

Financial report 2013

Celesio Finance B.V.

Amsterdam

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Annual report of the directors

The board of Directors are pleased to present the annual report and financial statements of the Company for the financial period ended December 31 2013.

Overview of Activities

Celesio Finance was incorporated in July 2003 and acts as a group financing company and is responsible for the mid to long-term financing of Celesio Group companies via the issuance of inter-company loans. Celesio Finance is refinanced via committed multi-currency bank loans, bonds, promissory notes and deposits of Celesio Group companies.

Audit Committee

Due to the issue of the listed corporate bond in 2010 Celesio Finance B.V. is now classified as a public-interest entity (Organisatie van Openbaar Belang). Based on the Dutch decree (*Besluit*) of 26 July 2008 in connection with the implementation of Article 41 of the European Directive of 17 May 2006 no. 2006/43/EC, each public-interest entity should have an audit committee. However, Celesio Finance has opted for the possibility to make use of the parent company audit committee in compliance with the conditions within the decree.

Results

In 2013 Celesio Finance realised a net result of 1.2 Mil EUR compared to 1.9 Mil EUR in 2012. The 2013 result is considerable lower compared to the result in the same period of 2012 as several profitable back to back loans matured and are now funded from the global funding pool.

Risk Management

The risk management of the company is based on the policy that almost all interest risks and currency risks are hedged, either through natural hedging or through the use of derivatives. The listed corporate bond which has a fixed rate is on lent at variable rates. Fluctuations in the variable market interest rates can affect the Company's financial position and cash flow but effects on the profit of Celesio Finance B.V. are mostly mitigated by a quarterly review of the intercompany loan margin by using a cost based transfer price model.

The credit risks are covered by a guarantee issued by Celesio AG.

Reference is also made to the financial instruments disclosure on page 16.

Future Developments

The nature of the business activities have not significantly changed in 2013 and the company intends to continue its operations as a group finance company. No substantial changes are expected for the foreseeable future. Celesio Finance B.V. has a significant number of unused committed credit lines and can make use of these at any time. Celesio Finance keeps appropriate free credit lines in reserve in relation to the company's indebtedness.

Board of Directors

Celesio Finance B.V. has two seats available in the Board of Directors. The Board of Directors consists of two male persons for an entity which employs 1 FTE. For reappointment of the board members a female will be considered. The members of the Board of Directors have been carefully selected taking into consideration their skills, experience and perspectives representing the Board.

Subsequent Events

On 23 January 2014 Franz Haniel & Cie. GmbH announced that it had held 75.99% of the shares in Celesio AG on 22 January 2014. Pursuant to § 11 (d) of the terms and conditions of the convertible bonds, a change of control had therefore occurred.

On 28 January 2014 Celesio AG and Celesio Finance B.V. announced that a change of control pursuant to the terms and conditions of the convertible bonds of its 3.75% convertible bonds due in October 2014 as well as its 2.50% convertible bonds due in April 2018 had occurred. The control record date pursuant to § 11 (d) of the terms and conditions of the convertible bonds is 10 March 2014.

The adjusted conversion price pursuant to § 11 (c) of the terms and conditions of the convertible bonds amounts to EUR 21.66 for the convertible bonds due in October 2014. The adjusted conversion price pursuant to § 11 (c) of the terms and conditions of the convertible bonds amounts to EUR 19.05 for the convertible bonds due in 2018.

In the announcement, Celesio AG and Celesio Finance B.V. indicated that one or more further changes of control pursuant to the terms and conditions of the convertible bonds may occur until the record date.

As a consequence of the change of control, holders of convertible bonds may either redeem their convertible bonds early or exercise their right of conversion on the basis of the adjusted conversion price.

In order to redeem the convertible bonds early, holders must give notice at least ten days before 10 March 2014 pursuant to the terms and conditions and declare all or some of their convertibles bonds due. In such case, the convertible bonds will be redeemed on 10 March 2014 at the principal amount plus interest accrued until but excluding 10 March 2014 to those holders who validly terminated their convertible bonds.

Alternatively, to exercise the conversion right on the basis of the adjusted conversion price, holders must, pursuant to the terms and conditions, of the convertible bonds deliver a conversion notice as well as the corresponding convertible bonds on or before 10 March 2014 to the principal conversion agent, BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt, Germany, via their respective custodian bank.

Upon the exercise of the conversion right, the settlement shares will be transferred as soon as practicable thereafter. Fractions of settlement shares will be compensated in cash. The settlement shares will be delivered from the conditional capital of Celesio AG.

The conditional capital that Celesio AG has provided to settle the convertible bonds has a capacity of 17,010,000 shares. Insofar as Celesio AG is unable to issue shares from the conditional capital, it will pay the holder a cash amount in euro in lieu of the delivery of settlement shares pursuant to the terms and conditions of the convertible bonds. Celesio AG will notify the holder who has delivered a conversion notice no later than on the second business day after the valid exercise of the conversion whether and to what extent it will effect a cash payment.

On 12 February 2014 Celesio Finance B.V. announced that a change of control pursuant to the terms of conditions of its 4% bonds due on 18 October 2016 as well as its 4.5% bonds due on 26 April 2017 had occurred.

