies in Norway, three pharmacies in Ireland, one pharmacy in UK and Sweden and finally four pharmacies in Belgium during the fiscal year 2016 is reflected within this figure. For discontinued operations, cash flow from investing activities came to EUR –8.1 m, in contrast to the cash flow of EUR –5.9m in the previous year period.

Cash and cash equivalents came to EUR 423.5m as of 31 March 2016, an increase of EUR 35.8m compared to the end of fiscal 2015.

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 –140.1m for continuing operations in fiscal year 2016 compared to EUR 56.6m in fiscal year 2014.

EUR M	31/03/2015	31/03/2016	Change in statement of financial position	Net change in cash and cash equivalents continuing operations*
<b>CHANGE IN NET OPERATING ASSETS</b>				
Inventories	1,447.7	1,376.7	–71.0	–98.9
Trade receivables	2,201.5	2,224.6	23.1	–164.5
Trade payables	–2,385.0	–2,306.2	78.8	150.8
Net operating assets	–157.6	–107.6	50.0	–43.5
<b>Net operating assets</b>	<b>1,106.6</b>	<b>1,187.5</b>	<b>80.9</b>	<b>–156.0</b>
<b>Other assets and liabilities</b>	<b>–561.9</b>	<b>44.6</b>	<b>606.5</b>	<b>–41.1</b>
<b>Net cash flow from change in net working capital</b>				<b>–197.1</b>

\* 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 897.0m as of 31 March 2015 to EUR 1,097.9m as of the 2016 reporting date. The key performance indicator net debt/EBITDA (adjusted) increased from 1.68 as of 31 March 2015 to 2.05 as of the 2016 reporting date.

Cash inflow from financing activities for continued operations amounted to EUR 166.5m in the reporting period compared to a cash outflow of EUR –347.9m in the previous year period fiscal 2014. Thereby the cash inflow from borrowing increased by EUR 557.1m to EUR 597.6m, while cash outflow for the settlement of financial liabilities increased by EUR –167.3m to EUR –338.6m.

As of 31 March 2016, net working capital amounted to EUR 1,187.5m (31 March 2015: EUR 1,106.6m).

## 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	31/03/2015	31/03/2016
EUR m		
Liabilities		
to banks	108.4	24.7
Promissory notes		
and bonds	846.0	847.7
Lease liabilities	6.5	4.7
Liabilities to McKesson entities	300.1	637.5
Other financial liabilities	7.6	6.8
<b>Group/total</b>	<b>1,268.6</b>	<b>1,521.4</b>

In general lending is impacted by 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 and to make use of internal funding sources. 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. The values are based on continued operations, only.

31/12/2014      31/03/2015      31/03/2016

**Net Financial Debt/adjusted EBITDA** ————— **1.63** ————— **1.68** ————— **2.05**

The net financial debt follows from following items below:

CALCULATION OF NET FINANCIAL DEBT	31/12/2014	31/03/2015	31/03/2016
Cash and cash equivalents ————— Mio. €	335.8	371.6	423.5
Non-current liabilities ————— Mio. €	992.1	1,246.35	1,166.4
Current liabilities ————— Mio. €	208.5	20.42	353.0
Lease liabilities (current) ————— Mio. €	2.3	1.81	2.0
<b>Net financial debt</b> ————— <b>Mio. €</b>	<b>867.0</b>	<b>897.0</b>	<b>1,097.9</b>

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

	Fiscal 2014	Fiscal 2015	Fiscal 2016
<b>Rolling 12-month EBITDA</b> ————— <b>Mio. €</b>	<b>532.2</b>	<b>533.0</b>	<b>536.7</b>

## Financial instruments

### Credit lines and intercompany long term loans

In October 2015 Celesio transformed the existing uncommitted credit facility with Celesio Holdings Deutschland GmbH & Co. KGaA to a three year EUR 1,000m committed credit facility (before EUR 500m). Following this credit lines provided by banks to Celesio AG have been reduced to less than EUR 200m between October 2015 and March 2016 and the syndicated revolving credit facility of EUR 500m was cancelled on 2 October 2015.

As of 31 March 2016 Celesio had no drawdown under the committed credit facility with Celesio Holdings. 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.

In addition to that our English entities are directly funded in GBP by a subsidiary of McKesson Corporation.

### Bonds

Celesio had two bonds outstanding in fiscal 2016:

OUTSTANDING NOMINAL VOLUME	31/03/2015	31/03/2016	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
<b>Total EUR</b>	<b>849.4</b>	<b>849.4</b>		

It is intended that both maturing bonds will be refinanced by Celesio Holdings Deutschland GmbH & Co. KGaA.

## Factoring

In fiscal 2016, we continued to reduce the volume of receivables sold.

SALE OF RECEIVABLES FROM	31/12/2014	31/03/2015	31/03/2016
NHS England and devolved administration of Scotland and Wales	EUR m 158.7	120.8	0.0
Norway public sector hospital pharmacies	EUR m 43.2	0.0	0.0
Swedish healthcare service	EUR m 5.0	5.1	0.0
<b>Total</b>	<b>EUR m 206.9</b>	<b>125.9</b>	<b>0.0</b>

Factoring activities in England ended in fiscal year 2016. Our Swedish business was sold in February 2016. The remaining 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 2016, Celesio AG and its group companies had met all loan obligations from financing agreements.



## Assets position

As of 31 March 2016, the Celesio Group had total assets of EUR 8,081.8m; an increase of EUR 312.7m compared to 31 March 2015.

The gearing, which expresses the ratio of net debt to equity, deteriorated as of 31 March 2016 to 0.40 compared to 0.35 as of 31 March 2015. This development was mainly driven by an over-proportional increase in net financial debt of EUR 200.9m compared to the equity development.

ASSETS	31/03/2015	31/03/2016
EUR m		
<b>Non-current assets</b>	<b>3,064.9</b>	<b>2,908.7</b>
<b>Current assets</b>	<b>4,704.2</b>	<b>5,173.1</b>
<b>Total assets</b>	<b>7,769.1</b>	<b>8,081.8</b>

Non-current assets decreased by a total of EUR 156.2m to EUR 2,908.7m compared to 31 March 2015. Intangible assets decreased by EUR 322.1m to EUR 1,964.6m, mainly driven by a decrease in goodwill due to the sale of the Norwegian and Swedish activities. Property, plant and equipment decreased by EUR 66.2m to EUR 451.0m, mainly driven by the sale of the Norwegian and Swedish activities and currency effects. Other financial assets increased to EUR 292.0m by EUR 241.5m, mainly driven by prepayments for the acquisitions of UD Sangers and the Sainsbury's Pharmacy Business.

As of 31 March 2016, current assets came to EUR 5,173.1m an increase of EUR 468.9m compared to 31 March 2015.

Inventories decreased by EUR 71.0m to EUR 1,376.7m, mainly due to the sale of the Norwegian and Swedish activities and currency effects. Trade receivables increased by EUR 23.2m to EUR 2,224.7m, mainly impacted by improved revenue development in UK and the termination of the factoring programme. This increase was partially compensated by the decrease due to the sale of the Norwegian and Swedish activities and currency effects. As of 31 March 2016, cash and cash equivalents came to EUR 423.5m compared to EUR 371.6m as of 31 March 2015. This increase of EUR 51.9m was mainly driven by operating business. Other receivables and other assets increased by EUR 532.7m to EUR 772.9m due to a new loan rendered to Celesio Holdings KGaA, Deutschland for the sale of the Norwegian and Swedish activities.

As of 31 March 2016, the Celesio Group reported assets as held for sale of EUR 344.4m. The decrease of EUR 74.4m compared to 31 March 2015 is primarily caused by the remeasurement and fair value adjustment of assets held for sale and currency effects on assets of the Brazilian business planned for disposal.

EQUITY AND LIABILITIES	31/03/2015	31/03/2016
EUR m		
<b>Equity</b>	<b>2,537.4</b>	<b>2,752.5</b>
<b>Liabilities</b>	<b>5,231.7</b>	<b>5,329.3</b>
<b>Non-current liabilities</b>	<b>1,731.1</b>	<b>1,483.7</b>
<b>Current liabilities</b>	<b>3,500.6</b>	<b>3,845.6</b>
<b>Total assets</b>	<b>7,769.1</b>	<b>8,081.8</b>

As of 31 March 2016, we recorded an increase of EUR 215.1m in equity to EUR 2,752.5m compared to 31 March 2015 (EUR 2,537.4m). This development is due to the EUR 165.5m increase in revenue reserves to EUR 1,117.9m, which results from the net profit of the period of EUR 392.9m adversely affected by the profit transfer from Celesio AG to Celesio Holdings Deutschland GmbH & Co KGaA of EUR 127.6m and the sale of the Norwegian and Swedish activities (EUR 101.2m). The revaluation reserves improved by EUR 49.6m to EUR -427.5m as of 31 March 2016 resulting from currency translation effects, the sale of Norway and higher interest rates and consequently leading to actuarial gains on pension liabilities. The equity ratio came to 34.1% on 31 March 2016, a decrease of 1.4 percentage points compared to 31 March 2015.

Non-current liabilities decreased by EUR 247.4m to EUR 1,483.7m. Non-current financial liabilities were down by EUR 80.0m to EUR 1,166.4m as of 31 March 2015. This decrease is primarily driven by reclassifications into current financial liabilities and loan refinancing with McKesson. Pension liabilities decreased by EUR 151.2m to EUR 252.4m mainly driven by the sale of the Norwegian activity and actuarial gains resulting from the interest rate increase described.

Current liabilities came to EUR 3,845.6m as of 31 March 2016 and increased by EUR 345.0m compared to 31 March 2015. Current financial liabilities increased by EUR 332.8m to EUR 355.0m mainly as a result of reclassification of a non-current financial liability. Current tax liabilities increased by EUR 66.2m to EUR 133.1m, mainly due to an increase in UK. The decrease in trade payables of EUR 78.9m to EUR 2,306.1m was primarily influenced by currency and due-date effects.

As of 31 March 2016, the group disclosed total liabilities held for sale of EUR 437.4m compared to EUR 415.8m at 31 March 2015, mainly driven by currency effects on liabilities of the Brazilian business planned for disposal. Net debt increased from EUR 897.0m as of 31 March 2015 to EUR 1,097.9m as of 31 March 2016. The key performance indicator net financial debt/EBITDA (adjusted) increased from 1.68 as of 31 March 2015 to 2.05 as of 31 March 2016.

# Celesio AG financial statements (Holding)

The annual financial statements of Celesio AG reflect the company's activity as a management holding. Celesio AG has shareholdings directly in the primarily operating national companies or indirectly via national holding companies. 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

As per 31 March 2016, the balance sheet total fell by EUR 109.3m to EUR 4,668.1m. The fixed assets increased by EUR 248,1m to EUR 3,037.2m, while the current assets fell by EUR 355.7m to EUR 1,627.7m. The immaterial assets increased by EUR 21.1m to EUR 38.3m, essentially due to the capitalisation of self developed assets in course of the ERP-software project. The increase in the fixed assets resulted primarily from a capital increase into one subsidiary and the loans to subsidiaries, partially offset by the sale of the shareholding in Norsk Medisinaldepot, Norway. Furthermore the financial assets impairment testing ends with a write down of EUR 244.1m and an write up of EUR 41.9m. Current assets decline mainly results from the conversion of a loan receivable to equity of the French subsidiary and repayments of loans by a UK subsidiary. This is partially offset by the new loan to the shareholder regarding the sale of Norsk Medisinaldepot Norway investment of EUR 511.9m. The equity of Celesio AG in the amount of EUR 3,125.5m remained unchanged compared to the previous year. Due to the domination and profit and loss transfer agreement of 22 May 2014, the net income of EUR 127.5m is paid to Celesio Deutschland Holdings GmbH & Co. KGaA (formerly McKesson Deutschland GmbH & Co. KGaA). The equity ratio increased slightly by 1.6 percentage points to 66.9% (previous year 65.3%).

## Financial position

The financial strategy is based on the principles of safeguarding liquidity, guaranteeing entrepreneurial freedom and minimising financing costs. Please refer also to the chapter financing strategy and financial management of the Group.

The liabilities in the amount of EUR 1,454.3m include 1.3% to other business partners, 15.2% to the majority shareholder and 83.5% to affiliated companies. The company is able to demonstrate extensive coverage of the liabilities subject to interest and of the binding assets (net debt). Even when taking the loan from the shareholder into account, the gearing amounts to just -0.02 (previous year 0.08).

## Operating results

The net income of the fiscal year 2016 is EUR 0.0m (previous year EUR 0.0m). Due to the domination and profit and loss transfer agreement of 22 May 2014, the net income of EUR 127.5m (EUR 7.9m previous incomplete business year 01 January 2015 until 31 March 2015) is paid in full to Celesio Deutschland Holdings GmbH & Co. KGaA (formerly McKesson Deutschland GmbH & Co. KGaA).

The earnings before tax are mainly driven by the gain on sale of subsidiary Norsk Medisinaldepot, Norway, to McKesson Holdings Norway AS, the earnings from shareholdings, the interest result and the income from cost allocations to subsidiaries. Furthermore the previous year includes only an incomplete business year of 3 months.

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. These earnings fell compared to the previous year by EUR 261.4m to EUR -212.6m due to higher impairments on subsidiaries. The other income increased by EUR 463.0m compared to the previous year. The income was mainly due to divestment income from holdings, exchange-rate gains, income from management-fee allocations and IT services, and also to the reversal of provisions.

The net expenses for the executive management holding consist primarily of personnel costs in the amount of EUR 57.4m (previous year EUR 11.5m), amortization of intangible assets and depreciation of property, plant and equipment in

the amount of EUR 10.6m (previous year EUR 1.6m) and other operational expenses in the amount of EUR 208,2m (previous year EUR 103.9m). The operational expenses consist essentially of exchange-rate losses, costs for IT services, consulting and personnel services from group companies.

A domination and profit and loss transfer agreement (DPTA) has been in place since 2 December 2014 between the company and majority shareholder Celesio Deutschland Holdings GmbH & Co. KGaA (formerly McKesson Deutschland GmbH & Co. KGaA), a wholly owned indirect subsidiary of the McKesson Corporation, which has its head office in San Francisco, California, USA. In accordance with § 4 (2) and (3) of the DPTA, Celesio Deutschland Holdings GmbH & Co. KGaA guarantees the external shareholders a compensation of EUR 0.83 per share for the retention of the contract and so far also for fiscal year 2016. Celesio Deutschland Holdings GmbH & Co. KGaA has declared to the company its willingness to pay this compensation in full to the external shareholders.

## Forecast

The business development and earnings of Celesio AG as a management holding are closely linked to the performance of the Celesio Group. The earnings of Celesio AG for the fiscal year 2017 will therefore also depend primarily on the profit distributions from foreign subsidiaries, profits transferred from investments in Germany and the result of the financing function. We anticipate due to restructuring activities a net operating result (without impacts from disposals) for the executive management holding (before any profit and loss transfer or any loss compensation) that is slightly higher than the figure for the comparable period in the previous year (gain prior year EUR 57.9m). This does not take into account the expected improvement in the investment result due to non-expected impairments on holdings like in fiscal 2016 within the group. We expect that the equity will remain unchanged due to the valid domination and profit and loss transfer agreement.

## 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			Full-time equivalents			Employees	
	annual average	31/03/2016		reporting date	31/03/2016		reporting date	31/03/2016
Continuing operations								
Consumer Solutions	15,232	15,210	15,220	13,671	22,420	20,155		
Continuing operations								
Pharmacy Solutions	9,562	9,565	9,573	9,383	11,607	11,410		
Group holding	331	331	325	350	366	374		
Discontinued operations	3,656	3,395	3,677	3,311	4,011	3,671		
<b>Continuing and discontinued operations</b>	<b>28,781</b>	<b>28,502</b>	<b>28,795</b>	<b>26,715</b>	<b>38,404</b>	<b>35,610</b>		

## Employee figures

As of 31 March 2016, 26,715 full-time equivalents (FTEs) worked for Celesio. The decrease of 7.2% against 31 March 2015 results from the sale of our Norwegian and Swedish businesses. Adjusted for the FTEs in Norway and Sweden, the figure slightly increased by 0.6% from the end of short fiscal year 2015 to 31 March 2016.

A total of 13,671 FTEs were employed in the Consumer Solutions division (continued operations) at the end of fiscal year 2016, an increase of 3.7% compared to 31 March 2015 when adjusting for Norway and Sweden. At 58.4% this division accounted again for the largest share of FTEs in the group.

The Pharmacy Solutions division (continued operations) had 9,383 employees as of fiscal year-end, a slight increase of 0.2% when adjusting for Norway. There were 350 employees working at group level as of 31 March 2016 (31 March 2015: 325 employees). With 92.5% (31 March 2015: 93.1%) of our employees working outside of Germany, we are one of the most international German groups.

## 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 and our subsidiaries, our personnel management creates an active, international HR network to promote the transfer of knowledge. In this way, we can ensure that we use the know-how available in the group in an efficient and targeted manner so as to benefit the company. In doing so, we rely on the utmost transparency and clarity.

Across the Celesio Group, employees are the most valuable resource. Nurturing and developing key talent and high-potential individuals is one of our top priorities and forms the basis for successfully filling key positions, in Germany and abroad. The “Annual Contribution Dialogue”, our newly developed annual employee review, ensures a transparent culture of feedback and performance. The meeting is also used to plan the professional development of each individual member of staff. The joint shaping of performance management within the Celesio Group is based on Celesio's five priorities and the common ICARE values. With our “talent talks” and annual discussions with the management, we identify key roles and high performers at the organisation in a systematic manner. The resulting “nomination dialogues”, which validate our employees’ potential and set out appropriate professional development steps, guarantee employee retention and motivation over the long term.

