**Celesio AG**
Group Interim Report
1st Quarter of 2013

# more positive lives

celesio

## More Positive Lives

# Celesio at a glance

| KEY FIGURES OF THE CELESIO GROUP | | 1st quarter 2012 | 1st quarter 2013 | Change on a euro basis % | Change in local currency % |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | € M | 5,642.8 | **5,361.6** | –5.0 | –3.6 |
| Gross profit | € M | 617.1 | **577.8** | –6.4 | –4.9 |
| adjusted [1] | € M | 617.3 | **577.8** | –6.4 | –5.0 |
| EBITDA | € M | 139.8 | **126.6** | –9.4 | –7.7 |
| adjusted [1] | € M | 141.4 | **126.6** | –10.4 | –8.7 |
| EBIT | € M | 106.6 | **95.1** | –10.7 | –9.0 |
| adjusted [1] | € M | 108.2 | **95.1** | –12.1 | –10.3 |
| Profit before tax | € M | 72.4 | **63.9** | –11.7 | / |
| adjusted [1] [2] | € M | 79.7 | **63.9** | –19.8 | / |
| Net profit/loss | € M | 44.0 | **41.7** | –5.1 | / |
| adjusted [1] [2] | € M | 49.9 | **41.7** | –16.4 | / |
| Earnings per share (basic) | € | 0.25 | **0.23** | –7.0 | / |
| Earnings per share (basic), adjusted [1] [2] | € | 0.31 | **0.23** | –24.2 | / |
| Net cash flow from operating activities | € M | 21.2 | **–89.5** | / | / |
| Net cash flow from investing activities | € M | –29.3 | **16.8** | / | / |
| Free cash flow | € M | –19.9 | **–82.2** | ≥100 | / |
| Employees (full-time equivalents) [3] | | 29,438 | **28,588** | / | / |
| Retail pharmacies [3] | | 2,274 | **2,178** | / | / |
| Wholesale branches [3] | | 141 | **136** | / | / |
| **Discontinued operations** | | | | | |
| Net profit/loss | € M | –48.5 | **–0.3** | 99.2 | / |
| Earnings per share (basic) | € | –0.28 | **0.00** | 99.2 | / |
| Employees (full-time equivalents) [3] | | 5,610 | **65** | / | / |
| **Continuing and discontinued operations** | | | | | |
| Total assets | € M | 7,928.7 [3] | **7,909.9** [4] | –0.2 | / |
| Equity | € M | 2,195.9 [3] | **2,230.8** [4] | 1.6 | / |
| Equity ratio | % | 27.7 [3] | **28.2** [4] | / | / |
| Employees (full-time equivalents) [4] | | 35,048 | **28,653** | / | / |
| Employees [4] | | 45,514 | **38,650** | / | / |
| Net profit/loss | € M | –4.5 | **41.4** | / | / |
| Earnings per share (basic) | € | –0.03 | **0.23** | / | / |

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.
2) Adjusted for special effects in the financial result.
3) Closing figures as of 31. December 2012.
4) Closing figures at the end of the reporting period.

INFORMATION ON THE CELESIO SHARE

| | |
|---|---|
| Share type | No-par value registered shares |
| Share capital in € on 31/03/2013 | 217,728,000 |
| ISIN code | DE000CLS1001 |
| German securities code | CLS 100 |
| German stock exchange code | CLS1 |
| Indices (selection) | MDAX, MSCI Germany Index, FTSE4Good, ECPI Ethical Index EMU |

## The Celesio Group

Celesio is a leading international trading company and provider of logistics and services in 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 39,000 employees, we operate in 16 countries around the world. Every day, we serve over 2 million customers – at 2,200 pharmacies of our own and 4,100 participants in our brand partnership schemes. With around 140 wholesale branches, we supply 65,000 pharmacies and hospitals every day with up to 130,000 pharmaceutical products. Our services benefit a patient pool of about 15 million per day.

# Key events 2013

## 1st quarter

- **Group EBIT below previous-year level as expected**
- **Competition and government measures burden earnings**
- **Strategic alignment of growth initiatives on schedule**
- **Outlook for full 2013 fiscal year confirmed**

## 2nd quarter

## 3rd quarter

## 4th quarter

## More Positive Lives

# To our shareholders

# Celesio AG

# 1st Quarter of 2013

# Chairman's letter

**MARKUS PINGER**
CHAIRMAN OF THE
MANAGEMENT BOARD

DEAR SHAREHOLDERS,
LADIES AND GENTLEMEN

As expected, the first quarter of 2013 fell short of the level achieved in the same period of the previous year. This is primarily attributable to three effects: The regulatory adjustments in France in the previous year, the integration of Panpharma in Brazil and the fierce discounting competition in Germany. This development did not come as a surprise to us. We expect our performance in the second half year of 2013 to be stronger.

We are making excellent headway with our realignment of Celesio and we are persisting with the implementation of our strategic initiatives. The Operational Excellence Program launched in the autumn of 2011 continues to boost our efficiency and our ability to compete.

Our activities this year will focus on piloting our new Lloyds Pharmacy network. We are delighted with the positive reaction from our customers and are increasing the number of pilot pharmacies from the current five to 95. We will launch the Lloyds Pharmacy network across Europe with the corresponding brand and will continue our work on bringing this innovative concept to market maturity.

We are on the right track and confirm our outlook communicated for the current fiscal year. We still expect to generate an adjusted EBIT of between € 445m and € 475m in 2013.

WE WOULD LIKE TO THANK YOU FOR THE CONFIDENCE YOU HAVE PLACED IN CELESIO.

**YOURS**
**MARKUS PINGER**

# The stock markets and the Celesio share

## The stock markets

The DAX continued to develop positively into the new fiscal year, starting at 7,778.8 points and moving sideways until the beginning of March 2013. This was followed by a positive development, with the DAX reaching the important 8,000-point threshold mid-March. The index peaked at 8,058.4 points in the first quarter of 2013. The debt crisis in Cyprus, which came to a head as March progressed, put an end to this positive trend. At the end of March, the DAX closed at 7,795.3 points, up 2.4% on the end of 2012.

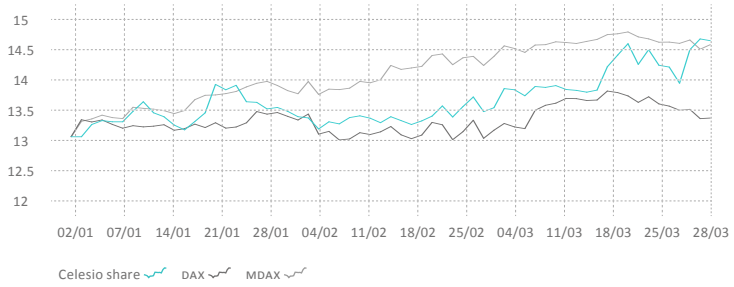
Development of the MDAX, which includes the Celesio share in its basket, was even more positive, with the index regaining considerable upward momentum until mid-March. This brought the MDAX to a quarterly high of 13,514.9 points on 18 March. Mirroring the fall in the DAX from mid-March, the MDAX closed the first quarter at 13,322.3 points. The index thus saw an increase of 11.8% compared to the end of December 2012.

## The Celesio share

The Celesio share performed extremely well in the first three months of 2013, developing positively with the MDAX and better than the DAX. The share got off to a volatile start in the 2013 fiscal year and then proceeded to fall until the beginning of February. This was followed by a strong development of the share until the end of March. At € 14.65, the share closed only marginally below its high of € 14.68 for the first quarter, rising by 12.3% compared to the end of 2012.

Market capitalisation came to € 2.49bn as of 28 March 2013 (previous year € 2.31bn). The trading volume of our share on the Xetra market averaged 392,013 shares per day in the reporting period. This corresponds to a fall of around 27% compared to 535,983 shares per day in the same period of the previous year.

**DEVELPOMENT OF THE CELESIO SHARE, DAX AND MDAX**
CLOSING PRICES ON XETRA 02/01/2013 – 28/03/2013 (TRADING DAYS ONLY), SCALED TO THE CELESIO SHARE PRICE



## Investor relations

Our investor relations work sees us providing information in a transparent, prompt and clear manner. In the first quarter of 2013, we were engaged in active dialogue with the capital market at conferences, roadshows and individual meetings. At our annual analyst and investor conference held on 26 March 2013, we reported on the 2012 fiscal year, Celesio's strategy and the programme for 2013.

Further information on the company, the Celesio share, upcoming events and publications can be found in the investor relations section of our website at www.celesio.com.

| KEY SHARE FIGURES | | 1st quarter 2012 | 1st quarter 2013 |
|---|---|---|---|
| Shares outstanding [1] | MILLION | 170.1 | **170.1** |
| Market capitalisation [1] | € M | 2,308.3 | **2,492.0** |
| Closing price [1] [2] | € | 13.57 | **14.65** |
| High [2] | € | 15.65 | **14.68** |
| Low [2] | € | 12.60 | **13.05** |
| Average Xetra trading volume per day | SHARES | 535,983 | **392,013** |

1) Closing figures as of 31 March.
2) Xetra closing rate, source: Bloomberg.

## More Positive Lives

# Group interim management report

# Celesio AG

# 1st Quarter of 2013

# Economic environment

Following the sustained period of economic weakness since the financial crisis, the first quarter of the 2013 fiscal year was shaped by a slight recovery in the economic environment. Political decision-makers were able to mitigate the significant short-term risks to the global upswing, namely the potential collapse of the euro zone and the high level of sovereign debt of the US (fiscal cliff). International financial markets saw a marked recovery in prices, and better conditions for obtaining financing and greater trust in the economy provided some stimulus. In the euro zone, however, the improvement in conditions has not yet had an impact on the real economy. This was accompanied by the reduced competitiveness of several European countries and new political and financial risks. The inflation rate fell slightly in the first quarter of 2013, dropping 2.6% globally and 1.8% in the euro zone.

Recovery is continuing in the emerging and developing countries and is steadily picking up pace as a result of renewed demand from the established markets. Despite lower unemployment rates, inflation remains manageable due to the fall in food and energy prices. In Brazil, despite moderate economic growth of 0.9% in the previous year, inflation rose to 6.4% in the first quarter of 2013.

Interest levels in Europe remained persistently low in the first quarter of 2013. The European Central Bank (ECB) has kept the base rate at 0.75% since the beginning of July 2012. The 3-month EURIBOR also remained virtually unchanged in the first quarter of 2013.

# Market

The budgetary situation remains tense for many countries in Europe. Austerity measures within the healthcare system are hindering market development. The trend toward less expensive generic products instead of the original prescription products continued unabated in the first quarter of 2013. Moreover, the German market in particular was negatively influenced by fierce discounting competition.

# Revenue and earnings development

The negative market development also had an impact on Celesio in the reporting period. The lower number of working days in the first quarter of 2013 compared to the previous-year period had an additional negative effect. Currency effects also burdened Celesio's revenue and earnings development. In the first quarter of the year, these primarily related to the pound sterling and the weak Brazilian real.

