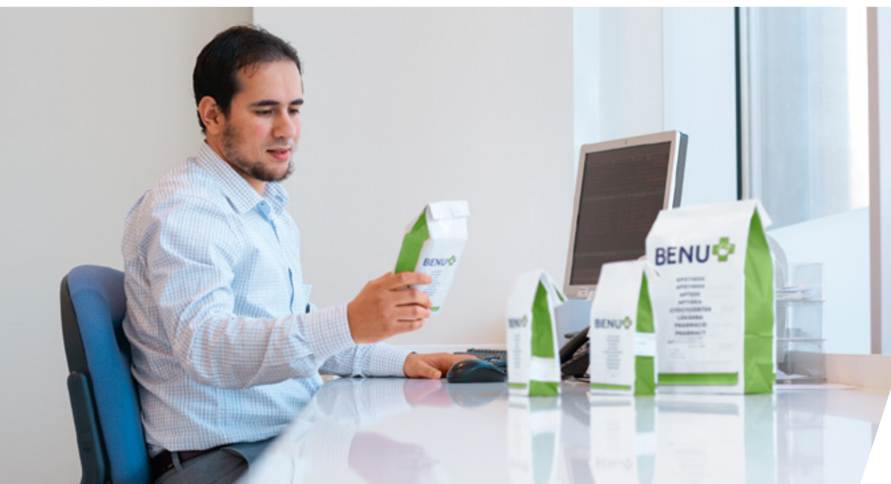


PHOENIX Pharmahandel GmbH & Co KG
Pfingstweidstrasse 10-12
68199 Mannheim
Germany
www.PHOENIXgroup.eu

PHOENIX group

WE GO FORWARD

Annual Report 2013/14

PHOENIX group

PHOENIX group in figures

Key figures of the PHOENIX group		2009/10	2010/11	2011/12	2012/13	2013/14
Revenue	in EUR k	21,317,594	21,737,772	21,660,649	21,218,687	21,792,370
Total operating performance[1]	in EUR k	24,433,939	25,062,613	25,479,749	25,251,336	25,917,392
Total income[2]	in EUR k	2,009,062	2,078,580	2,249,687	2,319,147	2,217,593
Profit before tax[3]	in EUR k	242,532	270,060	294,775	230,723	143,097
Adjusted profit before tax[4]	in EUR k	306,518	324,038	294,775	329,156	253,099
Equity	in EUR k	1,092,612[5]	1,772,409[5]	1,935,623	2,103,800	2,161,841
Equity ratio	in %	13.5	23.4	26.1	28.7	29.4
Net debt	in EUR k	3,678,418	2,176,588	1,855,743	1,611,518	1,331,627
Company rating (Standard & Poor's)			B+	BB–	BB	BB
Employees (total)		28,156	27,873[6]	29,038[6]	28,698	28,555
Employees (full-time)		23,261	23,206	23,850	23,932	23,850

[1] Total operating performance = revenue + handled volume (handling for service charge).
[2] Total income = gross profit + other operating income (previous years adjusted due to changes in reporting).
[3] Prior-year figures were restated due to amendments to IAS 19R.
[4] Adjusted for impairment losses on goodwill, effects from sale of financial assets, one-off effects in connection with the financial restructuring, one-off effects related to the refinancing measures in 2012 and expenditures associated with the PHOENIX FORWARD optimisation programme.
[5] Adjusted in accordance with IAS 19R and other reclassifications.
[6] Adjusted owing to updated reporting standards.

