Celesio AG
Interim Report,
1st Half Year of 2013

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003 Celesio at a glance
005 Key events 2013

01 To our shareholders

008 Letter from the spokesperson of the Management Board
010 The stock markets and the Celesio share

02 Group interim management report

016 Economic environment
017 Market
017 Revenue and earnings development
022 Consumer Solutions division
025 Pharmacy Solutions division
028 Discontinued operations
029 Financial position
030 Assets position
032 Employees
033 Subsequent events
034 Outlook

03 Group interim condensed financial statements

042 Group income statement
043 Group statement of comprehensive income
044 Group statement of financial position
046 Group statement of cash flows
048 Group statement of changes in equity
050 Selected explanatory notes to the consolidated financial statements

04 Other notes

080 Responsibility statement
081 Review report

083 Financial calendar
084 Contacts

Celesio at a glance

KEY FIGURES OF THE CELESIO GROUP		1st half year 2012	**1st half year 2013**	Change on a euro basis %	Change in local currency %
Continuing operations					
Revenue	€ m	11,251.1	**10,733.0**	–4.6	–3.1
Gross profit	€ m	1,235.7	**1,167.3**	–5.5	–3.6
adjusted [1]	€ m	1,236.0	**1,167.3**	–5.6	–3.6
EBITDA	€ m	242.6	**267.5**	10.3	13.2
adjusted [1] [2]	€ m	286.5	**267.5**	–6.6	–4.1
EBIT	€ m	176.0	**202.9**	15.3	18.7
adjusted [1] [2]	€ m	220.2	**202.9**	–7.9	–5.2
Profit/loss before tax	€ m	87.2	**135.7**	55.6	/
adjusted [1] [2] [3]	€ m	158.1	**135.7**	–14.2	/
Net profit/loss	€ m	35.1	**87.8**	>100	/
adjusted [1] [2] [3]	€ m	99.7	**87.8**	–12.0	/
Earnings per share (basic)	€	0.19	**0.49**	>100	/
Earnings per share (basic), adjusted [1] [2] [3]	€	0.58	**0.49**	–14.9	/
Net cash flow from operating activities	€ m	174.5	**31.8**	–81.8	/
Net cash flow from investing activities	€ m	–298.1	**11.0**	/	/
Free cash flow	€ m	–185.6	**–14.2**	92.4	/
Employees (full-time equivalents) [4]		29,403	**28,539**	/	/
Retail pharmacies [4]		2,233	**2,177**	/	/
Wholesale branches [4]		141	**132**	/	/
Discontinued operations					
Net profit/loss	€ m	–213.5	**–2.4**	98.9	/
Earnings per share (basic)	€	–1.25	**–0.01**	98.9	/
Employees (full-time equivalents) [4]		5,641	**0**	/	/
Continuing and discontinued operations					
Total assets	€ m	7,928.7 [5]	**7,638.0** [4]	–3.7	/
Equity	€ m	2,195.9 [5]	**2,144.3** [4]	–2.4	/
Equity ratio	%	27.7 [5]	**28.1** [4]	/	/
Employees (full-time equivalents) [4]		35,044	**28,539**	/	/
Employees [4]		45,448	**38,407**	/	/
Net profit/loss	€ m	–178.4	**85.4**	/	/
Earnings per share (basic)	€	–1.06	**0.48**	/	/

1) The figures reported for 2012 are adjusted to eliminate non-recurring income and expenses from the Operational Excellence Program (including tax).
2) The figures reported for 2012 are adjusted to eliminate special effects from revaluations required by IFRS 5 (including tax).
3) The figures reported for 2012 are adjusted to eliminate special effects in the financial result (including tax).
4) Closing figures at the end of the reporting period.
5) Closing figures as of 31 December 2012.

INFORMATION ON THE CELESIO SHARE

Share type	No-par value registered shares
Share capital in € on 30/06/2013	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 38,000 employees, we operate in 16 countries around the world. Every day, we serve over 2 million customers – at almost 2,200 pharmacies of our own and 4,100 participants in our brand partnership schemes. With around 130 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

- **Group EBIT (adjusted) is slightly down on previous-year as expected**
- **Discounting competition, government intervention and currency effects burden earnings**
- **Guideline adjusted**
- **Strategic alignment continued**

3rd quarter

4th quarter

More Positive Lives

003 Celesio at a glance
005 Key events 2013

01 To our shareholders

008 Letter from the spokesperson of the Management Board
010 The stock markets and the Celesio share

02 Group interim management report

016 Economic environment
017 Market
017 Revenue and earnings development
022 Consumer Solutions division
025 Pharmacy Solutions division
028 Discontinued operations
029 Financial position
030 Assets position
032 Employees
033 Subsequent events
034 Outlook

03 Group interim condensed financial statements

042 Group income statement
043 Group statement of comprehensive income
044 Group statement of financial position
046 Group statement of cash flows
048 Group statement of changes in equity
050 Selected explanatory notes to the consolidated financial statements

04 Other notes

080 Responsibility statement
081 Review report

083 Financial calendar
084 Contacts

To our shareholders

Celesio AG 1st Half Year of 2013

Letter from the spokesperson of the Management Board

DR MARION HELMES
SPOKESPERSON OF THE MANAGEMENT BOARD
CHIEF FINANCIAL OFFICER

Dear Shareholders,

The first six months of 2013 were both eventful and challenging.

Following the announcement of changes to the Management Board, I am pleased to inform you that in future I will report to you on developments at Celesio AG as spokesperson of the Management Board, a role I have taken on in addition to my function as Chief Financial Officer.

Celesio is a company with great potential. The new Management Board will continue to press ahead with the strategic alignment of the company. We are pleased to announce that Martin Fisher will join the Management Board in the third quarter of 2013. He will assume responsibility for operations, which comprises logistics, purchasing, and IT activities as well as quality management.

As expected, revenue and adjusted earnings in the first six months of 2013 did not quite match the level of the comparable period of the previous year, despite positive developments in our core markets. The wholesale business in Germany, which is still facing intense discounting competition, placed a significant burden on earnings. In spite of the growth in the market as a whole, market players are suffering from a drastic fall in margins in the face of this irrational competition. The intensity and duration of the competition for market share in Germany through discounting was not foreseeable, at least not on this scale.

From our current perspective, we do not expect the discounting competition to weaken in Germany before the end of the year. As a result, it has become necessary to adjust our profit forecast downwards. An adjusted EBIT of between € 405m and € 425m is now forecast.

Independent of this development, we made major progress with our strategic alignment in the first half of the year. In addition to the continued implementation of the Operational Excellence Program to improve our competitiveness and the establishment of a centralised purchasing department, the pilot project for the European pharmacy network is progressing well. These successes encourage us to forge ahead with the strategic alignment as planned.

I would like to take this opportunity to expressly thank our shareholders, customers, business partners, and, most of all, our employees for the confidence they have placed in us in these challenging times. We will do our best to meet these expectations and look forward to sharing the path we have chosen.

SINCERELY YOURS

MARION HELMES

The stock markets and the Celesio share

The stock markets

The leading German stock market index, the DAX, trended upwards over the first half of the year. After a good start to the year, it passed the 8,000 mark for the first time in mid-March. Uncertainties on the market, particularly on account of the weaker economic figures and the sovereign debt crisis that sharpened in Cyprus led to sustained slide that lasted until mid-April. Driven by expansive fiscal policies and the expectation that the global economy would stabilise, the DAX picked up steam in May and peaked at 8,530. The DAX closed the first half year at 7,959 points. This represents a rise of 4.6% on the figure posted at the end of 2012.

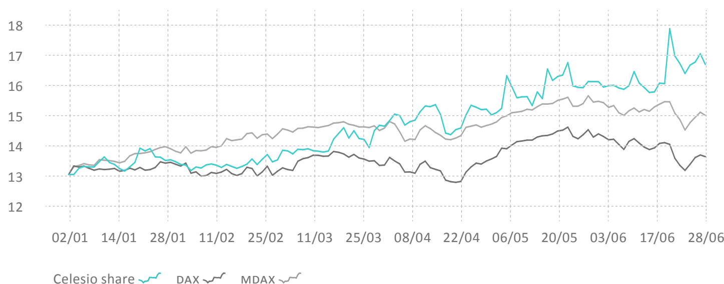
The MDAX, which includes the Celesio share in its basket, easily outperformed the DAX in the first quarter. In the second quarter, the MDAX followed the largely positive trend of the DAX. The MDAX closed the first half of the year with a rise of 15.0% on the close of 2012.

The Celesio share

The Celesio share was extremely buoyant in the first half of the year, significantly outperforming both MDAX and DAX. After a volatile start to the 2013 fiscal year, there was a temporary drop lasting until the beginning of February which was followed by a steady rise until the end of the first half year. The Celesio share peaked at € 17.89 in June and closed the half year at € 16.70. This represents a rise of 28.0% on the end of 2012.

As of 28 June 2013, the market capitalisation of the Company came to € 2.84bn (previous year € 2.19bn). The trading volume of our share on the Xetra market averaged 453,885 shares per day in the reporting period. This constitutes a fall of around 2.9% compared to 467,371 shares per day in the same period of the previous year.

DEVELPOMENT OF THE CELESIO SHARE, DAX AND MDAX
CLOSING PRICES ON XETRA 02/01/2013–28/06/2013 (TRADING DAYS ONLY),
SCALED TO THE CELESIO SHARE PRICE



Annual general meeting

Celesio AG's annual general meeting was held in the Porsche Arena in Stuttgart on 16 May 2013. With 67.1% of voting rights represented, attendance was below the previous-year turnout of 75.1%.

All documents and information on the annual general meeting are published at www.celesio.com/en/Investor_Relations/Annual_General_Meeting.

Dividend

The annual general meeting of Celesio AG passed a resolution to distribute a dividend of € 0.30 per share for the 2012 fiscal year (previous year € 0.25). The dividend was paid out on 17 May 2013. Thus, Celesio has continued its policy of distributing approximately 30% of the net profit for the year after eliminating non-recurring items that have no impact on cash.

Investor relations

Our investor relations work sees us providing information in a transparent, prompt and clear manner. At our annual analyst and investor conference in March we reported on the 2012 fiscal year, Celesio's strategy and the programme for 2013. In addition, we entered into an intensive dialogue with the capital markets in the first half year of 2013 in the form or conferences, roadshows and individual talks and meetings.

