

Financial report 2014

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 2014.

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.

Change of Control Celesio AG

On 28 January and on 12 February 2014, Celesio AG and Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 3.75% convertible bonds maturing in October 2014 and their convertible 2.50% bonds maturing in April 2018.

Because of the change of control, creditors of the convertible bonds were entitled to demand premature repayment of their convertible bonds or to exercise their conversion right on the basis of adjusted conversion prices (EUR 21.66 and EUR 19.05 respectively).

On 11 April 2014, Celesio Finance B.V. announced that it will make use of its right to cancel all outstanding securities of its 3.75% convertible bonds maturing on 29 October 2014 as well as all outstanding securities of its 2.50% convertible bonds maturing on 7 April 2018 pursuant to Section 5(c) of the respective issue conditions. The total nominal amount of the outstanding convertible bonds has fallen to less than 15% of the total nominal amount of the bonds which were originally issued. The date chosen for repayment of both convertible bonds was 12 May 2014.

Several conversion declarations were received at Celesio AG up to and including 6 May 2014, the last date for conversion. The outstanding nominal volume of the two convertible bonds still totalled 1.4 Mil EUR as of 6 May 2014 (of which convertible bond 2014: 1.0 Mil

EUR; convertible bond 2018: 0.4 Mil EUR). The convertible bonds were repaid on 12 May 2014 at their fixed nominal value (i.e. 100,000 EUR and 50,000 EUR each convertible bond) plus the interest accrued up to the end of the day preceding the day chosen for repayment (i.e. 239.73 EUR and 1,001.71 EUR each convertible bond).

On 12 February 2014, Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 4.00% bonds maturing on 18 October 2016 and their 4.50% bonds maturing on 26 April 2017.

In the event that, in addition to the change of control, a rating event should occur within 90 days of the change of control (as defined in the issue conditions of the bonds), the creditors of the bonds are entitled to request early repayment of their bonds as detailed in the issue conditions. Notification that such a rating event had occurred was published by Celesio Finance B.V. after the 90-day period triggered by the change of control, on 8 May 2014. Creditors of both bonds only made use of the premature cancellation right to a very limited extent. Of the original nominal 850 Mil EUR of outstanding bonds a total of 631 KEUR were cancelled (of which corporate bond 2016: 305 KEUR; corporate bond 2017: 326 KEUR). The nominal values plus the interest accrued were repaid to the creditors on 26 May 2014. Both the bonds are still recognised as long-term debt.

On 6 February 2014, the McKesson Corporation, San Francisco, USA announced the completion of the acquisition of more than 75% of Celesio AG shares. McKesson is therefore the majority shareholder in Celesio AG. As of 30 June 2014, the McKesson Corporation, San Francisco, USA, and the companies attributable to it held a stake of 75.92% of the share capital issued and of the voting rights in Celesio AG.

Change Fiscal Year

On 15 July 2014, the Annual General Meeting of Celesio AG agreed to adjust the fiscal year of Celesio AG. In order to standardise the fiscal year within the Group and to facilitate consolidated accounting the fiscal year will start in future on 1 April and will run until 31 March of the following year. The period from 1 January 2015 to 31 March 2015 constitutes a short fiscal year.

Results

In 2014 Celesio Finance realised a net result of 0.5 Mil EUR compared to 1.2 Mil EUR in 2013. The 2014 result is considerable lower compared to the result in the same period of 2013 as several profitable back to back loans matured and are now funded from the global funding pool. Furthermore the two convertible loans have almost completely be converted into Celesio AG shares in this period which resulted in unwinding the interest accruals and the included margin during the first half of 2014.

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 14.

Future Developments

The nature of the business activities have not significantly changed in 2014 and the company intends to continue its operations as a group finance company. The volumes of loans have decreased during 2014 due to the events described in Change of Control. 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.

Responsibility Statement

The report contains the company annual financial information for the period ended 31 December 2014 of Celesio Finance B.V., Amsterdam, which comprises the balance sheet as at 31 December 2014, the profit and loss account, the cash flow statement and the related notes. The principal 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, 2014, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Amsterdam, 25 March 2015

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 2014

(Before proposed appropriation of result)

	Notes	31 December 2014		31 December 2013	
		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>866,397</u>		<u>1,279,530</u>	
			866,397		1,279,530
<i>Current assets</i>					
Receivables					
Amounts due from group companies	5.1	0		350,677	
Corporate tax		96		115	
Other receivables		<u>3</u>		<u>2</u>	
			99		350,794
Cash at banks and in hand	5.2		38		29
Total assets			<u><u>866,534</u></u>		<u><u>1,630,353</u></u>