In addition to personalised measures, our newly revised international professional development programmes START, GROW, DRIVE and EXPERT offer the ideal opportunity to foster talent and further expand our global talent pool.

While START, GROW and DRIVE are general management programmes for managers at varying levels, EXPERT – our most recently developed programme – supports the organisation's experts to grow in their specialist role and helps equip them for the requirements of an increasingly complex international world of work.

Although they are aimed at different target groups, all four programmes have the following in common: they give employees a variety of tools to help them master complex tasks and so grow by tackling new challenges. The aim is to develop a shared understanding of the management culture at Celesio that is based on Celesio's vision, mission and values.



Collaboration between departments and countries increases efficiency, builds up common understanding for continuous growth and thus guarantees Celesio's business success for the long term.

The Leadership Enhancement Programme (LEP) has proven to be an effective instrument for strengthening international cooperation: The programme was developed and realized with a strong partner in the field of manager development. The programme is initially aimed at technical and personnel managers in the OneIT organisation and covers the particular challenges that arise in the context of a cooperation and target achievement in a matrix organisation.

Change Leadership has been set up as a company-wide function last year. The aim of Change Leadership is to support major and international change processes in the company and to promote their success by nurturing a broad acceptance for the change. An essential component of this is the promotion of cooperation across national boundaries by ensuring that all the teams involved follow the same methods and processes and are supported in this by a network of so-called "Change Agents".

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 on various degree courses. 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.

## **Corporate governance declaration in accordance with Sec. 289a, para. 4 of the Handelsgesetzbuch (HGB, German Commercial Code) – targets for the proportion of positions held by women**

In accordance with Sec. 111, para. 5, clauses 1 and 3 of the Aktiengesetz (AktG, German Stock Corporations Act), the Supervisory Board of Celesio AG has determined a target range for the proportion of women in the management board and the supervisory board that equates to a quota not smaller than the current quota and with a maximum target of 50%. For the supervisory board this means a target range of between 25% and 50%, and for the management board the range is between 0% and 50%.

In accordance with Sec. 76, para. 4, clauses 1 and 3 of the AktG, for the first time the Management Board of Celesio AG has furthermore set the target figure for the proportion of women in the first management level below the management board to 27%, and has set a target of 30% for the next level down.

In accordance with Sec. 25, para. 1 of the Einführungsgesetz zum Aktiengesetz (EgAktG, Introductory Act of the Stock Corporation Act), the date by which these target figures are to be attained has been set as 30 June 2017.

## 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 fiscal year 2016, 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 517.6m.

During fiscal year 2016, we recorded several positive influences on gross profit and the gross profit margin in both segments. Overall the gross profit margin slightly increased to 10.9%.

Additional non-recurring effects occurred due to legal and other consultancy expenses in connection with the integration into McKesson Corporation and of newly acquired entities, which were largely offset by earnings derived from the sale of our Norwegian and Swedish business.

Overall the EBIT adjusted development met our expectations. The Consumer Solutions division recorded, as expected, only a slight decrease in EBIT adjusted when excluding the one-off pension gain in Norway in fiscal year 2014. This decrease was fully offset by the development in the Pharmacy Solution division, which recorded an increase in the adjusted EBIT in fiscal year 2016.

Better as originally foreseen, we managed to reduce the adjusted tax rate significantly further, also due to a change of the EBIT contribution mix from the countries and non-recurring benefits from tax rate changes in multiple jurisdictions.

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 cash flow from operating activities saw an increase in fiscal year 2016 compared to 2014. However due to high investment cash flows we generated a negative free cash flow.

Due to the increase in net profit in fiscal year 2016 for continued operations, we consider the economic situation of the Celesio Group to be positive.

# 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 have therefore set up a comprehensive opportunity 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

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.

## 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 operations. 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. This has created some excellent opportunities and considerable long-term growth potential for Celesio, primarily thanks to the pooling of purchasing activities and the 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 by adjusting remuneration structures to cut spending as seen for example in the UK, Austria, Ireland and France. 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 → page 17).

Moreover, Celesio is party to contracts with public institutions such as national health services and subject to regulation and regulatory decisions and changes to existing regulation. Failure to comply with any such contract terms or regulation could lead to litigation, fines, sanctions, increased cost of compliance (in order, amongst other things, to change operation practices) as well as reputational damage.

#### 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:

- **Tougher competition**

The pharmaceutical wholesale business is experiencing high levels of competition. Besides attempts from traditional logistics firms to encroach on the pharmaceutical distribution business, our competitors' activities can also have

a negative effect on our earnings. We aim to reduce and offset potential effects through cost reduction and efficiency optimisation programmes. Further countermeasures include fostering customer loyalty by improving services and customer loyalty programmes.

- **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 the so called reduced-wholesale model 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 represented 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.

- **Patent expiry**

A number of patents for top-selling original products are approaching expiry imminently and over the next few years. 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. This situation represents a significant risk; however, it can to a large extent be controlled and offset by carrying out comprehensive monitoring of the patents expiring internationally and implementing appropriate countermeasures.

### **Corporate strategy risks and opportunities**

The optimisation of the portfolio, through purchases or sales, is associated with both opportunities and risks. Acquisition and investment plans are therefore checked as part of a due diligence process and are analysed with regard to return and risk factors by the departments Group M&A and (where necessary) Corporate Development. 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. This is the case, for example, for the acquisitions already closed as well as announced in Ireland, Belgium and the UK.

Strategic decisions that lead to a sale of a business unit could pose additional risks in relation to legal factors in connection with or following the sale of a business unit, translation risks due to potential exchange rate differences in items influenced by exchange rates on the statement of financial position of the business unit to be sold, as well as risks in relation to the sale price to be redeemed for the business unit to be sold.

### Operating business risks

There are a number of special risks relating to the safety and the consistently high quality of pharmaceuticals supply in all countries where operations are taking place:

- **Interruption of operating business**

Our operating processes, especially transport, storage and dispensing, demand a mature infrastructure and are also highly dependent on IT. As even short-term outages at peak times can already have a negative effect on operations, the interruption of operating business poses a risk of a high level of loss, but with a low likelihood of occurrence. Measures to safeguard operating business, such as division emergency plans, which ensure that services can be supplied to clients in the event of unforeseeable events. Insurance policies are also in place that will help in the event of 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 Falsified Medicines Directive (2011/62/EU), or the guideline on Good Distribution Practice of medicinal products for human use (2013/C 343/01) further increased requirements.

We face the Falsified Medicines Directive with a comprehensive package of measures and ensure that all requirements of the Directive and its Delegated Regulations are implemented to reduce risks such as those associated with the



trading of falsified medicines and its threat to public health and safety. Therefore, the risk is deemed to be low due to the large number of measures in place and to be implemented.

The Good Distribution Practice guideline focuses on the maintenance of the quality and the integrity of medicinal products during the entire supply chain, for example it refers to 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 minimise this risk with a comprehensive quality management system and through a range of preventive measures such as round-the-clock temperature monitoring at warehouses and in insulated transport containers as well as through investment in infrastructure.

- **Dispensing errors**

Dispensing the wrong medicines is an inherent risk at pharmacies. This risk is characterised by a low likelihood of occurrence thanks to the detailed process definitions for our pharmacists and pharmaceutical technicians and thanks to the regular training they receive. On the other hand, if this risk does materialise there can be a high level of potential loss, for example due to a loss of reputation.

## **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.

### Translation risks

Fluctuating exchange rates lead to changes in the values of items on the statement of financial position and in the income statement where these items are not originally in euros. As in previous years, this represents a significant currency risk especially in British Pound given the importance of British activities for Celesio.

### Risk of default on receivables

Celesio's business activities primarily comprise the supply of goods and rendering of services on the basis of invoices. 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. 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.

### 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. Over the past fiscal year, Celesio has agreed a committed credit line with Celesio Holdings Deutschland GmbH & Co. KGaA. Existing credit lines with banks could therefore be reduced.

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

### Interest rate risks

The price payable on the financial markets for floating-rate liabilities changes regularly. The high share of fixed-interest financial liabilities means the risk of changes in the interest rate is low.

### Counterparty risks from derivatives

We reduce the counterparty risk from derivatives entered into with banks by applying strict regulations regarding the quality requirements of our trading partners. 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

Our business relies on the secure electronic transmission, storage, and hosting of sensitive information, including protected health information, financial information and other sensitive information relating to our customers, company and workforce.

We routinely process, store and transmit large amounts of data in our operations, including sensitive personal information, protected health information, financial information, and confidential information relating to our business or third parties. Some of the data that we process, store and transmit may travel outside of Europe. Additionally, we outsource some important IT functions to external service providers.

Despite our implementation of a variety of security measures, our and our customers' computer systems could be subject to cyberattacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other global companies, we and our customers have experienced threats to data and systems, including malware and ransomware attacks, unauthorized access, system failures, and disruptions.

A failure or compromise of our or our customers' computer systems may jeopardize the confidential, proprietary, and sensitive information processed, stored, and transmitted through such computer systems. Such an event may result in significant damage to our reputation, financial losses, litigation, increased costs, regulatory penalties, customer attrition, brand impairment, or other business harm. These risks may increase in the future as we continue to expand our internet and mobile strategies and to build an integrated digital enterprise.

## Personnel risks

Celesio's competent and committed employees are a key factor in the group's success. Further success factors include the effective controls in place and the deployment of human resources at our international locations. These are designed to keep the efficiency of our operations at a consistently high level and to prevent negative effects on results. 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 expertise. Systematic succession planning is in place to minimise this risk.

## Legal risks and tax risks

In principle, legal and tax risks are inherent to all operations, and Celesio is no exception. At present, the Celesio Group is involved in (especially tax-related) legal proceedings that could have a significant impact on our results of operations, financial position and assets position.

The decision of the Slovenian antitrust authority in relation to the violation of Slovenian antitrust law by our wholesale subsidiary, Kemofarmacija, is final and binding. The proceedings in relation to the alleged violation of European antitrust law have been abandoned. The regulatory offence procedure is still ongoing.

As regards the Slovenian privatisation process, the court of the second instance essentially confirmed the judgement of the court of first instance in favour of Kemofarmacija and referred the remainder back to the lower court; the opposing party has launched an appeal. Overall, we assess the risk in Slovenia as quite low.

There is a general risk that future changes in the tax law landscape could impact our operations and earnings.

Our Brazilian operations which are classified as discontinued operations are particularly exposed to tax risks, mainly in connection with the usage of VAT concessions, where the law is complex and there are varying interpretations. In particular we received a tax assessment in 2014 currently valued at EUR 130m regarding the mutual recognition of VAT concessions. We are contesting this assessment but an unfavorable outcome is possible. Certain of the tax exposures in Brazil will transfer to the purchaser if the recently concluded sale of our Brazilian operations closes. We have counterclaims against the seller for certain of the tax exposures which relate to the period before our acquisition of the Brazilian operations.

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

## 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.

As compared with the previous year, the likelihood of occurrence of certain specific risks has increased. These primarily relate to regulatory risks in relation to state healthcare systems as well as IT risks. On the other hand, opportunities have been created for the future through the integration into the McKesson Group and the future synergies to be achieved from joint purchasing activities. All in all, we believe that the overall level of risk for the operating activities remains unchanged.

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 1 April 2016 Celesio AG acquired MDD Pharma, a pharmacy in Belgium, which focuses on the supply of individual medication preparations to nursing homes. With the acquisition Celesio expands its business to other B2B segments and becomes one of the leading suppliers of elderly /nursing homes in Belgium.

On 11 April 2016 Celesio AG announced an agreement to purchase Grupo Holon, a major Portuguese branded network of independent pharmacies. This acquisition will help Celesio to expand its expertise and capabilities within the retail pharmacy market. Holon Group cooperates with nearly 380 independent pharmacies in Portugal. With about 80 employees the group offers to pharmacies a wide range of professional pharmaceutical services, marketing, training concepts and valuable buying conditions. The deal will be most likely completed by end of May 2016.

## Outlook

### Overall economic prospects

Development of the global economy is expected to continue to gather pace in 2016 and 2017. However, the combination of low oil prices and an overall economic uncertainty keeps the cyclical dynamic quite low. The IfW ["Institut für Weltwirtschaft der Universität Kiel": Kiel Institute for the World Economy] assumes the following for the next years:

Based on a continuing expansive monetary policy, inflation within the euro zone is expected to be 0.2% in 2016 and to rise to 1.3% in 2017. Experts at the IfW expect the euro zone to witness an increase in GDP of 1.5% in 2016 and 1.9% in 2017.

The positive economic development in the United Kingdom is expected to continue, the experts at the IfW await GDP to increase by 2.0% in 2016 and by 2.3% in 2017. As in the past years France will most likely participate in this development to a lesser extent. GDP there is forecasted to grow only by 1.2% in 2016 and 1.4% in 2017.

For Germany the IfW expects a similar growth rate in GDP as in the United Kingdom, 1.9% in 2016 and 2.4% in 2017.

The Mediterranean countries, which are still in a state of a crisis, will witness a lower growth in GDP as the other European countries. For Portugal the IfW forecasts a growth in GDP of 0.9% in 2016 and 1.4% in 2017.

## **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 6.0% in the global pharmaceutical markets until 2019. This development will mainly be the result of the mainly double-digit growth in India and Africa, driven by steady population growth and a rise in the quality of and improved access to healthcare systems. For the European markets in which Celesio has own or manages McKesson's operations, IMS Health forecasts an average annual growth of 3.4% until 2020.

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 continuously in the coming years to around 9.3% in 2020 and 16% in 2050. In the European Union this level is already reached today, in 2014 18.8% of the population were 65 years old or older and in 2050 this figures will rise to 30%. We will also see a quite significant increase in the percentage of the over 80s in the population in the world as well as in EU. The global percentage will increase from currently 1.7% to 4.4% in 2050. In the EU this increase will be even more significant. It is expected that the figure will increase from currently 5.2% to 11.7% in 2050. In absolute figures, this means that the figure of 125 million for people who currently belong to the 80+ age group worldwide will have increased to 428 million by 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 2015 there were 415 million adults suffering from diabetes worldwide (approx. 8.8% of the population). This figure will have risen to 642 million worldwide by 2040. In Europe alone, the number of sufferers will have increased from 59.8 million at present to 71.1 million (approx. 10.7% of the population) by 2040.

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. In addition new and innovative products and yet-to-launch products will also be one of the key drivers in the coming years, especially in North America but also in EU.

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.



## Outlook for divisions

### Consumer Solutions

We expect revenue and earnings to be significantly lower in fiscal year 2017 than in fiscal year 2016 in the Consumer Solutions division for continued operations. However, this decline in revenue is due exclusively to the sale of our Norwegian and Swedish businesses and the devaluation of the British pound versus the Euro. Normalizing for these effects, we expect Consumer Solutions segment revenue growth well above market driven by organic growth and our planned acquisitions of Sainsbury pharmacies and Bupa Homecare business in the UK.

Adjusted earnings in the Consumer Solutions segment will also be on a lower level in fiscal year 2017 than in fiscal 2016. Normalizing for the sale of our Norwegian and Swedish businesses and devaluation of the British pound adjusted earnings will still be on a lower level than 2016 driven by significant government reimbursement cuts in the UK. Outside of the UK, we expect all other countries to deliver a positive earnings development as compared to fiscal year 2016.

### Pharmacy Solutions

For fiscal year 2017 in the Pharmacy Solutions segment, we expect slight revenue growth and significant adjusted earnings growth, when compared to fiscal year 2016.

Higher earnings are primarily the result of expected purchasing synergies from our combined sourcing efforts with McKesson and efficiency measures in our distribution operations. Moreover, we expect positive earnings development in all of our key Pharmacy Solutions segment markets.

## 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 a slight unfavourable development in the British Pound exchange rates along with otherwise stable exchange and interest rates, when compared to fiscal year 2016.

### Investments and capital expenditures

The continuing expansion of our European pharmacy network will lead to significant investments in pharmacy refurbishments in fiscal 2017. We will also continue to standardise our software landscape, which will cause IT investments to further increase in fiscal 2017. Finally, we will also continue to invest in supply chain efficiency throughout our distribution network. Investments are nearly equally allocated to both divisions.

### Depreciation, amortisation and impairment

We expect depreciation and amortisation to increase slightly in fiscal 2017.

### Financial result

With regard to the financial result, we expect interest expenses in fiscal year 2017 to be higher than in fiscal year 2016, driven by the replacement of short term financing with long term financing received by McKesson.

### 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 remain stable or slightly increase compared to fiscal year 2016 due to non-recurring favourable tax rate changes in fiscal year 2016 and the potential changes in the earnings mix.

## Employees

The headcount will slightly increase in fiscal year 2017.

## Other non-financial items

In fiscal year 2017, we do not expect any significant change in the number of warehouses operated. Due to the already announced acquisition of Sainsbury's pharmacy business in the UK, we expect that the number of pharmacies will be higher at the end of fiscal year 2017 compared to the end of fiscal year 2016. Moreover, gradual portfolio optimisation will be continued in fiscal year 2017

## Revenue and earnings forecast

The European market continues to be an environment of opportunity for Celesio. Despite continued pressure from governments to contain the rising costs of healthcare, our industry is expected to outpace GDP growth in our core markets. Celesio will benefit from this market growth. We will differentiate ourselves from competition through focus on our key fiscal 2017 priorities. First, we will constantly improve by driving operational excellence. Second, we will invest in business solutions that expand our value proposition to our customers and patients. Third, we will take advantage of the combined scale we generate with our largest shareholder, McKesson, to optimize our purchasing power across the globe. Finally, we will continue to look for ways to invest our capital in geographies and channels that extend our reach in the European healthcare market.