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 half year 2012	**1st half year 2013**
Shares outstanding [1]	MILLION	170.1	**170.1**
Market capitalisation [1]	€ m	2,194.3	**2,840.7**
Closing price [1] [2]	€	12.90	**16.70**
High [2]	€	15.65	**17.89**
Low [2]	€	10.88	**13.05**
Average Xetra trading volume per day	SHARES	467,371	**453,885**

1) Closing figures as of 30 June.
2) Xetra closing rate, source: Bloomberg.

More Positive Lives

003 Celesio at a glance
005 Key events 2013

01 To our shareholders

008 Letter from the spokesperson of the Management Board
010 The stock markets and the Celesio share

02 Group interim management report

016 Economic environment
017 Market
017 Revenue and earnings development
022 Consumer Solutions division
025 Pharmacy Solutions division
028 Discontinued operations
029 Financial position
030 Assets position
032 Employees
033 Subsequent events
034 Outlook

03 Group interim condensed financial statements

042 Group income statement
043 Group statement of comprehensive income
044 Group statement of financial position
046 Group statement of cash flows
048 Group statement of changes in equity
050 Selected explanatory notes to the consolidated financial statements

04 Other notes

080 Responsibility statement
081 Review report

083 Financial calendar
084 Contacts

Group interim management report

Celesio AG

1st Half Year of 2013

Economic environment

The first half year of 2013 saw a slight recovery in the wider economic environment. Despite the uncertainties following the election in Italy and the banking crisis in Cyprus, the political decision-makers managed to defuse the main risks threatening the global economy in the short-term. Public attention is increasingly moving away from the possible break-up of the euro zone. The US government managed to circumnavigate the fiscal cliff and there was a fall in the trading deficit. 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 fact was accompanied by a fall in the competitiveness of several European countries and new political and financial risks. The inflation rate fell slightly in the first half year of 2013, coming to 2.6% globally and 1.7% 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 in the emerging economies of Latin America and other developing nations, inflation remains manageable due to the fall in food and energy prices. After a moderate inflation rate of 5.4% in the previous year, inflation in Brazil rose to 6.5% in the first half year of 2013.

Short-term and long-term interest rates in the European region in the first half year of 2013 both remained at the prevailing low rates. In May, the European Central Bank (ECB) dropped the base rate from 0.75% set at the beginning of July 2012, to 0.5%.

Market

Many state budgets remain under pressure in Europe. The related savings measures in the health sector burdened the markets. A similar challenge is posed by the ongoing trend towards substitution of prescription drugs by cheaper generics, particularly in the French market. The German market in particular was badly influenced by the continuing discounting competition.

Revenue and earnings development

The massive pressure on prices in Germany had a major impact on Celesio in the reporting period. In addition, new government policies came into force in the United Kingdom in early October 2012. The resulting burdens had a negative effect on the development of revenue and earnings in the reporting period. In addition, a higher number of patents expired in 2012 which, in the previous year, had led to higher margins at Lloydspharmacy in the comparable period of the previous year. Currency effects also had an impact on revenue and earnings trends. As in the first quarter of 2013, these primarily related to the pound sterling and the Brazilian real. Nevertheless, earnings improved in the second quarter of 2013 compared to the first quarter.

In the previous year, we disclosed non-recurring expenses and income of € 44.2m as a special effect in earnings before interest, taxes and investment result (EBIT). These items consist of income and expenses from the Operational Excellence Program of € 30.1m and revaluations required by IFRS 5 on the prospective proceeds from the disposal of held-for-sale assets of the wholesale operations in the Czech Republic and Ireland of € 14.1m. The special effects in the financial result relate to non-recurring items and, in particular, the settlement of the outstanding purchase price instalment for the acquisition of the remaining shares in Panpharma of € 26.7m. In the reporting period, by contrast, such special effects were not eliminated on grounds of immateriality.

In the previous year, Celesio had 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 half year of 2013, **group revenue** decreased by 4.6% on the comparable period of the previous year to € 10,733.0m. This development can be attributed to the deconsolidation of the Czech operations in November 2012 which resulted in a fall in revenue. In addition, the soft markets, especially in France, had a negative impact on revenue. Moreover, the trend seen in some countries towards substituting original compounds with generics continues apace. At the same time, exchange rate losses, mainly related to the pound sterling and the Brazilian real, caused a fall of € 164.7m in revenue. After eliminating currency effects, revenue decreased by 3.1%. After eliminating consolidation effects, mainly due to the disposal of the operations in the Czech Republic and Ireland, revenue dropped by 0.9%.

In the 2013 reporting period, the **gross profit** dropped by 5.5% to € 1,167.3m. Compared to the gross profit for the first half year of 2012 after eliminating special effects, gross profit also fell by 5.6% in the reporting period. In the process, the gross margin slid slightly to 10.9% compared to 11.0% in the previous year. The fierce discounting competition in the German wholesale market burdened the development of gross profit. Likewise, the pharmacy business in the United Kingdom burdened gross profit and margins. In addition, government intervention took effect in the United Kingdom in October 2012. The resulting burdens had a negative burden on the development of revenue and earnings. In addition, the higher figures in comparison to the previous year were temporarily influenced by patents expiring in 2012. These products resulted in higher margins at Lloydspharmacy in 2012. Adjusted for currency effects, gross profit fell by 3.6%.

More detailed information on the development of gross profit in the first half year of 2013 is presented in the reports on the divisions, starting on → page 22.

Other income comes to € 98.9m and is 3.5% below the level of the comparable period of the previous year. In addition to currency effects, this is primarily due to higher income from the disposal of pharmacies in the United Kingdom in the previous period. No adjustments were made in the first six months of 2012 and 2013. Adjusted for currency effects, other income fell by 1.9%.

Other expenses fell 13.1% to € 384.2m. In the first half year of 2012 special effects of € 23.0m were eliminated. No such eliminations were made in 2013.

Currency effects and the deconsolidation of the Czech operations both had a positive impact. Likewise, the savings measures introduced in the course of the OEP strategic realignment also had a positive impact. There was a fall in other expenses, in the United Kingdom in particular, but also at the holding company, largely due to consulting fees. Adjusted for currency effects, the fall amounts to 6.5%.

Personnel expenses dropped by 5.9% to € 614.5m. Compared to the figure for the first half year of 2012, adjusted for special effects, this represents a decrease of 2.9%. No adjustments were made in the reporting period. In the first six months of 2013 personnel expenses dropped on account of currency effects and the deconsolidation of the Czech operations. In addition, this development reflects the cost-savings measures introduced by the OEP, primarily in the United Kingdom. Adjusted for currency effects, personnel expenses fell by 1.2%.

EBITDA (earnings before investment income, interest, taxes, **depreciation** and amortisation) rose by 10.3% to € 267.5m. Compared to EBITDA from the previous year, which was adjusted to eliminate special effects, the decrease amounts to 6.6%. This development mainly expresses the challenging environment on account of the fierce discounting competition in the German wholesale market. In addition, government intervention burdened the result, especially in the United Kingdom. Moreover, a higher number of patents expired in 2012 which, in the previous year, had led to higher margins at Lloydspharmacy. Exchange rate losses of € 7.2m had a negative impact in the reporting period. Adjusted for currency effects, EBITDA fell by 4.1%.

Amortisation of non-current intangible assets and **depreciation** of property, plant and equipment came to € 64.2m, a fall of 3.2% on the comparable period of the previous year, due mainly to the deconsolidation of Czech pharmacies and currency effects. After eliminating these currency effects, amortisation and depreciation fell by 1.3%.

Smaller measures to optimise the portfolio in Sweden led to **impairment losses** of € 0.4m in the first half year of 2013. In the previous year, impairment losses amounted to € 0.3m and were due to the OEP.

EBIT (earnings before interest and taxes and investment result) in the reporting period rose by 15.3% in the reporting year to € 202.9m EBIT fell by 7.9% compared to EBIT for the first half year of 2012 when special effects were eliminated. This decrease can be attributed to the effects described above. Adjusted for currency effects, the fall in EBIT comes to 5.2%.

At € 5.4m, the **investment result** was up 9.0% on the previous-year period. This rise can be mainly attributed to dividend payments.

The **financial result** – i.e. the net balance of interest expense, interest income and other financial result – improved by 22.5% to € –72.6m. Compared to the financial result for the previous period, when special effects were eliminated, this represents a drop of 8.3%. Adjustments in the previous period related to the settlements made as well as unwinding the discount and currency effects in connection with the purchase price liability for Panpharma. The main factor in the adjusted decrease of the financial result was exchange rate losses.

Profit before tax rose by 55.6% to € 135.7m. In the comparable period of the previous year special effects of € 70.9m were incurred. Compared to the profit before tax reported in the first half year of 2012, which was adjusted to eliminate special effects, the decrease amounts to 14.2%.

At € 47.9m (comparable period of the previous year € 52.1m) the **tax expense** decreased by 8.1%. This results in an effective tax rate of 35.3% compared to 59.7% (adjusted 36.9%) in the previous-year period. This decrease can be primarily attributed to tax-savings measures and a change in the composition of margins at the individual national entities.

The **profit/loss from continuing operations** of € 87.8m is significantly above the comparable period of the previous year of € 35.1m. After eliminating special effects, the profit/loss from continuing operations in 2012 came to € 99.7m. For Celesio's continuing operations, basic earnings per share slipped to € 0.49 compared to € 0.19 in the first half year of 2012.

The **profit/loss from discontinued operations** comes to € –2.4m compared to € –213.5m in the same period of the previous year. More information can be found in the section on "Discontinued operations" on → page 28. As a result, the diluted earnings per share for discontinued operations came to € –0.01 per share compared to € –1.25 in the previous year.

Correspondingly, **the net profit** of the group comes to € 85.4m compared to € –178.4m in the first half year of 2012 (basic earnings per share of € 0.48 compared to € –1.06 per share in the same period of the previous year).