> **Increase in revenue compared with 2012/13 by**
2.7 %

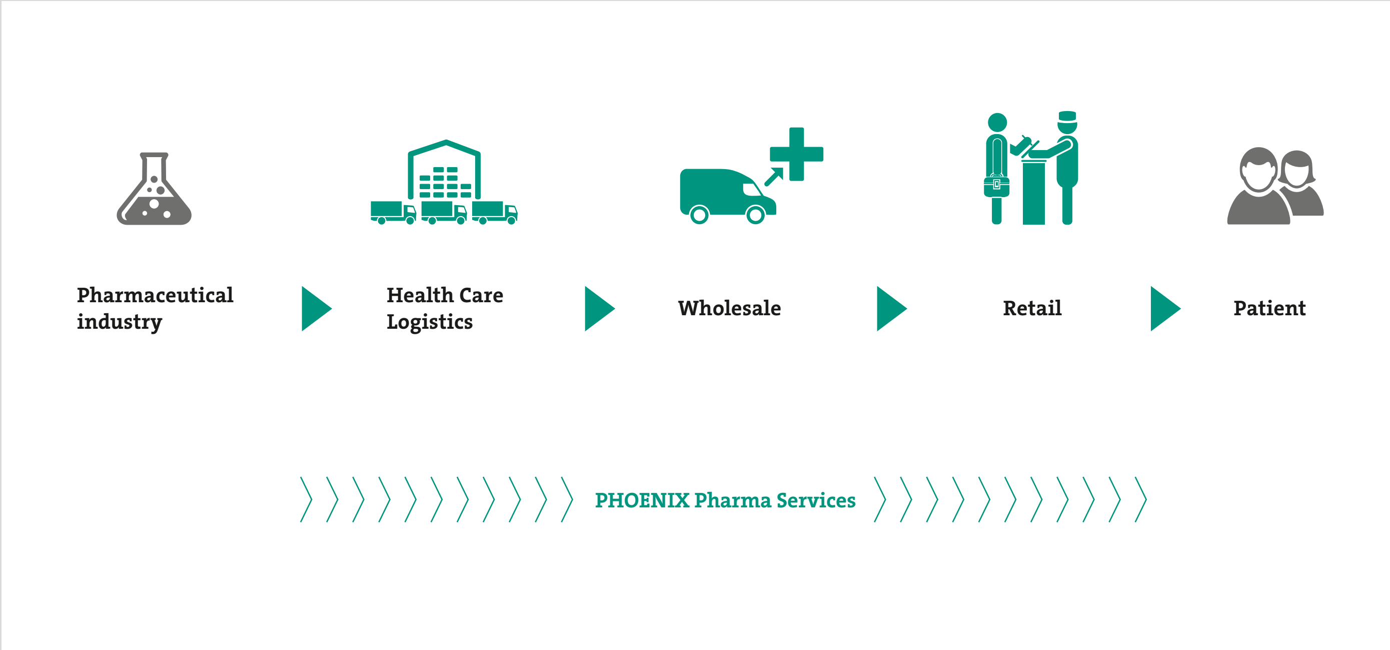
> **Increase in equity ratio to**
29.4 %

> **Reduction in net debt compared with 2012/13 by**
EUR 279.9 million

> **Free cash flow**
EUR 304.2 million

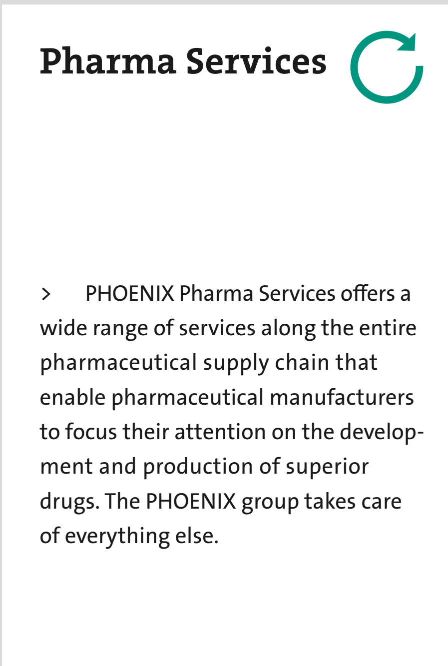
> **Net Debt/Adjusted EBITDA ratio stable under 3.0x with**
2.89

PHOENIX group:
link between manufacturer and patient



Wholesale

> As a wholesaler, the PHOENIX group ensures that the drugs and health products of pharmaceutical manufacturers are delivered to pharmacies and medical institutions both quickly and reliably. The PHOENIX group also supports independent pharmacies in Europe, offering various services to increase customer retention.



Pharma Services

> PHOENIX Pharma Services offers a wide range of services along the entire pharmaceutical supply chain that enable pharmaceutical manufacturers to focus their attention on the development and production of superior drugs. The PHOENIX group takes care of everything else.

Retail

> In pharmacy retail, the PHOENIX group is responsible for directly supplying the general public with pharmaceuticals and health products. The comprehensive and professional advice by our pharmacy staff is provided at the highest quality and with the best possible customer service.