In fiscal year 2017, our consolidated revenue and earnings will be burdened by the disposal of our Norwegian and Swedish operations and weakening British pound. As a result we expect for continued operations revenue slightly below fiscal 2016 and adjusted EBIT considerably below fiscal 2016. On a constant currency basis and excluding disposals, we expect revenue and adjusted earnings growth slightly above market and considerably above fiscal year 2016.

Finally, regarding our discontinued operations, upon the disposal expected within the next months of the Brazilian operations, the foreign currency translation reserves, with a current aggregate loss of EUR -132.0m as of 31 March 2016, will be recorded as a discontinued operation expense through profit and loss, once the sale transaction is closed.



**Consolidated  
financial  
statements  
Celesio AG  
2016**

# Group income statement for fiscal 2016

EUR M	Notes No.	Short Fiscal Year 2015	2016
<b>Revenue</b>	1	5,269.1	21,414.2
Cost of materials		-4,696.8	-19,074.1
<b>Gross profit</b>		572.3	2,340.1
Other operating income	2	41.8	440.9
Other operating expenses	3	-204.8	-786.6
Personnel expenses	4	-314.4	-1,261.6
<b>EBITDA</b>		94.9	732.8
Depreciation on intangible assets held as non-current assets and on property, plant and equipment	5	-26.5	-110.1
Impairment losses recorded on intangible assets and property, plant and equipment	5	-6.2	-1.2
<b>EBIT</b>		62.2	621.5
Result from associates accounted for using the equity method	6	15.2	14.7
Result from other investments	6	-0.1	1.0
Interest expense	7	-17.5	-61.2
Interest income	7	1.8	5.1
Other financial result	7	-7.1	-7.5
<b>Profit before tax from continuing operations</b>		54.5	573.6
Income taxes	8	-21.5	-82.5
<b>Net profit/loss from continuing operations</b>		33.0	491.1
<b>Net profit/loss from discontinued operations</b>	16	-255.3	-94.3
<b>Profit / Loss</b>		-222.3	396.8
Of which attributable to non-controlling interests		0.8	3.9
<b>Of which attributable to shareholders of Celesio AG</b>		-223.1	392.9
<b>Profit transfer</b>		7.9	127.6
<b>Earnings per share – undiluted</b>		EUR	EUR
Net profit/loss from continuing operations	9	0.16	2.40
Net profit/loss from discontinued operations		-1.26	-0.47
Profit / Loss		-1.10	1.93
<b>Earnings per share – diluted</b>		EUR	EUR
Net profit/loss from continuing operations	9	0.16	2.40
Net profit/loss from discontinued operations		-1.26	-0.47
Profit / Loss		-1.10	1.93

# Group statement of comprehensive income for fiscal 2016

EUR M

	Short Fiscal Year 2015	2016
<b>Net profit/loss for the period</b>	<b>-222.3</b>	<b>396.8</b>
<b>Items that will not be recycled through profit or loss</b>	<b>-12.6</b>	<b>39.1</b>
Revaluation of defined benefit pension plans	-12.6	39.1
Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method	0.0	0.0
<b>Items, that are recycled through profit or loss</b>	<b>18.7</b>	<b>-90.8</b>
Unrealised gains/losses from the current year	0.0	0.3
Gains/losses recycled through profit or loss	0.0	0.0
Unrealised gains/losses from the market valuation of financial assets available-for-sale	0.0	0.3
Unrealised gains/losses from the current year	0.0	0.0
Gains/losses recycled through profit or loss	0.0	0.0
Unrealised gains from derivative financial instruments used to hedge cash flows	0.0	0.0
Foreign currency translation posted directly to other comprehensive income	18.7	-135.7
Release to profit or loss due to loss of control	0.0	44.6
Exchange differences	18.7	-91.1
<b>Other comprehensive income after tax</b>	<b>6.1</b>	<b>-51.7</b>
From continuing operations	20.8	-45.0
Of which attributable to non-controlling interests	0.0	0.0
Of which attributable to shareholders of Celesio AG	20.8	-45.0
From discontinued operations	-14.7	-6.7
Of which attributable to non-controlling interests	0.0	-0.1
<b>Comprehensive income</b>	<b>-216.2</b>	<b>345.1</b>
From continuing operations	53.8	446.1
Of which attributable to non-controlling interests	0.8	3.9
Of which attributable to shareholders of Celesio AG	53.0	442.2
From discontinued operations	-270.0	-101.0

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 2016

ASSETS	Notes No.	31/03/2015	31/03/2016
EUR m			
<b>Non-current assets</b>		<b>3,064.9</b>	<b>2,908.7</b>
Intangible assets	11	2,286.7	1,964.6
Property, plant and equipment	12	517.2	451.0
At equity investments	13	150.4	153.5
Other financial assets	13	50.5	292.0
Other non-current assets		2.0	13.1
Income tax receivables		1.5	1.1
Deferred tax assets	14	56.6	33.4
<b>Current assets</b>		<b>4,704.2</b>	<b>5,173.1</b>
Inventories	15	1,447.7	1,376.7
Trade receivables	17	2,201.5	2,224.7
Income tax receivables		24.4	30.9
Other receivables and other assets	17	240.2	772.9
Cash and cash equivalents	18	371.6	423.5
Assets held for sale	16	418.8	344.4
<b>Total assets</b>		<b>7,769.1</b>	<b>8,081.8</b>



## EQUITY AND LIABILITIES

Notes  
No. 31/03/2015 31/03/2016

EUR m

<b>Equity</b>	<b>19</b>	<b>2,537.4</b>	<b>2,752.5</b>
Issued capital		260.1	260.1
Capital reserves		1,783.2	1,783.2
Revenue reserves		952.4	1,117.9
Revaluation reserves		-477.1	-427.5
<b>Stake of the shareholders of Celesio AG</b>		<b>2,518.6</b>	<b>2,733.7</b>
Non-controlling interests		18.8	18.8
<b>Liabilities</b>		<b>5,231.7</b>	<b>5,329.3</b>
<b>Non-current liabilities</b>		<b>1,731.1</b>	<b>1,483.7</b>
Financial liabilities	23	1,246.4	1,166.4
Pension provisions	20	403.6	252.4
Other non-current provisions	21	44.0	40.0
Other liabilities	22	6.2	6.1
Deferred tax liabilities	14	30.9	18.8
<b>Current liabilities</b>		<b>3,500.6</b>	<b>3,845.6</b>
Financial liabilities	23	22.2	355.0
Trade payables	24	2,385.0	2,306.1
Other current provisions	21	109.9	101.4
Income tax liabilities		66.9	133.1
Other liabilities	24	500.8	512.6
Liabilities held for sale	16	415.8	437.4
<b>Total assets</b>		<b>7,769.1</b>	<b>8,081.8</b>

# Group statement of cash flows for fiscal 2016

EUR M	short fiscal 2015	Fiscal 2016
<b>Net profit/loss from continuing operations</b>	<b>33.0</b>	<b>491.1</b>
Amortisation, depreciation and impairment of non-current intangible and property, plant and equipment	32.7	111.3
Result from associates accounted for using the equity method and other equity investments	-15.1	-15.7
Dividends received	1.3	10.6
Financial result	22.8	63.6
Net result from the disposal of non-current assets and subsidiaries	-0.2	-234.0
Impairment losses on items classified as operating assets	5.9	17.4
Deferred taxes and income tax	21.5	82.5
Income taxes paid	-38.8	-21.3
Other non-cash income and expenses	13.3	13.4
Change in net operating assets	-113.0	-156.1
<i>Change in inventories</i>	46.3	-98.9
<i>Change in trade receivables</i>	-143.8	-164.5
<i>Change in trade payables</i>	42.3	150.8
<i>Change in other net operating assets</i>	-57.8	-43.5
Change in other assets and liabilities	-13.2	-40.9
<i>Change in other assets</i>	40.8	-21.4
<i>Change in other liabilities</i>	-54.0	-19.6
<b>Net cash flow from operating activities - continuing activities</b>	<b>-49.8</b>	<b>321.8</b>
<b>Net cash flow from operating activities - discontinued operations</b>	<b>-21.3</b>	<b>-21.3</b>
<b>Net cash flow from operating activities - continuing and discontinued operations</b>	<b>-71.1</b>	<b>300.5</b>
Proceeds from the disposal of non-current assets	7.9	10.9
Capital expenditure on non-current assets	-33.2	-161.5
Proceeds from the disposal of subsidiaries	0.1	0.0
Cash paid for business combinations	-4.7	-261.4

EUR M

short fiscal  
2015

Fiscal 2016

<b>Net cash flow from investing activities - continuing operations</b>	<b>-29.9</b>	<b>-411.9</b>
<b>Net cash flow from investing activities - discontinued operations</b>	<b>-1.7</b>	<b>-8.1</b>
<b>Net cash flow from investing activities - continuing and discontinued operations</b>	<b>-31.6</b>	<b>-420.0</b>
Payments made to shareholders (including non-controlling interests)	0.0	-10.0
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	-0.9	-0.6
Proceeds from borrowings	300.0	597.6
Repayment of borrowings	-137.9	-338.6
Interest paid	-6.1	-54.5
Interest received	1.7	4.5
Payments for group hedging activities	-58.9	-31.9
<b>Net cash flow from financing activities - continuing activities</b>	<b>97.9</b>	<b>166.5</b>
<b>Net cash flow from financing activities - discontinued operations</b>	<b>33.0</b>	<b>27.0</b>
<b>Net cash flow from financing activities - continuing and discontinued operations</b>	<b>130.9</b>	<b>193.5</b>
<b>Net change in cash and cash equivalents</b>	<b>28.2</b>	<b>74.0</b>
Non-cash change in cash and equivalents	13.9	-19.2
Cash and cash equivalents at the beginning of the period	335.8	371.6
<b>Cash and cash equivalents at the end of the period</b>	<b>377.9</b>	<b>426.6</b>
Cash and cash equivalents of discontinued operations and disposal groups at the end of the period	6.3	3.1
<b>Cash and cash equivalents at the end of the period (according to the group statement of financial position)</b>	<b>371.6</b>	<b>423.5</b>

# Group statement of changes in equity for fiscal 2016

	Issued capital <sup>1</sup>	Number of shares (in units)	Capital reserves	Revenue reserves
EUR m				
<b>As of 01/04/2015</b>	<b>260.1</b>	<b>203,220,932</b>	<b>1,783.2</b>	<b>952.4</b>
Changes in equity	0.0		0.0	0.0
Dividends	0.0		0.0	0.0
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0		0.0	1.4
Changes to the consolidated group	0.0		0.0	-101.2
Other comprehensive income	0.0		0.0	0.0
Net profit/loss for the period	0.0		0.0	392.9
Comprehensive income	0.0		0.0	392.9
Profit transfer	0.0		0.0	-127.6
<b>As of 31/03/2016</b>	<b>260.1</b>	<b>203,220,932</b>	<b>1,783.2</b>	<b>1,117.9</b>
<b>As of 01/01/2015</b>	<b>260.1</b>	<b>203,220,932</b>	<b>1,783.2</b>	<b>1,194.5</b>
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 for the period	0.0		0.0	-223.1
Comprehensive income	0.0		0.0	-223.1
Profit transfer	0.0		0.0	-7.9
<b>As of 31/03/2015</b>	<b>260.1</b>	<b>203,220,932</b>	<b>1,783.2</b>	<b>952.4</b>

1) Of which attributable to discontinued operations and disposal groups EUR 132,0m (previous year EUR 125,4m).





# Notes to the consolidated financial statements Celesio AG 2016

# Group segment reporting by division for fiscal 2016

FISCAL 2016

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	Consoli- dation	Group (continuing operations)	Discontinued operations
	<b>4,138.2</b>	<b>17,276.0</b>	<b>0.0</b>	<b>0.0</b>	<b>21,414.2</b>	<b>1,440.9</b>
	4,138.2	17,276.0	0.0	0.0	21,414.2	1,440.9
	0.0	0.0	0.0	0.0	0.0	0.0
	<b>1,304.8</b>	<b>1,035.3</b>	<b>0.0</b>	<b>0.0</b>	<b>2,340.1</b>	<b>126.4</b>
	426.0	351.4	-44.7	0.1	732.8	-14.4
	190.1	76.0	0.3	0.0	266.4	0.0
	-2.4	-32.7	0.0	0.0	-35.1	0.0
	-59.9	-39.9	-10.3	0.0	-110.1	0.0
	-1.0	-0.2	0.0	0.0	-1.2	0.0
	<b>365.1</b>	<b>311.4</b>	<b>-55.1</b>	<b>0.1</b>	<b>621.5</b>	<b>-14.4</b>
	9.2	5.6	0.0	0.0	14.7	0.0
	<b>1,938.5</b>	<b>1,649.7</b>	<b>384.6</b>	<b>0.2</b>	<b>3,973.0</b>	<b>0.0</b>
	0.4	-4.9	0.0	0.0	-4.5	0.0
	1,443.1	429.1	0.0	0.0	1,872.2	0.0
	92.3	61.2	0.0	0.0	153.5	0.0
	<b>88.6</b>	<b>58.9</b>	<b>29.8</b>	<b>0.0</b>	<b>177.3</b>	<b>7.4</b>
	22,229	11,560	366	0.0	34,155	3,748
	20,155	11,410	374	0.0	31,939	3,671
	15,210	9,565	331	0.0	25,106	3,395
	13,671	9,383	350	0.0	23,403	3,311

For detailed specifications and explanations on the discontinued activities, we refer to the notes under (16).

# Group segment reporting by division for short fiscal 2015

SHORT FISCAL 2015

EUR m \_\_\_\_\_

**Income statement** \_\_\_\_\_

**Revenue** \_\_\_\_\_

External revenue \_\_\_\_\_

Inter-segment revenue \_\_\_\_\_

**Gross profit** \_\_\_\_\_

**EBITDA** <sup>1)</sup> \_\_\_\_\_

    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** <sup>1)</sup> \_\_\_\_\_

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	Consoli- dation	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
	51.3	43.5	0.1	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
	30.4	33.4	-1.6	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	-6.0	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	34,429	3,995
	22,420	11,607	366	0	34,393	4,011
	15,232	9,562	331	0	25,125	3,656
	15,220	9,573	325	0	25,118	3,677

For detailed specifications and explanations on the discontinued activities, we refer to the notes under (16).

# Group segment reporting by country for fiscal 2016

	Germany		France	
EUR m	2015	2016	2015	2016
External revenue	1,105.5	4,502.4	1,573.6	6,182.7
Segment assets	583.7	702.5	269.1	195.4
Of which non-current assets <sup>1)</sup>	99.0	117.4	186.7	188.1

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

United Kingdom		Other countries		Group (continuing operations)		Discontinued operations	
2015	2016	2015	2016	2015	2016	2015	2016
1,482.0	6,320.3	1,108.0	4,408.8	5,269.1	21,414.2	391.3	1,440.9
1,861.6	2,090.5	1,150.4	984.5	3,864.8	3,972.9	0.8	0.0
1,810.4	1,673.2	707.8	437.0	2,803.9	2,415.7	0.8	0.0

Please refer to the notes, → page 187 for further explanations and comments on segment reporting.

## RECONCILIATION OF SEGMENT REVENUE

2015

2016

EUR m

<b>Revenue of the reportable segments</b>	<b>5,269.1</b>	<b>21,414.2</b>
Consolidation	0.0	0.0
<b>Group revenue</b>	<b>5,269.1</b>	<b>21,414.2</b>

## RECONCILIATION OF SEGMENT EARNINGS

2015

2016

EUR m

<b>EBIT</b>	<b>62.2</b>	<b>621.5</b>
Result from associates accounted for using the equity method	15.2	14.7
Result from other investments	-0.1	1.0
Interest expense	-17.5	-61.2
Interest income	1.8	5.1
Other financial result	-7.1	-7.5
<b>Profit before tax from continuing operations</b>	<b>54.5</b>	<b>573.6</b>

## RECONCILIATION OF SEGMENT ASSETS

31.03.2015

31/03/2016

EUR m

<b>Segment assets of the reportable segments</b>	<b>3,864.8</b>	<b>3,973.0</b>
Consolidation	0.0	0.2
<b>Segment assets of the group</b>	<b>3,864.8</b>	<b>3,973.2</b>
+ Interest-bearing other financial assets	46.1	287.4
+ Non-current and current income tax receivables	25.9	32.0
+ Deferred tax assets	56.6	33.4
+ Other assets	6.6	23.1
+ Cash and cash equivalents	371.6	423.5
+ Assets of discontinued operations	418.0	344.4
- Other non-current provisions	44.0	40.0
- Other current provisions	109.9	101.4
- Trade liabilities	2,385.0	2,306.1
- Other liabilities	440.6	517.3
<b>Total net assets</b>	<b>7,769.1</b>	<b>8,081.8</b>

# General disclosures

## 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 fiscal year as of 31 March 2016 for the period from 1 April 2015 to 31 March 2016 – 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 comparable period consists of the short fiscal year 2015 from 1 January to 31 March 2015.

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. Due to the down listing, Celesio AG shares aren't traded at the regular markets in Frankfurt, Berlin, Düsseldorf, Stuttgart and Munich anymore. Celesio AG shares are still listed on the m:access in Munich and the Primary Market in Düsseldorf.

The consolidated financial statements were authorised for issue by the management board on 24 May 2016.

## Basis of consolidation

The consolidated financial statements have been prepared from the separate financial statements of the consolidated group entities as of 31 March 2016. 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 produced.

Subsidiaries over which Celesio AG has either direct or indirect 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 recog-



nised 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. For the first time in this reporting period, Income statement items are translated using the monthly average exchange rates (prior year annual average exchange rates). Prior year figures were not adjusted due to immateriality in accordance with IAS 8.43.