On 12 February 2014 Dragonfly GmbH & Co. KGaA(Dragonfly) announced that it had held 77.19% of the shares in Celesio AG on 6 February 2014. Pursuant to § 7 (d) of the terms and conditions of the bonds, a change of control had therefore occurred.

Furthermore, in the event that a rating event (as defined in the terms and conditions of the bonds) occurs 90 days after the change of control, the creditors of the bond are entitled to declare their bonds due ahead of schedule pursuant to the terms and conditions of the bonds. Should such a rating event occur, Celesio Finance B.V. will publish a further announcement within 21 days after expiration of the 90-day deadline triggered by the change of control.

On 12 February 2014 Celesio AG and Celesio Finance B.V. announced that a change of control pursuant to the terms and conditions of the convertible bonds of its 3.75% convertible bonds due in October 2014 as well as its 2.50% convertible bonds due in April 2018 had occurred. The control record date pursuant to § 11 (d) of the terms and conditions of the convertible bonds is 24 March 2014.

With regard to the adjusted conversion price announced on 28 January 2014 (convertible bonds due in October 2014 EUR 21.66/convertible bonds due in April 2018 EUR 19.05), there are no further adjustments to the conversion prices.

As a consequence of the change of control, holders of convertible bonds may either redeem their convertible bonds early or exercise their right of conversion on the basis of the adjusted conversion price.

In order to redeem the convertible bonds early, holders must give notice at least ten days before 24 March 2014 pursuant to the terms and conditions and declare all or some of their convertibles bonds due. In such case, the convertible bonds will be redeemed on 24 March 2014 at the principal amount plus interest accrued until but excluding 24 March 2014 to those holders who validly terminated their convertible bonds.

Alternatively, to exercise the conversion right on the basis of the adjusted conversion price, holders must, pursuant to the terms and conditions, of the convertible bonds deliver a conversion notice as well as the corresponding convertible bonds on or before 24 March 2014 to the principal conversion agent, BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt, Germany, via their respective custodian bank.

Upon the exercise of the conversion right, the settlement shares will be transferred as soon as practicable thereafter. Fractions of settlement shares will be compensated in cash. The settlement shares will be delivered from the conditional capital of Celesio AG.

The conditional capital that Celesio AG has provided to settle the convertible bonds has a capacity of 17,010,000 shares. Insofar as Celesio AG is unable to issue shares from the conditional capital, it will pay the holder a cash amount in euro in lieu of the delivery of settlement shares pursuant to the terms and conditions of the convertible bonds. Celesio AG will notify the holder who has delivered a conversion notice no later than on the second business day after the valid exercise of the conversion whether and to what extent it will effect a cash payment.

The current outstanding nominal volume of the two convertible bonds as per 31 March 2014 amounts to 3.75 Mil EUR.

On 11 April Celesio Finance B.V. announced that it makes use of its right to redeem all outstanding convertible bonds pursuant to § 5(c) of the terms and conditions of the bonds. The aggregate principal amount of the Bonds outstanding is less than 15% of the aggregate principal amount of the bonds originally issued.

The call redemption date is 12 May 2014. The bonds will be redeemed on 12 May 2014 at their principal amount plus interest accrued as of the end of the day immediately preceding the call redemption date.

Responsibility Statement

The report contains the company annual financial information for the period ended 31 December 2013 of Celesio Finance B.V., Amsterdam, which comprises the balance sheet as at 31 December 2013, the profit and loss account, the cash flow statement and the related notes. The principles activities of the company are included in Note 1.1.

To the best of our knowledge and in accordance with the applicable reporting standards for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the director's report of the Company includes a fair review of the Information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op de Financieel toezicht) including development and performance of the business and the position of the Company as of December 31, 2013, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Amsterdam, 25 April 2014

Board of Directors,

Original has been signed by

Original has been signed by

M. Hilger

W. van Hoek

Financial statements

Balance sheet as at 31 December 2013

(Before proposed appropriation of result)

	Notes	31 December 2013		31 December 2012	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
<i>Fixed assets</i>					
Financial fixed assets	5.1				
Amounts due from group companies		<u>1,279,530</u>		<u>1,973,233</u>	
			1,279,530		1,973,233
<i>Current assets</i>					
Receivables					
Amounts due from group companies	5.1	350,677		0	
Derivatives		0		4,022	
Corporate tax		115		0	
Other receivables		<u>2</u>		<u>12</u>	
			350,794		4,034
Cash at banks and in hand	5.2		29		29
Total assets			<u><u>1,630,353</u></u>		<u><u>1,977,296</u></u>

	Notes	31 December 2013		31 December 2012	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
Shareholders' equity	5.3				
Paid-in and called-up share capital		2,000		2,000	
Profit for the period		1,181		1,887	
			3,181		3,887
Long-term liabilities	5.4				
Convertible bonds		314,268		639,232	
Bonds, loans and private placements		844,573		1,145,850	
Loans from credit institutions		0		40,590	
			1,158,841		1,825,672
Current liabilities					
Loans from credit institutions (interest to be paid)		0		25	
Bond and private placements		117,742		123,793	
Convertible bond coupon (interest to be paid)	5.5	350,507		8,750	
Payables to suppliers		28		4	
Payables to group companies	5.5	20		13,302	
Taxes and social security costs	5.5	6		5	
Corporate tax		0		14	
Derivatives		0		1,678	
Other liabilities	5.5	28		166	
			468,331		147,737
Total equity and liabilities			1,630,353		1,977,296