We deliver health.
Each and every day. All over Europe.

> **The PHOENIX group** is a leading pharmaceutical trader in Europe, reliably supplying people with drugs and medical products every day. The PHOENIX group originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994. Today, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare with more than 28,500 employees.

> **In pharmaceutical wholesale,** the PHOENIX group is active with 152 distribution centres in 25 countries and supplies pharmacies and medical institutions with drugs and other health products. Numerous other products and services for pharmacy customers complete the portfolio – from support with patient advice to modern goods management to cooperation programmes.

> **In pharmacy retail,** the PHOENIX group operates more than 1,580 of its own pharmacies in 12 countries – of which around 700 operate under the corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also represented in the Eastern European and Baltic markets. The more than 12,000 pharmacy employees have 110 million customer contacts each year. They dispense around 240 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

> **The Pharma Services division** provides services across the whole supply chain. The "All-in-One" concept stands for a comprehensive range of services that benefits drug manufacturers, pharmacies, and patients. We take on the entire distribution process for the pharmaceutical industry as desired, which includes storage, transportation, and goods management.

> **WE GO FORWARD.** The PHOENIX group is continuously evolving. We are constantly working to improve our services in wholesale. We build cooperative partnerships with our customers so that we can work together in ensuring a reliable supply of pharmaceuticals. In retail, we offer competent advice at all times and continuously improve the quality of our services by developing our strong pharmacy brands. We provide holistic and reliable support to pharmaceutical manufacturers with our tailor-made range of services across the whole supply chain. Only through the joint transfer and exchange of knowledge can new ideas emerge, which will move us forward together.

Cooperative

Competent

Holistic

Together

Contents

Leadership and responsibility **2**
- Letter from the Executive Board 2
- Executive Board of the PHOENIX group 4
- In conversation: Oliver Windholz and Reimund Pohl 6
- PHOENIX country overview 9
- Report of the Advisory Board 10
- Sustainability 12
- PHOENIX group in the capital market 14
- 20 years of PHOENIX group 16

WE GO FORWARD **18**

Group management report **34**
- Background of the Group 35
- Business and economic environment 38
- Subsequent events 46
- Risks and opportunities 47
- Forecast 50

Consolidated financial statements **51**
- Consolidated income statement 52
- Consolidated statement of comprehensive income 53
- Consolidated statement of financial position 54
- Consolidated statement of cash flows 56
- Consolidated statement of changes in equity 58
- Notes to the consolidated financial statements 60
- Audit opinion 122

Further information **123**
- Foreign shareholdings and domestic subsidiaries 123
- Financial calendar and imprint

Letter from the Executive Board

Ladies and Gentlemen,

In line with the guiding principle "We Go Forward", the PHOENIX group has steadily evolved over the past fiscal year. In order to sustainably expand our leading market position in the long term, we initiated and consistently promoted the Europe-wide PHOENIX FORWARD optimisation programme from a position of strength. Furthermore, we have made targeted investments and consistently expanded our services for our pharmacy customers, industry partners, and patients. In the context of our anniversary year, we can be proud of what we have achieved over the last 20 years since the company's existence and are looking at a bright future.

Review of the fiscal year 2013/14

The underlying conditions of the past fiscal year were challenging: ongoing regulatory interventions in the healthcare markets and weak economic growth in many European markets made for challenging conditions. Nevertheless, revenue and total operating performance developed more positively than the market and were increased significantly. Total operating performance is an important key figure for us, which encompasses the "handled volume" (handling for service charges) in addition to revenue. We were also able to improve our market share in numerous countries. The past fiscal year has once again shown that the PHOENIX group's business model and balanced country portfolio are proving their worth. We have thus grown in the smaller and emerging European markets, for example, whereas we are not active in those countries that have been most affected by the financial and sovereign debt crisis. However, at group level the overall positive development was overshadowed by the situation in the German wholesale market, which continued to be affected by an unusually high level of competition. Despite these challenging conditions we were able to significantly strengthen our market positioning in Germany and have thus secured a very good position in our home market in view of the future. In order to take into account the considerable importance of the German market, a German board of directors has been established for the new fiscal year 2014/15.

