

**Financial report 2011**

**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 2011.

### **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.

On 7 April 2011 Celesio Finance issued the second convertible bond convertible in shares of Celesio AG for a notional amount of 350 Mil EUR. The convertible bonds have a term of seven years. The coupon was fixed at 2.50 per cent, at the lowest end of the marketed range of 2.50 per cent to 3.25 per cent. The initial conversion price was set at 22.48 euro, which represents a premium of 30 per cent above the reference price of 17.2952 euro. The convertible bonds were around 9 times oversubscribed with an order book of more than 3 billion euro.

### **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 2011 Celesio Finance realised a net result of 4.0 Mil EUR compared to 2.8 Mil EUR in 2010. The 2011 result is considerable higher compared to the result in the same period of 2010 as from 15 June 2010 onwards a new margin calculation has been applied which takes the availability to funding for a long period into account.

### **Risk Management**

The risk management of the company is based on the policy that almost all interest liabilities 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 2011 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. In addition, Celesio Finance has a syndicated credit line of 600 Mil EUR on which it can draw. Celesio Finance keeps appropriate free credit lines in reserve in relation to the company's indebtedness.

### **Change Board of Directors**

A change in the Board of Directors took place after the closing of the year. Mr T. Beer stepped down from his position as Director at Celesio Finance per the 3<sup>rd</sup> of February 2012. Mr W. van Hoek has taken over his responsibilities. The Board of Directors thanks Mr T. Beer for his work and wish him all the best for the future.

## **Responsibility Statement**

The report contains the company annual financial information for the period ended 31 December 2011 of Celesio Finance B.V., Amsterdam, which comprises the balance sheet as at 31 December 2011, 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, 2011, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Amsterdam, 17 April 2012

Board of Directors,

Original has been signed by

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T. Frings

Original has been signed by

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W. van Hoek

## **Financial statements**

## Balance sheet as at 31 December 2011

(Before proposed appropriation of result)

	Notes	31 December 2011		31 December 2010	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
<i>Fixed assets</i>					
<b>Tangible fixed assets</b>	5.1				
Fixtures and fittings		<u>0</u>		<u>2</u>	
			0		2
<b>Financial fixed assets</b>	5.2				
Amounts due from group companies		<u>1,935,487</u>		<u>1,744,956</u>	
			1,935,487		1,744,956
<i>Current assets</i>					
<b>Receivables</b>					
Derivatives		0		4,819	
Other receivables		<u>1,404</u>		<u>2</u>	
			1,404		4,821
<b>Cash at banks and in hand</b>	5.3		18		22
<b>Total assets</b>			<u><u>1,936,909</u></u>		<u><u>1,749,801</u></u>

	Notes	31 December 2011		31 December 2010	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
<b>Shareholders' equity</b>	5.4				
Paid-in and called-up share capital		2,000		2,000	
Profit for the period		4,033		2,781	
			6,033		4,781
<b>Long-term liabilities</b>	5.5				
Loans from credit institutions		99,944		239,591	
Bonds, loans and private placements		977,138		1,152,331	
Convertible bonds		623,386		315,116	
			1,700,468		1,707,038
<b>Current liabilities</b>					
Loans from credit institutions (interest to be paid)		95		787	
Bond and private placements		201,732		17,889	
Convertible bond coupon (interest to be paid)		8,726		2,301	
Payables to suppliers		18		23	
Payables to group companies		13,321		16,798	
Taxes and social security costs	5.6	4		2	
Corporate tax		685		167	
Derivatives		4,265		0	
Other liabilities		1,562		15	
			230,408		37,982
<b>Total equity and liabilities</b>			<b>1,936,909</b>		<b>1,749,801</b>



## Profit and loss account

	Notes	31 December 2011		31 December 2010	
		x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
Interest income	6.1	88,860		69,393	
Interest expenses	6.2	<u>83,132</u>		<u>65,191</u>	
<b>Interest margin</b>			5,728		4,202
<b>Operating expenses</b>					
Employee benefits	6.3	85		90	
Other operating expenses	6.4	<u>266</u>		<u>379</u>	
			351		469
<b>Result before taxation</b>			5,377		3,733
Income tax expense	6.5		1,344		952
<b>Net result</b>			<u><u>4,033</u></u>		<u><u>2,781</u></u>