In the previous year, we disclosed certain non-recurring expenses and income as a special effect in earnings before interest, taxes and investment result (EBIT). This relates to expenses and income in connection with the Operational Excellence Program. Special effects in the financial result related to non-recurring expenses from unwinding the discount as well as currency effects from the purchase price liability for Panpharma. No special effects were recorded in the reporting period.

In the previous year, Celesio already opted to early adopt the revised standard IAS 19 – Employee Benefits for the 2012 fiscal year in line with the majority of its peers in order to record the full amount of its defined benefit obligation in the statement of financial position. The previous year's figures were restated to allow comparison.

Unless stated otherwise, the following comments pertain to continuing operations.

In the first quarter of 2013, **group revenue** fell by 5.0% to € 5,361.6m. This decrease is attributable to the rising share of generic pharmaceuticals, in particular in France and the UK, and the resulting fall in prices for pharmaceuticals. However, government measures in numerous markets as well as the lower number of working days in the first quarter of 2013 also had a negative impact on revenue development. Furthermore, the deconsolidation of the Czech operations in November 2012 caused revenue to fall. Adjusted for currency effects, revenue fell by 3.6%, producing a negative currency effect of € 75.8m.

**Gross profit** decreased by 6.4% to € 577.8m in the reporting period. Compared to the gross profit for the first quarter of 2012 adjusted for special effects, gross profit also fell by 6.4% with the gross profit margin also falling slightly from 10.9% to 10.8%. This development is primarily attributable to the discounting competition in the German wholesale market. Furthermore, gross profit in France was below the previous-year level. In the first quarter of 2012, the new margin system launched by the government did not have its full impact as goods from the previous period were still being sold. At the same time, the gross profit margin decreased as a result of burdens from government measures in the UK. By contrast, the Irish and Swedish pharmacy business reported an increase. Adjusted for currency effects, gross profit fell by 5.0%.

More detailed information on the development of gross profit in the first quarter of 2013 is presented in the reports on the divisions, starting on → page 21.

At € 47.0m, **other income** decreased by 2.5% compared to the previous year. No adjustments were made in the first quarter of 2012 and 2013. This fall in other income primarily resulted from currency effects in the reporting period. Adjusted for currency effects, other income only fell by 0.4%.

In the first quarter of 2013, **other expenses** fell by 8.4% to € 191.3m. No adjustments were made in the first quarter of 2012 and 2013. Cost-cutting measures in connection with the Operational Excellence Program, especially in the UK, had a positive effect here. Currency effects also caused other expenses to fall. Adjusted for currency effects, other expenses dropped 6.6%.

**Personnel expenses** fell by 3.1% to € 306.9m in the reporting period. This corresponds to a 2.7% decrease when comparing personnel expenses with the figure for the first quarter of 2012 adjusted for special effects. This development primarily reflects the cost-cutting measures in connection with the Operational Excellence Program, especially in the UK. Currency effects also had a positive impact. Adjusted for currency effects, personnel expenses fell by 1.5%.

**EBITDA** (earnings before interest, taxes, depreciation and amortisation and investment result) decreased by 9.4% to € 126.6m. This decrease came to 10.4% compared to EBITDA from the previous year adjusted for special effects. In addition to the effects described above, this development is primarily attributable to the discounting competition in the German wholesale market. Government measures in the UK also had a negative impact. The reduction in order volumes from a major customer as well as a slow response to changed conditions in Brazil also contributed to this earnings development. In the first three months there were also negative currency effects of € 2.4m. Adjusted for currency effects, EBITDA fell by 8.7%.

**Amortisation** of non-current intangible assets and **depreciation** of property, plant and equipment came to € 31.5m. This 5.2% fall compared to the same period of the previous year was attributable to a smaller investment volume, particularly for IT applications, in the 2012 fiscal year. Adjusted for currency effects, amortisation and depreciation fell by 3.5%. There were no **impairment** losses in the first quarter of 2012 or 2013 and therefore no adjustment items.

**EBIT** (earnings before interest and tax and investment result) amounted to € 95.1m in the reporting period, down 10.7% on same quarter of the previous year. Compared to EBIT for the first quarter of 2012 adjusted for special effects, EBIT fell by 12.1% on account of the effects mentioned above. Adjusted for currency effects, EBIT fell by 10.3%.

At € 1.9m, the **investment result** was down 35.1% on the previous-year period. This was primarily attributable to the poor development of Brocacef in the weak market environment.

The **financial result** – the balance of the individual items interest expense, interest income and other financial result – improved by 10.7% to € –33.0m. Compared to the financial result for the previous period adjusted for special effects, this was a drop of 5.3%. Adjustments in the previous period related to unwinding the discount and currency effects in connection with the purchase price liability for Panpharma. The adjusted decrease in the financial result is primarily due to currency effects and low interest. The unadjusted interest coverage ratio was 2.9 (previous year 2.9). Adjusted for special effects from the purchase price liability for Panpharma in the first quarter of 2012 and using adjusted EBIT, this resulted in an interest coverage ratio of 3.4.

**Profit before tax** fell by 11.7% to € 63.9m. Compared to the profit before tax for the first quarter of 2012 adjusted for special effects, this decrease came to 19.8%.

**Income taxes** decreased by 21.9% in the first quarter to € 22.2m (previous year € 28.4m), representing an effective tax rate of 34.7% compared to 39.2% (adjusted 37.3%) in the previous-year period. This fall is primarily attributable to the changed earnings contributed by the individual countries.

**Net profit from continuing operations** came to € 41.7m, down 5.1% compared to the same quarter of the previous year (1st quarter of 2012: € 44.0m). For Celesio's continuing operations, basic earnings per share slipped to € 0.23 compared to € 0.25 in the first quarter of 2012.

The **net loss incurred by discontinued operations** thus amounted to € 0.3m compared to the net loss of € 48.5m incurred in the same period of the previous year. The basic earnings per share therefore came to € 0.00 compared to € –0.28 in the same period of the previous year.

Accordingly, the **net profit** of the group came to € 41.4m compared to a net loss of € 4.5m in the first quarter of 2012 (basic earnings per share of € 0.23 compared to € –0.03 in the previous year).

| GROUP REVENUE BY COUNTRY | 1st quarter 2012 € m | **1st quarter 2013 € m** | Change on a euro basis % | Change in local currency % |
|---|---|---|---|---|
| United Kingdom | 1,123.4 | **1,077.8** | –4.1 | –2.1 |
| France | 1,684.3 | **1,579.4** | –6.2 | –6.2 |
| Germany | 991.8 | **1,052.9** | 6.2 | 6.2 |
| Brazil | 507.8 | **442.0** | –13.0 | –0.9 |
| Norway | 279.0 | **289.8** | 3.9 | 1.7 |
| Austria | 267.8 | **272.4** | 1.7 | 1.7 |
| Others | 788.7 | **647.3** | –17.9 | –17.4 |
| **Group** | **5,642.8** | **5,361.6** | **–5.0** | **–3.6** |

| REVENUE AND EARNINGS DEVELOPMENT CELESIO GROUP | 1st quarter 2012 | | 1st quarter 2013 | | Change on a euro basis | Change in local currency |
|---|---|---|---|---|---|---|
| | € m | % of revenue | € m | % of revenue | % | % |
| Revenue | 5,642.8 | 100.0 | **5,361.6** | 100.0 | –5.0 | –3.6 |
| Gross profit | 617.1 | 10.9 | **577.8** | 10.8 | –6.4 | –4.9 |
| adjusted [1] | 617.3 | 10.9 | **577.8** | 10.8 | –6.4 | –5.0 |
| EBITDA | 139.8 | 2.5 | **126.6** | 2.4 | –9.4 | –7.7 |
| adjusted [1] | 141.4 | 2.5 | **126.6** | 2.4 | –10.4 | –8.7 |
| EBIT | 106.6 | 1.9 | **95.1** | 1.8 | –10.7 | –9.0 |
| adjusted [1] | 108.2 | 1.9 | **95.1** | 1.8 | –12.1 | –10.3 |
| Profit before tax | 72.4 | 1.3 | **63.9** | 1.2 | –11.7 | / |
| adjusted [1] [2] | 79.7 | 1.4 | **63.9** | 1.2 | –19.8 | / |
| Net profit/loss from continuing operations | 44.0 | 0.8 | **41.7** | 0.8 | –5.1 | / |
| adjusted [1] [2] | 49.9 | 0.9 | **41.7** | 0.8 | –16.4 | / |
| Net profit/loss from discontinued operations | –48.5 | –0.9 | **–0.3** | 0.0 | 99.2 | / |
| **Net profit/loss from continuing and discontinued operations** | **–4.5** | **–0.1** | **41.4** | **0.8** | **/** | **/** |

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.
2) Adjusted for special effects in the financial result.

# Consumer Solutions division

Effective as of the first quarter of 2013, the Patient and Consumer Solutions segment has been renamed Consumer Solutions.

Our Consumer Solutions division addresses the needs of patients and consumers. At our pharmacies we offer a wide range of OTC products and medical services besides the traditional prescription pharmaceuticals. We also offer innovative medical services. The division had 2,178 retail pharmacies of its own in six countries as of the end of March 2013.

## Market

In the first three months of 2013, austerity measures within the health-care system, primarily in the UK and Ireland, weighed heavily on the market. Furthermore, revenue from prescription-only medicines came under pressure as a result of the trend toward less expensive generic products instead of the original prescription products.

## Revenue and earnings development

In addition to the difficult market environment, the lower number of working days and pharmacies in the first quarter of 2013 compared to the previous-year period had an additional negative effect. Currency effects also had an impact on revenue and earnings development. In this difficult environment, the division managed to hold its own through cost cuts and optimised procurement processes.

At € 828.0m, **revenue** in the Consumer Solutions division was down 3.1% in the first quarter of 2013 compared to the level achieved in the first quarter of 2012 (€ 854.2m). Service revenue with hospitals developed well in the UK and Sweden also reported a positive price and volume effect. Government measures in the UK as well as currency effects had a negative impact. The lower number of working days in the reporting period and the sale of our Czech pharmacies included in the group until November 2012 also caused revenue to fall. Adjusted for currency effects, revenue fell by 2.3%.

**Gross profit** worsened in the reporting period, falling by 4.3% to € 285.9m. Compared to the gross profit for the first quarter of 2012 adjusted for special effects, gross profit fell by 4.4%. The gross profit margin came to 34.5% compared to 35.0% in the same period of the previous year. This development is primarily

due to government measures taken by the UK, with improvements in procurement processes in the UK and other countries unable to compensate. Adjusted for currency effects, gross profit fell by 3.7%.

**EBITDA** increased by 1.8% to € 62.6m in the reporting period. Compared to EBITDA for the first quarter of 2012 adjusted for special effects, there was a decrease of 0.9%. As a result of extensive cost-saving measures, in particular in the UK, as well as currency effects having a positive impact on expenses, the decrease in gross profit was almost entirely compensated for. We recorded a significant decrease in start-up losses in Sweden as well as positive effects from the restructuring measures implemented in 2012. Adjusted for currency effects, EBITDA increased by 0.1%.