GROUP REVENUE BY COUNTRY	1st half year 2012 € m	**1st half year 2013 € m**	Change on a euro basis %	Change in local currency %
United Kingdom	2,276.8	**2,208.5**	–3.0	0.3
France	3,324.7	**3,142.0**	–5.5	–5.5
Germany	1,997.0	**2,088.3**	4.6	4.6
Brazil	972.3	**894.1**	–8.0	1.7
Norway	570.7	**599.4**	5.0	4.3
Austria	551.3	**546.1**	–0.9	–0.9
Others	1,558.3	**1,254.6**	–19.5	–18.7
Group	**11,251.1**	**10,733.0**	**–4.6**	**–3.1**

REVENUE AND EARNINGS DEVELOPMENT CELESIO GROUP	1st half year 2012		**1st half year 2013**		Change on a euro basis %	Change in local currency %
	€ m	% of revenue	**€ m**	% of revenue		
Revenue	11,251.1	100.0	**10,733.0**	100.0	–4.6	–3.1
Gross profit	1,235.7	11.0	**1,167.3**	10.9	–5.5	–3.6
adjusted [1]	1,236.0	11.0	**1,167.3**	10.9	–5.6	–3.6
EBITDA	242.6	2.2	**267.5**	2.5	10.3	13.2
adjusted [1] [2]	286.5	2.5	**267.5**	2.5	–6.6	–4.1
EBIT	176.0	1.6	**202.9**	1.9	15.3	18.7
adjusted [1] [2]	220.2	2.0	**202.9**	1.9	–7.9	–5.2
Profit/loss before tax	87.2	0.8	**135.7**	1.3	55.6	/
adjusted [1] [2] [3]	158.1	1.4	**135.7**	1.3	–14.2	/
Net profit/loss from continuing operations	35.1	0.3	**87.8**	0.8	>100	/
adjusted [1] [2] [3]	99.7	0.9	**87.8**	0.8	–12.0	/
Net profit/loss from discontinued operations	–213.5	–1.9	**–2.4**	0.0	98.9	/
Net profit/loss from continuing and discontinued operations	**–178.4**	**–1.6**	**85.4**	**0.8**	**/**	**/**

1) The figures reported for 2012 are adjusted to eliminate non-recurring income and expenses from the Operational Excellence Program (including tax).
2) The figures reported for 2012 are adjusted to eliminate special effects from revaluations required by IFRS 5 (including tax).
3) The figures reported for 2012 are adjusted to eliminate special effects in the financial result (including tax).

Consumer Solutions division

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

In our Consumer Solutions division we cater to our patients and consumers by providing prescription-only pharmaceuticals and a wide range of OTC products. Customers in our pharmacies can also use the innovative medical services from our wide portfolio. At the end of June 2013, the division had 2,177 retail pharmacies of its own (previous year 2,233) in six countries.

Market

Public health policy decisions, particularly in the United Kingdom and Ireland, and the related savings measures placed a burden on the market in the first six months of 2013. Moreover, the trend towards substituting original products with generics continues apace. This put the revenue generated with prescription pharmaceuticals under pressure. Likewise, there was a trend towards longer prescription cycles, especially in the United Kingdom, with an associated increase in package sizes. This led to lower income from dispensing fees.

Revenue and earnings development

Consumer Solutions generated **revenue** of € 1,680.4m, which is 2.3% down on the figure for the same period of the previous year of € 1,720.3m. This development is primarily due to currency effects and the deconsolidation of the Czech operations. In addition, government intervention had a negative impact on the development of revenue. In the United Kingdom the rise in revenue from service agreements with hospitals and the provision of pharmaceuticals to private homes (Evolution Homecare) countered this effect to some extent. After eliminating currency effects, revenue decreased by 0.4%. After eliminating consolidation effects, mainly due to the disposal of the operations in the Czech Republic, revenue actually rose by 1.2%.

Gross profit fell by 4.3% in the reporting period and came to € 577.1m. Compared to the gross profit for the previous period, when special effects were eliminated, this represents a drop of 4.4%. The gross margin stands at 34.3% compared to 35.1% in the first half year of 2012. The margin deteriorated in the United Kingdom on account of government intervention and the higher number

of patents which expired in 2012. This led to higher margins at Lloydspharmacy in 2012 and therefore higher comparative figures. Moreover, a trend towards longer prescription cycles and larger package sizes had an impact. The related fall in dispensing fees dragged down the development of the gross margin. By contrast, the substitution of original pharmaceuticals with generics led to an improvement in margins in Ireland and therefore a contrary effect. Likewise, improvements in the procurement function in numerous countries had an impact, but this was not enough to entirely compensate the negative factors described above. After eliminating currency effects, the gross profit was 2.6% down on the comparable period of the previous year.

EBITDA in the reporting period of € 126.6m is 7.5% above the level of the previous year. Compared to EBITDA for the first half year of 2012, adjusted to eliminate special effects, this represents a decrease of 5.7%. Extensive savings measures, particularly in personnel expenses and also other expenses, were unable to fully compensate the fall in gross profit in the first six months. Currency effects of € 2.7m were recorded in the reporting period. After eliminating these currency effects, EBITDA fell by 3.7%.

At € 95.3m, **EBIT** was up 9.3% on the same period of the previous year. EBIT fell by 8.4% compared to EBIT for the first half year of 2012 when special effects were eliminated. Currency effects had a negative impact. After eliminating these currency effects, EBIT fell by 6.3%.

REVENUE AND EARNINGS DEVELOPMENT AT CONSUMER SOLUTIONS

	1st half year 2012		**1st half year 2013**		Change on a euro basis	Change in local currency
	€ m	% of revenue	**€ m**	% of revenue	%	%
Revenue	1,720.3	100.0	**1,680.4**	100.0	−2.3	−0.4
Gross profit	603.2	35.1	**577.1**	34.3	−4.3	−2.5
adjusted [1]	603.5	35.1	**577.1**	34.3	−4.4	−2.6
EBITDA	117.8	6.8	**126.6**	7.5	7.5	9.8
adjusted [1]	134.3	7.8	**126.6**	7.5	−5.7	−3.7
EBIT	87.2	5.1	**95.3**	5.7	9.3	11.8
adjusted [1]	104.0	6.0	**95.3**	5.7	−8.4	−6.3

1) The figures reported for 2012 are adjusted to eliminate non-recurring income and expenses from the Operational Excellence Program.

The UK remains the most important pharmacy market for Celesio. With a share of 65.1% (first half year of 2012: 65.0%) Lloydspharmacy is the strongest revenue stream for Consumer Solutions.

In the first half year of 2013, government intervention had a particular impact on the pharmacy business in the United Kingdom. Likewise, a higher number of patents expired in 2012 which had led to comparatively higher margins at Lloydspharmacy in the previous year. Lloydspharmacy enjoyed a positive operating development in the reporting period. The closer connection between pharmacy and wholesale business associated with the new structure of the group was beginning to have an effect. In addition, the top-in-class procurement (TIC) initiative and the OEP were major factors in making further cost savings. However, it was not possible to fully offset the negative impact of government intervention and the burden of exchange rate losses due to the weakness of pound sterling.

The growth of revenue in Norway, especially for OTC pharmaceuticals, did not fully compensate the rise in costs in the first half year of 2013. This rise in costs can be primarily attributed to higher personnel expenses and, also higher pension costs.

In Italy revenue from OTC products rose over the reporting period. This compensated the decline in revenue from prescription pharmaceuticals. On account of the cost reductions, this business unit generated a significant rise in earnings in comparison to the same period of the previous year.

The pharmacy business in Sweden developed well in the first six months of 2013. Both revenue and the gross profit improved. One positive factor in this development was the procurement association initiated with several pharmacy chains in the previous year. Moreover, the restructuring measures performed in 2012 and related cost savings had a positive impact. The rebranding process to the European pharmacy concept was completed in Sweden in the first six months.

Pharmacy Solutions division

Celesio bundles its wholesale activities with pharmaceutical products in its Pharmacy Solutions division, providing pharmacists with everything they need for their business. Operating a total of 132 branches (previous year 141) Celesio's subsidiaries are active in 12 European countries and also in Brazil.

Market

The consequences of the growing substitution of original pharmaceutical products with cheaper generics can still be clearly felt in the European wholesale market. A fierce price war continued to rage in the German market during the reporting period. This is posing an enormous challenge to the entire industry. Brazil remains a dynamic market.

Revenue and earnings development

The **revenue** generated by the Pharmacy Solutions division was € 9,052.7m down on the previous year, a fall of 5.0%. In addition to the contracting market in France on account of the substitution of original pharmaceuticals with generics, the deconsolidation of the Czech operations in November 2012 and the Irish entity in May 2013 had a negative impact, as did currency effects. After eliminating these currency effects, revenue fell by 3.6%. Once the effects of the deconsolidation of the Irish and Czech operations are also eliminated, revenue drops by 1.3%.

Gross profit fell by 6.7% in the reporting period to € 590.2m. As in the first half year of 2012, no adjustments were made in the first half year of 2013. The gross margin came to 6.5% compared to 6.6% in the same period of the previous year. The discounting competition remained intense on the German market. This had a major impact on the development of margins. In the previous year, the new margin system introduced in France had only a limited effect on the gross margin, but its full impact unfolded over the first half year of 2013. By contrast, the gross margin grew in the United Kingdom on account of a change in the product mix and the rising sales of higher-margin generics. Price rises and higher margins on specialty pharmaceuticals also led to a rise in the gross margin in Brazil. However, the positive developments in the United Kingdom, Brazil, and some smaller countries were not enough to offset the impact of the discounting competition in Germany. Adjusted for currency effects, gross profit fell by 4.6%.

The **EBITDA** generated by the division amounted to € 180.2m, a rise of 3.0% on the same period of the previous year. In the first half year of 2012 adjustments of € 23.3m were made. In 2013 no such adjustments were made. Adjusted EBITDA fell by 9.1% in comparison to the same period of the previous year. It was not possible to offset the difficult market and, in particular, the negative effects of the discounting competition in Germany by means of cost savings, both in personnel expenses as well as other expenses. Currency effects of € 4.5m were incurred in the reporting period. Adjusted for these currency effects, EBITDA decreased by 6.8%.

At € 153.2m, **EBIT** was up 5.9% on the same period of the previous year. In comparison to the adjusted EBIT reported in the same period of the previous year, EBIT dropped by 8.7%. No adjustments were made in the 2013 reporting period. The foreign exchange losses also had an impact on EBIT. Adjusted for these currency effects, EBIT fell by 6.5%.