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	31/03/2015	Current exchange rate 31/03/2016	Average exchange rate 2015	2016
United Kingdom	GBP	0.7273	0.7916	0.7428	0.7801
Brazil	BRL	3.4958	4.1174	3.2150	4.1179
Norway <sup>1)</sup>	NOK	8.7035	9.4145	8.7284	9.4298
Denmark	DKK	7.4697	7.4512	7.4501	7.4569
Sweden <sup>1)</sup>	SEK	9.2901	9.2253	9.3783	9.2845

1) The Norwegian and Swedish operations were disposed as of 16 February 2016.

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. Exchange rates differences from net investments in a foreign business operation (IAS 21.15) are recorded in the other comprehensive income. Non-monetary items denominated in foreign currency are recognised at their historical rates in the separate financial statements.

### Retrospective correction of the previous year's statement in accordance with IAS 8

An adjustment in the internal Management Reporting, resulting from methodological changes to the settlement of internal group performance allocations within the segments, led in this reporting period to a shift in the corresponding previous year's values in the EBIT/EBITDA in the segment reporting by business area between Consumer Solutions, Pharmacy Solutions and Others.

The previous year's specification related to a short fiscal year.

### New International Financial Reporting Standards

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have not issued any amendments to existing IFRSs or any new standards and interpretations whose application has been mandatory since 1 April 2015.

The IASB and the IFRIC have issued 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	01.01.2018	No
IFRS 16	Leases	13/01/2016	01/01/2019	No
	Investment Entities: Applying the			
Amendment	Consolidation Exception (IFRS 10, 12; IAS 28)	18/12/2014	01/01/2016	No
Amendment	Disclosure initiative (IAS 1)	18/12/2014	01/01/2016	Yes
	Sales or contributions of assets			
	between an investor and its		— postponed	
Amendment	associate/joint venture (IFRS 10, IAS 28)	11/09/2014	indefinitely	No
Amendment	Equity Method in Separate Financial Statements (IAS	12/08/2014	01/01/2016	Yes
Amendment	Bearer Plants (IAS 16, 41)	30/06/2014	01/01/2016	Yes
	Clarification of Acceptable			
	Methods of Depreciation			
Amendment	and Amortisation (IAS 16, 38)	12/05/2014	01/01/2016	Yes
	Accounting for Acquisitions			
	of Interests in Joint			
Amendment	Operations (IFRS 11)	06/05/2014	01/01/2016	Yes
Amendment	Defined benefit plans (IAS 19)	09.01.2015	01.02.2015	Yes
	Annual improvement to			
Amendment	IFRSs 2010 – 2012 cycle	09.01.2015	01.02.2015	Yes
	Income taxes: deferred tax -			
Amendment	recovery of underlying assets (IAS 12)	19.01.2016	01/01/2017	No
Amendment	Disclosure Initiative (IAS 7)	29.01.2016	01/01/2017	No

From a current perspective, none of the listed new and amended standards will have a material 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, IFRS 16 and IFRS 9 is currently being evaluated. The

group has not availed itself of the option to early adopt the standards and interpretations.

## Accounting and measurement 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. 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 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 Celesio's projected performance to that of the market – and the expectation for long-term growth in the healthcare market in light of demographic and other developments.

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.

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.

The Management Board anticipates a slight decline in sales for the cash-generating unit Pharmacies UK due to essential state interventions. Nevertheless, we expect that this decrease in revenue and income will be compensated by efficiency optimisation and restructuring measures. We expect for the cash-generating unit Pharmacies Ireland a slight increase in revenue and strong operating result improvement, which was highly influenced by governmental measures in fiscal 2016.

The Management Board expects earnings of Wholesale UK to remain on the level of fiscal 2016 for fiscal 2017. We anticipate a slight decline for the development of the French market in fiscal 2017. Nevertheless, we expect for the cash-generating unit Wholesale France revenues in fiscal 2017 to remain on the level as of fiscal 2016 and income to improve slightly, due to efficiency optimisation and restructuring measures.

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 in March of each year. In the previous year, the scheduled impairment test was carried out in March for the first time due to the changeover of the fiscal year. The following overview summarises the parameters used in the impairment test for each division to determine the value in use.

	Goodwill		WACC <sup>1)</sup>		Growth rate after the detailed planning period <sup>1)</sup>	
	31/03/2015 EUR m	31.03.2016 EUR m	2015 %	2016 %	2015 %	2016 %
Consumer Solutions	1,777.6	1,443.1	7.5–11.8	7.4–9.9	1.0	1.0
<i>Thereof Pharmacies</i>						
UK	1,417.3	1,302.4	8.3	7.4	1.0	1.0
<i>Of which Pharmacies</i>						
Norway	212.9	0.0	8.1	-	1.0	-
<i>Of which Pharmacies</i>						
Ireland	63.4	73.3	9.5	7.5	1.0	1.0
<i>Of which other</i>	84.0	67.4	7.5–11.8	9.0–9.9	1.0	1.0
Pharmacy Solutions	442.9	429.1	8.1–11.0	7.2–9.0	1.0	1.0
<i>Of which Wholesale</i>						
United Kingdom	170.1	156.3	8.3	7.2	1.0	1.0
<i>Of which Wholesale</i>						
France	134.2	134.2	9.7	9.0	1.0	1.0
<i>Of which Wholesale</i>						
Austria	122.2	122.2	8.1	8.2	1.0	1.0
<i>Of which other</i>	16.4	16.4	8.8–11.0	8.8–9.0	1.0	1.0

1) Assumptions as of 31/03/2016.

Further scenarios were analysed for the critical calculation parameters to verify the values in use as of 31 March 2016.

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 and the strategic projects currently being implemented.

At the Pharmacy Ireland cash-generating unit, the total cost of capital amounted to 7.5% as at 31 March 2016, while growth rates after the detailed planning period were 1.0%. Furthermore, the Pharmacy Ireland cash-generating unit includes goodwill of EUR 73.3m. Based on the assumptions above, the value in use exceeds the carrying amount of the cash-generating unit by EUR 10.8m. If the average cost of capital were to increase by 0.72%, the carrying amount of the cash-generating unit would correspond to its value in use. A delay in the projected sales revenue would lead to a need to record an impairment loss in the amount of EUR 2.2m. A possible change in the growth rate after the detailed planning phase would not lead to any need to record an impairment loss.

With the exception of the cash-generating unit Pharmacies Ireland no scenario led to an impairment.

**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 has capitalised borrowing costs of EUR 0.4m in fiscal 2016 (Prior year EUR 0.0m).

**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 Celesio's interest 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 amor-

tisation. 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 they are converted into equity. 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 they are essentially explained in the notes. 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 110.

### Valuation of assets held for sale

The entities classified as discontinued operations and disposal groups are measured at fair value less costs to sell. The fair value is determined here based on

purchase contracts and/or provisional purchase bids, as well as conventional models of company valuation (discounted cashflow method).

### Impairment of goodwill

The annual impairment test of goodwill with an indefinite useful life (31 March 2016: EUR 1,872.2 m; previous year EUR 2,220.5m) 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 starting on → page 91.

### Trade receivables and other assets

The allowance for bad debts totalling EUR 106.2m (previous year EUR 106.1m) 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 portfo-

lio 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 arising from defined benefit schemes after the end of the employment relationship and the present benefit obligation of the pension obligation in the amount of EUR 574.4 (previous year: EUR 1.008,5m) 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 2016 came to EUR 18.3m (previous year: EUR 21.5m). 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 demand from the State Tax Authority of Rio de Janeiro for an amount of approx. EUR 80m for the years 2009 to 2013. In the past fiscal year, the State Tax Authority revised their demand to the current figure of about EUR 130m. Panpharma filed a defence against this demand. We disagree with the assessment of the State Tax Authorities and believe that we have strong legal arguments to defend our positions with the support of external lawyers. The chance that Panpharma could lose the legal dispute or that its objection could be rejected is assessed as possible, but not as highly probable. Moreover, with regard to the awarding of the VAT concessions in the past fiscal year, a contingent liability was discovered at Oncoprod in the amount of EUR 24m, whereby again an outflow of resources is considered to be possible, but not highly probable. In both cases, the associated risk is a component of the agreement governing the sale of the Brazil business and is transferred to the purchaser upon conclusion of the sale. Celesio assesses its legal and tax risks at regular intervals, consulting external lawyers where necessary. For more information please refer to the note under (26). The units Panpharma and Oncoprod have been disclosed as held for sale since the previous year. For detailed specifications and explanations, we refer to the notes under (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 110.

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 fiscal 2016.

### Consolidated group

The consolidated group comprises 332 (previous year 339) 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 2016, keine

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
<b>As of 01/04/2015</b>	<b>339</b>
Acquisition of shares	11
Formations/First Consolidation	1
Mergers with other group entities	-5
Disposals	-4
Liquidation	-10
<b>As of 31/03/2016</b>	<b>332</b>
<i>Of which domestic entities</i>	17
<i>Of which foreign entities</i>	315

In fiscal 2016 the Norwegian and Swedish operations were sold.

In the fiscal year 2016, 10 group companies were liquidated (previous year none). 53 (previous year 61) associates were consolidated using the equity method. There were no joint ventures (previous year none).

The complete list of major shareholdings is listed in the notes on page 200.

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

Name	Domicile
AAH Pharmaceuticals Limited	Coventry, Großbritannien
GEHE Pharma Handel GmbH	Stuttgart, Deutschland
Herba Chemosan Apotheker-AG	Wien, Österreich
Lloyds Pharmacy Limited	Coventry, Großbritannien
OCP Portugal, Produtos Farmaceuticos, S.A.	Maia, Portugal
OCP Répartition S.A.	Saint Ouen, Frankreich
Kemofarmacija, veletrgovina za oskrbo zdravstva, d.d., Ljubljana	Ljubljana, Slowenien
Panpharma Distribuidora de Medicamentos Ltda. <sup>1)</sup>	Goiânia, Brasilien
Pharma Belgium S.A.	Brüssel, Belgien
Tjellesen Max Jenne A / S	Rodovre, Dänemark

1) Since previous year, this entity is disclosed as held for sale.

## Business combinations and disposals in fiscal 2016

### Business combinations

In the fiscal year 2016, six retail pharmacies in Ireland, five retail pharmacies in Belgium, two retail pharmacies in Norway and one retail pharmacy each in Sweden and the United Kingdom were acquired 100% in the Consumer Solutions division. 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 2016 overall, which were non-material when considered individually:

EUR m	<b>Total</b>
<b>Consideration transferred</b>	<b>23.2</b>
Purchase price payment	<b>19.2</b>
Purchase price liability	<b>3.5</b>
Contingent consideration	<b>0.5</b>
Shares previously recognised using the equity method	<b>0.0</b>
Revaluation of shares previously recognised using the equity method	<b>0.0</b>
<b>Cash purchase price</b>	<b>18.0</b>
<b>Fair value of assets and liabilities assumed</b>	
<b>Total assets</b>	<b>6.7</b>
Property, plant and equipment	<b>1.0</b>
Deferred tax assets	<b>0.1</b>
Inventories	<b>1.7</b>
Trade receivables	<b>1.6</b>
Cash and cash equivalents	<b>1.2</b>
Other assets	<b>1.1</b>
<b>Total liabilities</b>	<b>4.4</b>
Financial liabilities	<b>1.5</b>
Deferred tax liabilities	<b>0.0</b>
Trade payables	<b>1.7</b>
Other liabilities	<b>1.2</b>
<b>Goodwill</b>	<b>20.9</b>
<b>Non-controlling interests</b>	<b>0.0</b>

Additionally prepayments for the purchase price for the Sainsbury's pharmacy business and for the acquisition of UD Sanger and UD Masta were made.

EUR 0.4m (previous year none) incidental acquisition costs were incurred in the reporting period.

No equity instruments were issued to settle purchase price liabilities.

The fair value of the receivables acquired in the combinations comes to EUR 2.7m and corresponds to the gross amounts of the contractual receivables. This includes trade receivables of EUR 1.6m.

The resulting goodwill essentially reflects the expected future cash flows that will be generated by the business combinations and the expertise of the employees. It is tax deductible up to an amount of EUR 1.2m.

Revenue of EUR 11.9m and a net profit of EUR 0.5m are attributable to the companies acquired in fiscal 2016. If these companies had been acquired at the beginning of the fiscal year, they would have contributed EUR 26.1m to the revenues and EUR 1.1m 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, fell by EUR 0.5m in fiscal year 2015. Access to a new contingent consideration of EUR 0.5m was offset by repayment of existing contingent considerations amounting to EUR 0.5m. Moreover, the contingent considerations were reduced by EUR 0.5m by the sale of the Norwegian wholesale segment and the pharmacy business in Norway and Sweden.

## Disposals

In the fiscal year 2016, the sale of the Norwegian wholesale segment and the pharmacy business in Norway and Sweden to McKesson Norway Holding AS were carried out as part of the integration into the McKesson Group. The table below provides the significant details of the companies disposed in 2016 overall:

EUR m	Pharmacy Solutions Norway	Consumer Solutions Norway	Consumer Solutions Sweden	Total
<b>Consideration received</b>	<b>139.9</b>	<b>290.2</b>	<b>81.5</b>	<b>511.6</b>
<i>Thereof non cash-effective</i>	139.9	290.2	81.5	511.6
 <i>Currency reserve</i>	 -17.8	 -25.5	 -1.3	 -44.6
 Gain/loss on disposal	 58.6	 133.0	 40.9	 232.5
 <b>Total assets</b>	 <b>163.3</b>	 <b>319.5</b>	 <b>63.0</b>	 <b>545.7</b>
<b>Goodwill</b>	<b>0.0</b>	<b>196.5</b>	<b>25.5</b>	<b>222.0</b>
Intangible assets	1.2	2.6	2.6	6.5
Property, plant and equipment	7.7	39.1	11.4	58.2
At equity investments	1.6	0.3	0.0	1.9
Deferred tax assets	4.1	1.9	0.0	6.0
Inventories	38.6	57.3	16.9	112.9
Trade receivables	83.7	3.3	2.7	89.8
Cash and cash equivalents	0.0	8.6	0.8	9.3
Other receivables and other assets	26.4	9.9	3.1	39.1
<hr/>				
<b>Total liabilities</b>	<b>99.8</b>	<b>187.8</b>	<b>23.5</b>	<b>311.1</b>
Financial liabilities	3.9	0.0	0.0	3.9
Pension provisions	20.5	73.6	0.0	94.1
Other provisions	1.0	1.9	1.0	3.9
Income tax liabilities	0.0	3.9	0.0	3.9
Trade payables	66.2	69.1	14.2	149.5
Other liabilities	8.2	39.3	8.3	55.8

## Business combinations and disposals in short fiscal 2015

### Business combinations

The Consumer Solutions division acquired two retail pharmacies in Norway in the course of fiscal 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 2015 overall, which were non-material when considered individually:

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

No incidental acquisition costs were recognised in other expenses.

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 acquisitions 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 were attributable in the previous year period to the companies acquired in fiscal 2015. If these companies had been acquired at the beginning of the comparative period, they would have contributed EUR 1.4m to the revenues of the group. The contribution to the group's net profit would have been EUR 0.0m.

### Change in contingent consideration

The contingent consideration recognized 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.

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

In the 2016 fiscal year insignificant additional share purchases were made in Pharmacy Solutions in Austria and in the Others segment in France. The associated impact on revenue reserves was likewise immaterial (EUR 1.3m).

No additional stakes were acquired in the fiscal year 2015.

# Notes to the group income statement

## Non-recurring expenses in the consolidated income statement

Non-recurring effects amounting to EUR 194.9m improved earnings from operating activities in fiscal year 2016. Such effects included income of EUR 232.5m from the sale of the Norwegian and Swedish subsidiaries. The positive effects were offset by EUR 14.1m in legal and other consultancy expenses incurred in connection with the further integration in the McKesson Corporation in particular. An additional EUR 23.6m in expenditure resulted from efficiency enhancement and restructuring measures, especially in the UK, Austria at Celesio AG and Ireland.

In contrast, non-recurring effects amounting to EUR 16.4m weighed on earnings in the short fiscal year 2015. This figure includes EUR 10.4m accounted for mainly by impairment losses taken on outdated software and similar line items, as well as legal and other consultancy expenses associated with the takeover by McKesson Corporation. Further total of EUR 6.0m in expenditure was incurred through unscheduled adjustment of short-term assets and provisions in connection with discontinued operations in accordance with IFRS 5.

## (1) Revenue

A breakdown of revenue by division and country is part of segment reporting. The revenue generated by the group consists of EUR 20,666.4m (previous year EUR 5,119.0m) from sales of merchandise and EUR 747.8m (previous year EUR 150.2m) from services rendered.

## (2) Other income

EUR M	2015	2016
Net gain on the disposal of non-current non-financial assets	0.1	235.3
Income from service offerings for manufacturer	14.6	83.0
Income from service offerings for pharmacists	10.7	37.2
Income from receivables written down and bad debts collected	4.7	13.7
Income from data sales	2.4	10.9
Income from rent and lease agreements	2.3	8.6
Sundry income	7.0	52.2
<b>Total</b>	<b>41.8</b>	<b>440.9</b>

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 the disposal of non-current non-financial assets results primarily of the sale of the Norwegian and Swedish activities.

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.

Sundry income includes own work capitalised from IT projects of EUR 9.1m (previous year 0.9 EUR m). Moreover, this line item includes income of EUR 2.7m from IT (previous year 1.1 EUR m). In addition, income of EUR 3.7m was generated from financial services (previous year 0.9 EUR m). Likewise, sundry income includes EUR 0.8 m (EUR 0.2m) from recognising insurance claims. In addition, income of EUR 1.8m (previous year EUR 0.2m) resulted from marketing services, while a further EUR 5.5m resulted from income generated by affiliates for reimbursed costs.