At € 47.8m, **EBIT** was up 2.1% on the same period of the previous year. Compared to EBIT for the first quarter of 2012 adjusted for special effects, EBIT fell by 1.4%. Currency effects once again had a negative impact in the reporting period. Adjusted for currency effects, EBIT fell by 0.3%.

| REVENUE AND EARNINGS DEVELOPMENT CONSUMER SOLUTIONS | 1st quarter 2012 | | **1st quarter 2013** | | Change on a euro basis | Change in local currency |
|---|---|---|---|---|---|---|
| | € m | % of revenue | € m | % of revenue | % | % |
| Revenue | 854.2 | 100.0 | **828.0** | 100.0 | –3.1 | –2.3 |
| Gross profit | 298.8 | 35.0 | **285.9** | 34.5 | –4.3 | –3.6 |
| adjusted [1] | 299.0 | 35.0 | **285.9** | 34.5 | –4.4 | –3.7 |
| EBITDA | 61.5 | 7.2 | **62.6** | 7.6 | 1.8 | 2.8 |
| adjusted [1] | 63.1 | 7.4 | **62.6** | 7.6 | –0.9 | 0.1 |
| EBIT | 46.8 | 5.5 | **47.8** | 5.8 | 2.1 | 3.2 |
| adjusted [1] | 48.4 | 5.7 | **47.8** | 5.8 | –1.4 | –0.3 |

1) Adjusted for non-recurring effects (including tax effect) primarily in connection with the Operational Excellence Program.

The UK remains Celesio's most important pharmacy market. With a steady share in revenue of 65.4% (1st quarter of 2012: 65.3%), Lloydspharmacy is the largest contributor in the Consumer Solutions division.

As expected, Lloydspharmacy was also negatively influenced in the first quarter of 2013 by government measures taken in the UK which came into force at the beginning of October 2012. Lloydspharmacy enjoyed a positive operating development in the reporting period. This was largely due to the new group structure. Measures to link the pharmacy and the pharmaceutical wholesale business more closely are taking effect. The Operational Excellence Program and the TIC purchasing initiative also generated positive effects. Negative effects from government measures as well as the weak pound sterling and resulting currency effects burdened Lloydspharmacy's contribution to earnings.

In Norway, the rise in revenue had a positive effect in all categories, especially in the field of OTC products. However, earnings development was also burdened primarily by scheduled start-up losses from recently opened pharmacies.

In Italy, the fall in revenue from prescription-only medicines was compensated for by an increase in revenue from OTC products in the first quarter of 2013. With costs stable, earnings were up compared to the same quarter of the previous year.

The pharmacy business in Sweden fared well. In addition to an increase in revenue, there were positive influences from the rise in the gross profit margin. A reason for this development was the procurement association initiated with several pharmacy chains in the previous year. In addition, further cost savings were made on the back of restructuring measures implemented in 2012.

# Pharmacy Solutions division

The Pharmacy Solutions division combined Celesio's pharmaceutical wholesale business activities, providing pharmacists with everything they need for their business. With 136 branches (previous year 141), Celesio operates subsidiaries in 13 European countries and Brazil.

## Market

The European wholesale market, especially the French market which is important for Celesio, continued to decline mainly as a result of the increasing trend toward less expensive generic products instead of the original prescription products. Effects from the major influenza outbreak had a positive impact in the first quarter of 2013. The increasingly fierce competition in Germany impacted the market considerably.

## Revenue and earnings development

In addition to the difficult market environment, the lower number of working days in the first quarter of 2013 compared to the previous-year period had a negative effect. Currency effects also had an impact on revenue and earnings development. Moreover, the new margin system had only affected development in France to a limited extent in the same period of the previous year. The launch of the new system was compensated for in the first quarter of 2012 by the sale of products from the previous year. Furthermore, the Brazilian market continued to pose a challenge in the first quarter of 2013, where business was burdened by changes in the regulatory framework since the second half year of 2012 as well as the fall in order volumes from a major customer.

In this difficult environment, the Pharmacy Solutions division generated **revenue** of € 4,533.7m, down 5.3% on the previous year. The deconsolidation of the Czech activities in November 2012 and the lower number of working days also had a negative effect on revenue, as did currency effects. Adjusted for currency effects, revenue fell by 3.9%.

**Gross profit** fell by 8.3% to € 291.9m in the reporting period. As in the first quarter of 2012, no adjustments were made in the first quarter of 2013. The gross profit margin came to 6.4% compared to 6.6% in the same period of the previous year. The discounting competition in Germany had the greatest negative

impact. As described above, the launch of the new margin system in France had a lesser impact in the first quarter of 2012. Adjusted for currency effects, gross profit fell by 6.1%.

**EBITDA** decreased by 19.1% to € 83.2m in the reporting period. No adjustments were made in the first quarter of 2012 and 2013. The fall in EBITDA is attributable to the effects described above regarding revenue and gross profit. The reduction in order volumes from a major customer as well as a slow response to changed conditions in Brazil also contributed to this earnings development. The considerable decrease in gross profit was only partially compensated for by cost-saving measures, especially in the UK. Adjusted for currency effects, EBITDA decreased by 17.4%.

At € 69.7m, **EBIT** was up 20.0% on the same period of the previous year. As in the first quarter of 2012, no adjustments were made in the first quarter of 2013. Negative currency effects also came into play in the development of EBIT. Adjusted for currency effects, EBIT fell by 18.5%.

| REVENUE AND EARNINGS DEVELOPMENT PHARMACY SOLUTIONS | 1st quarter 2012 | | **1st quarter 2013** | | Change on a euro basis | Change in local currency |
|---|---|---|---|---|---|---|
| | € m | % of revenue | **€ m** | % of revenue | % | % |
| Revenue | 4,789.2 | 100.0 | **4,533.7** | 100.0 | –5.3 | –3.9 |
| Gross profit | 318.3 | 6.6 | **291.9** | 6.4 | –8.3 | –6.1 |
| adjusted [1] | 318.3 | 6.6 | **291.9** | 6.4 | –8.3 | –6.1 |
| EBITDA | 102.9 | 2.1 | **83.2** | 1.8 | –19.1 | –17.4 |
| adjusted [1] | 102.9 | 2.1 | **83.2** | 1.8 | –19.1 | –17.4 |
| EBIT | 87.2 | 1.8 | **69.7** | 1.5 | –20.0 | –18.5 |
| adjusted [1] | 87.2 | 1.8 | **69.7** | 1.5 | –20.0 | –18.5 |

1) Adjusted for non-recurring effects primarily in connection with the Operational Excellence Program.

In France, the increase in generic medicines driven by government measures resulted in negative effects. Likewise, the new margin system only affected development to a limited extent in the first quarter of the previous year. Measures to stabilise revenue and earnings were continued systematically in the reporting period.

Although revenue development in Germany was satisfactory, the discounting competition burdened earnings significantly. Operating in this difficult environment, Celesio's wholesale subsidiary GEHE kept its market share steady.

The new group structure and cost savings led to positive effects in the reporting period at AAH, Celesio's pharmaceutical wholesale business in the UK. However, the expiry of patent protection on important medicines had an adverse effect on revenue development. On the whole, earnings at AAH increased in the first quarter of 2013.

In Brazil, Oncoprod enjoyed positive development in the first quarter of 2013 as expected. However, earnings in Brazil fell short of the previous-year level as a result of the effects described previously. Measures implemented at Panpharma at the end of 2012 will most likely take effect from the second half of the year onwards.

# Discontinued operations

In the 2012 fiscal year, Celesio decided to initiate the sales process for a number of companies and activities that no longer constitute the company's core business. This was done as part of Celesio's shift in corporate strategy.

This realignment saw Celesio sell the business units Movianto and Pharmexx as well as the mail-order pharmacy DocMorris (including the brand) in 2012.

As a result, discontinued operations as of 31 March 2013 only comprise the remaining operations of Movianto in Ireland, which is expected to be sold in the second quarter of 2013.

The net loss from discontinued operations amounted to € –0.3m compared to a net loss of € 48.5m in the first quarter of 2012. The previous-year period was burdened by an impairment loss recognised on Pharmexx shares of € 45.0m.

# Financial position

For continuing operations, the net cash flow from operating activities totalled € –89.5m in the first three months of the 2013 fiscal year compared to € 21.2m in the same period of the previous year. This development is primarily attributable to the change in net operating assets. In France, this mainly relates to lower sales of products in stock at year-end 2012 compared to the previous-year period. The improvement in receivables management in Germany also had a positive impact on trade receivables. By contrast, there was an increase in trade payables in connection with the cut-off at year end. At € 7.1m, the net cash flow from operating activities for discontinued operations was down on the previous-year figure of € 14.1m.

Net cash flow from investing activities for continuing operations amounted to € 16.8m in the reporting period compared to € –29.3m in the previous year. This development in the reporting period primarily reflects the cash received from purchase price receivables from the sale of operations in the Czech Republic in the fourth quarter of 2012. For discontinued operations, net cash flow from investing activities came to € 8.7m, in particular due to the purchase price payments received for the DocMorris mail-order pharmacy. In the previous year, net cash flow from investing activities came to € –9.8m.

Free cash flow for continuing operations, the balance of net cash flow from operating activities, net cash flow from investing activities and interest paid and received, totalled € –82.2m in the reporting period compared to € –19.9m in the same period of the previous year. This was driven primarily by effects already mentioned in the net operating assets which could only be partially compensated for by the cash received in 2013 from the sale of operations in the Czech Republic in the fourth quarter of 2012.

Cash outflow from financing activities amounted to € –42.3m compared to a cash inflow of € 8.2m in the previous year. The cash outflow related exclusively to continuing operations in the reporting period.

In comparison to the previous-year period cash inflow from borrowing fell by € 19.7m, while cash outflow for the settlement of financial liabilities rose a further € 37.1m. Our free cash flow is always somewhat weaker in the first quarter of the year because we only receive two payments from the British National Health Service (NHS) instead of the usual three. This is due to the payment schedule defined by the NHS.

# Assets position

The Celesio Group had total assets of € 7,909.9m as of 31 March 2013, a decrease of € 18.8m compared to 31 December 2012.

The gearing, which expresses the ratio of net debt to equity, deteriorated slightly as of 31 March 2013 to 0.72 compared to 0.71 as of 31 December 2012 as a result of the increase in net financial liabilities.

Non-current assets decreased by a total of € –39.7m compared to the end of 2012 to € 3,140.1m as of the reporting date. Of this amount, € –47.0m related to currency effects. This decrease was also attributable to the amortisation and depreciation of non-current intangible assets and property, plant and equipment of € –31.5m. The increase in deferred tax assets of € 24.1m had a compensatory effect.