REVENUE AND EARNINGS PHARMACY SOLUTIONS	1st half year 2012		**1st half year 2013**		Change on a euro basis	Change in local currency
	€ m	% of revenue	**€ m**	**% of revenue**	%	%
Revenue	9,531.8	100.0	**9,052.7**	**100.0**	–5.0	–3.6
Gross profit	632.5	6.6	**590.2**	**6.5**	–6.7	–4.6
adjusted [1]	632.5	6.6	**590.2**	**6.5**	–6.7	–4.6
EBITDA	174.9	1.8	**180.2**	**2.0**	3.0	5.6
adjusted [1] [2]	198.2	2.1	**180.2**	**2.0**	–9.1	–6.8
EBIT	144.6	1.5	**153.2**	**1.7**	5.9	8.6
adjusted [1] [2]	167.9	1.8	**153.2**	**1.7**	–8.7	–6.5

1) The figures reported for 2012 are adjusted to eliminate non-recurring income and expenses from the Operational Excellence Program.
2) The figures reported for 2012 are adjusted to eliminate special effects from revaluations required by IFRS 5.

Due to the fact that generics are increasingly being prescribed, the French market developed weakly in the reporting period on account of the lower prices. Moreover, the French pharmaceutical wholesale business was burdened by the introduction of the new system of margins. In the first quarter of 2012 it was possible to counter this development by selling goods from 2011. The full impact of the new system of margins did not develop until the second quarter of 2012. To counteract this development, the measures needed to stabilise earnings were diligently pursued in the first half year of 2013. In this way, the company managed to offset the negative effects.

In spite of the healthy development of earnings, the fierce discounting competition had a massive impact on the results returned by Germany. Celesio is not alone in facing this difficult environment that poses an enormous challenge to the entire industry.

In the United Kingdom, the new group structure and cost savings had a positive impact on Celesio's AAH wholesale business. In addition, margins improved on account of a more favourable product mix. Overall, AAH's earnings improved in the first half year of 2013.

In Brazil, specialty pharmaceuticals business displayed growth in the reporting period, as expected. Due to a delay in adjusting to changes in the environment and a fall in the volume of contracts from a major customer at our wholesale business, the result reported in Brazil was below that of the same period in the previous year. The measures implemented at Panpharma at the end of 2012 will most likely take effect in the second half year of 2013 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.

On 30 April 2013, the Irish antitrust authorities fully and unconditionally approved the acquisition of Cahill May Roberts Ltd. by Uniphar plc. The transaction was closed on 15 May 2013, marking the successful conclusion of Celesio's divestiture programme.

The profit/loss from discontinued operations came to € –2.4m in the first half year of 2013 compared to € –213.5m in the comparable period of the previous year. The result in the previous year was burdened by the impairment losses of € 47.0m recorded on the shares in Pharmexx, € 41.4m on Movianto and € 120.0m on the DocMorris mail-order pharmacy.

Financial position

The net cash flow from operating activities comes to € 31.8m for continuing operations in the first half year of 2013. This compares to cash flow of € 174.5m generated in the same period of the previous year. This development is primarily due to changes in net working capital and changes in other assets and liabilities. In the previous year, the reporting date had a positive effect on trade receivables, particularly in the United Kingdom. On the other hand, there was an increase in trade payables in connection with the cut-off date. At € 5.2m, the net cash flow from operating activities for discontinued operations was down on the previous-year figure of € 10.5m.

The cash flow from investing activities for continuing operations came to a net inflow of € 11.0m in the reporting period, compared to a cash outflow of € –298.1m in the comparable period of the previous year. This reflects the cash received from the outstanding purchase price for the sale of the Czech operations agreed on in the fourth quarter of 2012 and payments from the sale of the wholesale operation in Ireland. In the previous year, the cash outflow was mainly related to payments from taking over the remaining 49.9% of the shares in Panpharma. For discontinued operations, net cash flow from investing activities came to € 13.0m, mainly due to the purchase price payments received for the DocMorris mail-order pharmacy and Movianto Ireland. In the comparable period of the previous year, the net cash outflow came to € –15.8m.

Free cash flow from continuing operations, i.e. the balance of net cash flow from operating activities, net cash flow from investing activities and interest paid and received, totalled € –14.2m in the reporting period compared to € –185.6m in the same period of the previous year. The lower cash inflows compared to the previous year from operating activities were partly compensated in the first half year of 2013 by the payments received for the sale of operations as described above. In the previous period, substantial payments were made to acquire other companies.

Cash outflow from financing activities amounted to € –151.9m compared to a cash inflow of € 152.6m in the previous year. The cash outflow related exclusively to continuing operations in the reporting period. In comparison to the same period of the previous year, the proceeds from borrowings dropped by € 300.8m.

Assets position

The Celesio Group had total assets of € 7,638.0m as of 30 June 2013, a decrease of € 290.7m compared to 31 December 2012.

The gearing, which expresses the ratio of net financial debt to equity, came to 0.75 as of 30 June 2013, a slight deterioration on the gearing of 0.71 as of 31 December 2012 due to an increase in net financial liabilities and a simultaneous fall in equity.

Non-current assets decreased by a total of € 131.9m to € 3,048.0m compared to the end of 2012. Of this amount, € –117.8m is due to currency effects. This decrease was also attributable to the amortisation of non-current intangible assets and depreciation of property, plant and equipment of € 64.2m. Investments in property, plant and equipment of € 26.9m and the recognition of a non-current purchase price instalment from the sale of the Irish wholesale operation and Movianto Ireland of € 11.5m had the opposite effect.

Current assets came to € 4,590.0m as of 30 June 2013, a fall of € 158.8m on 31 December 2012. Trade receivables rose by € 145.4m to € 2,241.5m, chiefly on account of the collection of payments from the NHS in the United Kingdom after the reporting date. The decrease of € 71.8m in inventories to € 1,510.2m as of 30 June 2013 is largely on account of currency effects. As of 30 June 2013, cash and cash equivalents came to € 423.9m compared to € 523.9m as of 31 December 2012. A number of disparate trends were observed: In particular, the repayment of financial liabilities, dividend distributions and cut-off effects were all factors that contributed to a decline during the reporting period. By contrast, payments collected in connection with the sale of the DocMorris mail-order pharmacy and the operations in the Czech Republic and the Irish wholesale operations had a positive effect. As of 30 June 2013, other receivables and other assets decreased by € 33.4m to € 374.3m. 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. Cash and cash equivalents were also increased by a current purchase price instalment of € 7.6m from the sale of the Irish wholesale operations and Movianto Ireland. As of 30 June 2013, the Celesio Group reported available-for-sale assets of € 0.9m after the disposals of € 102.1m of held-for-sale assets associated with the deconsolidation of the Irish wholesale operation and Movianto Ireland and property held for sale.

Compared to the end of 2012, equity decreased by € 51.6m to € 2,144.3m as of the reporting date. This development is primarily due to the fall of € 74.1m in the reserves of other comprehensive income. The development of the currency translation reserve played the most significant role in this regard. On the other

hand, there was a rise of € 21.1m in the revenue reserve. The equity ratio came to 28.1% as of 30 June 2013. This corresponds to an increase of 0.4 percentage points compared to the end of December 2012.

Non-current liabilities decreased by an aggregated € 263.0m to € 2,116.1m. The decrease includes a € 262.0m drop in non-current financial liabilities, which came to € 1,654.0m as of the reporting date, mainly due to reclassifications to current financial liabilities to reflect the term to maturity as well as premature repayments of non-current financial liabilities. In addition, pension provisions were reduced by € 17.5m to € 327.6m, largely on account of pension payments. An increase of € 22.5m in deferred tax liabilities to € 61.3m had a compensatory effect.

Current liabilities came to € 3,377.6m as of the reporting date and were therefore up € 23.9m on the close of 2012. Trade payables (€ 2,334.0m as of 30 June 2013 compared to € 2,325.0m on 31 December 2012) and other liabilities (€ 486.3m compared to € 573.1m as of the end of 2012) were primarily influenced by cut-off effects. On 30 June 2013 the group did not report any held-for-sale liabilities after liabilities held for sale of € 76.6m were disposed of in the deconsolidation of the Irish wholesale operation and Movianto Ireland.

Employees

As of 30 June 2013 the Celesio Group had 28,539 employees (full-time equivalents) at its continuing operations, representing a fall in the headcount of 2.9%. Consumer Solutions had 14,835 employees (previous year 15,280) and Pharmacy Solutions 13,441 (previous year 13,876). The remaining employees are allocable to the functions performed by the holding company.

Changes to the Management Board

On 6 June 2013, the Supervisory Board appointed Mr Martin Fisher to the Management Board of Celesio AG, effective 1 October 2013. He will be in charge of operations, which consists of procurement, supply chain management, quality management and regulation as well as IT.

Subsequent events

The supervisory board dismissed Mr Markus Pinger on 3 July 2013 with immediate effect. Until further notice, Dr Marion Helmes will assume the role of spokesperson of the Management Board of Celesio AG in addition to her function as Chief Financial Officer.

Outlook

Overall economic prospects

The global economy is forecast to grow at 3.3% in 2013. Following a weak first half year, economic growth is expected to increase to 2.2% in the developed economies in the second half of the year. The euro zone is expected to see a decrease of 0.6% in 2013. 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 up, 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 emerging economies and developing countries recovery is picking up pace, with growth of 5.1% 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 2.9% percent in 2013.

Global inflation, which fell over the course of 2012 to 2.8%, is expected to remain unchanged until 2014. This is 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 1.4% in 2013. At the same time, inflationary pressure is expected to remain in the emerging and developing economies. Consumer prices are also likely to increase by 6.1% 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 currently not expected to lower the base rate any further. Expert opinions point to a slight increase in the 3-month EURIBOR of around 10 base points by the end of 2013 on the rate of 0.21% seen at the end of the first half of the year. The impact of the change in the key lending rate remains to be seen.

Business development

The following statements on future business developments and the assumptions on the economic development of markets and sectors of the economy are based on assumptions made by the Management Board. These are based on the information available which the Management Board currently views as realistic. However, the future development of our divisions depends on various factors beyond Celesio's sphere of influence, which are difficult to forecast with any accuracy. Such factors include, for example, the future development of the economy and the regulatory environment as well as the business decisions made by competitors and other market players. However, state intervention in the health sector and social security systems also belong to key external parameters of future development. 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 first half of the year.

Consumer Solutions

With regard to Consumer Solutions we expect earnings to remain stable over the full year, subject to further probable potential government intervention, particularly in the United Kingdom.