## Cash Flow Statement

	<b>2011</b>	<b>2010</b>
	x 1000 EUR	x 1000 EUR
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>5,377</b>	<b>3,733</b>
<i>Adjustments for:</i>		
Depreciation	2	1
Amortization finance fee	1,123	3,198
	<b>6,502</b>	<b>6,932</b>
<i>Changes in working capital:</i>		
Receivables	-1,403	-2
Changes in short-term liabilities and accruals (exclusive of short term financing)	1,547	-127
Income tax paid	-826	-754
<b>Net cash flow from operating activities</b>	<b>5,820</b>	<b>6,049</b>
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>
Changes in short-term financing	189,576	-71,655
Dividends paid	-2,781	-2,901
Changes in financial fixed assets	-190,531	-171,633
Changes in derivatives	9,083	-4,819
Movement in long-term liabilities	-7,694	252,795
Movement in intercompany funding	-3,477	-686
Arranger Fees paid	0	-7,142
<b>Net cash flow from financing activities</b>	<b>-5,824</b>	<b>-6,041</b>
<b>Net cash flow</b>	<b>-4</b>	<b>8</b>
<b>Change in funds</b>	<b>-4</b>	<b>8</b>
Funds on 1 January	22	14
<b>Funds on 31 December</b>	<b>18</b>	<b>22</b>

## **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 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 5.5).

#### *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 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** *Tangible fixed assets*

Other tangible fixed assets are valued at acquisition cost less straight-line depreciation over the estimated useful economic life, or lower market value.

#### 2.4 *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. The intercompany receivable related to the convertible bond is valued at fair value. 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.

#### 2.5 *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.

#### 2.6 *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.

#### 2.7 *Cash and cash equivalents*

Cash and cash equivalents 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 and cash equivalents are stated at face value.

## 2.8 *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 cost of hedging is recognized in the profit and loss on a straight-line basis during the complete period of the derivative. 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.

The gain or loss relating to the ineffective portion of a hedge relationship is directly recognised in the profit and loss account within finance costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

## 2.9 *Non-current 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 5.6 , 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 Costs*

Costs 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*

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, Czech koruna, Swedish krone and Danish krone. 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 5.2 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 *Tangible fixed assets*

	<b>Fixtures and fittings</b>	
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	x 1000 EUR	x 1000 EUR
<b>1 January</b>		
At cost	10	10
Accumulated decreases in value and depreciation	-8	-7
Book value	<u>2</u>	<u>3</u>
<b>Movements</b>		
Depreciation	-2	-1
	<u>-2</u>	<u>-1</u>
<b>End of period</b>		
At cost	10	10
Accumulated decreases in value and depreciation	-10	-8
Book value	<u>0</u>	<u>2</u>
Depreciation rates	<u>20% - 33%</u>	

## 5.2 *Financial fixed assets*

	<b>Other receivables</b>	<b>Other receivables</b>
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	x 1000 EUR	x 1000 EUR
<b>1 January</b>		
Book value	1,744,956	1,573,043
<b>Movements</b>		
Revaluations	18,941	25,137
Additions	-243,159	304,840
Repayments	414,749	-158,064
	190,531	171,913
<b>End of period</b>		
Book value	1,935,487	1,744,956

The Financial Fixed Assets include loans given to Group companies in Germany, the UK, Belgium, Italy, Sweden, France, Ireland, Denmark and the Czech Republic. Loans given in CZK, GBP, SEK and DKK 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 5.5.

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 2.2% 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 5.6 for information regarding the intercompany loan receivables concluded in 2009 (323 Mil EUR) and 2011 (300 Mil EUR) related to the convertible bonds.

### 5.3 *Cash at banks and in hand*

	<b>31 Dec 2011</b> x 1000 EUR	<b>31 Dec 2010</b> x 1000 EUR
Bank	18	22
	<u>18</u>	<u>22</u>

Cash is at the free disposal of the company.

### 5.4 *Shareholders' equity*

The authorised share capital of Celesio Finance B.V. as at 31 December 2011 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 2011.

#### *Profit for the year*

	<b>31 Dec 2011</b> x 1000 EUR	<b>31 Dec 2010</b> x 1000 EUR
Balance as at 1 January	2,781	2,901
Dividend distribution	-2,781	-2,901
Profit for the period	<u>4,033</u>	<u>2,781</u>
Balance as at end of period	<u>4,033</u>	<u>2,781</u>

## 5.5

*Long-term liabilities*

	<b>Term</b>	<b>Term</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>1 – 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>	<b>Total</b>
	x 1000 EUR	x 1000 EUR	x 1000 EUR	x 1000 EUR
Loans from credit institutions	99,944	0	99,944	239,591
Bonds, loans and private placements	483,104	500,000	983,104	1,159,473
Arranger fees on bond and private placements	-315	-5,651	-5,966	-7,142
Convertible bond	323,415	299,971	623,386	315,116
	<u>906,148</u>	<u>794,320</u>	<u>1,700,468</u>	<u>1,707,038</u>

Celesio Finance is being charged with market conditions based on the term of the loans. The interest rate varies between 1.9 % 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 (183 Mil EUR repayment in 2012).