Current assets increased to € 4,769.8m as of the reporting date, a rise of € 21.0m compared to 31 December 2012. Trade receivables increased by € 206.8m to € 2,302.9m primarily as a result of cut-off effects. Cash and cash equivalents decreased from € 523.9m as of 31 December 2012 to € 420.1m as of 31 March 2013. Various contrasting effects were observed: the decrease in the reporting period was driven primarily by the settlement of financial liabilities as well as cut-off effects from the operating business, while cash received in connection with the sale of the DocMorris mail-order pharmacy and operations in the Czech Republic had a positive impact. As of 31 March 2013, other receivables and other assets decreased by € 85.5m to € 322.2m. This was mainly due to the collection of receivables arising from the sale of the DocMorris mail-order pharmacy and operations in the Czech Republic.

Compared to the end of 2012, equity increased by € 34.9m to € 2,230.8m as of the reporting date. This development is above all due to the € 39.2m increase in revenue reserves to € 1,130.4m as of 31 March 2013, which in turn was attributable to the positive result in the first quarter of 2013. The equity ratio came to 28.2% as of 31 March 2013. This relates to an increase of 0.5 percentage points compared to the end of December 2012.

Non-current liabilities decreased by an aggregated € 33.5m to € 2,345.6m. The decrease includes a € 52.7m drop in non-current financial liabilities, which came to € 1,863.3m as of the reporting date, due to reclassifications to current financial liabilities to reflect the term to maturity as well as early repayments of non-current financial liabilities. There was also a € 17.9m fall in pension provisions to € 327.2m mainly due to the slight increase in the interest rate in the UK and Norway. The € 36.7m increase in deferred tax liabilities to € 75.5m had a compensatory effect.

Current liabilities came to € 3,333.5m as of the reporting date and thus fell below the year-end 2012 level by € 20.2m. Trade payables (€ 2,390.3m on 31 March 2013 compared to € 2,325.0m on 31 December 2012) and other liabilities (€ 484.0m compared to € 573.1m as of the end of 2012) were primarily influenced by cut-off effects.

# Employees

As of 31 March 2013 the Celesio Group had 28,588 employees (full-time equivalents) at its continuing operations, a fall of 2.9%. Of these, 14,663 (previous year 15,346) employees worked in the Consumer Solutions division and 13,664 (previous year 13,838) in the Pharmacy Solutions division. The remaining employees are allocable to holding functions and the discontinued operations.

# Subsequent events

On 30 April 2013, the Irish antitrust authorities fully and unconditionally approved the acquisition of Cahill May Roberts Ltd. by Uniphar plc. The transaction will most likely be closed in the second quarter of 2013, marking the successful conclusion of Celesio's divestment programme.

# Outlook

## Overall economic prospects

The global economic growth forecast for 2013 is 3.3%. Following a weak first half year, economic growth is expected to increase to 2.0% in the developed economies. The euro zone is expected to see a decrease of 0.3%. In addition to the peripheral euro zone countries, core euro zone countries are now also facing budget consolidations and low export rates. Even if economic growth in Germany continues to buoy the euro zone, growth is only expected to come to 0.6% in 2013. Looking to France, experts expect stagnating development as was the case in 2012 and only expect to see growth potential again as of 2014.

The UK, after only generating GDP growth of 0.2% in 2012, expects to draw level with Germany in 2013.

In the emerging and developing countries recovery is picking up pace, with growth of 5.3% expected in 2013 as a result of the rise in demand from established markets. Brazil, after reporting a mere 0.9% in growth in the previous year, is expected to grow by between 3.0% and 4.0% percent in the coming years.

Global inflation, which fell over the course of 2012 to 2.8%, is expected to remain unchanged until 2014. This was due to price pressure caused by the development of food and energy prices. In Europe, inflation is expected to fall from 2.3% in the previous year to 1.7% in 2013. At the same time, inflationary pressure is expected to remain in the emerging and developing countries. Consumer prices are also likely to increase by 5.9% in Brazil in 2013.

On 2 May 2013, the ECB lowered the base rate by 25 base points to 0.5% in order to tackle the problem of increasingly weaker economic development, especially in the periphery states of the euro zone. The ECB is not expected to lower the base rate any further. Experts' opinions point to a slight increase in the 3-month EURIBOR of around 10 base points by the end of 2013 with the impact of the change in the base rate remaining to be seen.

## Business development

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 Celesio's sphere of influence 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 measures in healthcare and social systems. Competition in Germany, which has picked up again since the end of the 2012 fiscal year, is a critical factor and our earnings forecast depends significantly on how this situation develops. The following forecasts by the Management Board of Celesio AG are based on the assumption that exchange rates, interest rates and the consolidated group will remain stable compared to the previous year.

## Consumer Solutions

Overall, we expect slight growth in earnings in the Consumer Solutions division compared to the previous year.

For Lloydspharmacy, we continue to expect a positive development mainly driven by the new group structure and Operational Excellence Program. Effects from the TIC procurement initiative and operational optimisations will also have a positive effect. Government measures taken by the UK will have the opposite effect.

In Norway, we continue to anticipate an increase in the sale of OTC products. Higher pension expenses will burden earnings in the current fiscal year.

The Italian market remains tense in light of its economic situation and the austerity measures within the healthcare system. In the past, our pharmacies have demonstrated that they were more resilient to the strain of government measures than the market as a whole.

We expect a significant decrease in start-up expenses in Sweden also influenced by the positive effects from restructuring measures.

## Pharmacy Solutions

For the Pharmacy Solutions division, we aim to stabilise earnings as a result of the optimisation measures implemented as well as moves to cooperate more closely with the pharmacy business. Significant challenges will still be posed by the tense economic environment, the discounting competition in Germany and the effect of government austerity measures. In the pharmaceutical wholesale business we expect a considerably stronger second half year compared to the first half year, primarily due to the countermeasures taken in Germany and Brazil.

In France, we expect earnings to stabilise in the current fiscal year despite difficult economic conditions persisting.

Important pharmaceuticals losing their patent protection in the UK will have negative consequences for revenue. However, more than anything the increased cooperation between AAH and Lloydspharmacy is expected to result in a slight increase in earnings in the 2013 fiscal year.

In 2013, the greatest challenge facing Celesio's wholesale subsidiary GEHE will be the discounting competition in Germany. Despite taking countermeasures, a significant fall in earnings will be unavoidable.

In Brazil, we expect further growth for Oncoprod and, once the cost-cutting structural changes are completed, Panpharma. The opportunities that emerge

on the Brazilian market are also expected to have a positive impact. The Management Board predicts an increase in earnings already in 2013.

The restructuring measures completed at the warehouse in Oslo are showing results. We therefore expect a solid increase in earnings for Norway.

## Investments and capital expenditures

We anticipate a higher investment volume for 2013 than the relatively low level of the 2012 fiscal year, particularly as a result of larger investments in wholesale branches and pharmacy refurbishments – also containing pilot pharmacies as part of the European pharmacy network.

## Depreciation and amortisation

Depreciation and amortisation should increase slightly in the 2013 fiscal year compared to the level of the previous year.

## Financial result

We do not reckon with any major changes in the financial result in 2013 and expect it to stay more or less at the 2012 level adjusted for special effects. As in the previous year, this assumption applies only on the promise that interest rates remain stable.

## Tax rate

The group's tax rate may be influenced by two key factors: 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 likely to be one to two percentage points below the 2012 rate.

## Employees

No further material decrease in the headcount is expected for 2013.

## Risk and opportunities

We use our internal risk management system to identify, measure and track opportunities and risks. The major opportunities and risks relevant to us are described in detail from page 162 onwards of the 2012 annual report. The risks and opportunities presented there essentially remain unchanged. The following opportunities and risks are particularly relevant for the development of our business and earnings in 2013:

- Our earnings could be negatively affected by the ongoing euro crisis and the austerity measures in healthcare systems.
- The healthcare sector with its constantly shifting parameters is a highly dynamic market.
- Celesio's line of business is an extremely competitive one. Activities of Celesio's competitors can also squeeze earnings. This has been shown in Germany in particular since the fourth quarter of 2012.
- We are active in markets in which the compensation structures are highly regulated. Any changes to these compensation structures could impact the development of our earnings.
- Patent protection has recently run out or will do so over the coming years on a number of blockbusters. This will push up the market share of cheaper generics, impacting our revenue and, depending on the local reimbursement system, our earnings in the medium term.

- Celesio is active in different currency areas. Significant exchange rate fluctuations impact our earnings. Because a large proportion of our business is in the UK, the pound sterling is of most relevance, followed by the Brazilian real and the Norwegian krone.
- We consider changes in conditions on the healthcare market to be critical to our success. They can also affect earnings. Examples include business combinations between pharmaceutical manufacturers, exclusive wholesale distribution models as well as fiercer competition in the area of logistics or individual changes in pharmacy-only sale restrictions for prescription medicines.
- Our OTC revenue, which accounts for around 20% of revenue in the Consumer Solutions division, can be influenced by changes in the economic environment.

## Earnings forecast 2013

For Celesio, 2013 will be all about realignment, building on the successful stabilisation of earnings in the 2012 fiscal year and forming a basis for profitable growth from 2014 onwards. As a result, management expects Celesio to generate an adjusted EBIT of between € 445m and € 475m in the 2013 fiscal year and, accordingly, an adjusted EBITDA of between € 580m and € 610m.

This positive development will be driven significantly by the better integration of our pharmacy and wholesale business and cash effects from optimised procurement processes. This clearly shows that our Operational Excellence Program and improved cost awareness throughout the group are effective.

## More Positive Lives

# Group interim condensed financial statements

# Celesio AG

# 1st Quarter of 2013

# Group income statement

| | 1st quarter 2012 € m | 1st quarter 2013 € m |
|---|---|---|
| **Revenue** | 5,642.8 | **5,361.6** |
| Cost of materials | –5,025.7 | **–4,783.8** |
| **Gross profit** | 617.1 | **577.8** |
| Other income | 48.2 | **47.0** |
| Other expenses | –208.8 | **–191.3** |
| Personnel expenses | –316.7 | **–306.9** |
| **EBITDA** | 139.8 | **126.6** |
| Amortisation of non-current intangible assets and depreciation of property, plant and equipment | –33.2 | **–31.5** |
| **EBIT** | 106.6 | **95.1** |
| Result from associates accounted for using the equity method | 1.6 | **0.0** |
| Result from other investments | 1.4 | **1.9** |
| Interest expense | –40.4 | **–34.5** |
| Interest income | 2.7 | **2.1** |
| Other financial result | 0.5 | **–0.7** |
| **Profit before tax from continuing operations** | **72.4** | **63.9** |
| Income taxes | –28.4 | **–22.2** |
| **Net profit/loss from continuing operations** | **44.0** | **41.7** |
| **Net profit/loss from discontinued operations** | **–48.5** | **–0.3** |
| **Net profit/loss** | **–4.5** | **41.4** |
| Of which attributable to non-controlling interests | 0.9 | **2.2** |
| **Of which attributable to shareholders of Celesio AG** | **–5.4** | **39.2** |
| | | |
| **Earnings per share – basic** | € | **€** |
| Net profit from continuing operations | 0.25 | **0.23** |
| Net loss from discontinued operations | –0.28 | **0.00** |
| Net profit/loss | –0.03 | **0.23** |
| **Earnings per share – diluted** | € | **€** |
| Net profit/loss from continuing operations | 0.25 | **0.23** |
| Net profit/loss from discontinued operations | –0.28 | **0.00** |
| Net profit/loss | –0.03 | **0.23** |

# Group statement of comprehensive income

| | 1st quarter 2012 € m | 1st quarter 2013 € m |
|---|---|---|
| **Net profit/loss** | **–4.5** | **41.4** |
| **Items that will not be recycled through profit or loss** | | |
| Revalution of defined benefit pension plans | –24.8 | **2.2** |
| Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method | –3.1 | **2.7** |
| **Items that may subsequently be recycled through profit or loss** | | |
| Unrealised gains/losses from the current year | –0.9 | **0.8** |
| Gains/losses recycled through profit or loss | 2.8 | **2.7** |
| Unrealised gains/losses from derivative financial instruments to hedge cash flows | 1.9 | **3.5** |
| Foreign currency translation posted directly to other comprehensive income | –0.3 | **–14.9** |
| Exchange differences | –0.3 | **–14.9** |
| **Other comprehensive income after tax** | **–26.3** | **–6.5** |
| from continuing operations | –26.5 | **–6.5** |
| of which attributable to non-controlling interests | –0.2 | **1.4** |
| from discontinued operations [1] | 0.2 | **0.0** |
| **Comprehensive income** | **–30.8** | **34.9** |
| from continuing operations | 17.5 | **35.2** |
| of which attributable to non-controlling interests | 0.7 | **3.6** |
| from discontinued operations [1] | –48.3 | **–0.3** |

1) All of which attributable to shareholders of Celesio AG.