Profit and loss account

	Notes	31 December 2013		31 December 2012	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
Interest income	6.1	90,457		93,444	
Interest expenses	6.2	<u>88,313</u>		<u>90,299</u>	
Interest margin			2,144		3,145
Operating expenses					
Employee benefits	6.3	100		87	
Other operating expenses	6.4	<u>482</u>		<u>571</u>	
			582		658
Result before taxation			1,562		2,487
Income tax expense	6.5		381		600
Net result			<u><u>1,181</u></u>		<u><u>1,887</u></u>

Cash Flow Statement

	Notes	2013	2012
		x 1000 EUR	x 1000 EUR
Cash flows from operating activities			
Profit before tax		1,562	2,487
<i>Adjustments for:</i>			
Amortization finance fee	5.4	1,741	1,275
		3,303	3,762
<i>Changes in working capital:</i>			
Receivables		-350,667	1,392
Changes in short-term liabilities and accruals (exclusive of short term financing)		64,473	61,257
Interest paid	5.5	-64,567	-62,670
Income tax paid		-509	-1,271
Net cash flow from operating activities		-347,967	2,470
Changes in financial fixed assets	5.1	693,703	-37,746
Net cash flow from investment activities		693,703	-37,746
Changes in short-term financing		335,682	-77,986
Dividends paid	5.3	-1,887	-4,033
Changes in derivatives		2,344	-6,609
Movement in long-term liabilities	5.4	-668,573	123,934
Movement in intercompany funding	5.5	-13,302	-19
Net cash flow from financing activities		-345,736	35,287
Net cash flow		0	11
Change in funds		0	11
Funds on 1 January		29	18
Funds on 31 December		29	29

Notes to the balance sheet and profit and loss account

1 General

1.1 Activities

Celesio Finance B.V. has been incorporated in 2003. The activities of Celesio Finance B.V. are the financing of Group companies of Celesio AG, Stuttgart via the provision of intercompany loans.

Celesio Finance B.V. is a finance company exempt from the prohibition (of operating without a banking license) laid down in section 2:11 subsection 1 of the Act on Financial Supervision (Wet op het financieel toezicht).

Celesio Finance B.V. is classified as a 'Organisatie van Openbaar Belang (OOB) since the company issued a listed corporate bond which is listed on the Regulated official market of the Luxembourg Stock Exchange as in April 2010 (refer to section 5.4).

1.2 Group structure

Celesio Finance B.V. belongs to the Celesio AG group in Stuttgart, whose majority shareholder is Franz Haniel & Cie. GmbH, Duisburg. The annual and interim financial reports of Celesio Finance B.V. are included in the consolidated annual and interim reports of Celesio AG and Franz Haniel & Cie GmbH. Copies of the consolidated annual and interim accounts of Celesio AG are available via the group head office in Stuttgart. Copies of the consolidated annual and interim accounts of Franz Haniel & Cie. GmbH are available via the group head office in Duisburg.

1.3 Prior-year comparison

The accounting policies have been consistently applied to all the years presented.

1.4 Notes to the cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items cash at banks.

Cash flows in foreign currencies have been translated at the appropriate exchange rate. Dividends paid have been included in the cash flow from financing activities. Income tax paid and received are included in the cash flow from operation activities. Interest received and interest paid have been included in the cash flow from financing activities.

1.5 Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced by Celesio AG are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

1.6 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Principles of valuation of assets and liabilities

2.1 General

The annual accounts have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the Dutch Accounting Standards for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The annual accounts are prepared in Euro. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

2.2 Foreign currencies

Functional currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The financial statements are presented in euros, which is the functional and presentation currency of Celesio Finance B.V.

Transactions, receivables and debts

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the interest income.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

2.3 *Financial fixed assets*

Other receivables disclosed under financial assets include issued loans and debentures to related parties that will be held to their maturity date. These receivables are initially measured at fair value, and subsequently carried at amortised cost. If debentures are acquired or loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the debentures or loans using the effective interest method. Also transaction costs are included in the initial valuation and recognised in profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the profit and loss account. As all receivables are issued to related parties, the counterparty risk is determined as minimal and therefore no adjustments have been made for bad debts.

2.4 *Impairment of tangible fixed assets and its recognition*

On each balance sheet date, the company tests whether there are any indications of an asset, which could be subject to impairment. If there are such indications, the company estimates the recoverable amount of the asset concerned. If this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs, is identified.

An asset is subject to impairment if its book value is higher than its recoverable value; the recoverable value is the highest of the realizable value and the present value. Impairment is recognized as an expense in the profit and loss account immediately.

2.5 *Receivables*

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. All current assets fall due in less than one year.

2.6 *Cash at banks and in hand*

Cash at banks and in hand include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash at banks and in hand are stated at face value.

2.7 *Derivative financial instruments*

The valuation of derivative financial instruments depends on whether the underlying is quoted on an active market. If the underlying object of the derivative financial instrument is listed on an active market, it is valued at fair value. If the object is not quoted in an active market, it will be stated at amortised cost or lower market value. Recognition of changes in the value of a derivative financial instrument is dependent on whether or not the instrument is designated as a hedging instrument.