	Notes	31 December 2014		31 December 2013	
		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		452		1,181	
			2,452		3,181
Long-term liabilities	5.4				
Convertible bonds		0		314,268	
Bonds, loans and private placements		845,600		844,573	
			845,600		1,158,841
Current liabilities					
Bond and private placements (interest to be paid)		18,275		117,742	
Convertible bond coupon (interest to be paid)	5.5	0		350,507	
Payables to suppliers		5		28	
Payables to group companies	5.5	160		20	
Taxes and social security costs	5.5	7		6	
Other liabilities	5.5	35		28	
			18,482		468,331
Total equity and liabilities			866,534		1,630,353

Profit and loss account

	Notes	31 December 2014		31 December 2013	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
Interest income	6.1	43,382		90,457	
Interest expenses	6.2	<u>-42,506</u>		<u>-88,313</u>	
Interest margin			876		2,144
Operating expenses					
Employee benefits	6.3	-93		-100	
Other operating expenses	6.4	<u>-206</u>		<u>-482</u>	
			-299		-582
Result before taxation			577		1,562
Income tax expense	6.5		-125		-381
Net result			<u>452</u>		<u>1,181</u>

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 McKesson Corporation, San Francisco. The annual and interim financial reports of Celesio Finance B.V. are included in the consolidated annual and interim reports of Celesio AG. Copies of the consolidated annual and interim accounts of Celesio AG are available via the group head office in Stuttgart.

1.3 Prior-year comparison

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

1.4 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.

During 2014 1 statutory director was employed by Celesio AG and 1 statutory director was employed the company in the Netherlands.

Since 6 February 2014 all legal entities that can be controlled, jointly or significantly influenced by McKesson Corporation are considered to be a related party.

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.

1.5 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. Considering the fact that loans receivable do not have quoted market prices are loaned to the parent, there is no fair value calculation of the loans. The fair value is considered to be not materially different than the fair value of the corresponding liabilities.

The balance sheet and profit and loss account include references to the notes.

The company makes use of the exemption for the cash flow statement based on DAS 360.104. The cash flows of the company are included in the consolidated financial statements of Celesio AG, which are available at the Celesio AG website.

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

As per 31 December 2014 there were no more outstanding derivative financial instruments outstanding.

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 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

	31 Dec 2014 x 1000 EUR	31 Dec 2013 x 1000 EUR
1 January		
Book value	1,279,530	1,973,233
Movements		
Revaluations	2,187	-15,716
Additions	0	580,154
Current receivable	0	-350,677
Conversions	-314,268	0
Repayments	-101,052	-907,464
	-413,133	-693,703
End of period		
Book value	866,397	1,279,530

The Financial Fixed Assets include loans given to Group companies in Germany, the UK and Austria. As per 30 June 2014 the Financial Fixed Assets only include loans given to Celesio AG. 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 4.1% and 4.6%.

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.

5.2 *Cash at banks and in hand*

	31 Dec 2014 x 1000 EUR	31 Dec 2013 x 1000 EUR
Bank	38	29
	<hr/> 38	<hr/> 29
	<hr/> <hr/>	<hr/> <hr/>

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 2014 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 2014.

Profit for the year

	31 Dec 2014 x 1000 EUR	31 Dec 2013 x 1000 EUR
Balance as at 1 January	1,181	1,887
Dividend distribution	-1,181	-1,887
Profit for the period	452	1,181
	<hr/> 452	<hr/> 1,181
Balance as at end of period	<hr/> <hr/> 452	<hr/> <hr/> 1,181

The convertible bond has been exercised and derecognized by the company. The settlement of shares has been handled by Celesio AG which is treated as an informal capital contribution. Simultaneously the receivable from parent Celesio AG has been treated as an informal capital deduction, as such there is no effect and there are no settlements in cash for the converted bonds.

5.4 Long-term liabilities

	Term 1 – 5 years	Term > 5 years	31 Dec 2014 Total	31 Dec 2013 Total
	x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
Bonds, loans and private placements	849,369	0	849,369	850,000
Arranger fees on bond and private placements	-3,769	0	-3,769	-5,427
Convertible bond	0	0	0	314,268
	<u>845,600</u>	<u>0</u>	<u>845,600</u>	<u>1,158,841</u>

Celesio Finance is being charged with market conditions based on the term of the loans. The interest rate varies between 4.0 % and 4.5 %.

Repayment obligations falling due within 12 months of the end of the financial year as set out above, are included in current liabilities.

Bonds, loans and private placements

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 2014 the Corporate Bond was traded at the Luxembourg Stock Exchange at a rate of 107.190% (31 December 2013: 107.042%).