### (3) Other expenses

EUR M	2015	2016
Building expenses	–54.5	–211.5
Transportation costs	–48.2	–205.2
IT and communication expenses	–42.2	–130.4
Promotion and advertising expenses	–12.5	–55.8
Legal and consulting costs	–8.0	–29.3
Travel expenses	–5.4	–25.1
Valuation allowances for bad debts	–5.9	–17.9
Third-party personnel services	–5.0	–17.0
Net loss on IFRS 5 revaluations and disposal of non-current non-financial assets	–5.9	–1.3
Sundry expenses	–17.2	–93.1
<b>Total</b>	<b>–204.8</b>	<b>–786.6</b>

Building expenses include rent and lease expenses of EUR 121.5m (previous year 31.1 EUR m).

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 7.6m (previous year 3.1 EUR m). Sundry expenses also include expenses for the security of land and buildings of EUR 6.5m (previous year 1.7 EUR m) as well as costs for repairs and maintenance of EUR 8.6m (previous year 1.9 EUR m). The net currency result from operations contains exchange rate gains of EUR 0.2m (previous year –0.1 EUR m) and exchange rate losses of EUR 0.2m (previous year 0.3 EUR m), 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 of EUR 5.1m (previous year 1.3 EUR m) and and

insurance costs of EUR 4.5m (previous year 2.2 EUR m). Non-income related taxes amounting to EUR 5.3m (previous year 1.3 EUR m) are included in sundry expenses. Furthermore, sundry expenses include bank charges of EUR 5.3m (previous year 1.4 EUR m). Expenditure of EUR 4.9m for other rental expenses is also included. In the reporting period, expenses for the development of software of EUR 6.9m (previous year 1.6 EUR m) 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	2015	2016
Wages and salaries	–251.1	–1,000.3
Social security	–39.7	–158.0
Personnel services	–11.2	–51.2
Post-employment expenses	–9.9	–41.6
Other personnel expenses	–2.5	–10.5
<b>Total</b>	<b>–314.4</b>	<b>–1,261.6</b>

Wages and salaries in the fiscal year include special effects for in connection with the implementation of efficiency enhancement and restructuring measures amounting to EUR 21.7m. Wages and salaries in the previous fiscal year included special effects of EUR 22.2m, mainly for termination benefits as well as the reorganisation of management structures within our companies.

Pension benefit costs for the fiscal year under review do not include a past service cost.

Pension benefit costs from the previous year included a past service cost of EUR –2.6m 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 for external sales staff in Wholesale.

Income from the release of provisions for obligations towards personnel of EUR 8.0m (previous year 1.1EUR m) was offset against personnel expenses.

## (5) Depreciation, amortisation and impairment

EUR M	2015	2016
Depreciation on property, plant and equipment	–22.0	–86.4
Depreciation on intangible assets	–4.6	–23.7
Impairment losses recorded on property, plant and equipment	–0.4	–1.2
Impairment losses recorded on intangible assets	–5.7	0.0
<b>Total</b>	<b>–32.7</b>	<b>–111.3</b>

Unscheduled writedowns of EUR 1.2m were taken on property, plant and equipment in the fiscal year (previous year EUR 0.4m). In fiscal 2016 no impairment losses recorded on intangible assets were recognized. In the previous year, impairment losses of EUR 5.7m had occurred on IT infrastructure which could no longer be used expediently, as part of the strategic realignment of centralised IT, primarily in the UK.

As a result of the scheduled impairment test, no writedowns were made on goodwill in fiscal year 2016 and in the reference period.

## (6) Investment result

EUR M	2015	2016	Abw.	Abw. In %
Result from associates accounted for using the equity method <sup>1)</sup>	15.2	14.7	-0.5	-3.3
Result from other investments	-0.1	1.0	1.1	-
<b>Total</b>	<b>15.1</b>	<b>15.7</b>	<b>0.6</b>	<b>4.0</b>

The result from other investments primarily comprises income from dividends from non-listed entities. The decline in the result from associates accounted for using the equity method during the reporting period was due to a special effect related to pension adjustments in the previous year.

## (7) Financial result

EUR M	2015	2016
<b>Interest and similar expenses</b>	<b>-17.5</b>	<b>-61.2</b>
Of which received from affiliates	0.0	0.0
Of which for finance leases	0.0	-0.6
Of which for pensions	-2.2	-5.6
<b>Interest and similar income</b>	<b>1.8</b>	<b>5.1</b>
Of which received from affiliates	0.0	0.0
<b>Other financial result</b>	<b>-7.1</b>	<b>-7.5</b>
<b>Total</b>	<b>-22.8</b>	<b>-63.6</b>

Interest and similar expenses include interest expenses totalling EUR 55.6m (previous year EUR 14.8m) 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 5.1m (previous year EUR 1.8m) for financial liabilities not measured at fair value through profit or loss.

Other financial income contains changes in the market value of derivatives used to hedge financial liabilities, which were recognised through profit or loss. Changes in the market value of derivative exchange rates gave rise to expenses of EUR 86.0m (previous year expenses of EUR 38.7m). Furthermore, the other financial result contains exchange rate gains of EUR 69.6m (previous year EUR 91.3m) and exchange rate losses of EUR 162.9m (previous year EUR 59.5m). In addition, the other financial result contains impairment losses of EUR 0.3m (previous year EUR 0.3m) and income from impaired loan receivables of EUR 0.0m (previous year EUR 0.1m).

## (8) Income taxes

EUR M	2015	2016
Current taxes	–4.8	–89.5
Deferred tax	–16.7	7.0
<b>Income taxes</b>	<b>–21.5</b>	<b>–82.5</b>

Deferred tax income of EUR 7.0m (previous year EUR 16.7m tax expense) is largely a result of expenditure abroad of EUR 6.0 m (previous year EUR 17.5m tax expense). In Germany, deferred tax income resulted to EUR 1.0m (previous year EUR 0.8m). Current taxes total EUR 7.8 m (previous year EUR 1.0m) for Germany and EUR 81.7m (previous year EUR 3.8m) for other countries.

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 0.5m arose on the retained earnings of domestic and foreign subsidiaries and associates (previous year EUR 12.0m). Deferred tax liabilities of EUR 0.1m were recognised on these differences (previous year EUR 4.0m). 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 443.6m and a interest carry-forward of EUR 92.4m, which from a current perspective are unlikely to be utilised. Consequently, no deferred taxes have been recognised. Of the total unused tax losses an amount of EUR 443.6m can be carried forward indefinitely. No unused tax losses (previous year EUR 4.7m) will expire in the next 12 years.

Deferred taxes of EUR 3.8m (previous year EUR 5.7m) were recognised on unused tax losses of EUR 14.0m (previous year EUR 17.0 m).

Deferred tax assets on unused loss carryforwards were written down by EUR 0.8m (previous year EUR 5.6m) in the reporting period.

Current taxes include tax expenses from other periods of EUR 2.5m (previous year EUR 0.7m tax expense). Deferred taxes on temporary differences led to total expenditure of EUR 1m (previous year EUR 16.0m tax income).

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.

	2015		2016	
	EUR m	%	EUR m	%
Profit before taxes	54.5	100.0	573.6	100.0
<b>Expected income tax expense</b>	<b>16.8</b>	<b>30.8</b>	<b>176.1</b>	<b>30.7</b>
Effect of differing national tax rates	-5.0	-9.2	-31.7	-5.5
Tax from previous periods	11.8	21.7	-2.5	-0.4
Tax effect of non-deductible expenses and tax-exempt income	-1.0	-1.8	-35.5	-6.2
Impact of changes to tax rates on deferred taxes	0.2	0.4	-4.6	-0.8
Non-recognition, adjustment or utilisation of tax losses	4.0	7.3	-7.8	-1.4
Impact of amortisation of goodwill	0.0	0.0	0.0	0.0
Deferred taxes on distributable earnings	0.0	0.0	-4.0	-0.7
Other tax effects	-5.3	-9.7	-7.4	-1.3
<b>Income tax expense</b>	<b>21.5</b>	<b>39.4</b>	<b>82.5</b>	<b>14.4</b>

The effective tax rate amounted to 14.4% for the reporting period, compared to 39.4% in fiscal year 2015. This is largely the result of tax-exempt income from the sale of subsidiaries. Adjusted by special effects the tax rate came to 23.1% in fiscal 2016 after 32.7% in fiscal 2015. The decrease of the adjusted tax rate is mainly due to the earning mis contribution of the countries and the nominal tax rate deduction in the UK.

## (9) Earnings per share from continuing operations

	2015	2016
Profit/loss attributable to shareholders of Celesio AG (EUR m)	32.2	487.1
Weighted number of no-par shares outstanding	203,220,932	203,220,932
<b>Earnings per share – undiluted (EUR)</b>	<b>0.16</b>	<b>2.40</b>
Profit/loss attributable to shareholders of Celesio AG (EUR m)	32.2	487.1
Adjustment to interest expense for convertible bond (net, EUR m)	/	/
Net profit used to determine diluted earnings per share	32.2	487.1
Weighted number of no-par shares outstanding	203,220,932	203,220,932
Weighted adjustment to potentially convertible no-par shares	/	/
Weighted average number of shares used to determine diluted earnings per share	203,220,932	203,220,932
<b>Earnings per share – diluted (EUR)</b>	<b>0.16</b>	<b>2.40</b>

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. No conversions have been made in the current fiscal year (previous year none), nor do any further options exist 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:

	2015			2016		
	before taxes	taxes	after taxes	before taxes	taxes	after taxes
EUR m						
<b>Items that will not be recycled through profit or loss</b>						
Revaluation of defined benefit plans	-7.3	-5.3	-12.6	48.5	-9.4	39.1
<b>Items that may be subsequently recycled through profit or loss</b>						
Unrealised gains/losses from the current year	0.0	0.0	0.0	0.3	0.0	0.3
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	0.0	0.0	0.0	0.3	0.0	0.3
Foreign currency translation posted directly to other comprehensive income	18.7	0.0	18.7	-135.7	0.0	-135.7
Release to profit or loss due to loss of control	0.0	0.0	0.0	44.6	0.0	44.6
Exchange differences	18.7	0.0	18.7	-91.1	0.0	-91.1
<b>Other comprehensive income</b>	<b>11.4</b>	<b>-5.3</b>	<b>6.1</b>	<b>-42.3</b>	<b>-9.4</b>	<b>-51.7</b>

# Notes to the group statement of financial position

## (11) Intangible assets

	2015		
	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets
EUR m			
<b>Accumulated historical costs at the beginning of the fiscal year</b>	<b>274.8</b>	<b>2,596.6</b>	<b>78.2</b>
Foreign currency translation differences	4.2	107.3	-3.4
Additions to the consolidated group	0.0	0.0	0.0
Additions	1.7	4.6	0.6
Reclassifications	0.7	0.0	0.2
Disposals	-0.5	0.0	0.0
Disposals from the consolidated group	0.0	-0.1	0.0
Reclassification to or from assets held for sale	-7.3	-68.7	-41.9
<b>Status at the end of the fiscal year</b>	<b>273.6</b>	<b>2,639.7</b>	<b>33.7</b>
<b>Accumulated amortisation and impairment at the beginning of the fiscal year</b>	<b>228.9</b>	<b>493.9</b>	<b>60.5</b>
Foreign currency translation differences	3.4	-6.0	-3.3
Additions	5.0	0.0	0.8
Reclassifications	0.0	0.0	0.0
Disposals	-0.5	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	-4.1	-68.7	-36.7
<b>Status at the end of the fiscal year</b>	<b>232.7</b>	<b>419.2</b>	<b>21.3</b>
<b>Carrying amount at the end of the fiscal year</b>	<b>40.9</b>	<b>2,220.5</b>	<b>12.4</b>

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

2015			2016				
Payments on account	Total	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets	Payments on account	Total	
47.7	2,997.3	273.6	2,639.7	33.7	55.8	3,002.8	
2.6	110.7	-6.7	-146.9	-0.3	-3.5	-157.4	
0.0	0.0	0.0	0.6	3.7	0.0	4.3	
7.2	14.1	23.9	20.3	0.0	30.4	74.6	
-0.9	0.0	7.4	0.0	-0.1	-7.3	0.0	
0.0	-0.5	-13.9	-0.4	-0.1	-27.5	-41.9	
0.0	-0.1	-24.3	-222.0	0.0	-2.1	-248.4	
-0.8	-118.7	0.0	0.0	0.0	0.0	0.0	
55.8	3,002.8	260.0	2,291.3	36.9	45.8	2,634.0	
35.1	818.4	232.7	419.2	21.3	42.9	716.1	
2.2	-3.7	-5.8	0.0	-0.1	-3.2	-9.1	
5.5	11.3	22.4	0.0	1.3	0.0	23.7	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0.0	-0.5	-14.0	0.0	0.0	-27.4	-41.4	
0.0	0.0	-19.9	0.0	0.0	0.0	-19.9	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0.1	-109.4	0.0	0.0	0.0	0.0	0.0	
42.9	716.1	215.4	419.2	22.5	12.3	669.4	
12.9	2,286.7	44.6	1,872.1	14.4	33.5	1,964.6	

In the prior year, 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 was chiefly due to the sale of the Norwegian and Swedish activities.

## (12) Property, plant and equipment

	2015		
	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures
EUR m			
<b>Accumulated historical costs at the beginning of the fiscal year</b>	<b>693.2</b>	<b>306.6</b>	<b>662.8</b>
Foreign currency translation differences	10.3	4.8	30.6
Additions to the consolidated group	0.0	0.0	0.2
Additions	3.6	1.1	8.6
Reclassifications	1.1	2.3	0.0
Disposals	-0.9	-1.2	-2.1
Disposals from the consolidated group	0.0	0.0	0.0
Reclassification to or from assets held for sale	0.0	-14.2	-8.8
<b>Status at the end of the fiscal year</b>	<b>707.3</b>	<b>299.4</b>	<b>691.3</b>
<b>Accumulated amortisation and impairment at the beginning of the fiscal year</b>	<b>422.8</b>	<b>235.4</b>	<b>487.7</b>
Foreign currency translation differences	4.8	4.1	22.7
Additions	6.7	3.9	12.9
Reclassifications	0.0	0.9	-0.9
Disposals	-0.9	-1.2	-2.3
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	-4.8	-2.7
<b>Status at the end of the fiscal year</b>	<b>433.4</b>	<b>238.3</b>	<b>517.4</b>
<b>Carrying amount at the end of the fiscal year</b>	<b>273.9</b>	<b>61.1</b>	<b>173.9</b>
<i>Of which finance leases</i>			
<i>Carrying amount at the end of the fiscal year</i>	<i>16.9</i>	<i>0.1</i>	<i>0.7</i>

Property plant and equipment valued at EUR 32.6m (previous year EUR 34.8m) from continuing operations was pledged as collateral.

2015			2016				
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	
9.2	1,671.8	707.3	299.4	691.3	8.6	1,706.6	
0.1	45.8	-14.2	-7.4	-40.8	-0.1	-62.5	
0.0	0.2	0.6	0.0	0.3	0.0	0.9	
3.8	17.1	15.1	20.1	49.2	13.0	97.4	
-3.4	0.0	9.2	1.9	1.5	-12.6	0.0	
0.0	-4.2	-4.4	-3.6	-37.2	-0.5	-45.7	
0.0	0.0	-52.8	-4.6	-63.7	-0.2	-121.3	
-1.1	-24.1	0.0	0.0	0.0	0.0	0.0	
8.6	1,706.6	660.8	305.8	600.6	8.2	1,575.4	
-0.2	1,145.7	433.4	238.3	517.4	0.3	1,189.4	
0.5	32.1	-7.4	-5.9	-32.3	0.0	-45.6	
0.0	23.5	25.6	14.0	48.0	0.0	87.6	
0.0	0.0	0.3	0.0	-0.3	0.0	0.0	
0.0	-4.4	-4.2	-3.6	-35.9	0.0	-43.7	
0.0	0.0	-27.9	-2.3	-33.1	0.0	-63.3	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	
0.0	-7.5	0.0	0.0	0.0	0.0	0.0	
0.3	1,189.4	419.8	240.5	463.8	0.3	1,124.4	
8.3	517.2	241.0	65.3	136.8	7.9	451.0	
0.0	17.7	14.0	0.0	0.1	0.0	14.1	

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

Other financial assets mainly contain payments and/or prepayments of EUR 85.4m for the acquisition of UD Sangers and of EUR 157.9m for the acquisition of Sainsbury Pharmacy. Furthermore, other financial assets 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 2016, investments in entities not listed on a public exchange with a carrying amount of EUR 0.3m (previous year EUR 0.4m) 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 taken into account proportionately on the basis of an interim financial statement as of 31 March. The following chart presents the key financial information of the Brocacef Groep N.V.:

EUR M	2015	2016
Received (dividend) payments from Brocacef	0.0	3.9
Revenue	327.4	1,409.0
Net profit/loss from continuing operations	29.0	19.6
Total profit / loss after taxes from discontinued operations	0.0	0.0
Other comprehensive income / expenses	0.0	0.0
Total comprehensive income / expenses	29.0	19.6
Current assets	236.7	231.8
Non-current assets	244.8	246.4
Current liabilities	178.9	175.3
Non-current liabilities	45.9	32.2
Equity	256.8	271.0
Equity net of goodwill	115.4	103.2
Proportion of Celesio Group's ownership (45.0%)	51.9	46.4
Carrying amount of intangible assets and goodwill identified during the purchase price allocation	35.0	45.7
Carrying amount of the interest as of 31/12	86.9	92.1

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 5.6m (previous year 1.2 EUR m). No amount was recorded in other comprehensive income in this or the last fiscal year. The carrying amount of other associates measured at equity came to EUR 61.4m (previous year 63.6 EUR m).