Besides the decline in income in Germany, unfavourable exchange rate effects and restructuring costs relating to PHOENIX FORWARD as well as impairment losses on goodwill have had a negative impact on the profit before tax. We were able to improve our financial result and capital structure once again. The successful placement of a second bond in May 2013 at very good terms of issue made a decisive contribution in this regard – a clear vote of confidence by our investors. We take pride in having been able to reduce our net debt again. Our creditworthiness, which as the only pan-European wholesaler we have assessed by rating agencies, remains positive. We are extremely pleased with our company rating, which is currently ranked as "BB" with a stable outlook.

Focus on customer requirements

The success of our customers also benefits us, which is why we have further optimised our range of services. We have invested in logistics and continually expanded the services for our pharmacy customers.

Because we see ourselves as a partner to the individual pharmacies in Europe: more than 13,000 independent pharmacies are members of one of our cooperation programmes or participate in partner projects. In those countries where we operate our own pharmacies, we have also gradually consolidated our position through the successful development of design and marketing concepts. An important element in this connection was the expansion of our own product range under our international BENU brand. Moreover, with the "All-in-One" concept we offer the pharmaceutical industry an integrated, diverse, and

customisable choice of services. We thus support the drug manufacturers and enable them to concentrate on their core business. Besides our ability to respond proactively and quickly to changes in our markets, our success is essentially based on the cooperative partnership with our customers and business partners.

In order to further strengthen our position, we want to develop faster and better than the competition in all areas. To this end we are very well equipped. With services that span the entire supply chain and our presence in 25 European countries, we are already more broadly positioned in all business areas than the competition. In 20 markets we are among the top 3 pharmaceutical wholesalers, and in 10 countries we are the market leader. By aligning our services to market requirements and offering intelligent solutions, we will strengthen our position in Europe. The stable shareholder structure is also helping us to implement our sustainable strategy as a family business with a long-term vision.

We say thank you!
We would particularly like to thank our employees, whose daily commitment made the crucial difference time and time again in the past fiscal year. We look forward to ensuring a bright future for the PHOENIX group together with our highly motivated, qualified, and loyal workforce.

Outlook for the fiscal year 2014/15
In the fiscal year 2014/15, we will consistently pursue our plans, even if the circumstances should remain challenging. Should attractive opportunities arise, we will make target-oriented acquisitions and undertake value-adding investments. An important aspect in this regard is the right balance between further growth and cost awareness. Existing savings potential, particularly related to the implementation of the PHOENIX FORWARD initiatives, will be exploited. The programme is expected to generate sustainable cost savings of at least EUR 100 million across the group by 2015/16. Within the scope of the programme, internal organisational structures and processes in all 25 countries will be improved. Group-wide control is decreed in selected divisions – always on the condition, however, that the subsidiaries do not lose any of their local clout, but are in a position to respond flexibly to the specific requirements of their country.

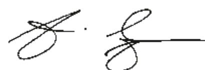
We will increase our emphasis on strategic partnerships with the pharmaceutical industry, whether at an international, regional, or local level. Thanks to our unique geographic coverage in Europe, we can provide the pharmaceutical industry with significant added value and aim to build long-term cooperations. In those countries where we are operative in pharmacy retail, we will consolidate our position through the further development of our pharmacy brands.

We look forward to shaping the future of the PHOENIX group together with our partners and customers. As a result of our excellence in implementation, rapid decision-making processes, and flat hierarchies, we will continue on the path of success!

Mannheim, May 2014

Oliver Windholz
Chief Executive Officer

Helmut Fischer
Finance


Frank Große-Natrop
Operations/Logistics

Stefan Herfeld
Retail

Executive Board of the PHOENIX group

From left to right: Stefan Herfeld, Oliver Windholz, Frank Große-Natrop, Helmut Fischer

Members of the Executive Board

Oliver Windholz
Chief Executive Officer

Helmut Fischer
Finance

Frank Große-Natrop
Operations/Logistics

Stefan Herfeld
Retail

In conversation: Oliver Windholz and Reimund Pohl

Oliver Windholz **Reimund Pohl**

On 31 January 2014, Reimund Pohl went into retirement as planned and handed over the chairmanship of the Executive Board to Oliver Windholz. In view of this change, Oliver Windholz and Reimund Pohl spoke about both past and upcoming challenges, the current market situation, and the long-term objectives of the PHOENIX group.

Mr Pohl, you were with the PHOENIX group for 32 years. Did you ever think that you would have such an impact on the company?