Derivative financial instruments including currency swaps and currency forwards are initially recognised at fair value and subsequently measured in the balance sheet at cost or lower market value. For derivatives to which cost price hedge accounting is applied, the lower market value is not accounted for to the extent the cost price hedge accounting relation is effective.

The Company applies hedge accounting on a number of derivative financial instruments. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items. The Company also tests, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the hedged risk. The company will only discontinue hedge accounting at the moment the underlying item is no longer existing, At the moment the company discontinues hedge accounting it will recognize the gains or loss directly in the profit and loss account.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- if the hedged item is recognised at cost in the balance, the derivative instrument is also stated at cost;
- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date. If the derivative instrument has currency elements, the difference between the spot rate on the date the derivative instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

The Company applies cost price hedge accounting to hedge floating-interest risk on borrowings. The Company also uses cost price hedge accounting for its forward exchange contracts intended for future purchases in foreign currency.

The ineffective portion of the hedge is recognised directly in profit or loss.

2.8 *Liabilities*

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount less transaction costs.

Any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Celesio Finance uses the exception of Dutch Accounting Standard 290 which stipulates that, in determining amortised cost, straight-line amortisation is allowed provided that this does not result in significant discrepancies with the effective interest method. Relating to the convertible bonds and the corporate bond as mentioned in section 5.4 , the effective interest method is used.

3 Principles of determination of result

3.1 *General*

The result represents the difference between the value of the services rendered and the costs and other charges for the year. The results on transactions are recognised in the year they are realised; losses are taken as soon as they are foreseeable.

3.2 *Exchange rate differences*

Exchange rate differences arising upon the settlement or conversion of monetary items are recognized in the interest result in the period that they arise, unless they are hedged.

3.3 *Interest Income and Expense*

Interest Income and Expense are recognised on an time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

3.4 *Employee benefits*

Salaries, wages and social security contributions are taken to the profit and loss account based on the terms of employment, where they are due to the employee. The pension plan applicable qualifies as a defined contribution plan.

3.5 *Operating expenses*

Operating expenses are recognised when incurred and are allocated to the reporting year to which they relate.

3.6 *Depreciation*

Depreciation is calculated using the straight-line method over the estimated useful economic life.

3.7 *Income tax expense*

Tax on result is calculated by applying the current Dutch tax rate to the result for the financial year in the profit and loss account taking into account any tax-exempt items and non-deductible expenses.

4 Financial instruments

4.1 *Currency risk*

Celesio Finance B.V. is active in Europe. The currency risk relates to positions and future transactions in British pounds. Based on a risk analysis, the Boards of Directors of Celesio Finance B.V. determined that all currency risks need to be hedged for risks exceeding EUR 10,000

4.2 *Interest rate risk*

Celesio Finance B.V. is exposed to interest rate risk on the interest-bearing receivables derived from intercompany loans granted to other members of the Celesio group and interest-bearing current and long-term liabilities arising from the funding situation of Celesio Finance B.V. This risk is managed by a constant review and adjustment, if applicable, of the intercompany interest margin on the loans granted. Celesio Finance B.V. is exposed to the consequences of variable interest rates on receivables and liabilities. In relation to fixed interest receivables and liabilities, it is exposed to market values.

Celesio Finance B.V. has not entered into any derivative contracts to hedge the interest rate risk on receivables.

4.3 *Credit risk*

We refer to paragraph 5.1 regarding the guarantee of Celesio AG. Celesio Finance B.V. clients are group companies of Celesio AG, Stuttgart. Based on the financial position of Celesio AG, Celesio Finance B.V. classifies the potential credit risk to be very limited.

4.4 *Liquidity risk and refinancing risk*

The aim of our liquidity management is to ensure that Celesio Finance B.V. is always in a position to meet its obligations and to afford the company both short and long term flexibility. To this end we maintain a balanced maturity profile for our financial liabilities, work with a broad base of carefully selected international banks and make use of a number of financial sources. We carefully manage our maturity profile to avoid high repayments in individual years.

5 Notes to the balance sheet

5.1 Financial fixed assets

	Other receivables	Other receivables
	31 Dec 2013	31 Dec 2012
	x 1000 EUR	x 1000 EUR
1 January		
Book value	1,973,233	1,935,487
Movements		
Revaluations	-15,716	18,411
Additions	580,154	141,004
Current receivable	-350,677	0
Repayments	-907,464	-121,669
	-693,703	37,746
End of period		
Book value	1,279,530	1,973,233

The Financial Fixed Assets include loans given to Group companies in Germany, the UK and Austria. Loans given in GBP have(if applicable) been hedged with currency Swaps. The fair value of these loans does not significantly differ from the carrying value given the fact that they bear variable interest rates. These loans can be extended every time with a maturity exceeding one year and are therefore classified as long term. The interest receivable is rolled up. For more information on the convertible loans towards Celesio AG, please refer to note 5.4.

These loans are all provided under the Intra-Group Funding Agreements, these agreements mature on 25 April 2017.

The interest on the intercompany loans varies between 1.5% and 5.6%.