Please refer to → page 67 of the notes for further explanations on other comprehensive income.

# Group statement of financial position

| ASSETS | 31/12/2012 € m | 31/03/2013 € m |
|---|---|---|
| **Non-current assets** | 3,179.9 | **3,140.1** |
| Intangible assets | 2,297.2 | **2,243.6** |
| Property, plant and equipment | 529.7 | **513.2** |
| Associates accounted for using the equity method | 71.7 | **74.3** |
| Other financial assets | 98.0 | **98.9** |
| Other non-current assets | 69.9 | **72.6** |
| Income tax receivables | 2.3 | **2.3** |
| Deferred tax assets | 111.1 | **135.2** |
| **Current assets** | 4,748.8 | **4,769.8** |
| Inventories | 1,582.0 | **1,580.9** |
| Trade receivables | 2,096.1 | **2,302.9** |
| Income tax receivables | 36.1 | **39.1** |
| Other receivables and other assets | 407.7 | **322.2** |
| Cash and cash equivalents | 523.9 | **420.1** |
| Assets held for sale | 103.0 | **104.6** |
| **Total assets** | 7,928.7 | **7,909.9** |

| EQUITY AND LIABILITIES | 31/12/2012 € m | 31/03/2013 € m |
|---|---|---|
| **Equity** | **2,195.9** | **2,230.8** |
| Issued capital | 217.7 | **217.7** |
| Capital reserves | 1,186.0 | **1,186.0** |
| Revenue reserves | 1,091.2 | **1,130.4** |
| Revaluation reserves | –333.3 | **–341.2** |
| **Equity attributable to shareholders of Celesio AG** | **2,161.6** | **2,192.9** |
| Non-controlling interests | 34.3 | **37.9** |
| | | |
| **Liabilities** | **5,732.8** | **5,679.1** |
| **Non-current liabilities** | **2,379.1** | **2,345.6** |
| Financial liabilities | 1,916.0 | **1,863.3** |
| Pension provisions | 345.1 | **327.2** |
| Other non-current provisions | 71.0 | **71.2** |
| Other liabilities | 8.2 | **8.4** |
| Deferred tax liabilities | 38.8 | **75.5** |
| | | |
| **Current liabilities** | **3,353.7** | **3,333.5** |
| Financial liabilities | 166.9 | **171.3** |
| Trade payables | 2,325.0 | **2,390.3** |
| Other current provisions | 156.4 | **150.4** |
| Income tax liabilities | 55.7 | **53.3** |
| Other liabilities | 573.1 | **484.0** |
| Liabilities held for sale | 76.6 | **84.2** |
| | | |
| **Total equity and liabilities** | **7,928.7** | **7,909.9** |

# Group statement of cash flows

| | 1st quarter 2012 € m | 1st quarter 2013 € m |
|---|---|---|
| **Net profit from continuing operations** | **44.0** | **41.7** |
| Amortisation of non-current intangible assets and depreciation of property, plant and equipment | 33.2 | **31.5** |
| Result from associates accounted for using the equity method and other equity investments | –3.0 | **–1.9** |
| Dividends received | 1.7 | **2.0** |
| Financial result | 37.2 | **33.1** |
| Net result from the disposal of non-current assets and subsidiaries | –0.5 | **–0.6** |
| Impairment of operating assets | 12.4 | **10.6** |
| Change in deferred taxes and income taxes | 28.4 | **22.2** |
| Income taxes paid | –25.9 | **–24.5** |
| Other non-cash income and expenses | 4.8 | **7.2** |
| Change in net operating assets | –73.7 | **–195.7** |
| *Change in inventories* | 144.0 | **–14.5** |
| *Change in trade receivables* | –153.8 | **–203.9** |
| *Change in trade payables* | –21.1 | **80.4** |
| *Change in other net operating assets* | –42.8 | **–57.7** |
| Change in other assets and other liabilities | –37.4 | **–15.1** |
| *Change in other assets* | –41.7 | **–3.0** |
| *Change in other liabilities* | 4.3 | **–12.1** |
| **Net cash flow from operating activities – continuing operations** | **21.2** | **–89.5** |
| **Net cash flow from operating activities – discontinued operations** | **14.1** | **7.1** |
| **Net cash flow from operating activities – continuing and discontinued operations** | **35.3** | **–82.4** |

| | 1st quarter | |
|---|---|---|
| | 2012<br>€ m | 2013<br>€ m |
| Proceeds from the disposal of non-current assets | 5.3 | 2.4 |
| Capital expenditure on non-current assets | –35.3 | –18.4 |
| Proceeds from the disposal of subsidiaries | 0.3 | 33.0 |
| Cash paid for business combinations | 0.4 | –0.2 |
| **Net cash flow from investing activities – continuing operations** | **–29.3** | **16.8** |
| **Net cash flow from investing activities – discontinued operations** | **–9.8** | **8.7** |
| **Net cash flow from investing activities – continuing and discontinued operations** | **–39.1** | **25.5** |
| Proceeds from borrowings | 86.5 | 66.8 |
| Repayment of borrowings | –62.5 | –99.6 |
| Interest paid | –14.5 | –11.6 |
| Interest received | 2.7 | 2.1 |
| **Net cash flow from financing activities – continuing operations** | 12.2 | –42.3 |
| **Net cash flow from financing activities – discontinued operations** | **–4.0** | **0.0** |
| **Net cash flow from financing activities – continuing and discontinued operations** | **8.2** | **–42.3** |
| **Net change in cash and cash equivalents** | **4.4** | **–99.0** |
| Net foreign exchange rate difference | 2.3 | –5.4 |
| Cash and cash equivalents at the beginning of the period | 448.3 | 525.0 |
| **Cash and cash equivalents at the end of the period** | **455.0** | **420.6** |
| Cash and cash equivalents of discontinued operations and disposal groups at the end of the period | 25.7 | 0.5 |
| **Cash and cash equivalents at the end of the period (according to the group statement of financial position)** | **429.3** | **420.1** |

# Group statement of changes in equity

| | Issued capital € m | Capital reserves € m | Revenue reserves € m |
|---|---|---|---|
| **As of 1 January 2013** | **217.7** | **1,186.0** | **1,091.2** |
| Dividends | 0.0 | 0.0 | 0.0 |
| Change in ownership interests in subsidiaries that do not result in a loss of control | 0.0 | 0.0 | 0.0 |
| Changes to the consolidated group | 0.0 | 0.0 | 0.0 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 |
| Net profit/loss | 0.0 | 0.0 | 39.2 |
| Comprehensive income | 0.0 | 0.0 | 39.2 |
| **As of 31 March 2013** | **217.7** | **1,186.0** | **1,130.4** |
| | | | |
| **As of 31 December 2011** | **217.7** | **1,186.0** | **1,311.5** |
| **Revaluation of defined benefit pension plans** | **0.0** | **0.0** | **–20.0** |
| **Adjusted balance as of 1 January 2012** | **217.7** | **1,186.0** | **1,291.5** |
| Dividends | 0.0 | 0.0 | 0.0 |
| Change in ownership interests in subsidiaries that do not result in a loss of control | 0.0 | 0.0 | –0.2 |
| Changes to the consolidated group | 0.0 | 0.0 | 0.0 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 |
| Net profit/loss | 0.0 | 0.0 | –5.4 |
| Comprehensive income | 0.0 | 0.0 | –5.4 |
| **Adjusted balance as of 31 March 2012** | **217.7** | **1,186.0** | **1,285.9** |

1) Of which attributable to discontinued operations and disposal groups: € –5.0m (previous year € –24.1m).
2) Of which attributable to discontinued operations: € –7.4m (previous year € 0.1m).
3) Of which attributable to discontinued operations and disposal groups: € 0.0m (previous year € –0.4m).
4) Of which attributable to discontinued operations and disposal groups: € –12.4m (previous year € –24.4m).
5) Of which attributable to discontinued operations in the reporting period: € 0.0m (previous year € –0.2m).

| Revaluation reserves | | | | | Equity attributable to shareholders of Celesio AG € m | Non-controlling interests € m | Equity € m |
|---|---|---|---|---|---|---|---|
| Translation reserves € m | Revalution of defined benefit pension plans € m | Asset revaluation reserves € m | Cash flow hedges € m | Other comprehensive income attributable to entities measured using the equity method € m | | | |
| **–159.4** | **–151.6** | **0.0** | **–16.4** | **–5.9** | **2,161.6** | **34.3** | **2,195.9** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | [5] **0.0** | **0.0** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | **0.0** | **0.0** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | **0.0** | **0.0** |
| –16.3 | 2.2 | 0.0 | 3.5 | 2.7 | **–7.9** | **1.4** | **–6.5** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **39.2** | **2.2** | **41.4** |
| –16.3 | 2.2 | 0.0 | 3.5 | 2.7 | **31.3** | **3.6** | **34.9** |
| [1] **–175.7** | [2] **–149.4** | [3] **0.0** | **–12.9** | **–3.2** | [4] **2,192.9** | **37.9** | **2,230.8** |
| **–148.4** | **0.0** | **–0.4** | **–20.8** | **0.0** | **2,545.6** | **32.2** | **2,577.8** |
| **0.0** | **–90.1** | **0.0** | **0.0** | **–1.1** | **–111.2** | **0.0** | **–111.2** |
| **–148.4** | **–90.1** | **–0.4** | **–20.8** | **–1.1** | **2,434.4** | **32.2** | **2,466.6** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | [5] **–0.2** | **–0.2** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **–0.2** | **0.2** | **0.0** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | **0.9** | **0.9** |
| –0.1 | –24.8 | 0.0 | 1.9 | –3.1 | **–26.1** | **–0.2** | **–26.3** |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **–5.4** | **0.9** | **–4.5** |
| –0.1 | –24.8 | 0.0 | 1.9 | –3.1 | **–31.5** | **0.7** | **–30.8** |
| [1] **–148.5** | [2] **–114.9** | [3] **–0.4** | **–18.9** | **–4.2** | [4] **2,402.7** | **33.8** | **2,436.5** |