Other positive effects from the continuation of the OEP initiative and the TIC procurement programme and improvements to operations in the United Kingdom will offset the impact of the government intervention already implemented in the previous year.

In our opinion, the Norwegian market will continue to develop positively. In particular, the share of OTC products will continue to rise. However, over the full year, higher pension expenses will place a burden on earnings.

The economic situation in Italy remains tense, especially with regard to the health sector. In the first half of the year, our pharmacies have already demonstrated that they are more resilient to the strain imposed by government measures than the wider health market. For this reason, we continue to forecast growth on the previous year.

With regard to our Swedish activities, we expect a significant reduction in start-up expenses in a year-on-year comparison due to the success of the restructuring measures.

Pharmacy Solutions

Pharmacy Solutions continues to face major challenges. The improvements to the operation and closer integration with the pharmacy business will not be sufficient to fully offset the ongoing discounting competition in Germany and the contraction seen in some European markets. We therefore assume that the earnings generated by the wholesale pharmacy business will decline over the full year 2013.

In France we expect earnings to at least remain stable in the current fiscal year despite the difficult environment. Improvements to cost structures should have a positive impact on earnings.

The benefits from closer integration of AAH and Lloydspharmacy will be reflected in a rise in the earnings of our wholesale operations in the UK.

Contrary to our expectations, wholesale operations in Germany remain affected by fierce discounting competition. In spite of the growth in the market as a whole, market players are suffering from a drastic fall in margins due to the irrational nature of the discounting competition. For the full year the Management Board is therefore forecasting a massive fall in earnings at our wholesale subsidiary, GEHE, despite the countermeasures that have been initiated.

We are forecasting further growth in Brazil. The improvements to operations and the exploitation of the opportunities that arise on the Brazilian market are expected to have a positive effect. For these reasons, we are forecasting an improvement in earnings on the previous year.

We believe that there will be a noticeable improvement in our earnings in Norway. A main factor in this development will be the concluded reorganization of the warehouse in Oslo.

Investments and capital expenditures

In spite of the investments in the pilot pharmacies set up for the European pharmacy network, we are forecasting a volume of capital expenditure in 2013 that is comparable to that of the 2012 fiscal year. This includes higher investments in wholesale branches and pharmacy redesigns.

Depreciation and amortisation

Depreciation and amortisation in the 2013 fiscal year will remain at roughly the same level as the previous year.

Financial result

We expect a significant improvement in the financial result in 2013 compared to 2012. However, this is due to the negative special effects from unwinding the discount and settling the purchase price liability for the purchase of the remaining shares in Panpharma of a total amount of € 26.7m. The anticipated improvement also assumes that the interest level will remain stable in 2013.

Tax rate

The group's tax rate may be influenced by two major factors: a change in the earnings mix returned by countries with varying tax rates, or a change in the effective tax rates in each country. In addition, measures to reduce the tax burden will have a positive effect on the group's effective tax rate. Due to the latest developments in Germany the adjusted tax rate is expected to lie at the same rate as in 2012, contrary to our expectations.

Employees

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

Risks 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 163 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:

- The ongoing financial crisis in some European countries and the austerity measures forced upon healthcare systems could have a negative effect on our earnings.
- 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 is particularly visible in Germany.
- 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.
- As in the past, patent protection has recently run out or will do so over the coming years on a number of blockbusters. Generic products are winning a greater share of the market. This will have a negative impact on 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 Norwegian krone and the Brazilian real.
- We consider changes in conditions on the healthcare market to be critical to our success. They can also affect earnings. These include mergers between pharmaceutical producers and exclusive distribution models in the wholesale sector. Likewise, intensification in the competition with regard to logistics and the isolated lifting of pharmacy-only sales restrictions for prescription products are of great relevance to our business.
- The revenue we generated in the OTC sector could be influenced by the economic cycle. It currently accounts for 20% of the revenue generated by the Consumer Solutions division.

Earnings forecast 2013

For Celesio, 2013 will be all about our strategic realignment, which we will diligently pursue. In particular, closer dovetailing between the pharmacy business and wholesale as well as the impact on earnings from improvements to procurement and from the OEP will continue to have a positive effect.

However, major external factors will act against this pleasing development. From our current perspective we do not expect the discounting competition to weaken in Germany before the end of the year. For this reason, the Management Board feels forced to adjust its earnings forecast downwards and now projects that Celesio will generate an adjusted EBIT of between € 405m and € 425m in fiscal 2013.

More Positive Lives

003 Celesio at a glance
005 Key events 2013

01 To our shareholders

008 Letter from the spokesperson of the Management Board
010 The stock markets and the Celesio share

02 Group interim management report

016 Economic environment
017 Market
017 Revenue and earnings development
022 Consumer Solutions division
025 Pharmacy Solutions division
028 Discontinued operations
029 Financial position
030 Assets position
032 Employees
033 Subsequent events
034 Outlook

03 Group interim condensed financial statements

042 Group income statement
043 Group statement of comprehensive income
044 Group statement of financial position
046 Group statement of cash flows
048 Group statement of changes in equity
050 Selected explanatory notes to the consolidated financial statements

04 Other notes

080 Responsibility statement
081 Review report

083 Financial calendar
084 Contacts

Group interim condensed financial statements

Celesio AG

1st Half Year of 2013

Group income statement

	2nd quarter		1st half year	
	2012 € m	**2013** **€ m**	2012 € m	**2013** **€ m**
Revenue	**5,608.3**	**5,371.4**	**11,251.1**	**10,733.0**
Cost of materials	–4,989.7	**–4,781.9**	–10,015.4	**–9,565.7**
Gross profit	**618.6**	**589.5**	**1,235.7**	**1,167.3**
Other income	54.2	**51.9**	102.4	**98.9**
Other expenses	–233.5	**–192.9**	–442.3	**–384.2**
Personnel expenses	–336.5	**–307.6**	–653.2	**–614.5**
EBITDA	**102.8**	**140.9**	**242.6**	**267.5**
Amortisation of non-current intangible assets and depreciation of property, plant and equipment	–33.1	**–32.7**	–66.3	**–64.2**
Impairment losses recorded on non-current intangible assets and property, plant and equipment	–0.3	**–0.4**	–0.3	**–0.4**
EBIT	**69.4**	**107.8**	**176.0**	**202.9**
Result from associates accounted for using the equity method	0.3	**1.8**	1.9	**1.8**
Result from other investments	1.6	**1.7**	3.0	**3.6**
Interest expense	–64.7	**–36.8**	–105.1	**–71.3**
Interest income	1.8	**1.7**	4.5	**3.8**
Other financial result	6.4	**–4.4**	6.9	**–5.1**
Profit before tax from continuing operations	14.8	**71.8**	87.2	**135.7**
Income taxes	–23.7	**–25.7**	–52.1	**–47.9**
Net profit/loss from continuing operations	**–8.9**	**46.1**	**35.1**	**87.8**
Net profit/loss from discontinued operations	**–165.0**	**–2.1**	**–213.5**	**–2.4**
Net profit/loss	**–173.9**	**44.0**	**–178.4**	**85.4**
Of which attributable to non-controlling interests	1.0	**2.3**	1.9	**4.5**
Of which attributable to shareholders of Celesio AG	–174.9	**41.7**	–180.3	**80.9**
Earnings per share – basic	**€**	**€**	**€**	**€**
Net profit/loss from continuing operations	–0.06	**0.26**	0.19	**0.49**
Net profit/loss from discontinued operations	–0.97	**–0.01**	–1.25	**–0.01**
Net profit/loss	–1.03	**0.25**	–1.06	**0.48**
Earnings per share – diluted	**€**	**€**	**€**	**€**
Net profit/loss from continuing operations	–0.06	**0.25**	0.19	**0.48**
Net profit/loss from discontinued operations	–0.97	**–0.01**	–1.25	**–0.01**
Net profit/loss	–1.03	**0.24**	–1.06	**0.47**

Group statement of comprehensive income

	2nd quarter		1st half year	
	2012 € m	**2013** **€ m**	2012 € m	**2013 [2)]** **€ m**
Net profit/loss	**–173.9**	**44.0**	**–178.4**	**85.4**
Items that will not be recycled through profit or loss				
Revaluation of defined benefit pension plans	–42.8	**–9.9**	–67.6	**–11.0**
Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method	–0.4	**0.8**	–3.5	**3.5**
Items that may subsequently be recycled through profit or loss				
Unrealised gains/losses from the current year	–4.0	**1.6**	–4.9	**2.1**
Gains/losses recycled through profit or loss	3.9	**2.2**	6.7	**4.9**
Unrealised gains/losses from derivative financial instruments used to hedge cash flows	–0.1	**3.8**	1.8	**7.0**
Foreign currency translation posted directly to other comprehensive income	12.4	**–73.2**	12.1	**–84.5**
Exchange differences	12.4	**–73.2**	12.1	**–84.5**
Other comprehensive income after tax	**–30.9**	**–78.5**	**–57.2**	**–85.0**
from continuing operations	–33.9	**–78.5**	–60.4	**–85.0**
Of which attributable to non-controlling interests	–1.6	**–3.5**	–1.8	**–2.1**
Of which attributable to shareholders of Celesio AG	–32.3	**–75.0**	–58.6	**–82.9**
from discontinued operations [1)]	3.0	**0.0**	3.2	**0.0**
Comprehensive income	**–204.8**	**–34.5**	**–235.6**	**0.4**
from continuing operations	–42.8	**–32.4**	–25.3	**2.8**
Of which attributable to non-controlling interests	–0.6	**–1.3**	0.1	**2.4**
Of which attributable to shareholders of Celesio AG	–42.2	**–31.1**	–25.4	**0.4**
from discontinued operations [1)]	–162.0	**–2.1**	–210.3	**–2.4**

1) All of which attributable to shareholders of Celesio AG.
2) Due to a change in the presentation of currency effects, the amounts from the revaluation of defined benefit plans fell by € 3.3m in the first quarter of 2013 to € –1.1m. Moreover, the unrealised gains and losses on derivative financial instruments used in cash flow hedges decreased by € 0.3m to € 3.2m and the effects of foreign currency translation posted directly to other comprehensive income rose by € 3.6m to € –11.3m. More information on the changes to presentation policies can be found in the section on adjustments to previous year figures on → page 54 of the notes.