Reimund Pohl: I began my career in pharmaceutical wholesale at Hageda in Cologne, a predecessor company of the PHOENIX group. At that time, neither the subsequent internationality and size of the company nor my career were foreseeable. I am happy and grateful that I got the chance to become a member of the Executive Board in 1997, and even take over the chairmanship in 2005. The PHOENIX group has been an important part of my life over the years. Even after retirement, I will follow the company's development with great interest.

After nine years as Chief Executive Officer, you have handed over the reins to Mr Windholz. How would you sum up your experience?

Reimund Pohl: Overall, it was a challenging but also very good time. Challenging, on the one hand, due to the difficulties the group encountered in the wake of the financial and economic crisis. But also owing to changes in the legal and economic conditions of the health system that affected pharmaceutical distribution. New remuneration structures and

shrinking margins have led to adverse market conditions. Furthermore, the competition has intensified. At the same time, my tenure was also shaped by many positive events and experiences. We succeeded in gradually expanding the position of the PHOENIX group in the European pharmaceutical distribution through successful concepts, which are always focused on the customer benefit. The strong commitment of all our employees has been an essential building block.

How would you assess the prospects of the PHOENIX group from today's perspective?
Oliver Windholz: Mr Pohl was extremely committed to the company and has managed it successfully over the years. He has put the PHOENIX group in a very good position for the future.
Reimund Pohl: We have a unique geographical coverage in the wholesale business spanning 25 countries in Europe. The expansion of the pharmacy retail business across Europe was also an important milestone. With the BENU corporate brand, we have created the leading pharmacy brand in continental Europe. By further developing the services for pharmaceutical manufacturers, the PHOENIX group has established itself as a reliable partner to the pharmaceutical industry.
Oliver Windholz: Our activities in wholesale and retail as well as in the area of pharmaceutical services enable us to cover the entire pharmaceutical supply chain. As a result, we have an outstanding starting position for the coming years that we can build on. It goes without saying that I aim to keep the company on course for further success.

To what extent does the Europe-wide PHOENIX FORWARD programme, which was launched in January 2013, help to further expand the position as a leading pharmaceutical trader?

Reimund Pohl: The objective of PHOENIX FORWARD was very clearly formulated: operating from a position of strength, the PHOENIX group should be prepared for future challenges. Increasing margin pressure in a heavily regulated environment and the ever faster succession of healthcare reforms in many European markets are influencing our business in the long term. Our optimisation programme enabled us to react quickly to these changes.

Oliver Windholz: Absolutely. The programme aims to improve our internal organisational structures and processes in the group headquarters and in all 25 countries. Across the group, we foresee sustainable cost savings of at least EUR 100 million by 2015/16. Our organisation will thus become even more effective through PHOENIX FORWARD.

Mr Windholz, you were appointed Chief Executive Officer on 1 February 2014. What goals have you set yourself?

Oliver Windholz: I used the first hundred days as the new Chief Executive Officer to prioritise the projects and to look at the organisation in more detail. After numerous site visits and conversations with managers and staff, I am convinced that the PHOENIX group still has a lot of potential – which we need to take advantage of to ensure we stay one step ahead! The common objective of the Executive Board is to be able to react faster and better than the competition to market changes. It is also important for us to continue to position ourselves as the link between manufacturer and patient along the entire supply chain. One of the PHOENIX group's decisive competitive advantages is based on integrated thought and action. Besides the profitable expansion of our core business, we want to reduce our level of debt further over the next few years. In this respect, too, we are already well on the way to achieving this.

What is needed to achieve these objectives, Mr Windholz?