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 2014 the Corporate Bond was traded at the Luxembourg Stock Exchange at a rate of 104.985% (31 December 2013: 105.169%).

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

Bonds, loans and private placements

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	<u>348,256</u>	350,000,000	EUR
			844,573		

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. Creditors of the bonds were entitled to request early repayment of their bonds as detailed in the issue conditions.

Of the original amount of 850 Mil EUR of outstanding bonds a total of 631 KEUR were cancelled (of which corporate bond 2016: 305 KEUR; corporate bond 2017: 326 KEUR). The nominal values plus the interest accrued were repaid to the creditors on 26 May 2014.

31 Dec 2014	Start	Maturity	Net amount (x 1000 EUR)	Face value	CCY
Corporate Bond	26-4-2010	26-4-2017	497,046	499,674,000	EUR
Corporate Bond	18-10-2012	18-10-2016	<u>348,554</u>	349,695,000	EUR
			845,600		

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 on the date the bond was issued. 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.

On 28 January and on 12 February 2014, Celesio AG and Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 2.50% convertible bond maturing in April 2018.

Because of the change of control, creditors of the convertible bond were entitled to demand premature repayment of their convertible bond or to exercise their conversion right on the basis of adjusted conversion price (EUR 19.05).

On 11 April 2014, Celesio Finance B.V. announced that it will make use of its right to cancel all outstanding securities of its 2.50% convertible bond maturing on 7 April 2018 pursuant to Section 5(c) of the respective issue conditions. The total nominal amount of the outstanding convertible bond has fallen to less than 15% of the total nominal amount of the bond which was originally issued. The date chosen for repayment of both convertible bonds was 12 May 2014.

Several conversion declarations were received at Celesio AG up to and including 6 May 2014, the last date for conversion. The outstanding nominal volume of the convertible bond still totalled 0.4 Mil EUR as of 6 May 2014. The convertible bond was repaid on 12 May 2014 at its fixed nominal value (i.e. 100,000 EUR each convertible bond) plus the interest accrued up to the end of the day preceding the day chosen for repayment (i.e. 239.73 EUR each convertible bond).

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.

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 on the date the convertible bond was issued. 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.

On 28 January and on 12 February 2014, Celesio AG and Celesio Finance B.V. announced that a change of control had occurred in accordance with the issue conditions of their 3.75% convertible bond maturing in October 2014.

Because of the change of control, creditors of the convertible bond were entitled to demand premature repayment of their convertible bond or to exercise their conversion right on the basis of adjusted conversion price (EUR 21.66).

On 11 April 2014, Celesio Finance B.V. announced that it will make use of its right to cancel all outstanding securities of its 3.75% convertible bond maturing on 29 October 2014 pursuant to Section 5(c) of the respective issue conditions. The total nominal amount of the outstanding convertible bond has fallen to less than 15% of the total nominal amount of the bond which was originally issued. The date chosen for repayment of both convertible bonds was 12 May 2014.

Several conversion declarations were received at Celesio AG up to and including 6 May 2014, the last date for conversion. The outstanding nominal volume of the convertible bond still totalled 1.0 Mil EUR as of 6 May 2014. The convertible bond was repaid on 12 May 2014 at its fixed nominal value (i.e. 50,000 EUR each convertible bond) plus the interest accrued up to the end of the day preceding the day chosen for repayment (i.e. 1,001.71 EUR each convertible bond).

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.

Celesio Finance repaid in June 2014 the remaining 50 Mil EUR of the 150 Mil EUR Promissory Note 5. Celesio Finance also repaid in June 2014 the remaining 40 Mil GBP on the Promissory Note 5 issued in June 2007. Promissory Note 5 is now fully repaid.

Taxation and social security costs

	31 Dec 2014	31 Dec 2013
	x 1000 EUR	x 1000 EUR
Wage tax	3	2
Social security costs	4	4
	<hr/>	<hr/>
	7	6

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 2014		31 Dec 2013	
	GBP	EUR	GBP	EUR
Nominal Amount	0	0	97,731	115,623
Fair value		0		1,465

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

Other liabilities

	31 Dec 2014	31 Dec 2013
	x 1000 EUR	x 1000 EUR
Vacation pay and days	3	3
Bonus	4	7
Other	28	18
	<hr/>	<hr/>
	35	28
	<hr/> <hr/>	<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 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.

Operational leases and Rent obligations

The annual commitment in respect of a lease contract entered into amounts to EUR 11,824. This contract expires in January 2016.