#### (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:

	31/03/2015		31/03/2016	
	assets	liabilities	assets	liabilities
EUR m				
Intangible assets	3.6	51.5	6.4	41.3
Property, plant and equipment	12.6	26.5	10.2	15.8
Other non-current assets	2.4	18.9	5.4	7.9
Current assets	10.0	11.9	5.6	0.0
Financial liabilities	1.5	4.2	1.9	0.0
Provisions	61.2	10.3	30.2	10.2
Other liabilities	52.7	0.7	27.3	1.0
<b>Sum of deferred taxes on temporary differences</b>	<b>144.0</b>	<b>124.0</b>	<b>87.0</b>	<b>76.2</b>
Deferred taxes on unused tax losses	5.7	0.0	3.8	0.0
./. Less offsetting	-93.1	-93.1	-57.4	-57.4
<b>Total</b>	<b>56.6</b>	<b>30.9</b>	<b>33.4</b>	<b>18.8</b>

Other comprehensive income includes deferred tax assets totalling EUR 14.3m (previous year EUR 55.7m). These result from the revaluation of defined benefit plans. More information on deferred taxes can be found in note (8) Income taxes.

## (15) Inventories

EUR M	2015	2016
Raw materials, consumables and supplies	1.3	0.9
Finished goods and merchandise	1,444.1	1,375.8
Payments on account	2.3	0.0
<b>Total</b>	<b>1,447.7</b>	<b>1,376.7</b>

In the reporting period, inventories were written down by EUR 0.1m (previous year 3.1 EUR m). This was offset by write-ups of inventories of EUR 3.4m (previous year 2.4 EUR m) 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 13.2m (previous year 19.2 EUR m).

## (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 begin the process of disposing of the Panpharma and Oncoprod entities previously disclosed within the Pharmacy Solutions division, as these no longer form part of the core business of Celesio AG. With the planned sale of its Brazilian subsidiaries, Celesio is now focusing on European markets and customers.

Since the short fiscal year 2015, the two Brazilian entities have been classified as discontinued operations. The contract for the sale of the Brazilian entities was signed at 31 January 2016.

During the short fiscal year 2015, the decision was also made to sell a small sub-unit of CGU PS Germany. This unit has since been classified as a disposal group.

### Revaluation differences 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 sales agreements for the Brazilian entities entered into as of 31 March 2016, or else on preliminary purchasing bids. In the reporting period there are value adjustments (before and after tax) for the cash-generating entity Wholesale Brazil



totalling EUR 56.4m, which are reported under the profit/loss from discontinued operations.

### Assets and liabilities held for sale

The asset and liability groups held for sale at the end of the reporting period are summarised below:

	31/03/2015 Non-current assets held for sale	31/03/2016 Non-current assets held for sale
EUR m		
Intangible assets	0.0	0.0
Property, plant and equipment	0.6	0.4
Inventories	51.3	28.5
Trade receivables	262.4	233.0
Cash and cash equivalents	6.3	3.1
Other assets	98.2	79.4
<b>Assets</b>	<b>418.8</b>	<b>344.4</b>
Financial liabilities	134.0	135.2
Trade payables	195.2	235.2
Other liabilities	86.6	67.0
<b>Equity and liabilities</b>	<b>415.8</b>	<b>437.4</b>

By Wholesale Brazil, receivables of EUR 21.5m (previous year EUR 54.0m) and inventories were pledged as collateral for its own liabilities.

In thereporting period, property with a value of EUR 0.4m was reported as non-current assets held for sale in the Consumer Solutions division.

### Net profit/loss from discontinued operations

The result for business activities at Wholesale Brazil is as follows:

EUR M	Total	
	Short Fiscal Year 2015	Fiscal 2016
Revenue	391.3	1,440.9
Cost of materials	−360.5	−1,314.5
Gross profit	30.8	126.4
EBITDA	−9.3	−14.4
EBIT	−11.4	−14.4
Profit/loss before tax from discontinued operations	−15.7	−33.9
Income taxes	−30.1	−4.0
Profit/loss after tax from discontinued operations	−45.8	−37.9
Profit/loss after tax from the measurement and disposals of discontinued operations	−209.5	−56.4
<b>Net profit/loss from discontinued operations</b>	<b>−255.3</b>	<b>−94.3</b>

In the reporting period, value adjustments of EUR 56.4m (previous year EUR 210.5m) were made for Wholesale Brazil.

### (17) Receivables and other assets

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

EUR M	31/03/2015	31/03/2016
<b>Trade receivables</b>	<b>2,201.5</b>	<b>2,224.7</b>
<b>Income tax receivables</b>	<b>24.4</b>	<b>30.9</b>
Receivables from associates and other investments	5.0	2.9
Derivative financial instruments	6.6	19.7
VAT and other tax receivables	41.8	41.5
Other assets	186.8	708.8
<b>Other receivables and other assets</b>	<b>240.2</b>	<b>772.9</b>
<b>Total</b>	<b>2,466.1</b>	<b>3,028.5</b>

Other assets mainly consist of a financial receivable against the Celesio Holdings Deutschland GmbH & Co. KGaA amounting to EUR 511.9m, as well as 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	2015	2016
<b>As of 01.01. / 01.04</b>	<b>112.8</b>	<b>103.2</b>
Additions	5.3	16.8
Utilisations	-6.6	-4.1
Reversals	-1.3	-12.9
Currency, consolidated group and other changes	-7.0	-2.7
<b>As of 31/03</b>	<b>103.2</b>	<b>100.3</b>

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

EUR M	31/03/2015	31/03/2016
Trade receivables that are neither impaired nor past due	1,909.4	2,019.5
Trade receivables that are not impaired but are past due	201.8	101.9
Of which < 3 month	163.6	83.1
Of which 3 – 6 month	18.8	9.5
Of which 6 – 12 month	5.7	1.7
Of which > 12 month	13.6	7.6
Impaired trade receivables	90.3	103.3
<b>Trade receivables</b>	<b>2,201.5</b>	<b>2,224.7</b>

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	2015	2016
<b>As of 01.01. / 01.04</b>	<b>32.5</b>	<b>2.9</b>
Additions	4.3	1.0
Utilisations	-13.2	2.5
Reversals	-1.5	-0.4
Currency, consolidated group and other changes	-19.2	-0.1
<b>As of 31/03</b>	<b>2.9</b>	<b>5.9</b>

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

EUR M	31/03/2015	31/03/2016
Receivables reported under other assets that are not impaired but are past due	83.1	103.6
Receivables reported under other assets that are not impaired but are past due	19.4	20.6
Of which < 3 month	7.0	14.1
Of which 3 – 6 month	0.5	3.9
Of which 6 – 12 month	0.1	0.1
Of which > 12 month	11.8	2.5
Impaired receivables reported under other assets	1.4	0.6
<b>Impaired receivables reported under other assets</b>	<b>103.9</b>	<b>124.8</b>

Impairments of EUR 0.5m were recorded in addition to the allowances on trade receivables shown above (previous year EUR 1.0m). The total amount of write-downs on trade receivables and receivables reported under other assets is therefore EUR 18.3m (previous year EUR 10.6m).

### (18) Cash and cash equivalents

EUR M	31/03/2015	31/03/2016
Cash on hand	8.7	8.2
Cash at banks	362.9	415.3
<b>Total</b>	<b>371.6</b>	<b>423.5</b>

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 no-par value registered shares (previous year 203,220,932), which have all been fully paid up.

Authorised capital of EUR 130.1m has been approved until 10 August 2020 (authorised capital 2015).

The articles of association of Celesio AG were adjusted (share capital, number of no-par value shares, removal of the paragraphs for section 3, item 2 and 3 (contingent capital 2010 and 2012) and were submitted to the commercial register.

Capital reserves remained unchanged from 2015.

### 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 –302.5m (previous year EUR –211.5m). The revaluation of defined benefit pension plans amounts to EUR –125.6m as of 31 March 2016 and EUR –265.9m as of 31 March 2015. In the fiscal year an amount of EUR 44.6 (previous year EUR 0.0m), 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	31/03/2015	31/03/2016
Equity	2,537.4	2,752.5
/ Total assets	7,769.1	8,081.8
<b>Equity ratio (%)</b>	<b>32.7</b>	<b>34.1</b>
Net financial debt	897.0	1,097.9
/ Equity capital	2,537.4	2,752.5
<b>Gearing</b>	<b>0.35</b>	<b>0.40</b>
EBIT	62.2	621.5
/ Financial result	22.8	63.6
<b>Interest coverage ratio</b>	<b>2.7</b>	<b>9.8</b>

### (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 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 obligations in Norway, which were disposed of by the sale of the Norwegian entity in fiscal year 2016, were mainly associated with a state-regulated pension scheme managed by the Norwegian Public Service Pension Fund.

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:

	2015			2016		
%	NO	UK	EU	NO	UK	EU
Interest rate	2.3	3.1	1.4	0.0	3.4	1.9
Future salary increases	2.75	4.0	1.0–3.0	0.0	3.3	1.0–2.8
Future pension increases	1.8	3.0	1.7–2.0	0.0	2.9	1.75–2.0

Calculations for pension plans in Germany are made using the 2005G life-expectancy tables issued by Prof Dr Klaus Heubeck. Comparable measurement bases are used for pension plans abroad. Net benefit expense recognised in the income statement in the reporting period can be broken down as follows:

EUR M	2015	2016
Service cost	7.5	28.8
Past service cost	–2.6	0.0
Net interest expense	2.2	5.6
Gain or loss from settlements and other plan amendments	1.8	–1.6
<b>Total</b>	<b>8.9</b>	<b>32.8</b>



The net interest expense contained within pension expenses is reported under interest income/loss.

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	31/03/2015	31/03/2016
DBO, funded	-758.1	-343.1
Fair value of plan assets	604.9	335.0
<b>Funded status</b>	<b>-153.2</b>	<b>-8.1</b>
DBO, unfunded	-250.4	-231.3
Defined benefit obligation as of 31/03	-403.6	-239.4

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	2015	2016
<b>Defined benefit obligation</b>		
<b>at the beginning of the fiscal year</b>	<b>946.6</b>	<b>1008.5</b>
Service cost	7.5	28.8
Interest expense	6.2	23.3
Contributions by plan participants	0.1	0.1
Benefits paid	-11.7	-36.5
Actuarial losses from changes in financial assumptions	40.7	-10.9
Actuarial losses from changes in demographic assumptions	0.5	0.0
Experience-based adjustments	-16.8	-20.9
Past service cost	-2.6	0.0
Gains and losses from plan settlements	0.0	-3.4
Currency changes	38.0	-94.0
changes in the consolidated group	0.0	-320.8
Other changes	0.0	0.2
<b>Defined benefit obligation</b>		
<b>at the end of the fiscal year</b>	<b>1008.5</b>	<b>574.4</b>

0.0 EUR m) (previous year EUR 357.9m) of the defined benefit obligation is attributable to Norway, EUR 301.6m (previous year EUR 358.3m) is accounted for by the UK and EUR 184.6m is attributable to Germany (previous year EUR 195.2m).

EUR M	2015	2016
<b>Fair value of plan assets at the beginning of the fiscal year</b>	<b>552.6</b>	<b>604.9</b>
Interest income from plan assets	4.0	17.7
Contributions by employer	6.0	29.4
Contributions by plan participants	4.7	0.1
Benefits paid from plan assets	-8.1	-26.2
Difference between interest income recognised through profit and loss and actual return on plan assets	16.9	19.6
Currency changes	30.6	-82.0
changes in the consolidated group	0.0	-226.7
Payments curtailments	-1.8	-1.8
Other changes	0.0	0.0
<b>Fair value of plan assets at the end of the fiscal year</b>	<b>604.9</b>	<b>335.0</b>
<b>of which based on an active market</b>		
Cash and cash equivalents	2.0	2.0
Equity instruments	69.8	59.1
Notes and loans	180.8	163.4
Real estate	18.1	14.2
Derivatives	28.3	26.1
Mutual funds	17.6	16.8
Asset-backed securities	0.9	0.4
Insurance policies	1.3	1.8
Others	46.6	44.9
<b>of which without an active market</b>		
Cash and cash equivalents	2.3	0.4
Equity instruments	31.2	0.5
Notes and loans	127.4	0.9
Real estate	23.7	0.1
Derivatives	10.0	0.0
Insurance policies	3.6	2.7
Others	41.3	1.7

The reduction of the numbers of employees covered by a minor pension plan in Norway resulted in a past service cost and expenses resulting from a payment related to a plan curtailment, which totalled EUR -1.6m (previous year EUR -0.2m). 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 pen-

sion increase, amounting to a past service cost of EUR 0.0m (previous year – 0,6 EUR m).

314.6 EUR m (previous year EUR 348.9m) of the defined benefit obligation is attributable to the UK, EUR 0.0m (previous year EUR 234.0m) is accounted for by 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 1.1m over the next 12 months.

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

	2015	2016
<b>0.5% increase</b>		
Impact on defined benefit obligation	–80.5	–41.8
<b>0.5% decrease</b>		
Impact on defined benefit obligation	95.6	49.7

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

	2015	2016
<b>0.5% increase</b>		
Impact on defined benefit obligation	39.3	21.3
<b>0.5% decrease</b>		
Impact on defined benefit obligation	–37.8	–16.9

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

	2015	2016
<b>0.5% increase</b>		
Impact on defined benefit obligation	29.0	10.4
<b>0.5% decrease</b>		
Impact on defined benefit obligation	-27.1	-8.3

The following table illustrates the impact of a change of 10% in the life expectancy of the beneficiaries:

	2015	2016
<b>10% increase</b>		
Impact on defined benefit obligation	25.0	20.1
<b>10% decrease</b>		
Impact on defined benefit obligation	-28.1	-18.6

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

EUR M	2017	2018–2021	2022–2026
Expected payments	19.5	94.3	137.5

The average duration of defined benefit plans in the reporting year was 17 years (previous year 19 years).

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 13.0m in the reporting period (previous year EUR 3.2m). In addition, employer contributions were made to state pension funds. The employer's direct contribution amounted to EUR 37.8m (previous year EUR 9.1m).

## (21) Other provisions

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

		2015	
		Carrying amount as of 31/03	Of which due within 1 year
EUR M			
Provisions for obligations to personnel	85.9	54.9	
Provisions for litigation and other legal risks	3.4	3.0	
Provisions for restructuring measures	11.6	9.7	
Other provisions	53.0	42.3	
<b>Total</b>	<b>153.9</b>	<b>109.9</b>	

Provisions with a term of more than twelve months are discounted. This involves applying risk-free interest rates of 0.0 bis 16.0% (previous year 0.1 bis 12.8%) depending on the term and currency zone.

Provisions with an expected term to maturity of more than five years amount to EUR 24.2m (previous year 26.5 EUR m). 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.

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 in the reporting period mainly relate to claims in connection with termination benefits related to the 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.

2016								
Changes in currency and the consolidated group	Additions	Utilisation	Reversals	Unwinding	Reclassifications	Carrying amount as of 31/03/2016	Of which due within 1 year	
-5.2	47.7	-55.6	-8.0	-0.1	3.2	67.9	38.0	
0.0	3.1	-0.4	0.0	0.0	-1.0	5.1	4.6	
-1.8	21.3	-2.2	0.0	0.0	-9.1	19.8	19.7	
0.0	10.4	-14.0	-6.7	0.1	5.9	48.7	39.1	
-7.0	82.5	-72.2	-14.7	0.0	-1.0	141.5	101.4	

The decision of the Slovenian antitrust authority in relation to the violation of Slovenian antitrust law by our wholesale subsidiary, Kemofarmacija, is legally established. Proceedings have been established in relation to the alleged violation of European antitrust law. The regulatory offence procedure is still ongoing. As regards the Slovenian privatisation process, the court of the second instance essentially confirmed the judgement of the court of first instance in favour of Kemofarmacija. However, this decision was repudiated; the opposing party has launched an appeal.

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

## (22) Liabilities

	31/03/2015			Carrying amount
	< 1 year	Due in 1 – 5 years	> 5 years	
EUR M				
<b>Financial liabilities</b>				
Liabilities				
to banks	19.3	78.1	11.0	108.4
Promissory notes and bonds	0.0	846.0	0.0	846.0
Lease liabilities	1.8	4.7	0.0	6.5
<b>Other financial liabilities</b>	<b>1.1</b>	<b>305.5</b>	<b>1.1</b>	<b>307.7</b>
	<b>22.2</b>	<b>1,234.3</b>	<b>12.1</b>	<b>1,268.6</b>
Trade payables and other liabilities				
Trade payables	2,385.0	0.0	0.0	2,385.0
Income tax liabilities	66.9	0.0	0.0	66.9
Liabilities to associates and other investments				
	3.2	0.0	0.0	3.2
Other liabilities	497.6	6.2	0.0	503.8
	<b>2,952.8</b>	<b>6.2</b>	<b>0.0</b>	<b>2,959.0</b>
<b>Liabilities</b>	<b>2,975.0</b>	<b>1,240.5</b>	<b>12.1</b>	<b>4,227.6</b>

## (23) Financial liabilities

### a) Liabilities to banks

Liabilities to banks consist primarily of long-term bilateral credit lines. Special purpose lease entities have arranged fixed-interest loans of EUR 24.4m to finance real estate (previous year EUR 26.6m). The market value of these fixed interest loans is EUR 28.2m (previous year EUR 30.3m). Liabilities to banks are broken down by the term of the financing.



31/03/2016				Carrying amount
< 1 year	Due in 1 – 5 years	> 5 years		
2.5	12.5	9.7	24.7	
349.3	498.4	0.0	847.7	
2.0	2.7	0.0	4.7	
1.2	556.6	86.5	644.3	
355.0	1,070.2	96.2	1,521.4	
2,306.1	0.0	0.0	2,306.1	
133.1	0.0	0.0	133.1	
3.7	0.0	0.0	3.7	
508.9	6.1	0.0	515.0	
2,951.8	6.1	0.0	2,957.9	
3,306.8	1,076.3	96.2	4,479.3	

#### b) Promissory notes and bonds

In the course of diversifying and optimising its financing structure, Celesio had placed promissory notes in the previous years. In addition, Celesio had placed a corporate bond in 2010 and 2012.