Celesio AG has provided guarantees to the creditors with respect to the obligations of Celesio Finance B.V. under the available credit lines as well as the capital market instruments issued by Celesio Finance B.V.. In case the guarantees are invoked Celesio AG would receive the right of recourse on Celesio Finance B.V.. But Celesio AG has agreed under a limitation of the right on recourse agreement between Celesio Finance B.V. and Celesio AG that the right of recourse of Celesio AG is limited in so far that the economic risk of Celesio Finance B.V.

is effectively limited to 2 Mil EUR. This is in order for Celesio Finance B.V. to meet the Art. 8c paragraph 2 VpB (Corporate Income Tax law) requirements.

Refer also to section 5.4 for information regarding the current position of the intercompany loan receivables concluded in 2011 (314 Mil EUR) related to the convertible bonds.

5.2 *Cash at banks and in hand*

	31 Dec 2013 x 1000 EUR	31 Dec 2012 x 1000 EUR
Bank	29	29
	<u>29</u>	<u>29</u>

Cash is at the free disposal of the company.

5.3 *Shareholders' equity*

The authorised share capital of Celesio Finance B.V. as at 31 December 2013 amounts to EUR 10,000,000 and consists of 10,000,000 ordinary shares of EUR 1 each. Issued and paid share capital amounts to EUR 2,000,000 and consists of 2,000,000 shares. The contribution on all the 2,000,000 shares issued in 2003 was made in cash with no share premium created. No changes occurred during the year 2013.

Profit for the year

	31 Dec 2013 x 1000 EUR	31 Dec 2012 x 1000 EUR
Balance as at 1 January	1,887	4,033
Dividend distribution	1,887	4,033
Profit for the period	<u>1,181</u>	<u>1,887</u>
Balance as at end of period	<u>1,181</u>	<u>1,887</u>

5.4

Long-term liabilities

	Term 1 – 5 years x 1000 EUR	Term > 5 years x 1000 EUR	31 Dec 2013 Total x 1000 EUR	31 Dec 2012 Total x 1000 EUR
Loans from credit institutions	0	0	0	40,590
Bonds, loans and private placements	850,000	0	850,000	1,153,027
Arranger fees on bond and private placements	-5,427	0	-5,427	-7,177
Convertible bond	314,268	0	314,268	639,232
	<u>1,158,841</u>	<u>0</u>	<u>1,158,841</u>	<u>1,825,672</u>

Celesio Finance is being charged with market conditions based on the term of the loans. The interest rate varies between 1.2 % and 5.4 %.

Repayment obligations falling due within 12 months of the end of the financial year as set out above, are included in current liabilities (98 Mil EUR repayment in 2014).

Bonds, loans and private placements

31 Dec 2012	Start	Maturity	Net amount (x 1000 EUR)	Face value	CCY
PN 5	15-6-2007	15-6-2014	149,930	150,000,000	EUR
PN 5	15-6-2007	15-6-2014	97,972	80,000,000	GBP
PN 8	16-3-2009	15-3-2014	29,985	30,000,000	EUR
PN 8	16-3-2009	15-3-2016	24,974	25,000,000	EUR
Corporate Bond	26-4-2010	26-4-2017	495,311	500,000,000	EUR
Corporate Bond	18-10-2012	18-10-2016	<u>347,678</u>	350,000,000	EUR
			1,145,850		

Celesio Finance has repaid early in 2013 100 Mil EUR of the 150 Mil EUR Promissory Note 5. The remaining balance of 50 Mil EUR is now included in current liabilities and will be repaid in June 2014.

In December 2013 Celesio Finance partially repaid 40 Mil GBP early on the Promissory Note 5 issued in June 2007, the remaining balance of 40 Mil GBP is now included in the current liabilities and will be repaid in June 2014.

Promissory Note 8 has been fully repaid early in 2013 for an amount of 55 Mil EUR.

Repayment obligations falling due within 12 months of the end of the financial period as set out above, are included in current liabilities (PN 5 50 Mil EUR and PN 5 40 Mil GBP).

31 Dec 2013	Start	Maturity	Net amount (x 1000 EUR)	Face value	CCY
Corporate Bond	26-4-2010	26-4-2017	496,317	500,000,000	EUR
Corporate Bond	18-10-2012	18-10-2016	348,256	350,000,000	EUR
			844,573		

The parent company Celesio AG, Stuttgart has guaranteed for the promissory notes.

The fair value of the promissory notes does not significantly differ from the carrying value given the fact that the interest on these notes are fixed on a regular basis with interest rates based on the respective market reference interest rates,

Corporate bond (included Bonds, loans and private placements)

With the aim of diversifying the funding portfolio, Celesio Finance B.V. placed the first ever Celesio corporate bond at private and institutional investors in Germany and other European countries on 26 April 2010. The proceeds were paid out to Celesio Finance B.V.. The bond has a nominal volume of 500 Mil EUR and a term of seven years; interest is charged at a fixed coupon rate of 4.5% p.a.. In addition to extending the funding portfolio, the issue of the bond also reduces the bank liabilities in favour of stronger capital market financing and prolongs the maturity profile of Celesio Finance B.V. liabilities and diversifies the investor base. The bond is admitted to trading on the EU-regulated market segment of the Luxembourg Stock Exchange. As per 31 December 2013 the Corporate Bond was traded at the Luxembourg Stock Exchange at a rate of 107.042% (2012: 106.547).

The parent company Celesio AG, Stuttgart has guaranteed for this bond.