Please refer to → page 70 of the selected explanatory notes for further explanations on other comprehensive income.

Group statement of financial position

ASSETS	31/12/2012 € m	30/06/2013 € m
Non-current assets	**3,179.9**	**3,048.0**
Intangible assets	2,297.2	2,190.6
Property, plant and equipment	529.7	496.8
Associates accounted for using the equity method	71.7	76.5
Other financial assets	98.0	108.5
Other non-current assets	69.9	59.5
Income tax receivables	2.3	2.4
Deferred tax assets	111.1	113.7
Current assets	**4,748.8**	**4,590.0**
Inventories	1,582.0	1,510.2
Trade receivables	2,096.1	2,241.5
Income tax receivables	36.1	39.2
Other receivables and other assets	407.7	374.3
Cash and cash equivalents	523.9	423.9
Assets held for sale	103.0	0.9
Total assets	**7,928.7**	**7,638.0**

EQUITY AND LIABILITIES	31/12/2012 € m	30/06/2013 € m
Equity	**2,195.9**	**2,144.3**
Issued capital	217.7	**217.7**
Capital reserves	1,186.0	**1,186.0**
Revenue reserves	1,091.2	**1,112.3**
Revaluation reserves	–333.3	**–407.4**
Equity attributable to shareholders of Celesio AG	**2,161.6**	**2,108.6**
Non-controlling interests	34.3	**35.7**
Liabilities	**5,732.8**	**5,493.7**
Non-current liabilities	**2,379.1**	**2,116.1**
Financial liabilities	1,916.0	**1,654.0**
Pension provisions	345.1	**327.6**
Other non-current provisions	71.0	**65.4**
Other liabilities	8.2	**7.8**
Deferred tax liabilities	38.8	**61.3**
Current liabilities	**3,353.7**	**3,377.6**
Financial liabilities	166.9	**370.4**
Trade payables	2,325.0	**2,334.0**
Other current provisions	156.4	**129.0**
Income tax liabilities	55.7	**57.9**
Other liabilities	573.1	**486.3**
Liabilities held for sale	76.6	**0.0**
Total equity and liabilities	**7,928.7**	**7,638.0**

Group statement of cash flows

	1st half year	
	2012 € m	2013 € m
Net profit/loss from continuing operations	**35.1**	**87.8**
Amortisation of non-current intangible assets and depreciation of property, plant and equipment	66.6	64.6
Result from associates accounted for using the equity method and other equity investments	–4.9	–5.4
Dividends received	4.3	4.0
Financial result	93.7	72.6
Net result from the disposal of non-current assets and subsidiaries	–5.1	–0.4
Impairment of operating assets	31.5	23.7
Change in deferred taxes and income taxes	52.1	47.9
Income taxes paid	–60.8	–46.0
Other non-cash income and expenses	31.9	12.5
Change in net operating assets	–59.8	–140.5
Change in inventories	74.1	23.2
Change in trade receivables	16.6	–249.1
Change in trade payables	–157.0	114.5
Change in other net operating assets	6.5	–29.1
Change in other assets and other liabilities	–10.1	–89.0
Change in other assets	–2.4	–60.6
Change in other liabilities	–7.7	–28.4
Net cash flow from operating activities – continuing operations	**174.5**	**31.8**
Net cash flow from operating activities – discontinued operations	**10.5**	**5.2**
Net cash flow from operating activities – continuing and discontinued operations	**185.0**	**37.0**
Proceeds from the disposal of non-current assets	11.8	6.2
Capital expenditure on non-current assets	–60.8	–36.4
Proceeds from the disposal of subsidiaries [1)]	4.7	42.0
Cash paid for business combinations	–253.8	–0.8
Net cash flow from investing activities – continuing operations	**–298.1**	**11.0**

	1st half year	
	2012 € m	2013 € m
Net cash flow from investing activities – discontinued operations	**–15.8**	**13.0**
Net cash flow from investing activities – continuing and discontinued operations	**–313.9**	**24.0**
Payments made to shareholders (including non-controlling interests)	–43.6	**–52.0**
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	–1.0	**0.0**
Proceeds from borrowings	462.9	**162.1**
Repayment of borrowings	–199.7	**–205.0**
Interest paid	–66.6	**–60.8**
Interest received	4.6	**3.8**
Net cash flow from financing activities – continuing operations	**156.6**	**–151.9**
Net cash flow from financing activities – discontinued operations	**–4.0**	**0.0**
Net cash flow from financing activities – continuing and discontinued operations	**152.6**	**–151.9**
Net change in cash and cash equivalents	**23.7**	**–90.9**
Change in cash and cash equivalents not affecting cash	7.6	**–9.1**
Cash and cash equivalents at the beginning of the period	448.3	**523.9**
Cash and cash equivalents at the end of the period	**479.6**	**423.9**
Cash and cash equivalents of discontinued operations and disposal groups at the end of the period	24.2	**0.0**
Cash and cash equivalents at the end of the period (according to the group statement of financial position)	**455.4**	**423.9**

1) This line reports the payments for all costs directly related to divestments of subsidiaries.

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	–51.0
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	–8.8
Other comprehensive income	0.0	0.0	0.0
Net profit/loss	0.0	0.0	80.9
Comprehensive income	0.0	0.0	80.9
As of 30 June 2013	**217.7**	**1,186.0**	**1,112.3**
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	–42.5
Change in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0	–1.3
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	–180.3
Comprehensive income	0.0	0.0	–180.3
Adjusted balance as of 30 June 2012	**217.7**	**1,186.0**	**1,067.4**

1) Of which attributable to discontinued operations and disposal groups: € 0.0m (previous year € –24.1m).
2) Of which attributable to discontinued operations: € 0.0m (previous year € –9.2m).
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: € 0.0m (previous year € –33.7m).
5) Of which attributable to discontinued operations in the reporting period: € 0.0m (previous year € –0.2m).

Translation reserves € m	Revaluation of defined benefit plans € m	Asset revaluation reserves € m	Cash flow hedges € m	Other comprehensive income attributable to entities measured using the equity method € m	Equity attributable to shareholders of Celesio AG € m	Non-controlling interests € m	Equity € m
Revaluation reserves							
–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	**–51.0**	**–1.0 [5]**	**–52.0**
0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
0.0	8.8	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
–91.3	–2.5	0.0	7.4	3.5	**–82.9**	**–2.1**	**–85.0**
0.0	0.0	0.0	0.0	0.0	**80.9**	**4.5**	**85.4**
–91.3	–2.5	0.0	7.4	3.5	**–2.0**	**2.4**	**0.4**
–250.7 [1]	**–145.3 [2]**	**0.0 [3]**	**–9.0**	**–2.4**	**2,108.6 [4]**	**35.7**	**2,144.3**
–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	**–42.5**	**–1.3 [5]**	**–43.8**
0.0	0.0	0.0	0.0	0.0	**–1.3**	**0.2**	**–1.1**
0.0	0.0	0.0	0.0	0.0	**0.0**	**0.7**	**0.7**
14.2	–67.6	0.0	1.5	–3.5	**–55.4**	**–1.8**	**–57.2**
0.0	0.0	0.0	0.0	0.0	**–180.3**	**1.9**	**–178.4**
14.2	–67.6	0.0	1.5	–3.5	**–235.7**	**0.1**	**–235.6**
–134.2 [1]	**–157.7 [2]**	**–0.4 [3]**	**–19.3**	**–4.6**	**2,154.9 [4]**	**31.9**	**2,186.8**

Selected explanatory notes to the consolidated financial statements

Group segment reporting by division

1ST HALF YEAR 2013

Income statement
Revenue
External revenue
Inter-segment revenue
Gross profit
EBITDA
Impairment losses recorded on non-current intangible assets and property, plant and equipment
EBIT
30 June 2013
Segment assets

1ST HALF YEAR 2012

Income statement
Revenue
External revenue
Inter-segment revenue
Gross profit
EBITDA
Impairment losses recorded on non-current intangible assets and property, plant and equipment
EBIT
30 June 2012
Segment assets

	Consumer Solutions € m	Pharmacy Solutions € m	Others € m	Consoli-dation € m	**Group (continuing operations) € m**	Discon-tinued operations € m
	1,680.4	**9,052.7**	**0.0**	**–0.1**	**10,733.0**	**19.1**
	1,680.3	9,052.7	0.0	0.0	**10,733.0**	19.1
	0.1	0.0	0.0	–0.1	**0.0**	0.0
	577.1	**590.2**	**0.0**	**0.0**	**1,167.3**	**2.9**
	126.6	180.2	–39.0	–0.3	**267.5**	0.3
	–0.4	0.0	0.0	0.0	**–0.4**	0.0
	95.3	**153.2**	**–45.3**	**–0.3**	**202.9**	**0.3**
	1,893.8	**2,102.4**	**18.6**	**0.0**	**4,014.8**	**0.0**

	Consumer Solutions € m	Pharmacy Solutions € m	Others € m	Consoli-dation € m	**Group (continuing operations) € m**	Discon-tinued operations € m
	1,720.3	**9,531.8**	**0.0**	**–1.0**	**11,251.1**	**513.1**
	1,719.3	9,531.8	0.0	0.0	**11,251.1**	451.7
	1.0	0.0	0.0	–1.0	**0.0**	61.4
	603.2	**632.5**	**0.0**	**0.0**	**1,235.7**	**180.9**
	117.8	174.9	–50.1	0.0	**242.6**	3.7
	–0.3	0.0	0.0	0.0	**–0.3**	0.0
	87.2	**144.6**	**–55.8**	**0.0**	**176.0**	**–0.6**
	1,940.9	**2,164.5**	**66.6**	**0.6**	**4,172.6**	**359.8**

Please refer to → page 71 of the notes for further explanations and comments on segment reporting.