The outstanding promissory notes were paid back ahead of schedule in 2015.

As of 31 March 2016 the bonds displayed the following features:

EUR M	Corporate bonds	
	31/03/2015	31/03/2016
Nominal values	849.4	849.4
<i>Of which at fixed interest</i>	849.4	849.4
<i>Of which at floating interest</i>	0.0	0.0
Market values	897.7	875.6
<i>Of which at fixed interest</i>	897.7	875.6
<i>Of which at floating interest</i>	0.0	0.0
Carrying amount	846.0	847.7
Currencies	€	€
Original maturities	4–7 years	4–7 years
Effective interest rates	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	31/03/2015	30/03/2016
Minimum lease payments	7.3	4.9
<i>Due within 1 year</i>	2.3	2.1
<i>Due within 2 to 5 years</i>	5.0	2.8
<i>Due in more than 5 years</i>	0.0	0.0
Interest portion	–0.8	–0.2
<b>Net present value</b>	<b>6.5</b>	<b>4.7</b>

#### d) Other financial liabilities

Other financial liabilities include loan liabilities to Celesio Holdings Deutschland GmbH & Co. KGaA of EUR 85.4m (Prior year EUR 300m). As a result of the loan agreement concluded on 23 March 2015, Celesio AG was granted a credit line of EUR 500m from Celesio Holdings Deutschland GmbH & Co. KGaA. This credit line was increased to EUR 1 billion in the fiscal year 2016. In addition, other financial

liabilities include loan liabilities to McKesson UK Holdings Limited of EUR 65.7m (Prior year EUR 0.0m) and loan liabilities to McKesson Information Solution Finance S.a.r.l. of EUR 486.4m (Prior year EUR 0.0m).

#### (24) Trade payables and other liabilities

Trade payables contain payments on account of orders of EUR 122.3m (previous year EUR 109.5m).

Other liabilities comprise:

EUR M	2015	2016
Personnel liabilities	107.8	84.6
Other tax liabilities	32.0	25.4
Outstanding invoices	158.6	144.8
Derivative financial instruments	73.2	0.4
Interest liabilities	29.5	30.0
Other liabilities	102.7	229.8
<b>Total</b>	<b>503.8</b>	<b>515.0</b>

Derivative financial instruments are used particularly to hedge foreign exchange rates. Derivative financial instruments are discussed in more detail in note (25). Other liabilities mainly include the liability from the profit-and-loss transfer agreement to Celesio Holdings GmbH & Co. KGaA amounting to EUR 127.6m (Prior year EUR 7.9m).

## **(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 monitored constantly. 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.

Currently no interest swaps are used, as Celesio is primarily financed via fixed-interest financial instruments.

The interest sensitivity analysis presented below shows the hypothetical effects which 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 2016 would have resulted in a pre-tax profit that was EUR 2.7m lower (previous year EUR 6.2m). A hypothetical decrease of one percentage point in the EUR market interest rate would have resulted in a pre-tax profit that was EUR 2.7m (previous year EUR 6.3m). An increase or decrease of one percentage point in the EUR market interest rate as of 31 March 2015, as for 31 March 2015, would not have affected the equity.
- A hypothetical increase of one percentage point in the GBP market interest rate as of 31 March 2016 would have resulted in a pre-tax profit that was EUR 1.7m lower (previous year EUR 1.5m higher). A hypothetical decrease of one percentage point in the GBP market interest rate would have resulted in a pre-tax profit that was EUR 1.7m higher (previous year EUR 1.6m lower). An increase or decrease of one percentage point in the GBP market interest rate as of 31 March 2015, as for 31 March 2015, would not have affected 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 primarily to 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 2016 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 inter-company loans denominated in a different currency by means of currency swaps.

The basis for the sensitivity analysis of currency risks includes, in addition to derivative financial instruments, 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 financing requirements of individual Group companies, Celesio AG has taken out loans in currencies other than the euro and extended them to other entities within 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. As of 31 March 2016, Celesio AG had taken out no loans in currencies other than euro.

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 0.1m (previous year increased or decreased by EUR 164.4m).

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 0.0m (previous year increased or decreased by EUR 155.9m).

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 2016, just as of 31 March 2015, would not have affected the translation reserves recognised in 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 164. In addition, individual significant receivables are secured if needed by using certified land charges or similar instruments. The balance of hedged receivables in 2016 came to EUR 9.8m (previous year EUR 4.0m). The Celesio Group's maximum credit risk 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. At the end of the reporting period the group had issued guarantees with a total nominal amount of EUR 60.4m (previous year EUR 81.6m). 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 came to EUR 19.7m (previous year EUR 6.6m).

#### 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. The Celesio Group maintains a suitable level of free credit lines in reserve commensurate with the group's indebtedness.

The table presented on → page 160 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 via fixed-interest financial instruments. There is no cash flow risk due to interest rates. The use of cash flow hedges is therefore not necessary.

#### Summary of derivative financial instruments

Derivative financial instruments break down as follows:



EUR M	31/03/2015			31/03/2016		
	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	458.1	6.6	0.0	579.7	19.7	0.0
<b>Receivables from derivative</b>						
<b>financial assets</b>	<b>458.1</b>	<b>6.6</b>	<b>0.0</b>	<b>579.7</b>	<b>19.7</b>	<b>0.0</b>
Interest instruments	0.0	0.0	0.0	0.0	0.0	0.0
Currency instruments	1,172.9	73.2	0.0	172.3	0.4	0.0
<b>Liabilities from derivative</b>						
<b>financial instruments</b>	<b>1,172.9</b>	<b>73.2</b>	<b>0.0</b>	<b>172.3</b>	<b>0.4</b>	<b>0.0</b>

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 2016 the values were as follows:

EUR M

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 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 not designated for hedge accounting	_____
	_____

	Cash flows 2017	Cash flow 2018	Cash flow 2019 – 2021	Cash flow 2022 – 2026	Cash flow 2027 and beyond	Total cash flows	Total carrying amounts
	– 4.3	– 11.8	– 10.4	– 7.1	0.0	– 33.6	24.7
	– 386.2	– 522.2	0.0	0.0	0.0	– 908.4	847.7
	– 2,183.9	0.0	0.0	0.0	0.0	– 2,183.9	2,183.9
	– 3.7	0.0	0.0	0.0	0.0	– 3.7	3.7
	– 2.1	– 2.3	– 0.6	0.0	0.0	– 5.0	4.7
	– 91.7	– 172.2	– 352.5	– 103.4	– 1.0	– 720.8	644.3
	– 2.1	– 6.0	0.0	0.0	0.0	– 8.1	– 1.0
	– 45.5	– 3.6	– 6.3	– 5.0	0.0	– 60.4	0.3
	– 2,719.5	– 718.1	– 369.8	– 115.5	– 1.0	– 3,923.9	3,708.3
	19.3	0.0	0.0	0.0	0.0	19.3	19.7
	19.3	0.0	0.0	0.0	0.0	19.3	19.7
	– 0.2	0.0	0.0	0.0	0.0	– 0.2	0.4
	– 0.2	0.0	0.0	0.0	0.0	– 0.2	0.4

As of 31 March 2015 the values were as follows:

EUR M

**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 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 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 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
—	— 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
—	— 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

## Reconciliation of financial instruments to IAS 39 categories as of 31 March 2016

EUR M

<b>Assets</b>	_____
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	_____
<b>Other financial assets</b>	_____
<b>Other non-current assets</b>	_____
<b>Trade receivables</b>	_____
Receivables from associates and other investments	_____
Derivative financial instruments - designated as hedging instruments	_____
Derivative financial instruments - not designated as hedging instruments	_____
Other assets	_____
<b>Other receivables and other assets</b>	_____
<b>Cash and cash equivalents</b>	_____

Trade receivables, receivables from 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.

2016

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	1.0	0.0	0.0	1.0	1.0
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	15.8	0.0	0.0	0.0	15.8	15.6
0.0	0.0	270.4	0.0	1.2	0.0	271.6	271.5
0.0	0.0	286.2	4.6	1.2	0.0	292.0	291.7
0.0	0.0	0.0	0.0	0.0	13.1	13.1	13.1
0.0	0.0	2,224.7	0.0	0.0	0.0	2,224.7	2,224.7
0.0	0.0	2.9	0.0	0.0	0.0	2.9	2.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	19.7	0.0	0.0	0.0	0.0	19.7	19.7
0.0	0.0	663.3	0.0	1.0	86.0	750.3	750.3
0.0	19.7	666.2	0.0	1.0	86.0	772.9	772.9
0.0	0.0	423.5	0.0	0.0	0.0	423.5	423.5

The development of impairments on loans and receivables is presented in note (17). Impairment losses of EUR 0.0m were incurred on available-for-sale financial assets (previous year EUR 0.4m).

## 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 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** \_\_\_\_\_



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	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	124.8	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

## Reconciliation of financial instruments to IAS 39 categories as of 31 March 2016

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 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** \_\_\_\_\_

2016						
	Financial liabilities held for trading	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
	0.0	22.2	0.0	0.0	22.2	25.9
	0.0	498.4	0.0	0.0	498.4	519.6
	0.0	0.0	2.7	0.0	2.7	2.7
	<b>0.0</b>	<b>643.1</b>	<b>0.0</b>	<b>0.0</b>	<b>643.1</b>	<b>641.6</b>
	0.0	1,163.7	2.7	0.0	1,166.4	1,189.8
	0.0	0.0	6.0	0.1	6.1	6.1
	0.0	2.5	0.0	0.0	2.5	2.5
	0.0	349.3	0.0	0.0	349.3	356.0
	0.0	0.0	2.0	0.0	2.0	2.0
	<b>0.0</b>	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>
	0.0	353.0	2.0	0.0	355.0	361.7
	0.0	2,183.8	0.0	122.3	2,306.1	2,306.1
	0.0	3.7	0.0	0.0	3.7	3.7
	0.0	0.0	0.0	84.6	84.6	84.6
	0.0	0.0	0.0	25.4	25.4	25.4
	0.0	144.8	0.0	0.0	144.8	144.8
	0.0	0.0	0.0	0.0	0.0	0.0
	0.4	0.0	0.0	0.0	0.4	0.4
	0.0	30.0	0.0	0.0	30.0	30.0
	0.0	165.0	0.0	58.7	223.7	223.7
	<b>0.4</b>	<b>343.5</b>	<b>0.0</b>	<b>168.7</b>	<b>512.6</b>	<b>512.6</b>

## 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 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
	<b>0.0</b>	<b>306.6</b>	<b>0.0</b>	<b>0.0</b>	<b>306.6</b>	<b>306.6</b>
	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
	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>1.1</b>
	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	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
	<b>73.2</b>	<b>223.6</b>	<b>0.6</b>	<b>203.4</b>	<b>500.8</b>	<b>500.8</b>

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	2015	2016
Financial assets measured at fair value through profit or loss	0.0	0.0
Financial assets held for trading	-38.1	86.0
Available for sale financial assets	-0.1	1.0
Loans and receivables	-0.7	-4.2
Other financial liabilities	18.0	-144.3
Financial liabilities held for trading	0.0	0.0
<b>Total</b>	<b>-20.9</b>	<b>-61.5</b>

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 0.3m (previous year measurement gains EUR 0.0m) 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 other comprehensive income 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 active markets for identical assets and liabilities

Level 2: Quoted prices on 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 2016 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 - not designated as hedging instruments \_\_\_\_\_

Other liabilities \_\_\_\_\_



31/03/2015				31.03.2016			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
4.0	0.0	0.0	4.0	4.3	0.0	0.0	4.3
0.0	6.6	0.0	6.6	0.0	19.7	0.0	19.7

31/03/2015				31.03.2016			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
0.0	73.2	0.0	73.2	0.0	0.4	0.0	0.4
0.0	0.0	0.6	0.6	0.0	0.0	0.0	0.0

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.

31/03/2015				31.03.2016			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
0	15.7	0	15.7	0.0	15.6	0.0	15.6
0	30.2	0	30.2	0.0	271.5	0.0	271.5

31/03/2015				31/03/2016			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
0.0	95.7	0.0	95.7	0.0	25.9	0.0	25.9
897.7	0.0	0.0	897.7	519.6	0.0	0.0	519.6
0.0	306.6	0.0	306.6	0.0	641.6	0.0	641.6
0.0	6.2	0.0	6.2	0.0	6.1	0.0	6.1

0.0	19.3	0.0	19.3	0.0	2.5	0.0	2.5
0.0	0.0	0.0	0.0	356.0	0.0	0.0	356.0
0.0	1.2	0.0	1.2	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 110 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

31/03/2016	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 recog- nised 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	2,237.1	12.4	2,224.7	/	2,224.7
Impaired receivables reported under other assets	133.6	8.8	124.8	/	124.8
Cash at banks	7.3	/	7.3	/	7.3
Cash and cash equivalents	504.2	266.3	423.5	/	423.5
Derivative financial instruments	19.7	/	19.7	0.4	19.4

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 recog- nised 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
Impaired receivables reported under other assets	103.9	/	103.9	/	103.9
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

## Financial liabilities subject to an offsetting arrangement

	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 state- ment of financial position	Net amount
31/03/2016					
EUR M					
Trade payables	2,205.1	21.2	2,183.9	/	2,183.9
Liabilities to banks	291.0	266.3	24.7	/	24.7
Derivative financial instruments	0.4	/	0.4	0.4	0.0

	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 state- ment of financial position	Net amount
31/03/2015					
EUR M					
Trade payables	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

## (26) Contingent liabilities and other financial obligations

At the end of the reporting period the group had issued guarantees and warranties of EUR 60.4m (previous year EUR 81.6m). The decrease of EUR 21.2m is mainly due to the reduction of warranties granted.

The guarantees and warranties were mainly issued in the Celesio Wholesale business area, particularly in the UK where they amount to EUR 23.8m (previous year EUR 47.0m) and Austria where they amount to EUR 36.6m (previous year EUR 33.9m).

Provisions of EUR 0.3m (previous year EUR 0.8m) have been established 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. As regards this, in December 2014 Panpharma received a tax statement from the State Tax Authority of Rio de Janeiro with an amount of approx. EUR 80m for the years 2009 to 2013. In the reporting year, the Tax Authorities revised its claim to around EUR 130m. 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 to defend our positions. It is considered as possible but not more likely than not that Panpharma will lose the litigation. Also in Brazil, a contingent liability for Oncoprod of EUR 24m was noted in relation to the granting of VAT concessions in the reporting year, whereby here too an outflow of resources is not considered as possible but not more likely than not. In both cases, the associated risk is a component of the agreement on the sale of the Brazilian company and will be transferred to the purchaser once the sale is completed.

Contingent liabilities recognised for tax risks of EUR 113.9m in connection with the business combination with Panpharma in 2009 amounted to EUR 18.3m as of 31 March 2016 (31 March 2015: EUR 21.5 m). These decreased primarily due to foreign exchange fluctuations. 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 re-

spectively 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 previous year, the statement of contingent liabilities has been provided under liabilities available for sale.

As regards the Slovenian privatisation process, the court of the second instance essentially confirmed the judgement of the court of first instance in favour of Kemofarmacija. However, this decision was repudiated; the opposing party has launched an appeal.



The following table summarizes the other financial obligations of the Celesio Group:

EUR M	31/03/2015	31/03/2016
<b>Rental agreements and operating leases</b>	<b>895.5</b>	<b>763.0</b>
Due within 1 year	115.2	103.6
Due within 2 to 5 years	328.6	329.5
Due in more than 5 years	451.7	329.9
<b>Purchase commitments for capital expenditures</b>	<b>58.6</b>	<b>100.2</b>
Property, plant and equipment	0.5	8.3
Intangible assets	0.5	0.1
Other assets	57.6	77.8
Business combinations	0.0	14.0
<b>Total</b>	<b>954.1</b>	<b>863.2</b>

Of the total obligations from rental agreements and leases, an amount of EUR 408.9m (previous year EUR 515.7m), relates to the Wholesale and the Pharmacies business areas in the UK and an amount of EUR 97.7m (previous year EUR 93.6m) to retail pharmacies in Ireland. In the previous year an amount of EUR 98.6m related to the Wholesale and Pharmacies business areas in Norway. As of the reporting date, the future minimum lease payments expected from uncancellable operating leases come to EUR 4.9m (previous year EUR 3.7m). Of this amount EUR 1.8m (previous year EUR 1.6m) is due within a year. An additional EUR 2.9m (previous year EUR 2.0m) is due in a period of between two and five years and EUR 0.2m (previous year EUR 0.1m) after a period of five years. In addition, future revenue from subleases is expected of EUR 31.3m (previous year EUR 36.1m). In the fiscal year 2016, an amount of EUR 2.0m (previous year EUR 2.3m) was recognised as income from contingent rent payments.

The agreement concluded effective as of 1 April 2009 to the outsourcing of all group's IT infrastructure was extended by two more years. Thereof the group has a financial obligation to pay service fees and future lease instalments expected to amount to EUR 56.0m (previous year EUR 45.6m). In addition, there are other financial obligations of EUR 6.4m (previous year EUR 11.8m) from data and voice communication service agreements. The residual term is nine months. The amount of the obligation can change depending on the services availed of under the agreement.

## 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 0.0m (previous year EUR 0.1 m) correspond to the proceeds less the cash and cash equivalents transferred of EUR 9.3m (previous year EUR 0.0 m). The sale of the Norwegian and Swedish activities was processed by granting a loan, which led to no change in cash flows through business combinations.