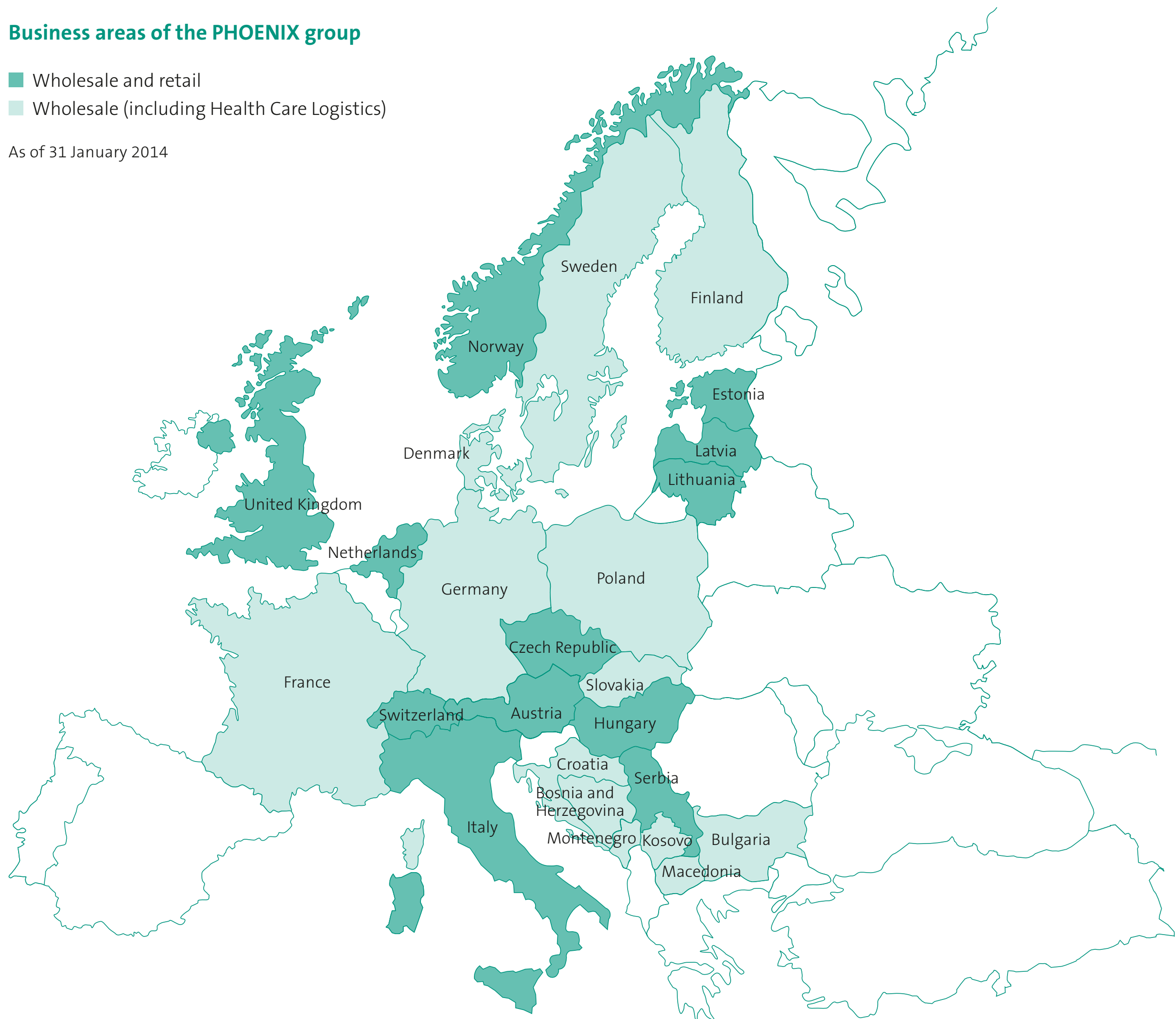
Oliver Windholz: We need to adhere to our fundamental principles upon which our success has always been based. A strong customer focus, comprehensive quality management, a high degree of cost awareness, and the will to consistently find the best solution – these principles will continue to guide our actions in the future. At the same time, we need to pursue our ongoing development in order to carry on with our success story. Motivated and qualified employees provide the basis. We therefore continue to place great emphasis on targeted career advancement and training at all levels. Furthermore, we will also intensify the group-wide exchange. We want to learn from each other across national boundaries by further expanding best practice sharing and promoting interdivisional thinking. Maintaining an overall view and acting quickly, consistently, and in a focussed manner – this is how I define my management style. Our top priority is the development of targeted solutions that provide added value to our customers. Like the other members of the Executive Board, I stand for sustainable and responsible actions – economically, ecologically, and socially. The PHOENIX group is aware of its corporate and social responsibility. Our day-to-day actions are determined by our aim of fulfilling this responsibility both now and in the future, which also benefits our customers.

Mr Windholz and Mr Pohl, thank you for this conversation.