Celesio Finance B.V. placed the second Celesio corporate bond at private and institutional investors in Germany and other European countries on 18 October 2012. The proceeds were paid out to Celesio Finance B.V.. The bond has a nominal volume of 350 Mil EUR and a term of four years; interest is charged at a fixed coupon rate of 4.0% p.a.. The bond is admitted to trading on the EU-regulated market segment of the Luxembourg Stock Exchange. As per 31 December 2013 the Corporate Bond was traded at the Luxembourg Stock Exchange at a rate of 105.169% (2012: 104.713%).

The parent company Celesio AG, Stuttgart has guaranteed for this bond.

Convertible bond (2011)

At 7 April 2011 Celesio Finance B.V. issued the second convertible bond with a nominal value of 350 Mil EUR. The convertible bond is listed on the non-regulated open market segment (Freiverkehr) of the Frankfurt Stock Exchange.

The convertible bond grants the investor a right to convert the bond into shares of Celesio AG.

The conversion price stood at EUR 22.48 both on the date the bond was issued as well as at the end of the reporting period. According to the terms of the bond, the conversion price will be adjusted during the term of the bond for certain predefined events. The conversion rights granted by the bond correspond to 15.6 Mil shares to be issued from contingent capital of Celesio AG and is guaranteed by the guarantor.

Based on the applicable accounting treatment, the bond is recognised at amortised cost being 314 Mil EUR this reflects the embedded derivative in the bond. As per 31 December 2013 the bond was traded at the Frankfurt Stock Exchange at a rate of 122.309% (2012:100.529).

The convertible bonds of the second capital market issue have a term of seven years. The coupon was fixed at 2.50%, at the lowest end of the marketed range of 2.50% to 3.25%. The initial conversion price was set at 22.48 euro, which represents a premium of 30 % above the reference price of EUR 17.2952.

Intercompany loan receivable (2011)

The proceeds of the above mentioned convertible bond have been used by Celesio Finance B.V. to provide an intercompany loan to Celesio AG for the whole nominal amount of 350 Mil EUR. This intercompany loan has a term of 7 years and a fixed interest rate of 2.553% p.a.. Consistent to the accounting treatment of the convertible bond, this intercompany loan is recognised at amortised cost being 314 Mil EUR (included in the financial fixed assets; refer to note 5.1) this reflects the embedded derivative in the bond.

5.5 *Current liabilities*

Convertible bond (2009)

At 29 October 2009 Celesio Finance B.V. issued a convertible bond with a nominal value of 350 Mil EUR. The convertible bond is listed on the non-regulated open market segment (Freiverkehr) of the Frankfurt Stock Exchange.

The convertible bond is split into tranches of EUR 50,000 and has a coupon of 3.75% per year, based on the outstanding amount, and matures on 29 October 2014. The convertible bond grants the investor a right to convert the bond into shares of Celesio AG.

The conversion price stood at EUR 22.49 both on the date the convertible bond was issued as well as at the end of the reporting period. According to the terms of the bond, the conversion price will be adjusted during the term of the bond for certain predefined events. The conversion rights granted by the bond correspond to 15.6 Mil shares to be issued from contingent capital of the guarantor and is guaranteed by the guarantor.

Based on the applicable accounting treatment, the bond is recognised at amortised costs being 342 Mil EUR (2012: 332 Mil EUR), this reflects the embedded derivative in the bond. As per 31 December 2013 the bond was traded at the Frankfurt Stock Exchange at a rate of 110.558% (2012: 103.159).

Intercompany loan receivable (2009)

The proceeds of the above mentioned convertible bond have been used by Celesio Finance B.V. to provide an intercompany loan to Celesio AG for the whole nominal amount of 350 Mil EUR. This intercompany loan has a term of 5 years and a fixed interest rate of 3.803% p.a.. Consistent to the accounting treatment of the convertible bond, this intercompany loan is recognised at amortised cost being 342 Mil EUR (included in the current receivables) this reflects the embedded derivative in the bond.

Taxation and social security costs

	31 Dec 2013	31 Dec 2012
	x 1000 EUR	x 1000 EUR
Wage tax	2	3
Social security costs	4	2
	<u>6</u>	<u>5</u>

Financial instruments

Celesio Finance B.V. uses the following currency forwards to hedge the currency risk on all its intercompany loans.

Currency Forward:	31 Dec 2013		31 Dec 2012	
	GBP	EUR	GBP	EUR
Nominal Amount	97,731	115,623	365,165,699	415,473,432
Fair value		1,465		4,388,537

Currency Forward:	31 Dec 2013		31 Dec 2012	
	DKK	EUR	DKK	EUR
Nominal Amount	0	0	149,262,479	20,023,954
Fair value		0		20,739

Currency Forward:	31 Dec 2013		31 Dec 2012	
	SEK	EUR	SEK	EUR
Nominal Amount	0	0	871,213,791	99,819,815
Fair value		0		-1,464,686

The mark to market values are calculated using the discounted cash flow method with the interest rates based on Bloomberg.