The corresponding disclosures are contained in the notes on company disposals. Cash paid for business combinations – continuing operations – corresponds to the purchase prices paid of EUR 19.2m (previous year EUR 5.3m) less the cash and cash equivalents acquired of EUR 1.2m (previous year EUR 0.6m) and additionally prepayments of the purchase price for the Sainsbury's pharmacy business and for the acquisition of UD Sanger and Masta. This includes payments to settle contingent purchase obligations for business combinations made in previous years. These came to EUR 2.1m (previous year EUR –0.5 m). The corresponding disclosures are contained in the notes on business combinations. As for the previous year, there were no non-cash investments in non-current assets in the reporting period. The cash flow from investing activities – discontinued operations amounted to EUR – 8.1m in the reporting year (previous year EUR –1.7m). The cash flow from financing activities – continuing operations – comprises dividends paid to the owners 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 owners 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 – 0.6m. In the current fiscal year, inpayments occurred by taking financial loans amounting to EUR 597.6m (prior year EUR 300.0m). This inpayment was adversely affected by repayments for financial loans amounting to EUR 338.6m (prior year EUR 137.9m).

The cash flow from financial activities – discontinued operations – amounted to EUR 27.0m in the current year (previous year EUR 33.0m).

## Notes to the group segment reporting by business area

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 "Inten" pharmacies. The Others division is primarily used to report the activities of the group's parent, Celesio AG, and other companies not directly attributable to operating activities. 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.

### Related parties

The largest shareholder is McKesson Corporation, San Francisco, which owns around 76 percent of the Celesio AG share capital. The Celesio consolidated financial statements are included in the financial statements of the McKesson Group. A domination and profit and loss transfer agreement has been concluded between Celesio Holdings GmbH & Co. KGaA (formerly McKesson Deutschland GmbH & Co. KGaA) and Celesio AG.

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. The related parties of Celesio AG include 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:

McKesson Corporation,  
San Francisco, USA

31/03/2015 31/03/2016

EUR M

Loans and receivables	0.2	7.3
Liabilities	0.0	12.6

McKesson Corporation,  
San Francisco, USA

01/01/2015-  
31/03/2015 01.04.2015-  
31.03.2016

EUR M

Income	0.0	1.9
Expenses	0.0	8.7

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 Celesio AG	
	31/03/2015	31/03/2016	31/03/2015	31/03/2016
	0.0	424.4	25.6	23.0
	310.5	698.6	0.9	0.9

	Subsidiaries of McKesson Corporation, San Francisco, USA		Joint ventures and associates of Celesio AG	
	01/01/2015- 31/03/2015	01.04.2015- 31.03.2016	01/01/2015- 31/03/2015	01.04.2015- 31.03.2016
	0.0	62.3	15.9	72.4
	0.0	8.6	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 K	2015	2016
Short-term benefits	852	3,897
Service cost	100	405
long-term benefits	0	1,446
share-based compensation	455	0
<b>Total</b>	<b>1,407</b>	<b>5,748</b>

The total remuneration of the management board in terms of Sec. 314 (1) No. 6 a) Sentence 1 to 4 HGB came to EUR 4,675k in the fiscal year 2016 (previous year EUR 775k). This breaks down into EUR 1,745k for the basic component including additional benefits (previous year EUR 437k ), EUR 1,484k. for the portion of bonuses payable immediately (single-year variable remuneration; previous year EUR 234k) and EUR 1,446k for long-term bonuses.

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 326k (previous year EUR 86k). Celesio AG has set up pension provisions of EUR 22,596k (previous year EUR 22,397k) for this group of persons. The composition of the management board for the fiscal year remained unchanged. Remuneration for serving on the supervisory board of Celesio AG came to EUR 668k in the fiscal year (previous year EUR 181.1k) and 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.

## 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 fiscal year, expenses for services rendered by Deloitte & Touche GmbH for the audit of financial statements totalled EUR 0.4m (previous year EUR 0.4m).

## Exemption pursuant to Sec. 264 (3) and Sec. 264b HGB

The following entities will be 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 Immobilien Verwaltungs-GmbH, Stuttgart
- Gesellschaft für Versorgungskonzepte in der Wundbehandlung GmbH, Stuttgart
- Inten GmbH, Stuttgart

GEHE Immobilien GmbH & Co. KG (Stuttgart) and MATIS Immobilien OHG, Stuttgart are exempted from the duty to publish their financial statements pursuant to Secs. 264b, 264a HGB.

The list of shareholdings is provided in the notes to the financial statements as an appendix from page 200.

## Corporate governance

Due to the downlisting of Celesio AG shares from the regular markets in Frankfurt, Berlin, Düsseldorf, Stuttgart and Munich, the Celesio AG is no longer obliged to publish the corporate governance report.

## Proposal of the management board for the appropriation of profits

The profit available for distribution of Celesio AG amounts to EUR 0 (previous year EUR 709,297,135) and corresponds to the annual profit due to the profit and loss agreement.

Due to the domination and profit and loss transfer agreement (DPTA) of 2 December 2014, the annual net income of EUR 127,598,609 (prior year EUR 7,925,340) was transferred to Celesio Deutschland Holdings GmbH & Co. KGaA (previously McKesson Deutschland GmbH & Co. KGaA).

In accordance with § 4 (2) and (3) of the DPTA, Celesio Deutschland Holdings GmbH & Co. KGaA guarantees the external shareholders a compensation of EUR 0.83 per share for the retention of the contract and so far also for fiscal year 2016. The compensation payment is expected to be paid at 10 August 2016.

## Events after the reporting period

On 1 April 2016 Celesio AG acquired MDD Pharma, a pharmacy in Belgium, which focuses on the supply of individual medication preparations to nursing homes. With the acquisition Celesio expands its business to other B2B segments and becomes one of the leading suppliers of elderly /nursing homes in Belgium.

On 11 April 2016 Celesio AG announced an agreement to purchase Grupo Holon, a major Portuguese branded network of independent pharmacies. This acquisition will help Celesio to expand its expertise and capabilities within the retail pharmacy market. Holon Group cooperates with nearly 380 independent pharmacies in Portugal. With about 80 employees the group offers to pharmacies a wide range of professional pharmaceutical services, marketing, training concepts and valuable buying conditions. The deal will be most likely completed by end of May 2016.

Stuttgart, 24 May 2016

The Management Board

Members of the management board

Name	Current position and company	Information on transactions with related companies and persons of the Celesio Group
Marc E. Owen	Chairman of the Management Board of Celesio AG Labour Relations Director	None
Tilo Köster	Member of the Management Board of Celesio AG Legal and Compliance	None
Alain Vachon	Member of the Management Board of Celesio AG Finance	None

## Members of the supervisory board

Name	Current position and company	Information on transactions with related companies and persons of the Celesio Group
John H. Hammergren (Chairman)	Chairman, President and Chief Executive Officer, McKesson Corporation, San Francisco (USA)	None
Ihno Goldenstein (Deputy Chairman)	Employee Goods Receiving Department, GEHE Pharma Handel GmbH, Branch Delmenhorst, Chairman of the European Works Council of Celesio AG, Chairman of Company Works Council of GEHE Pharma Handel GmbH	None
James A. Beer	Executive Vice President and Chief Financial Officer, McKesson Corporation, San Francisco (USA)	None
Klaus Borowicz	Regional Operations Manager / Region North, GEHE Pharma Handel GmbH, Branch hamburg	None
Paul C. Julian	Executive Vice President and Group President, McKesson Corporation, San Francisco, U.S.A.	None
Jörg Lauenroth-Mago	Country Department Manager Trading, ver.di – Vereinte Dienstleistungsgewerkschaft, Region Saxony, Saxony-Anhalt, Thuringia	None
Pauline Lindwall	Senior Advisor, Stora Enso A.B., Sweden	None

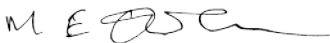
Susan Naumann	Team Leader Legal and Consulting Service, ver.di – Vereinte Dienstleistungsgewerkschaft, Region Hamburg	None
Ulrich Neumeister	Logistics employee, GEHE Pharma Handel GmbH, Head Office Stuttgart	None
W.M. Henning Rehder	Chairman of the Administrative Board, Carl Kühne KG, Hamburg	None
Patrick Schwarz-Schütte	Managing Director, Black Horse Investments GmbH, Düsseldorf	None
Gabriele Katharina Stall	Assistant of Branch Unit Manager, GEHE Pharma Handel GmbH, Branch Bonn	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, 24 May 2016



MARC E. OWEN  
Chairman of the  
Management board  
Labour Relations Director



ALAIN VACHON  
Management board member  
Finance



TILO KÖSTER  
Member of the management board  
Legal and Compliance

## List of shareholdings of the Celesio Group, Stuttgart, as of 31 March 2016 in accordance with Sec. 313 (2) HGB

Name and registered office of company	- Interest 1)		Equity 2) - Profit / Loss
	in %	in thousands	
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. SUTHELL (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, Co 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, Stuttgart		
***	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., Bentivoglio	100.00	—
ADMENTA PENSION TRUSTEES LIMITED, COVENTRY *	100.00	—
ADMENTA UK LIMITED, COVENTRY	100.00	—
Admenta Verwaltungs GmbH, Wien	100.00	—
AFM - S.P.A., Bentivoglio	79.93	—
AHLP PHARMACY LIMITED, COVENTRY *	100.00	—
ALCHEM (SOUTHERN) LIMITED, COVENTRY *	100.00	—
ALPE-ADRIA PHARMA farmacevtsko podjetje d.o.o., Ljubljana	100.00	—
American Farma Distribuidora Farmacêutica Ltda., Recife	100.00	—
Ancavion GmbH, Weiterstadt ***	100.00	—
ANSON TRADING LIMITED, COVENTRY *	100.00	—
Apo-Holding Gesellschaft m.b.H., Wien	66.67	—
Apotheek A12 SPRL, Antwerp	100.00	—
Apotheek Claes SPRL, Beveren	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., Milano	80.00	—
Babbingore Limited, Co Dublin	100.00	—
BAILLIESTON HEALTH CENTRE PHARMACY LIMITED, Baillieston	64.00	—
Ballycane Pharmacy Limited, Co Dublin	50.00	—
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	—
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, Co Dublin	100.00	—
BRIAN CORPS (CHEMIST) LIMITED, COVENTRY *	100.00	—
BRIDGETON HEALTH CENTRE PHARMACY LIMITED, Glasgow	100.00	—
BRIDPORT MEDICAL CENTRE SERVICES LIMITED, COVENTRY *	100.00	—
BRUGEFI INVEST S.A.S., SAINT OUEN	100.00	—
C. H. POMEROY LIMITED, COVENTRY *	100.00	—
CAHILL MAY ROBERTS GROUP LIMITED, Co 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, Co Dublin *	100.00	—
CLARK CARE GROUP LIMITED, COVENTRY *	100.00	—
CLARK MUNRO LIMITED, Glasgow *	100.00	—
CMN Healthcare Limited, Co Dublin	100.00	—
CMN Pharmacy Limited, Co Dublin	100.00	—

CMR HOLDINGS (UK) LIMITED, COVENTRY *	100.00	—
CMR Holdings Ltd, Co 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	—
Dargle Pharmacies Holdings Limited, 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	—
ECLIPSE HEALTHCARE LIMITED, COVENTRY *	100.00	—
ESCON (ST NEOTS) LIMITED, COVENTRY	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 S.R.L. SOCIO UNICO, Bentivoglio *	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 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	—
GOBAL Beteiligung GmbH & Co. Vermietungs KG 3)	0.00	—
GORDON'S PHARMACY LIMITED, COVENTRY *	100.00	—
Gorrys Pharmacy Limited, Co Dublin	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	—

Haleston Enterprises Limited, Co Dublin	100.00	—
HAMMOND & BROWN LIMITED, Nuneaton *	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	—
Helmarck 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., Brasília	100.00	—
HOUGHTON & LAPPIN LIMITED, COVENTRY	100.00	—
HYWEL DAVIES (CAERPHILLY) LIMITED, COVENTRY *	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, Co Dublin	100.00	—
Kemofarmacija, veletrgovina za oskrbo zdravstva, 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, Brüssel	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	—
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	—
Lloydspharmacy Ireland Limited, Co Dublin	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, Nuneaton *	100.00	—	—	—	—
MARYHILL DISPENSARY LIMITED, Glasgow	50.00	—	—	—	—
MATIS Immobilien OHG, Stuttgart	100.00	—	—	—	—
Maurice F. Dougan Limited, Co Dublin	100.00	—	—	—	—
May Roberts Ltd, Co Dublin *	100.00	—	—	—	—
McKESSON FRANCE HOLDINGS, Saint Ouen	100.00	—	—	—	—
McSweeney Dispensers 10 Limited, Co Dublin	100.00	—	—	—	—
McSweeney Dispensers 23 Limited, Co Dublin	100.00	—	—	—	—
Meade's Medical Hall 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, Co Dublin *	100.00	—	—	—	—
NEW KIRK PHARMACY LIMITED, Glasgow *	100.00	—	—	—	—
NORPROD DISTRIBUIDORA DE PRODUTOS HOSPITALARES LTDA., Recife	100.00	—	—	—	—
O`Leary Pharmacy (Lucan) Limited, Co Dublin	100.00	—	—	—	—
OCP FORMATION, Saint Ouen	100.00	—	—	—	—
OCP PORTUGAL, PRODUTOS FARMACÊUTICOS, S.A., Maia	100.00	—	—	—	—
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 HOSPITALARES E ONCOLÓGICOS S/A, Sao Paulo	100.00	—	—	—	—
P C Cahill & Company Limited, Co Dublin *	100.00	—	—	—	—
PALEMODA LIMITED, COVENTRY *	100.00	—	—	—	—
Panpharma Distribuidora de Medicamentos Ltda., Goiânia	100.00	—	—	—	—
PAUL WHEELER LIMITED, COVENTRY *	100.00	—	—	—	—

PCB SA, Bruxelles	86.79	—	—	—	—
PEEL STREET PHARMACY LIMITED, COVENTRY *	100.00	—	—	—	—
Pharma Belgium SA, Bruxelles	100.00	—	—	—	—
PHARMA PARTNERS, Ostende	100.00	—	—	—	—
PHARMACTIV DISTRIBUTION, Saint Ouen	97.45	—	—	—	—
Pharmacie L. Clerin SA., Fernelmont	100.00	—	—	—	—
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, Co Dublin	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, Nuneaton *	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	—	—	—	—
SOPi Ballincollig Limited, Co Dublin	100.00	—	—	—	—
SOPi The Lough Limited, Co Dublin	100.00	—	—	—	—
SOPi Thurles Limited, Co Dublin	100.00	—	—	—	—
SOPi Youghal Limited, Co Dublin	100.00	—	—	—	—
SP DISTRIBUIDORA DE VACINAS E MEDICAMENTOS LTDA. (ES), Cidade de Serra	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

Brocacef Groep N.V., BB Maarssen	45.00	—
Nensi d.o.o., Ljubljana	35.00	—

#### IV. Other interests with at least 5% of voting rights

ASHLEY HOUSE PLC, High Wycombe	9)	9.42	15	-4,178
COATBRIDGE DISPENSARY LIMITED, Coatbridge	6)	17.14	179	179
COMPANY CHEMISTS ASSOCIATION LIMITED, Milton Keynes	6)	27.09	-9	30
DATA CARE Datenpflege des B52Pharmagroßhandels Ges.m.b.H., Wien	10)	36.67	120	9
DATAPHARM, Paris	9)	38.89	38	22
GALEN PHARMACY LIMITED, South Shields	6)	18.00	30	8
GOVANHILL PHARMACY LIMITED, Glasgow	4)	13.40	2	-1
HOLMSCROFT HC LIMITED, Greenock	8)	20.00	231	270
KEIGHLEY HEALTH CENTRE LIMITED, KEIGHLEY, West Yorkshire	7)	16.67	222	90
PERILLA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald **		95.00	-41	12
SERVICE DE LA REPARTITION PHARMACEUTIQUE, Paris	9)	39.50	64	5
SHC PHARMACY LIMITED, Edinburgh	4)	33.33	85	124
SPRINGBURN DISPENSARY LIMITED, Glasgow	5)	25.00		
Swindon Health Centre (Pd) Limited, Swindon	4)	14.83	212	-20
THE AHLP LIMITED PARTNERSHIP, COVENTRY *	9)	50.00	0	0
TORRINGTON PARK HCC LIMITED, London	6)	4.00	191	68
VICTORIA PHARMACY LIMITED, Hartlepool	7)	7.32	-16	-115
W.H.C.P. (DUNDEE) LIMITED, Dundee	4)	13.70	136	98
WROSE HEALTH CENTRE P.D. LIMITED, Keighley	5)	42.59		

In addition, there are a further 53 European pharmacy holdings.

## Audit opinion

We have audited the consolidated financial statements prepared by Celesio AG, Stuttgart/Germany - comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, and the notes to the consolidated financial statements - and the group management report for the year ended 31 March 2016 combined with the management report. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and German commercial law as complementarily applicable under Section 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 and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting requirements and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the consolidated group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities 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, based on the findings of our audit, the consolidated financial statements of Celesio AG, Stuttgart/Germany, comply with IFRS, as applicable in the EU, and German commercial law as complementarily applicable under Section 315a (1) German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the consolidated group in accordance with these regulations. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the consolidated group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Germany, 25 May 2016

**Deloitte & Touche GmbH**  
Wirtschaftsprüfungsgesellschaft



**DR CLAUD BUHLEIER**  
GERMAN PUBLIC AUDITOR



**SVEN ILG**  
GERMAN PUBLIC AUDITOR

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This annual report was published on 24 June 2016. It is available in German and English and can be downloaded from the investor relations section of [celesio.com](http://celesio.com). The German version is legally binding.

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