# Selected explanatory notes to the consolidated financial statements

## Group segment reporting by division

1ST QUARTER 2013

**Income statement**

**Revenue**

External revenue

Inter-segment revenue

**Gross profit**

EBITDA

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

**EBIT**

**Segment assets**

1ST QUARTER 2012

**Income statement**

**Revenue**

External revenue

Inter-segment revenue

**Gross profit**

EBITDA

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

**EBIT**

**Segment assets**

| Consumer Solutions € m | Pharmacy Solutions € m | Other € m | Consolidation € m | Group (continuing operations) € m | Discontinued operations € m |
|---|---|---|---|---|---|
| **828.0** | **4,533.7** | **0.0** | **–0.1** | **5,361.6** | **38.1** |
| 828.0 | 4,533.6 | 0.0 | 0.0 | **5,361.6** | 38.1 |
| 0.0 | 0.1 | 0.0 | –0.1 | **0.0** | 0.0 |
| **285.9** | **291.9** | **0.0** | **0.0** | **577.8** | **2.1** |
| 62.6 | 83.2 | –18.9 | –0.3 | **126.6** | 0.0 |
| 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | 0.0 |
| **47.8** | **69.7** | **–22.1** | **–0.3** | **95.1** | **0.0** |
| **1,925.5** | **2,261.9** | **–46.8** | **–0.7** | **4,139.9** | **–6.1** |

| Consumer Solutions € m | Pharmacy Solutions € m | Other € m | Consolidation € m | Group (continuing operations) € m | Discontinued operations € m |
|---|---|---|---|---|---|
| **854.2** | **4,789.2** | **0.0** | **–0.6** | **5,642.8** | **249.5** |
| 853.6 | 4,789.2 | 0.0 | 0.0 | **5,642.8** | 229.3 |
| 0.6 | 0.0 | 0.0 | –0.6 | **0.0** | 20.2 |
| **298.8** | **318.3** | **0.0** | **0.0** | **617.1** | **95.2** |
| 61.5 | 102.9 | –24.6 | 0.0 | **139.8** | 4.2 |
| 0.0 | 0.0 | 0.0 | 0.0 | **0.0** | 0.0 |
| **46.8** | **87.2** | **–27.4** | **0.0** | **106.6** | **–0.1** |
| **2,070.2** | **1,913.5** | **–22.3** | **–0.4** | **3,961.0** | **364.1** |

Please refer to → page 68 of the notes for further explanations and comments on segment reporting.

## RECONCILIATION OF SEGMENT REVENUE

| | 1st quarter 2012 € m | 1st quarter 2013 € m |
|---|---|---|
| **Revenue of the reportable segments** | **5,643.4** | **5,361.7** |
| Consolidation | –0.6 | **–0.1** |
| **Group revenue** | **5,642.8** | **5,361.6** |

## RECONCILIATION OF SEGMENT EARNINGS

| | 1st quarter 2012 € m | 1st quarter 2013 € m |
|---|---|---|
| **EBIT** | **106.6** | **95.1** |
| Result from associates accounted for using the equity method | 1.6 | **0.0** |
| Result from other investments | 1.4 | **1.9** |
| Interest expense | –40.4 | **–34.5** |
| Interest income | 2.7 | **2.1** |
| Other financial result | 0.5 | **–0.7** |
| **Profit before tax from continuing operations** | **72.4** | **63.9** |

## RECONCILIATION OF SEGMENT ASSETS

| | 1st quarter 2012 € m | 1st quarter 2013 € m |
|---|---|---|
| **Segment assets of the reportable segments** [1] | **3,961.4** | **4,140.6** |
| Consolidation [1] | –0.4 | **–0.7** |
| **Segment assets of the group** | **3,961.0** | **4,139.9** |
| + Interest-bearing other financial assets | 57.2 | **36.6** |
| + Non-current and current income tax receivables | 36.5 | **41.4** |
| + Deferred tax assets | 147.9 | **135.2** |
| + Other assets | 5.3 | **11.3** |
| + Cash and cash equivalents | 429.3 | **420.1** |
| + Assets of discontinued operations | 649.5 | **30.3** |
| + Other non-current provisions | 86.7 | **71.2** |
| – Other current provisions | 151.6 | **150.4** |
| – Trade payables | 2,528.9 | **2,390.3** |
| – Sundry liabilities | 774.3 | **483.2** |
| **Total net assets** | **8,828.2** | **7,909.9** |

1) Previous-year figures restated in line with group segment reporting.

## Accounting policies

The interim condensed consolidated report of Celesio AG for the first quarter of 2013, comprising the group income statement, group statement of comprehensive income, group statement of financial position, group statement of cash flows, group statement of changes in equity and selected explanatory notes to the consolidated financial statements, is based on »International Accounting Standard (IAS) 34 - Interim Financial Reporting«. All International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and endorsed by the European Union as of 31 March 2013 and all interpretations (IFRIC) of the International Financial Reporting Standards Interpretation Committee were observed in the process of preparing the interim report. The accounting principles applied in the preparation of the interim report generally correspond to those applied in the annual report as of 31 December 2012. Deviations from these accounting standards are explained below. The condensed interim report should therefore be read in conjunction with the consolidated financial statements of Celesio AG for the 2012 fiscal year.

The accounting standards applied for the consolidated financial statements of 2012 were also applied without change to the interim financial reporting. The application of the amendments to **»IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities«** and **»IAS 12 – Income Taxes – Deferred Taxes: Recovery of Underlying Assets«**, which became mandatory on 1 January 2013, did not result in any material changes to the interim reporting. **»IFRS 13 – Fair Value Measurement«** which became mandatory on 1 January 2013 lays down the uniform treatment for measuring fair value and must be applied prospectively. The impact of this standard is also presented in a separate section of the notes to the consolidated financial statements. Moreover, the interim condensed consolidated report considers **»IAS 1 – Presentation of Other Comprehensive Income** (OCI)**«** which became mandatory for all reporting periods beginning on or after 1 July 2012. As a result there has been a change in the presentation of other comprehensive income in the statement of comprehensive income and a separate presentation of other comprehensive income before and after tax in the notes to the consolidated financial statements.

The consolidated financial statements have been prepared in euro. All figures are presented in million euros (€ m) unless otherwise indicated. 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.

## Adjustments to previous-year disclosures

The retrospective application of the revised version of **»IAS 19 – Employee Benefits«** at the end of the 2012 fiscal year had a material impact on the recognition and measurement of the defined benefit obligation. As a result, the previous-year figures presented in this interim report were adjusted for the group income statement, the group statement of comprehensive income, the group statement of cash flows and the group statement of changes in equity to allow comparison. For the first quarter of 2012 the retrospective application resulted primarily in a fall in personnel expenses of € 1.5m and an increase in interest expenses of € 1.7m. After taking account of the corresponding tax effects, there is no change in the net income reported for the year. Other comprehensive income fell by € 27.9m. Equity reported as of 31 March 2012 is down € 139.1m.

## Consolidated group

### Business combinations and disposals in the first quarter of 2013

#### Business combinations

In the first quarter of 2013, the Pharmacy Solutions division acquired 100% of the Brazilian company, Tele Action Servicos Ltda., a call centre provider, and fully consolidated it accordingly.

The table below provides the significant details of the entity acquired in the first quarter of 2013:

| | Total € m |
|---|---|
| **Consideration transferred** | **0.2** |
| Purchase price payment | **0.2** |
| Contingent consideration | **0.0** |
| Shares previously recognised using the equity method | **0.0** |
| Remeasurement of shares previously recognised using the equity method | **0.0** |
| **Cash purchase price** | **0.0** |
| **Fair value of assets and liabilities assumed** | |
| **Total assets** | **0.2** |
| Cash and cash equivalents | **0.2** |
| **Total liabilities** | **0.3** |
| Trade payables | **0.1** |
| Other liabilities | **0.2** |
| **Goodwill** | **0.3** |
| **Non-controlling interests** | **0.0** |

No significant incidental acquisition-related costs were incurred.

The goodwill generally 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 € 0.2m.

Revenue and net profit attributable to the entities acquired in the first quarter of 2013 amount to € 0.0m and € 0.1m respectively. Had these entities been acquired right at the beginning of the fiscal year, they would have contributed € 0.2m to group revenue and € 0.0m to the group's net profit.

### 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, increased by € 0.1m in the first quarter of 2013. This change originated from the partial fulfilment of the conditions for a contingent consideration (€ 0.1m). The fair value adjustment of contingent consideration was in most cases determined on the basis of an earnings indicator taking long-term planning into account. This did not give rise to any major changes in the ranges in the first quarter of 2013.

### Disposals

Two retail pharmacies in the UK were sold in the first quarter of 2013 in the course of streamlining the portfolio. In the process, assets of € 0.1m were sold, all of which were tangible assets. The gain on disposals totalled € 0.4m and is reported under other income/expense.

## Business combinations in the first quarter of 2012

### Business combinations

Preliminary purchase price allocations were used as the basis for consolidation for business combinations in the first quarter of 2012. They were all completed within twelve months of the acquisition date in each case. There were no significant effects on the comparable period from the finalisation of the purchase price allocation. The final figures are presented below.

The table below provides the significant details of the entities acquired in the first quarter of 2012:

| | Total € m |
|---|---|
| **Consideration transferred** | **1.9** |
| Purchase price payment | **0.0** |
| Contingent consideration | **1.0** |
| Shares previously recognised using the equity method | **1.1** |
| Remeasurement of shares previously recognised using the equity method | **–0.2** |
| **Cash purchase price** | **–0.4** |
| **Fair value of assets and liabilities assumed** | |
| **Total assets** | **0.8** |
| Inventories | **0.2** |
| Trade receivables | **0.1** |
| Cash and cash equivalents | **0.4** |
| Other assets | **0.1** |
| **Total liabilities** | **0.5** |
| Other liabilities | **0.5** |
| **Goodwill** | **1.6** |
| **Non-controlling interests** | **0.0** |

The fair value of the receivables acquired in the business combinations amounts to € 0.2m. This includes trade receivables of € 0.1m. No valuation allowances were recognised on these receivables. Thus the fair value corresponds to the amount agreed on in the contracts.

The goodwill generally reflects the expected future cash flows that will be generated by the combination – including in some cases as a result of the leading market position of the acquisition – and the expertise of the employees. The full goodwill method was not applied.

The entities acquired in the first quarter of 2012 generated revenue of € 0.6m as in the comparable period of the previous year and contributed € 0.1m to earnings. Had these entities been acquired at the beginning of the comparable period, they would have contributed € 0.9m to group revenue. The contribution to group earnings would have been € 0.0m.