*Loans from credit institutions*

The Loans from credit institutions are multi currency loans that can also be drawn in other currencies than EUR. Parts of these Loans are at year end drawn in GBP, DKK and CZK. The fair value of these loans does not significantly differ from the carrying value given the fact that all these loans are drawn short-term with interest rates based on the respective market reference interest rates, these loans can be extended every time with a maturity exceeding one year; therefore classified as long term. The multi-currency revolving credit facilities are shared with Celesio AG.

The parent company Celesio AG, Stuttgart has guaranteed for these loan facilities.

*Bonds, loans and private placements*

31 Dec 2010	Start	Maturity	Net amount (x 1000 EUR)	Face value	CCY
PN 4	15-12-2005	17-12-2012	81,259	70,000,000.00	GBP
PN 5	15-6-2007	15-6-2012	99,935	100,000,000.00	EUR
PN 5	15-6-2007	15-6-2014	149,833	150,000,000.00	EUR
PN 5	15-6-2007	15-6-2014	92,810	80,000,000.00	GBP
PN 6	17-3-2008	15-3-2013	69,707	60,000,000.00	GBP
PN 7	15-12-2008	15-12-2013	105,444	105,000,000.00	EUR
PN 8	16-3-2009	15-3-2014	29,961	30,000,000.00	EUR
PN 8	16-3-2009	15-3-2016	24,958	25,000,000.00	EUR
PN 9	15-9-2009	16-9-2013	4,990	5,000,000.00	EUR
Corporate Bond	26-4-2010	26-4-2017	493,434	500.000,000.00	EUR
			1,152,331		

Repayment obligations falling due within 12 months of the end of the financial period as set out above, are included in current liabilities (PN 4 70 Mil GBP and PN 5 100 Mil EUR in 2012).

31 Dec 2011	Start	Maturity	Net amount (x 1000 EUR)	Face value	CCY
PN 5	15-6-2007	15-6-2014	149,882	150,000,000.00	EUR
PN 5	15-6-2007	15-6-2014	95,680	80,000,000.00	GBP
PN 6	17-3-2008	15-3-2013	71,830	60,000,000.00	GBP
PN 7	15-12-2008	15-12-2013	105,463	105,000,000.00	EUR
PN 8	16-3-2009	15-3-2014	29,973	30,000,000.00	EUR
PN 8	16-3-2009	15-3-2016	24,966	25,000,000.00	EUR
PN 9	15-9-2009	16-9-2013	4,995	5,000,000.00	EUR
Corporate Bond	26-4-2010	26-4-2017	494.349	500.000,000.00	EUR
			977,138		

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 30 December 2011 the Corporate Bond was traded at the Luxembourg Stock Exchange at a rate of 95.796% (2010: 99.138).

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

#### *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 323 Mil EUR (2010: 315 Mil EUR), this reflects the embedded derivative in the bond. As per 30 December 2011 the bond was traded at the Frankfurt Stock Exchange at a rate of 95.876% (2010: 114.688).

#### *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 323 Mil EUR (included in the financial fixed assets; refer to note 5.2) this reflects the embedded derivative in the 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 300 Mil EUR this reflects the embedded derivative in the bond. As per 30 December 2011 the bond was traded at the Frankfurt Stock Exchange at a rate of 82.953%.

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 300 Mil EUR (included in the financial fixed assets; refer to note 5.2) this reflects the embedded derivative in the bond.