Other liabilities

	31 Dec 2013	31 Dec 2012
	x 1000 EUR	x 1000 EUR
Vacation pay and days	3	3
Bonus	7	7
Other	18	156
	<hr/>	<hr/>
	28	166
	<hr/>	<hr/>

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

5.6 *Commitments and contingencies not included in the balance sheet*

Guarantee parent company

Celesio AG has provided guarantees to the creditors with respect to the obligations of Celesio Finance B.V. under the available credit lines as well as the capital market instruments issued by Celesio Finance B.V.. In case the guarantees are invoked Celesio AG would receive the right of recourse on Celesio Finance B.V.. But Celesio AG has agreed under a limitation of the right on recourse agreement between Celesio Finance B.V. and Celesio AG that the right of recourse of Celesio AG is limited in so far that the economic risk of Celesio Finance B.V. is effective limited to 2 Mil EUR. This is in order for Celesio Finance B.V. to meet the Art. 8c paragraph 2 VpB (Corporate Income Tax law) requirements.

Operational leases and Rent obligations

The annual commitment in respect of a lease contract entered into amounts to EUR 11,682. This contract expires in January 2015.

6 Notes to the profit and loss account

6.1 Interest income

	2013	2012
	x 1000 EUR	x 1000 EUR
Interest from Group companies	90,457	93,444
Interest from banks	-	-
	<u>90,457</u>	<u>93,444</u>

6.2 Interest expenses

	2013	2012
	x 1000 EUR	x 1000 EUR
Interest to Group companies	5,694	8,169
Interest to third parties	82,576	82,067
Bank charges	43	63
	<u>88,313</u>	<u>90,299</u>

The net result of the revaluation which amounts to EUR 21,098 is included in the interest expenses.

6.3 *Employee benefits*

	2013	2012
	x 1000 EUR	x 1000 EUR
Wages and salaries	85	77
Pension costs	9	0
Other social security costs	6	10
	<u>100</u>	<u>87</u>

During 2013 an average of 1 employee (2012:1 employee) was employed by the company in the Netherlands. There were no employees during 2013 employed outside the Netherlands.

6.4 *Other operating expenses*

	2013	2012
	x 1000 EUR	x 1000 EUR
Other personnel expenses	6	3
Housing expenses	12	16
Office expenses	5	6
General expenses	459	546
	<u>482</u>	<u>571</u>

The general expenses relate to consultancy costs, audit fees and management fees.

6.5 *Income tax expense*

	2013	2012
	x 1000 EUR	x 1000 EUR
Taxable amount	1,562	2,487
Income tax expense current year	390	622
Prior year differences in final tax filing	-9	-22
	381	600
Effective tax rate	25.0%	25.0%
Applicable tax rate	25.0%	25.0%

The income tax expenses prior year relate to tax adjustments based on final tax filings for the years before 2013, which have been paid during the current year.

6.6 *Audit fees*

The following audit fees were expensed in the profit and loss account in the reporting period:

	2013	2012
	<u> </u>	<u> </u>
	x 1000 EUR	x 1000 EUR
Audit of the financial statements	41	17
Other audit procedures	11	57
Tax services	14	19
Other non-audit services	0	0
	<u> </u>	<u> </u>
	66	93

6.7 *Directors' remuneration*

In 2013 the directors' remuneration totalled to 100,339 EUR. (2012:86,919 EUR).

The directors' remuneration includes periodically paid remuneration, such as salaries, holiday allowance and social premiums, remuneration to be paid after a certain term, such as pensions and allowances on termination of employment, to the extent that these items were charged to the Company.

Amsterdam, 25 April 2014

Board of Directors,

Original has been signed by

Original has been signed by

M. Hilger

W. van Hoek

Celesio Finance B.V.
Barbara Strozzilaan 201
1083 HN Amsterdam
Statutory Seat: Amsterdam

Other information

Provision of the articles of association concerning profit appropriation

Article 14

1. The general meeting shall determine the allocation of the accrued profits.
2. Distributions of profits may be made only insofar as the net assets exceed the paid in and called up part of the capital plus the reserves which must be maintained by virtue of law.
3. The general meeting may subject to due observance of the provision of paragraph 2 resolve to pay an interim dividend and to make distributions at the expense of any reserve.

Proposed profit appropriation

The Management Board proposes to appropriate the full profit of € 1,181 KEUR as dividend. The profit appropriation is not reflected in these financial statements.

Events after the balance sheet date

On 23 January 2014 Franz Haniel & Cie. GmbH announced that it had held 75.99% of the shares in Celesio AG on 22 January 2014. Pursuant to § 11 (d) of the terms and conditions of the convertible bonds, a change of control had therefore occurred.

On 28 January 2014 Celesio AG and Celesio Finance B.V. announced that a change of control pursuant to the terms and conditions of the convertible bonds of its 3.75% convertible bonds due in October 2014 as well as its 2.50% convertible bonds due in April 2018 had occurred. The control record date pursuant to § 11 (d) of the terms and conditions of the convertible bonds is 10 March 2014.

The adjusted conversion price pursuant to § 11 (c) of the terms and conditions of the convertible bonds amounts to EUR 21.66 for the convertible bonds due in October 2014. The adjusted conversion price pursuant to § 11 (c) of the terms and conditions of the convertible bonds amounts to EUR 19.05 for the convertible bonds due in 2018.

In the announcement, Celesio AG and Celesio Finance B.V. indicated that one or more further changes of control pursuant to the terms and conditions of the convertible bonds may occur until the record date.

As a consequence of the change of control, holders of convertible bonds may either redeem their convertible bonds early or exercise their right of conversion on the basis of the adjusted conversion price.