## Extraordinary impairment test

In accordance with »IAS 36 – Impairment of Assets« an entity must assess at each reporting date whether there is any indication of impairment, and if so (triggering event), it must determine the recoverable amount of the assets or cash-generating unit. As of 31 March 2013, the market capitalisation of Celesio AG, i.e. the value of all shares issued by the company, was above the carrying amount of equity, in contrast to the situation as of 31 March 2012. No extraordinary impairment test was conducted.

## Discontinued operations and disposal groups

As part of the radical strategic shake-up and streamlining of the portfolio, Celesio announced in the previous year that it would initiate the sales process for a number of companies and activities that no longer constitute the company's core business.

Following careful scrutiny and analysis of the strategic options, the Management Board of Celesio passed a resolution at the end of March 2012 to dispose of the business areas Movianto (without the logistics operations in Austria) and Pharmexx as well as the DocMorris mail-order pharmacy (including the brand), previously disclosed under Consumer Solutions, and all Czech operations (previously disclosed within the Pharmacy Solutions and Consumer Solutions segments) before the end of 2012.

One aspect of the resolution was the decision to part with Manufacturer Solutions completely. This reflects the focus on core business and the determination to take the necessary structural and organisational steps. In connection with the strategic realignment, a decision was taken to tackle the sales channel conflict with pharmacists that arose specifically in Germany through the acquisition of the DocMorris mail-order pharmacy in 2007. The decision was therefore taken to sell the mail-order pharmacy, including the DocMorris brand. The corresponding

entities were classified as discontinued operations in 2012 from the time the decision was reached up until the point of sale. The sale of the Movianto business area, with the exception of Movianto Ireland was completed on 31 August 2012. The Pharmexx business area was sold on 12 September 2012. The DocMorris mail-order pharmacy was sold on 30 November 2012.

The resolution mentioned above also included the strategic decision to withdraw from the Czech market completely and therefore to sell the wholesale and pharmacy operations. The corresponding entities were classified as disposal groups from the date of the decision until the date of sale. In the third quarter of 2012, Celesio successfully disposed of its operations in the Czech Republic effective November 2012. The outstanding purchase price payment of € 32.6m was settled in the first quarter of 2013.

A further decision was taken in the second quarter of 2012 to dispose of the Irish wholesale business (disclosed within the Pharmacy Solutions segment). As a result, this was also reported as a disposal group.

The entities classified as discontinued operations and disposal groups are measured at fair value less costs to sell. The fair value is determined initially on the basis of the sale and purchase agreements or purchase bids if suitably specific offers were available for the comparative period. No fair value adjustment (before and after tax) was made to Movianto Ireland in the first quarter of 2013. The profit and loss of the operation is presented under the net profit/loss from discontinued operations. Likewise, no fair value adjustments, was recorded on the Wholesale business in Ireland, reported as a disposal group, in the first quarter of 2013. The profit and loss of this operation is presented under the net profit/loss from continuing operations.

In the comparative period, the cash-generating unit Pharmexx was impaired by € 45.0m (before and after tax). This is disclosed in net profit/loss from discontinued operations. In the first quarter of 2012 there was no need to recognise an impairment loss on any of the other discontinued operations or disposal groups.

The main asset and liability groups held for sale are summarised below:

| | Assets held for sale € m | Disposal group Wholesale Ireland € m | Discontinued operations Movianto Ireland € m | Assets and liabilities held for sale 31/12/2012 € m |
|---|---|---|---|---|
| Intangible assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Property, plant and equipment | 1.3 | 0.0 | 0.0 | 1.3 |
| Inventories | 0.0 | 25.1 | 7.3 | 32.4 |
| Trade receivables | 0.0 | 38.2 | 18.1 | 56.3 |
| Cash and cash equivalents | 0.0 | 1.1 | 0.0 | 1.1 |
| Other assets | 0.0 | 7.6 | 4.3 | 11.9 |
| **Assets** | **1.3** | **72.0** | **29.7** | **103.0** |
| Trade payables | 0.0 | 28.4 | 34.4 | 62.8 |
| Other liabilities | 0.0 | 12.9 | 0.9 | 13.8 |
| **Equity and liabilities** | **0.0** | **41.3** | **35.3** | **76.6** |

The discontinued operations consist of the Movianto operations in Ireland, which will be sold together with the wholesale operations.

The loss of € 0.2m from measuring discontinued operations is attributable to the equity investment in Pharmexx India, which will be sold separately.

Real estate with a carrying amount of € 0.8m (previous year € 0.7m) held by Pharmacy Solutions is presented under non-current assets held for sale. In Consumer Solutions this item amounts to € 0.5m (previous year € 0.6m).

| Assets held for sale € m | Disposal group Wholesale Ireland € m | Discontinued operations Movianto Ireland € m | Assets and liabilities held for sale 31/03/2012 € m |
|---|---|---|---|
| 0.0 | 0.0 | 0.0 | 0.0 |
| 1.3 | 0.0 | 0.0 | 1.3 |
| 0.0 | 28.6 | 11.8 | 40.4 |
| 0.0 | 34.6 | 13.8 | 48.4 |
| 0.0 | 0.5 | 0.0 | 0.5 |
| 0.0 | 9.3 | 4.7 | 14.0 |
| 1.3 | 73.0 | 30.3 | 104.6 |
| | | | |
| 0.0 | 27.8 | 40.8 | 68.6 |
| 0.0 | 13.0 | 2.6 | 15.6 |
| 0.0 | 40.8 | 43.4 | 84.2 |

The net profit/loss from discontinued operations breaks down as follows:

| 1ST QUARTER | DocMorris mail-order pharmacy and brand | |
|---|---|---|
| | 2012 € m | 2013 € m |
| Revenue | 87.0 | 0.0 |
| Cost of materials | –72.4 | 0.0 |
| Gross profit | 14.6 | 0.0 |
| EBITDA | 3.0 | 0.0 |
| EBIT | 2.0 | 0.0 |
| Profit/loss before tax from discontinued operations | 1.5 | 0.0 |
| Income taxes | 0.0 | 0.0 |
| Profit/loss after tax from discontinued operations | 1.5 | 0.0 |
| Profit/loss after tax from the measurement and disposal of discontinued operations | 0.0 | 0.0 |
| **Net profit/loss from discontinued operations** | **1.5** | **0.0** |

## Contingent liabilities and other financial obligations

The contingent liabilities and other financial liabilities presented in the consolidated financial statements as of 31 December 2012 did not change materially in the first quarter of 2013.

Contingent liabilities recognised for legal and tax risks in connection with the business combination with Panpharma in 2009 amounted to € 44.9m as of 31 March 2013 (€ 46.3m as of 31 December 2012). The reduction is primarily attributable to legal and tax risks becoming statute barred and arrangements reached with the tax authorities. To cover these legal and tax risks, an agreement has been entered into with the former owners limiting reimbursement claims to a maximum amount.

| | Pharmexx | | Movianto | | Total | |
|---|---|---|---|---|---|---|
| | 2012 € m | 2013 € m | 2012 € m | 2013 € m | 2012 € m | 2013 € m |
| | 43.0 | 0.0 | 99.3 | 38.1 | 229.3 | 38.1 |
| | –5.0 | 0.0 | –56.7 | –36.0 | –134.1 | –36.0 |
| | 38.0 | 0.0 | 42.6 | 2.1 | 95.2 | 2.1 |
| | –1.1 | 0.0 | 2.3 | 0.0 | 4.2 | 0.0 |
| | –2.1 | 0.0 | 0.0 | 0.0 | –0.1 | 0.0 |
| | –2.5 | 0.0 | 0.1 | 0.0 | –0.9 | 0.0 |
| | –1.2 | 0.0 | –1.4 | –0.1 | –2.6 | –0.1 |
| | –3.7 | 0.0 | –1.3 | –0.1 | –3.5 | –0.1 |
| | –45.0 | –0.2 | 0.0 | 0.0 | –45.0 | –0.2 |
| | **–48.7** | **–0.2** | **–1.3** | **–0.1** | **–48.5** | **–0.3** |

The reimbursement claims were reported as receivables from the previous shareholders under current and non-current assets respectively and have generally declined in line with the contingent liabilities for legal and tax risks. To secure these claims, Celesio has access to assets of the former owners held in trust and other possibilities to offset the claims as well as the collateral granted. These contingent liabilities have been divided into current and non-current provisions based on their maturity. The contingent liabilities contain income tax liabilities of € 3.6m (€ 4.0m as of 31 December 2012).

## Fair value measurement

The following table summarises the carrying amounts and the fair value of each category of asset and liability:

| ASSETS | 31/03/2013 | |
|---|---|---|
| | Carrying amount € m | Fair value € m |
| Available-for-sale financial assets – equity instruments | 58.5 | 58.5 |
| Available-for-sale financial assets – debt instruments | 3.7 | 3.7 |
| Financial assets measured at fair value through profit or loss | 0.0 | 0.0 |
| Loans to investments | 14.3 | 14.1 |
| Other loans | 22.4 | 22.0 |
| **Other financial assets** | 98.9 | 98.3 |
| **Other non-current assets** | 72.6 | 72.6 |
| **Trade receivables** | 2,302.9 | 2,302.9 |
| Receivables from affiliates | 0.1 | 0.1 |
| Receivables from associates and other investments | 4.9 | 4.9 |
| Derivative financial instruments – designated as hedging instruments | 0.0 | 0.0 |
| Derivative financial instruments – not designated as hedging instruments | 11.3 | 11.3 |
| Other assets | 305.9 | 305.9 |
| **Other receivables and other assets** | 322.2 | 322.2 |
| **Cash and cash equivalents** | 420.1 | 420.1 |

| EQUITY AND LIABILITIES | 31/03/2013 | |
|---|---|---|
| | Carrying amount € m | Fair value € m |
| Liabilities to banks | 69.7 | 77.0 |
| Promissory notes and bonds | 1,780.3 | 1,928.2 |
| Lease liabilities | 9.0 | 8.9 |
| Other financial liabilities | 4.3 | 4.3 |
| **Non-current financial liabilities** | 1,863.3 | 2,018.4 |
| **Other non-current liabilities** | 8.4 | 8.3 |
| Liabilities to banks | 101.0 | 101.0 |
| Promissory notes and bonds | 60.0 | 60.6 |
| Lease liabilities | 4.8 | 4.8 |
| Other financial liabilities | 5.5 | 5.5 |
| **Current financial liabilities** | 171.3 | 171.9 |
| **Trade payables** | 2,390.3 | 2,390.3 |
| Liabilities to affiliates | 0.4 | 0.4 |
| Liabilities to associates and other investments | 2.6 | 2.6 |
| Personnel liabilities | 114.7 | 114.7 |
| Other tax liabilities | 52.7 | 52.7 |
| Outstanding invoices | 121.0 | 121.0 |
| Derivative financial instruments – designated as hedging instruments | 41.4 | 41.4 |
| Derivative financial instruments – not designated as hedging instruments | 8.7 | 8.7 |
| Interest liabilities | 46.3 | 46.3 |
| Other liabilities | 96.2 | 96.2 |
| **Other current liabilities** | 484.0 | 484.0 |

Other financial assets mainly contain investments in entities that are not listed on a public exchange and over which the group has neither control nor the ability to exercise a significant influence. If there is no active market for these financial assets, they are measured at amortised cost. As of 31 March 2013, investments in entities not listed on a public exchange with a carrying amount of € 57.7m were measured at amortised cost for that reason.