**5.6** *Current liabilities*

*Taxation and social security costs*

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	x 1000 EUR	x 1000 EUR
Wage tax	2	1
Social security costs	2	1
	<u>4</u>	<u>2</u>

### ***Financial instruments***

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

<b>Currency Forward:</b>	<b>31 Dec 2011</b>	
	GBP	EUR
Nominal Amount	263,524,778	312,831,172
Fair value		-2,869,304

<b>Currency Forward:</b>		
	DKK	EUR
Nominal Amount	115,576,667	15,554,543
Fair value		-2,814

<b>Currency Forward:</b>		
	SEK	EUR
Nominal Amount	723,128,847	79,046,663
Fair value		-1,872,835

<b>Currency Forward:</b>		
	CZK	EUR
Nominal Amount	1,939,707,717	75,683,999
Fair value		446,134

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

In addition Celesio Finance B.V. used Interest Caps to manage the interest risk on the promissory notes issued in 2007. The interest cap has been sold in December 2010

### *Other liabilities*

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	x 1000 EUR	x 1000 EUR
Vacation pay and days	3	2
Bonus	5	3
Other	1,554	10
	<hr/>	<hr/>
	1,562	15
	<hr/>	<hr/>

The current liabilities have a remaining term of less than one year. The other liabilities include a payable to Celesio AG regarding the guarantee fee which is now invoiced semi-annually since 15 March 2011 instead of a monthly invoice.

### *5.8 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*

There are no operational leases or rent obligations as per 31 December 2011.

## 6 Notes to the profit and loss account

### 6.1 Interest income

	<b>2011</b>	<b>2010</b>
	x 1000 EUR	x 1000 EUR
Interest from Group companies	88,860	69,393
Interest from banks	-	-
	<u>88,860</u>	<u>69,393</u>

The net result of the revaluation which amounts to EUR 41,000 is included in the interest income.

### 6.2 Interest expenses

	<b>2011</b>	<b>2010</b>
	x 1000 EUR	x 1000 EUR
Interest to Group companies	5,253	3,344
Interest to third parties	77,815	61,805
Bank charges	64	42
	<u>83,132</u>	<u>65,191</u>

### 6.3 Employee benefits

	<b>2011</b>	<b>2010</b>
	x 1000 EUR	x 1000 EUR
Wages and salaries	73	77
Pension costs	4	4
Other social security costs	8	9
	<u>85</u>	<u>90</u>

During 2011 an average of 1 employee (2010:1 employee) was employed by the company.

#### 6.4 *Other operating expenses*

	<b>2011</b>	<b>2010</b>
	x 1000 EUR	x 1000 EUR
Other personnel expenses	5	42
Housing expenses	1	24
Office expenses	3	3
General expenses	257	310
	<u>266</u>	<u>379</u>

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

#### 6.5 *Taxation on result*

	<b>2011</b>	<b>2010</b>
	x 1000 EUR	x 1000 EUR
Taxable amount	5,377	3,733
Income tax expense	1,344	952
Effective tax rate	25.0%	25.5%
Applicable tax rate	25.0%	25.5%

## 6.6 *Audit fees*

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

2011	PricewaterhouseCoopers
	€'000
Audit of the financial statements	36
Other audit procedures	7
Tax services	21
Other non-audit services	0
	64

## 6.6 *Directors' remuneration*

In 2011 the directors' remuneration totalled to 85,000 EUR. (2010: nil).

Amsterdam, 17 April 2012

Board of Directors,

Original has been signed by

\_\_\_\_\_  
T. Frings

Original has been signed by

\_\_\_\_\_  
W. van Hoek

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

## **Other information**



## **Proposed profit appropriation**

Following the profit appropriation proposed by the Management Board and pursuant to Article 14 of the Articles of Association, an amount of € 0 of the profit for 2011 of € 4,033 will be distributed to the holders of preference shares and an amount of € 0 of the remaining profit will be added to the other reserves. The remainder will be at the disposal of the Annual General Meeting of Shareholders.

The Management Board proposes to appropriate the full profit of € 4,033 as dividend. The profit appropriation is not reflected in these financial statements.

## **Events after the balance sheet date**

No subsequent events to report.

## **Audit report**



## ***Independent auditor's report***

To: the General Meeting of Shareholders of Celesio Finance B.V.

### ***Report on the financial statements***

We have audited the accompanying financial statements 2011 as set out on pages 5 to 30 of Celesio Finance B.V., Amsterdam, which comprise the balance sheet as at 31 December 2011, 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 management report, 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 2011, 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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*PricewaterhouseCoopers Accountants N.V., Newtonlaan 205, 3584 BH Utrecht, P.O. Box 85096,  
3508 AB Utrecht, The Netherlands  
T: +31 (0) 88 792 00 30, F: +31 (0) 88 792 95 08, [www.pwc.nl](http://www.pwc.nl)*

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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 management report, 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 management report, 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, 17 April 2012

PricewaterhouseCoopers Accountants N.V.

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