In order to redeem the convertible bonds early, holders must give notice at least ten days before 10 March 2014 pursuant to the terms and conditions and declare all or some of their convertibles bonds due. In such case, the convertible bonds will be redeemed on 10 March 2014 at the principal amount plus interest accrued until but excluding 10 March 2014 to those holders who validly terminated their convertible bonds.

Alternatively, to exercise the conversion right on the basis of the adjusted conversion price, holders must, pursuant to the terms and conditions, of the convertible bonds deliver a conversion notice as well as the corresponding convertible bonds on or before 10 March 2014 to the principal conversion agent, BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt, Germany, via their respective custodian bank.

Upon the exercise of the conversion right, the settlement shares will be transferred as soon as practicable thereafter. Fractions of settlement shares will be compensated in cash. The settlement shares will be delivered from the conditional capital of Celesio AG.

The conditional capital that Celesio AG has provided to settle the convertible bonds has a capacity of 17,010,000 shares. Insofar as Celesio AG is unable to issue shares from the conditional capital, it will pay the holder a cash amount in euro in lieu of the delivery of settlement shares pursuant to the terms and conditions of the convertible bonds. Celesio AG will notify the holder who has delivered a conversion notice no later than on the second business day after the valid exercise of the conversion whether and to what extent it will effect a cash payment.

On 12 February 2014 Celesio Finance B.V. announced that a change of control pursuant to the terms of conditions of its 4% bonds due on 18 October 2016 as well as its 4.5% bonds due on 26 April 2017 had occurred.

On 12 February 2014 Dragonfly GmbH & Co. KGaA(Dragonfly) announced that it had held 77.19% of the shares in Celesio AG on 6 February 2014. Pursuant to § 7 (d) of the terms and conditions of the bonds, a change of control had therefore occurred.

Furthermore, in the event that a rating event (as defined in the terms and conditions of the bonds) occurs 90 days after the change of control, the creditors of the bond are entitled to declare their bonds due ahead of schedule pursuant to the terms and conditions of the bonds. Should such a rating event occur, Celesio Finance B.V. will publish a further announcement within 21 days after expiration of the 90-day deadline triggered by the change of control.

On 12 February 2014 Celesio AG and Celesio Finance B.V. announced that a change of control pursuant to the terms and conditions of the convertible bonds of its 3.75% convertible bonds due in October 2014 as well as its 2.50% convertible bonds due in April 2018 had occurred. The control record date pursuant to § 11 (d) of the terms and conditions of the convertible bonds is 24 March 2014.

With regard to the adjusted conversion price announced on 28 January 2014 (convertible bonds due in October 2014 EUR 21.66/convertible bonds due in April 2018 EUR 19.05), there are no further adjustments to the conversion prices.

As a consequence of the change of control, holders of convertible bonds may either redeem their convertible bonds early or exercise their right of conversion on the basis of the adjusted conversion price.

In order to redeem the convertible bonds early, holders must give notice at least ten days before 24 March 2014 pursuant to the terms and conditions and declare all or some of their convertibles bonds due. In such case, the convertible bonds will be redeemed on 24 March 2014 at the principal amount plus interest accrued until but excluding 24 March 2014 to those holders who validly terminated their convertible bonds.

Alternatively, to exercise the conversion right on the basis of the adjusted conversion price, holders must, pursuant to the terms and conditions, of the convertible bonds deliver a conversion notice as well as the corresponding convertible bonds on or before 24 March 2014 to the principal conversion agent, BNP Paribas Securities Services S.C.A., Europa-Allee 12, 60327 Frankfurt, Germany, via their respective custodian bank.

Upon the exercise of the conversion right, the settlement shares will be transferred as soon as practicable thereafter. Fractions of settlement shares will be compensated in cash. The settlement shares will be delivered from the conditional capital of Celesio AG.

The conditional capital that Celesio AG has provided to settle the convertible bonds has a capacity of 17,010,000 shares. Insofar as Celesio AG is unable to issue shares from the conditional capital, it will pay the holder a cash amount in euro in lieu of the delivery of settlement shares pursuant to the terms and conditions of the convertible bonds. Celesio AG will notify the holder who has delivered a conversion notice no later than on the second business day after the valid exercise of the conversion whether and to what extent it will effect a cash payment.

The current outstanding nominal volume of the two convertible bonds as per 31 March 2014 amounts to 3.75 Mil EUR.

On 11 April Celesio Finance B.V. announced that it makes use of its right to redeem all outstanding convertible bonds pursuant to § 5(c) of the terms and conditions of the bonds. The aggregate principal amount of the Bonds outstanding is less than 15% of the aggregate principal amount of the bonds originally issued.

The call redemption date is 12 May 2014. The bonds will be redeemed on 12 May 2014 at their principal amount plus interest accrued as of the end of the day immediately preceding the call redemption date.

Audit report



Independent auditor's report

To: the general meeting of Celesio Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 as set out on pages 7 to 31 of Celesio Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2013, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Annual report of the directors, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Celesio Finance B.V. as at 31 December 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Annual report of the directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Annual report of the directors, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Utrecht, 25 April 2014
PricewaterhouseCoopers Accountants N.V.

Original signed by drs. B.A.A. Verhoeven RA