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

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

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

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

The following table presents the fair value of assets and liabilities in the statement of financial position, broken down by measurement category:

## Assets measured at fair value

| | Level 1 € m | Level 2 € m | Level 3 € m | **Total € m** |
|---|---|---|---|---|
| **Fair value measurement on a recurring basis** | | | | |
| Available-for-sale financial assets | 4.5 | 0.0 | 0.0 | **4.5** |
| Financial assets measured at fair value through profit or loss | 0.0 | 0.0 | 0.0 | **0.0** |
| Derivative financial instruments – designated as hedging instruments | 0.0 | 0.0 | 0.0 | **0.0** |
| Derivative financial instruments – not designated as hedging instruments | 0.0 | 11.3 | 0.0 | **11.3** |
| **Fair value measurement on a non-recurring basis** | | | | |
| Non-current assets held for sale | 0.0 | 0.0 | 104.6 | **104.6** |

## Liabilities measured at fair value

| | Level 1 € m | Level 2 € m | Level 3 € m | Total € m |
|---|---|---|---|---|
| **Fair value measurement on a recurring basis** | | | | |
| Other non-current liabilities | 0.0 | 0.0 | 0.0 | **0.0** |
| Derivative financial instruments – designated as hedging instruments | 0.0 | 41.4 | 0.0 | **41.4** |
| Derivative financial instruments – not designated as hedging instruments | 0.0 | 8.7 | 0.0 | **8.7** |
| Other liabilities | 0.0 | 0.0 | 0.5 | **0.5** |
| **Fair value measurement on a non-recurring basis** | | | | |
| Liabilities held for sale carried in disposal groups | 0.0 | 0.0 | 84.2 | **84.2** |

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.

The fair value of financial instruments that are traded on an active market is determined by reference to listed market bid prices at the end of the reporting period. In level 2 and 3 assets and liabilities measured at fair value on a recurring basis is 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). Where possible, the CVAs and DVAs are determined from observable prices for credit derivatives on the market.

The entities classified as level 3 discontinued operations and disposal groups are subsequently measured at fair value less costs to sell. In this case, fair value is based on the sales and purchase agreements entered into. Please see → page 56.

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 54 for a reconciliation of these liabilities measured at fair value to level 3 instruments from the beginning of the reporting period to the end of the reporting period.

The fair value measurement on a recurring basis of the level 3 assets and liabilities held on the reporting date gave rise to the following total gains and losses:

| | Other income € m | Interest expense € m |
|---|---|---|
| Other non-current liabilities | 0.0 | 0.0 |
| Other liabilities | 0.0 | 0.0 |

## Other comprehensive income after tax

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

| | 1st quarter 2012 | | | 1st quarter 2013 | | |
|---|---|---|---|---|---|---|
| | before tax € m | tax € m | after tax € m | before tax € m | tax € m | after tax € m |
| **Items that will not be recycled through profit or loss** | | | | | | |
| Revalution of defined benefit pension plans | –28.8 | 4.0 | –24.8 | **14.4** | **–12.2** | **2.2** |
| Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method | –3.1 | / | –3.1 | **2.7** | **/** | **2.7** |
| **Items that may eventually be recycled through profit or loss** | | | | | | |
| Unrealised gains/losses from the current year | –1.0 | 0.1 | –0.9 | **1.1** | **–0.3** | **0.8** |
| Gains/losses recycled through profit or loss | 3.8 | –1.0 | 2.8 | **3.6** | **–0.9** | **2.7** |
| Unrealised gains/losses from derivative financial instruments to hedge cash flows | 2.8 | –0.9 | 1.9 | **4.7** | **–1.2** | **3.5** |
| Foreign currency translation posted directly to other comprehensive income | –0.3 | 0.0 | –0.3 | **–14.9** | **0.0** | **–14.9** |
| Release to profit or loss due to loss of control | 0.0 | 0.0 | 0.0 | **0.0** | **0.0** | **0.0** |
| Exchange differences | –0.3 | 0.0 | –0.3 | **–14.9** | **0.0** | **–14.9** |
| **Other comprehensive income** | **–29.4** | **3.1** | **–26.3** | **6.9** | **–13.4** | **–6.5** |

## Notes to the segment reporting

Segmentation is based on the internal reporting structure and is divided into two divisions, Consumer Solutions (previously Patient and Consumer Solutions) and Pharmacy Solutions. 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. This covers the entire logistics chain, from purchasing merchandise through to selling to end consumers. The division mainly encompasses the retail pharmacies, mail-order pharmacies and brand partnerships. In Consumer Solutions a distinction was still made in the 2012 fiscal year between the operating segments, International Retail and Lloydspharmacy, which were combined for segment reporting. At the end of the 2012 fiscal year, the International Retail operating segment was split up on account of a reorganisation of its organisational and reporting structure and defined by country, similar to the Wholesale unit. These were also combined for the purposes of segment reporting. 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 focuses on the wholesale business with external customers. The operating segments in this division have likewise been combined at country level. Starting in 2012 fiscal year, logistics solutions activities in Austria are reported in this segment. The Pharmacy Solutions division also includes Rudolf Spiegel Versand for pharmacy and laboratory equipment and Inten, the property developer for pharmacies.

The Others segment 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 holds investments in the major operating national companies and national holdings. 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 takes EBIT under IFRSs as a measure of the success of the segments. EBIT is defined as earnings before interest and taxes and investment result. In addition, information on the gross profit and EBITDA is disclosed voluntarily.

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).

The same accounting standards as for the Celesio Group have been used in segment reporting. Intercompany transactions are measured at market prices.

## Related party transaction

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. In particular, related parties include the majority shareholder, Franz Haniel & Cie. GmbH, Duisburg, 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 are conducted at arm's length.

There are contracts for management and other services in place with Franz Haniel & Cie. GmbH and its subsidiaries, joint ventures and associates.

There are ongoing business relationships with joint ventures and associates that entail but are not limited to supplies of merchandise.

The goods and services received from or supplied to related parties are summarised below:

| | Franz Haniel & Cie. GmbH, Duisburg | |
|---|---|---|
| | 31/03/2012 € m | **31/03/2013 € m** |
| Loans and receivables | 0.0 | **0.0** |
| Liabilities | 0.9 | **0.3** |

| | Franz Haniel & Cie. GmbH, Duisburg | |
|---|---|---|
| | 2011 € m | **2012 € m** |
| Income | 0.0 | **0.0** |
| Expenses | 0.0 | **0.0** |

| | Subsidiaries of Franz Haniel & Cie. GmbH | | Joint ventures and associates of Franz Haniel & Cie. GmbH | | Joint ventures and associates of Celesio AG | |
|---|---|---|---|---|---|---|
| | 31/03/2012 € m | **31/03/2013 € m** | 31/03/2012 € m | **31/03/2013 € m** | 31/03/2012 € m | **31/03/2013 € m** |
| | 0.1 | **0.1** | 0.0 | **0.0** | 2.1 | **2.8** |
| | 0.0 | **0.0** | 0.2 | **0.2** | 0.0 | **0.0** |

| | Subsidiaries of Franz Haniel & Cie. GmbH | | Joint ventures and associates of Franz Haniel & Cie. GmbH | | Joint ventures and associates of Celesio AG | |
|---|---|---|---|---|---|---|
| | 2011 € m | **2012 € m** | 2011 € m | **2012 € m** | 2011 € m | **2012 € m** |
| | 0.0 | **0.0** | 0.0 | **0.0** | 4.8 | **2.5** |
| | 0.1 | **0.1** | 0.4 | **0.4** | 0.0 | **0.0** |

## Employees

At the end of the first quarter of 2013, Celesio had 28,653 employees (full-time equivalents). Of those, 65 (previous year 5,610) work for companies reported under discontinued operations from the first quarter of 2012 onwards. A total of 35,048 full-time equivalents were employed at the Celesio Group in the previous year.

## Other notes

The line item other financial result includes changes in the fair value of derivatives used to hedge financial liabilities. Marking these instruments to market in the reporting period did not result in any change in the value of derivatives used to hedge interest exposures (previous year income of € 0.1m). Changes in market values of derivative exchange rate hedges gave rise to expenses of € 0.9m (previous year expenses of € 1.2m). Moreover, the other financial result contains exchange rate gains of € 72.9m (previous year € 30.2m) and exchange rate losses of € 73.4m (previous year € 29.3m). The item other financial result also contains income of € 0.7m (previous year € 0.7m) from loan receivables that had been written down.
There were no other issues requiring reporting in the interim reporting period.

## Subsequent events

On 30 April 2013, the Irish antitrust authorities fully and unconditionally approved the acquisition of Cahill May Roberts Ltd. by Uniphar Plc. The transaction will most likely be closed in the second quarter of 2013, thereby successfully concluding the divestiture program.

Stuttgart, 8 May 2013

The Management Board

## More Positive Lives

# Other notes
# Celesio AG
# 1st Quarter of 2013

# Review report

To Celesio AG, Stuttgart

We have reviewed the interim condensed consolidated financial statements, comprising the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of cash flows, the group statement of changes in equity and selected explanatory notes, and the interim group management report of Celesio AG, Stuttgart, for the period from 1 January 2013 to 31 March 2013, which are part of the financial report for the first quarter pursuant to Sec. 37x (3) WpHG (Wertpapierhandelsgesetz, German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Public Auditors in Germany). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we could obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

STUTTGART, 10 MAY 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

**MARBLER**
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

**MATISCHIOK**
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

## Interim report, 1st half year of 2013
14 August 2013

## Interim report, 1st to 3rd quarter of 2013
13 November 2013

## Annual report 2013
18 March 2014

(Excerpt)

Subject to amendment. Other dates and updates can be found at celesio.com under Investor Relations/Financial calendar.

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This interim report was published on 14 May 2013. It is available in German and English and can be downloaded from the investor relations section of celesio.com or a printed copy can be ordered there. The German version of the annual report is legally binding.

### Forward-looking statements

This interim report contains forward-looking statements that are based on the latest estimates made by the management of future developments. Such statements are subject to inherent risks and uncertainties. It lies beyond the powers of Celesio to control or precisely estimate these risks and uncertainties which can include future market conditions and economic environment, state intervention, the behaviour of other market players or the successful integration of corporate acquisitions and realisation of expected synergies. Should one of these or another uncertainty or risk factor eventuate or should the assumptions on which these forward-looking statements are made prove to be incorrect, then the actual events could diverge significantly from the explicit or implied events contained in the statements. Celesio does not intend, nor does it assume any special obligation, to update forward-looking statements to reflect events or developments occurring after this report went to press.