6 Notes to the profit and loss account

6.1 Interest income

	2014	2013
	x 1000 EUR	x 1000 EUR
Interest from Group companies	43,382	90,457
	<u>43,382</u>	<u>90,457</u>

6.2 Interest expenses

	2014	2013
	x 1000 EUR	x 1000 EUR
Interest to Group companies	364	5,694
Interest to third parties	42,117	82,576
Bank charges	25	43
	<u>42,506</u>	<u>88,313</u>

The net result of the revaluation of the loan given in GBP and the settlement of the GBP forward which amounts to EUR 7,377 is included in the interest expenses.

6.3 *Employee benefits*

	2014	2013
	x 1000 EUR	x 1000 EUR
Wages and salaries	79	85
Pension costs	5	9
Other social security costs	9	6
	<hr/>	<hr/>
	93	100
	<hr/> <hr/>	<hr/> <hr/>

During 2014 an average of 1 employee (2013:1 employee) was employed by the company in the Netherlands. There were no employees during 2014 employed outside the Netherlands.

6.4 *Other operating expenses*

	2014	2013
	x 1000 EUR	x 1000 EUR
Other personnel expenses	6	6
Housing expenses	12	12
Office expenses	7	5
General expenses	181	459
	<hr/>	<hr/>
	206	482
	<hr/> <hr/>	<hr/> <hr/>

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

6.5 *Income tax expense*

	2014	2013
	x 1000 EUR	x 1000 EUR
Taxable amount	577	1,562
Income tax expense current year	144	390
Prior year differences in final tax filing	<u>-19</u>	<u>-9</u>
	125	381
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 2014, 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: The audit fees are related to the statutory auditor since 2014: Deloitte Accountants B.V. No other services were rendered except for the audit of the financial statements and the review of the half year report.

The prior year comparatives related to PricewaterhouseCoopers Accountants N.V.

	2014	2013
	x 1000 EUR	x 1000 EUR
Audit of the financial statements	28	41
Other audit procedures	11	11
Tax services	0	14
Other non-audit services	0	0
	<u>39</u>	<u>66</u>

The amounts stated are excluding VAT.

6.7 *Directors' remuneration*

In 2014 the directors' remuneration totalled to 94,368 EUR. (2013:100,339 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 March 2015

Board of Directors,

Original has been signed by

Original has been signed by

M. Hilger

W. van Hoek

Celesio Finance B.V.
Barbara Strozziilaan 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 € 452 KEUR as dividend. The profit appropriation is not reflected in these financial statements.

Subsequent events

Change Fiscal Year

On 15 July 2014, the Annual General Meeting of Celesio AG agreed to adjust the fiscal year of Celesio AG. In order to standardise the fiscal year within the Group and to facilitate consolidated accounting the fiscal year will start in future on 1 April and will run until 31 March of the following year. The period from 1 January 2015 to 31 March 2015 constitutes a short fiscal year.

Audit report

Independent auditor's report

To the Shareholders of Celesio Finance B.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the accompanying financial statements 2014 of Celesio Finance B.V., based in Amsterdam.

In our opinion, the company financial statements give a true and fair view of the financial position of Celesio Finance B.V. as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements comprise:

1. the company balance sheet as at December 31, 2014;
2. the profit and loss account for the year then ended;
3. the notes to the balance sheet and profit and loss account comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of Celesio Finance B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 8,6 million. The materiality is based on 1% of the total assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of EUR 430.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of financial assets,

Key Audit Matter

The risk associated with the possible impairment of the receivables on the (ultimate) parent company, which are measured against amortized cost, and the disclosure of the fair value of these receivables. Reference is made to page 12 of the financial statements of Celesio Finance B.V. as per December 31, 2014.

Response

We obtained the audited financial statement of the ultimate shareholder and based on the information received we evaluated the impairment analysis of the Directors. For the fair value disclosures we challenged the Directors' assumptions used when determination of the fair value.

Based on the work performed, as mentioned above, we observed that the impairment analysis for these receivables is appropriate. We also determined that the disclosure of the fair value in relation to these receivables is appropriate

Responsibilities of the Directors for the financial statements

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

As part of the preparation of the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Directors should prepare the financial statements using the going concern basis of accounting unless the Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial Statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. Please refer to Appendix A for a summary of our responsibilities.

Report on other legal and regulatory requirements

Report on the Annual report of the Directors the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Annual report of the Directors and other information):

- 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 the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Annual report of the Directors, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Board of Directors as auditor of Celesio Finance B.V. for 2014 on August 14, 2014, and we have been the auditor of Celesio Finance B.V. as of year 2014.

Amsterdam, March 25, 2015

Deloitte Accountants B.V.

Signed on the original: A. den Hertog

Appendix A

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, when non-mentioning is in the public interest.