RECONCILIATION OF SEGMENT REVENUE FOR THE FIRST HALF YEAR	2012 € m	2013 € m
Revenue of the reportable segments	**11,252.1**	**10,733.1**
Consolidation	–1.0	**–0.1**
Group revenue	**11,251.1**	**10,733.0**

RECONCILIATION OF SEGMENT EARNINGS FOR THE FIRST HALF YEAR	2012 € m	2013 € m
EBIT	**176.0**	**202.9**
Result from associates accounted for using the equity method	1.9	**1.8**
Result from other investments	3.0	**3.6**
Interest expense	–105.1	**–71.3**
Interest income	4.5	**3.8**
Other financial result	6.9	**–5.1**
Profit before tax from continuing operations	**87.2**	**135.7**

RECONCILIATION OF SEGMENT ASSETS	30/06/2012 € m	30/06/2013 € m
Segment assets of the reportable segments	**4,172.0**	**4,014.8**
Consolidation	0.6	**0.0**
Segment assets of the group	**4,172.6**	**4,014.8**
+ Interest-bearing other financial assets	38.7	**46.6**
+ Non-current and current income tax receivables	42.4	**41.6**
+ Deferred tax assets	156.4	**113.7**
+ Other assets	4.8	**10.3**
+ Cash and cash equivalents	455.4	**423.9**
+ Assets of discontinued operations	489.3	**0.0**
– Other non-current provisions	74.9	**65.4**
– Other current provisions	161.1	**129.0**
– Trade payables	2,365.3	**2,334.0**
– Sundry liabilities	647.1	**458.7**
Total net assets	**8,608.0**	**7,638.0**

Accounting policies

The interim condensed consolidated report of Celesio AG for the first half year 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 30 June 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. There was no material impact on the interim financial statements due to the adoption of **"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. **"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 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 half year of 2012 the retrospective application resulted primarily in a fall in personnel expenses of € 3.0m and an increase in interest expenses of € 3.3m. Otherwise there is a fall in other expenses due to an adjustment of € 5.5m to the impairment recorded in the prior year on the Irish Wholesale operation which is classified as a disposal group. Taking account of the corresponding tax impact, this results in an improvement to net profit/loss of € 5.5m. Other comprehensive income fell by € 71.1m. Equity reported as of 30 June 2012 is down € 176.8m.

Another change lies in the presentation of comprehensive income. Since the interim report for the first half year of 2013 currency translation differences resulting from the individual line items of comprehensive income have been presented net under the line item "Exchange differences" and, in particular, under the line item "Foreign currency translation posted directly to other comprehensive income". Previously, currency translation differences were reported directly under the various elements of other comprehensive income. The change in the presentation of currency translation differences serves to make the statement of other comprehensive income more informative. The change in the presentation policy was applied retrospectively. Adjustments to previous periods merely arose for line items which may be subsequently recycled through profit or loss. Unrealised gains and losses from derivative financial instruments used in cash flow hedges rose by € 0.3m to € 1.8m. The foreign currency translation differences posted directly to other comprehensive income decreased by € 0.3m to € 12.1m.

Consolidated group

Business combinations and disposals in the first half year of 2013

Business combinations

In the first half year 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.

Moreover, the Consumer Solutions division acquired all the shares in one retail pharmacy in Norway in the course of optimising its portfolio and fully consolidated it accordingly.

The table below provides the significant details of the entities acquired in the first half year of 2013:

	Total € m
Consideration transferred	1.3
Purchase price payment	1.0
Contingent consideration	0.3
Shares previously recognised using the equity method	0.0
Revaluation of shares previously recognised using the equity method	0.0
Cash purchase price	0.6
Fair value of assets and liabilities assumed	
Total assets	0.7
Property, plant and equipment	0.1
Inventories	0.1
Trade receivables	0.1
Cash and cash equivalents	0.4
Total liabilities	0.5
Other liabilities	0.5
Goodwill	1.1
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 attributable to the entities acquired in the first half year of 2013 amounts to € 0.2m and the net profit to € 0.2m. Had these entities been acquired at the beginning of the fiscal year, they would have contributed € 1.3m to group revenue and € 0.2m 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, did not change in the first half year of 2013. The addition of new contingent consideration of € 0.3m is countered by a payment of existing contingent consideration of the same amount. The fair value adjustment of contingent consideration is generally based on an earnings indicator and takes account of the long-term planning. This did not give rise to any major changes in the ranges in the first half year of 2013.

Disposals

Two retail pharmacies in the UK and one retail pharmacy in Sweden were disposed of in the first half year of 2013 in the course of streamlining the portfolio. In the process, assets of € 0.1m were sold, consisting solely of property, plant and equipment. The gains on disposal totalled € 0.3m and were disclosed under other income/expense.

The disclosures on the deconsolidation of Movianto Ireland, which was classified as a discontinued operation, and the Wholesale operation in Ireland, which was classified as a disposal group, as well as the sale of Interim Holding GmbH, which held the equity investment in pharmexx India, can be found in the section on "Discontinued operations and disposal groups".

Business combinations in the first half year of 2012

Business combinations

The table below provides the significant details of the entities acquired in the first half year 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
Revaluation 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

Due to the fact that the fair value of the investment measured using the equity method, which was already held by the Celesio Group prior to the date on which control was obtained by the group, does not correspond to its carrying amount, a loss of € 0.2m from revaluing shares was recognised in other income/expense. 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.

Revenue attributable to the entities acquired in the first half year of 2012 amounts to € 1.7m and the net profit to € 0.2m. Had these entities been acquired at the beginning of the comparative period, the entities would have contributed € 2.0m to group revenue. The contribution to the group's net profit would have been € 0.1m.

Acquisition of the remaining shares in Panpharma

In the comparable period of the previous year, the Management Board of Celesio AG decided to prematurely exercise the option to purchase the remaining 49.9% of the shares outstanding in Panpharma. Acquisition of the shares was fully executed in May 2012. The consideration transferred amounted to € 258.2m, of which € 253.3m was in cash. The last revaluation of the purchase price liability on the exercise date resulted in recognition of additional goodwill of € 7.5m in the previous period. The remainder of € 26.4m left after settling the purchase price liability was expensed through profit or loss under the interest result.

Operational Excellence Program

Further measures were initiated in the first half year of 2012 within the framework of the Operational Excellence Program, which was started in the 2011 fiscal year to improve the competitiveness and operating performance. Total expenses of € 30.1m were incurred in the comparative period of the previous year. At the end of the 2012 fiscal year, all the measures of the OEP were concluded and no significant expenses were incurred in the reporting period.

Discontinued operations and disposal groups

General remarks

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 in 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 date 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 operation (disclosed in the Pharmacy Solutions segment). As a result, this was also reported as a disposal group. In the second quarter of 2013 Celesio was able to conclude the sale of the Irish Wholesale operation and Movianto Ireland, effective May 2013.

Measurement effects and disposals

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 impairment was recorded on Movianto Ireland in the first half year of 2013. The profit and loss of the operation until the date of deconsolidation is presented under the net profit/loss from discontinued operations. A gain from deconsolidation of € 0.5m arose at Movianto Ireland, which is also reported under the net profit/loss from discontinued operations. Likewise, no impairment loss was recorded on the Irish Wholesale operation, reported as a disposal group, in the first half year of 2013. The profit and loss of the operation until the date of deconsolidation is presented under the net profit/loss from continuing operations. A gain of € 0.4m arose upon the deconsolidation of the Irish Wholesale operation. This has been presented under the net profit/loss from continuing operations. Costs were incurred to make the sale, most of which are transaction costs.

In the first half year of 2012 an impairment of € 47.0m was recorded on the Pharmexx cash-generating unit as well as an impairment of € 41.4m for Movianto and € 120.0m for the DocMorris mail-order pharmacy. These were presented under the net profit/loss from discontinued operations. Impairment losses on disposal groups comprise an impairment loss of € 8.0m on the wholesale operation in the Czech Republic, an impairment of € 6.1m on the Irish Wholesale operation (adjusted by € 5.5m due to the retrospective adoption of the revised version of IAS 19 – Employee Benefits at the end of the 2012 fiscal year). This was presented under the net profit or loss from continuing operations.

Key information on the deconsolidation in the reporting period of Movianto Ireland, which was classified as a discontinued operation, and the Irish Wholesale operation, which was classified as a disposal group, can be summarised as follows:

	Irish Wholesale € m	Movianto Ireland € m	**Total € m**
Consideration received	**34.8**	**10.0**	**44.8**
of which expected to affect cash	34.8	10.0	**44.8**
of which already cash	21.4	6.1	**27.5**
Profit/loss on disposal	0.4	0.5	**0.9**
Total assets	**98.9**	**54.4**	**153.3**
Intangible assets	0.0	0.0	**0.0**
Property, plant and equipment	0.0	0.0	**0.0**
Deferred tax assets	1.1	0.0	**1.1**
Inventories	19.2	9.9	**29.1**
Trade receivables	56.6	39.6	**96.2**
Cash and cash equivalents	10.9	0.0	**10.9**
Other assets	11.1	4.9	**16.0**
Total liabilities	**66.6**	**46.0**	**112.6**
Financial liabilities	0.0	0.0	**0.0**
Pension provisions	1.1	0.0	**1.1**
Deferred tax liabilities	0.5	0.2	**0.7**
Trade payables	49.9	39.7	**89.6**
Other current provisions	0.4	0.2	**0.6**
Other liabilities	14.7	5.9	**20.6**

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

	Non-current assets held for sale € m	Disposal group Wholesale Ireland € m	Discontinued operations Movianto Ireland € m	31/12/2012 Assets and liabilities held for sale € m	30/06/2013 Non-current assets held for sale € m
Property, plant and equipment	1.3	0.0	0.0	1.3	0.9
Inventories	0.0	25.1	7.3	32.4	0.0
Trade receivables	0.0	38.2	18.1	56.3	0.0
Cash and cash equivalents	0.0	1.1	0.0	1.1	0.0
Other assets	0.0	7.6	4.3	11.9	0.0
Assets	**1.3**	**72.0**	**29.7**	**103.0**	**0.9**
Trade payables	0.0	28.4	34.4	62.8	0.0
Other liabilities	0.0	12.9	0.9	13.8	0.0
Equity and liabilities	**0.0**	**41.3**	**35.3**	**76.6**	**0.0**

Property with a carrying amount of € 0.4m (previous year: € 0.7m) was disclosed as non-current assets held for sale in the Pharmacy Solutions division and property of € 0.5m in the Consumer Solutions division (previous year: € 0.6m).

As an element of the 2012 divestment program, the shares in the Pharmexx Group were sold as a part of the discontinued Manufacturer Solutions division. Due to a lack of control, csmo nextierr Private Limited (previously trading under the name of CSMO pharmexx (India) Pvt., Ltd.), which was not sold along with the Pharmexx Group, was sold, deconsolidated and carried as another investment pursuant to IAS 39 as the group did not have any significant influence over the entity. The investment in csmo nextierr Private Limited was sold in the second quarter of 2013 to the strategic investor, Parazelsus Orient Pte Ltd, Singapore. The impairment loss recorded on the investment in the first quarter of 2013 resulted in a loss on the measurement of discontinued operations of € 0.2m. Moreover, the profit after tax from discontinued operations contains the profit or loss from the business activities up until the deconsolidation of Movianto Ireland plus additional deconsolidation effects of € 0.5m. Other risks arising upon the disposal are also reported under the result from discontinued operations. The net profit/loss from discontinued operations breaks down as follows:

1ST HALF YEAR	DocMorris mail-order pharmacy and brand 2012 € m	Pharmexx 2012 € m	Movianto 2012 € m	Total	
				2012 € m	**2013 € m**
Revenue	158.7	70.0	223.0	451.7	**19.1**
Cost of materials	–132.7	–1.3	–136.8	–270.8	**–16.2**
Gross profit	26.0	68.7	86.2	180.9	**2.9**
EBITDA	0.0	–0.5	4.2	3.7	**0.3**
EBIT	–1.0	–1.4	1.8	–0.6	**0.3**
Profit/loss before tax from discontinued operations	–1.9	–1.9	2.1	–1.7	**0.3**
Income taxes	0.1	–1.5	–2.0	–3.4	**0.0**
Profit/loss after tax from discontinued operations	–1.8	–3.4	0.1	–5.1	**0.3**
Profit/loss after tax from the measurement and disposal of discontinued operations	–120.0	–47.0	–41.4	–208.4	**–2.7**
Net profit/loss from discontinued operations	**–121.8**	**–50.4**	**–41.3**	**–213.5**	**–2.4**

Contingent liabilities and other financial obligations

Guarantees and warranties issued as of 30 June 2013 came to € 114.3m (31 December 2012: € 139.6m). The decrease of € 25.3m is mainly due to the reduction of warranties in the UK wholesale operation.

The other financial obligations presented in the consolidated financial statements as of 31 December 2012 did not change materially in the first half year of 2013.

Contingent liabilities recognised for legal and tax risks in connection with the business combination with Panpharma in 2009 amounted to € 38.7m as of 30 June 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.

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 € 3.2m (31 December 2012: € 4.0m).

Fair value measurement

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

ASSETS	30/06/2013	
	Carrying amount € m	Fair value € m
Available-for-sale financial assets – equity instruments	58.2	58.2
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	32.3	31.8
Other financial assets	**108.5**	**107.8**
Other non-current assets	**59.5**	**59.5**
Trade receivables	**2,241.5**	**2,241.5**
Receivables from affiliates	0.1	0.1
Receivables from associates and other investments	5.8	5.8
Derivative financial instruments – designated as hedging instruments	0.0	0.0
Derivative financial instruments – not designated as hedging instruments	10.3	10.3
Other assets	358.1	358.1
Other receivables and other assets	**374.3**	**374.3**
Cash and cash equivalents	**423.9**	**423.9**

EQUITY AND LIABILITIES

	30/06/2013	
	Carrying amount € m	Fair value € m
Liabilities to banks	36.5	41.9
Promissory notes and bonds	1,605.6	1,763.7
Lease liabilities	8.2	8.1
Other financial liabilities	3.7	3.7
Non-current financial liabilities	1,654.0	1,817.4
Other non-current liabilities	7.8	8.0
Liabilities to banks	101.5	101.5
Promissory notes and bonds	259.2	262.5
Lease liabilities	4.6	4.6
Other financial liabilities	5.1	5.1
Current financial liabilities	370.4	373.7
Trade payables	2,334.0	2,334.0
Liabilities to affiliates	0.0	0.0
Liabilities to associates and other investments	2.2	2.2
Personnel liabilities	109.7	109.7
Other tax liabilities	62.4	62.4
Outstanding invoices	161.6	161.6
Derivative financial instruments – designated as hedging instruments	34.0	34.0
Derivative financial instruments – not designated as hedging instruments	1.4	1.4
Interest liabilities	27.8	27.8
Other liabilities	87.2	87.2
Other current liabilities	486.3	486.3

Available-for-sale financial assets mainly comprise 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 30 June 2013, investments in entities not listed on a public exchange with a carrying amount of € 57.3m 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 identical assets and liabilities

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

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

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	4.6	0.0	0.0	**4.6**
Derivative financial instruments – not designated as hedging instruments	0.0	10.3	0.0	**10.3**

Liabilities measured at fair value

	Level 1 € m	Level 2 € m	Level 3 € m	**Total** **€ m**
Fair value measurement on a recurring basis				
Derivative financial instruments – designated as hedging instruments	0.0	34.0	0.0	**34.0**
Derivative financial instruments – not designated as hedging instruments	0.0	1.4	0.0	**1.4**
Other liabilities	0.0	0.0	0.6	**0.6**

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 actively traded on an active market is determined by reference to listed 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.

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 57 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 did not give rise to any gains and losses.

Other comprehensive income after tax

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

	1st half year 2012			**1st half year 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						
Revaluation of defined benefit pension plans	–86.3	18.7	–67.6	**–1.2**	**–9.8**	**–11.0**
Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method	–3.5	/	–3.5	**3.5**	**/**	**3.5**
Items that may subsequently be recycled through profit or loss						
Unrealised gains/losses from the current year	–5.1	0.2	–4.9	**2.8**	**–0.7**	**2.1**
Gains/losses recycled through profit or loss	7.8	–1.1	6.7	**6.6**	**–1.7**	**4.9**
Unrealised gains/losses from derivative financial instruments used to hedge cash flows	2.7	–0.9	1.8	**9.4**	**–2.4**	**7.0**
Foreign currency translation posted directly to other comprehensive income	12.1	/	12.1	**–84.5**	**/**	**–84.5**
Exchange differences	12.1	/	12.1	**–84.5**	**/**	**–84.5**
Other comprehensive income	**–75.0**	**17.8**	**–57.2**	**–72.8**	**–12.2**	**–85.0**

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 wholesale business with external customers. The operating segments in this division have likewise been combined at country level. Starting in the 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 transactions

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. This includes the majority shareholder, Franz Haniel & Cie. GmbH, Duisburg, Germany, 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 management and service agreements in place with Franz Haniel & Cie. GmbH and its subsidiaries, joint ventures and associates.

Likewise, 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	
	31/12/2012 € m	**30/06/2013** **€ m**
Loans and receivables	0.0	**0.0**
Liabilities	0.9	**0.0**

	Franz Haniel & Cie. GmbH, Duisburg	
	2012 € m	**2013** **€ m**
Income	0.0	**0.1**
Expenses	0.1	**0.0**

	Subsidiaries of Franz Haniel & Cie. GmbH		Joint ventures and associates of Franz Haniel & Cie. GmbH		Joint ventures and associates of Celesio AG	
	31/12/2012 € m	**30/06/2013** **€ m**	31/12/2012 € m	**30/06/2013** **€ m**	31/12/2012 € m	**30/06/2013** **€ m**
	0.1	**0.1**	0.0	**0.0**	2.1	**3.3**
	0.0	**0.0**	0.2	**0.0**	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	
	2012 € m	**2013** **€ m**	2012 € m	**2013** **€ m**	2012 € m	**2013** **€ m**
	0.0	**0.0**	0.0	**0.0**	9.0	**5.2**
	0.1	**0.1**	0.8	**0.7**	0.0	**0.0**

Employees

At the end of the first half year of 2013 Celesio employed 28,539 full-time equivalents (previous year: 35,044). Due to the conclusion of the divestment program, there are no longer any employees as of the reporting date at entities that were reported as discontinued operations since the first quarter of 2012. In the previous year there were 5,641 employees at such operations.

Other notes

The 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 the market values of derivative exchange rate hedges gave rise to income of € 5.4m (previous year expenses of € 4.0m). The other financial result also contains exchange rate losses of € 11.9m (previous year exchange rate gains of € 10.0m). Other financial income also contains income of € 1.4m (previous year € 1.5m) from loan receivables that had been written down.

Celesio took out a new syndicated loan agreement for € 500.0m on 12 February 2013. This syndicated bank loan agreement matures on 12 February 2018 and replaces the previous syndicated loan agreement of € 600.0m, which had expired.

In accordance with the proposal for the appropriation of profits for 2012, a dividend of € 51.0m or € 0.30 per share (previous year € 42.5m or € 0.25 per share) was distributed to the shareholders of Celesio AG in the first half year of 2013. There were no other issues requiring reporting in the interim reporting period.

Subsequent events

The supervisory board dismissed Mr Markus Pinger on 3 July 2013 with immediate effect. Until further notice, Dr Marion Helmes will perform the function of spokesperson of the Management Board of Celesio AG in addition to her function as Chief Financial Officer.

Stuttgart, 8 August 2013

The Management Board

More Positive Lives

003 Celesio at a glance
005 Key events 2013

01 To our shareholders

008 Letter from the spokesperson of the Management Board
010 The stock markets and the Celesio share

02 Group interim management report

016 Economic environment
017 Market
017 Revenue and earnings development
022 Consumer Solutions division
025 Pharmacy Solutions division
028 Discontinued operations
029 Financial position
030 Assets position
032 Employees
033 Subsequent events
034 Outlook

03 Group interim condensed financial statements

042 Group income statement
043 Group statement of comprehensive income
044 Group statement of financial position
046 Group statement of cash flows
048 Group statement of changes in equity
050 Selected explanatory notes to the consolidated financial statements

04 Other notes

080 Responsibility statement
081 Review report

083 Financial calendar
084 Contacts

Other notes
Celesio AG
1st Half Year of 2013

Responsibility statement

To the best of our knowledge and in accordance with the applicable principles for financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the fiscal year.

STUTTGART, 8 AUGUST 2013

DR MARION HELMES
SPOKESPERSON OF THE
MANAGEMENT BOARD
CHIEF FINANCIAL OFFICER

STEPHAN BORCHERT
MEMBER OF THE MANAGEMENT BOARD

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 the selected explanatory notes, and the interim group management report of Celesio AG, Stuttgart, for the period from 1 January 2013 to 30 June 2013, which are part of the financial report for the first half year pursuant to Sec. 37w 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, 9 AUGUST 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

MARBLER
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

MATISCHIOK
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

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 August 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.