PHOENIX country overview

The PHOENIX group is active in 25 European countries. // This geographic coverage is unrivalled. // Number one in pharmaceutical wholesale in 10 countries and in the top 3 in 20 European countries. // Largest presence in the pharmacy retail business in Europe spanning 12 countries. // Represented in most countries with its leading corporate brand BENU. // Number one in Norway with Apotek 1, strong position in the United Kingdom with rowlands pharmacy.

Business areas of the PHOENIX group



Report of the Advisory Board

Dr. Bernd Scheifele
Chairman of the Advisory Board

Ladies and Gentlemen,

The PHOENIX group was able to continue its successful market positioning in the fiscal year 2013/14. The stable shareholder structure, with the Merckle family as the sole owner, and the continuous improvement of the financial structure are providing planning security. This allows us to implement the long-term corporate strategy with its focus on the core business areas. Consequently, the course for positive development remains set. The decisions made in the past fiscal year were met with the unconditional approval of the Advisory Board.

Duties of the Advisory Board

The Advisory Board performs the statutory duties of monitoring and advising the Executive Board of the PHOENIX group. Within the scope of its personnel competence, it decides on the appointments of top management as well as all business incidents of fundamental importance requiring consent and which impact the earnings, assets, and financial position of the PHOENIX group. These include, in particular, the adoption of budgets, investments, and financing transactions. Furthermore, the Advisory Board advises the Executive Board on all important strategic decisions that arise outside the ordinary course of business. Against this backdrop, the Advisory Board regularly received detailed information in the past fiscal year, both in writing and orally, about the proposed business policy as well as fundamental issues relating to financial, investment, and personnel planning, the course of business, and the profitability of the company. Any deviations from the plans in business performance were explained in detail by the Executive Board and discussed with the Advisory Board. In particular, the Executive Board consulted the Advisory Board on determining the strategic direction of the group.

Focal points of activity

The PHOENIX group continued its refinancing measures in the last fiscal year. The financial structure was strengthened through the issuance of a second bond. Investments were made in existing logistics to optimise performance in the wholesale business. The services for pharmacy customers have also been expanded. In addition, emphasis was placed on the further development of the pharmacy retail business with the brands BENU, Apotek 1, and rowlands pharmacy. The Advisory Board discussed all measures for the core business areas with the Executive Board and confirmed their support. The PHOENIX FORWARD programme was implemented in the fiscal year 2013/14. The process, which will last until 2015/16, will be closely followed by the Advisory Board. In addition to the regular exchange of information, a total of five scheduled meetings with the Executive Board took place in the fiscal year 2013/14.

In line with its assignment, the Advisory Board examined the risk management system on a continuous basis and assured itself that the Executive Board had taken all necessary measures to ensure that potential critical events that might jeopardise the operating results or the company as a whole could be identified at an early stage and that countermeasures could be taken.

Audit and approval of the annual financial statements

Once again, the Advisory Board awarded the audit assignment for 2013/14 to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart/Germany. The Advisory Board discussed the key aspects of the audit with the auditor. The Executive Board informed the Advisory Board in advance of the provisional, unaudited key figures for the fiscal year and about the status of preparations for the final report. The annual financial statements as well as the company and consolidated management report were audited by the appointed auditing firm and certified without qualification. The Advisory Board received all accounting records and discussed them in detail in the presence of the auditor. The result was not contested. The Advisory Board therefore approved the annual financial statements and consolidated financial statements. The Advisory Board approved the appropriation of retained earnings, as proposed by the Executive Board.

Executive Board changes

Oliver Windholz, previously Executive Board Member Sales/Marketing, was appointed Chief Executive Officer on 1 February 2014. At the same time, Frank Große-Natrop joined the Executive Board to assume the responsibility for the Operations/Logistics division. Helmut Fischer was appointed Managing Director with effect from 1 September 2013 and took over the position of Chief Financial Officer. The Advisory Board expresses its particular gratitude to Reimund Pohl, former Chief Executive Officer, whose outstanding management and years of commitment have had a lasting impact on the PHOENIX group. We would also like to thank Dr. Hans-Ulrich Kummer, who was previously responsible for the Operations/Logistics division, and the former Chief Financial Officer Dr. Michael Majerus, both of whom stepped down from the Executive Board during the fiscal year 2013/14.

Trusting and cooperative partnership

The cooperation between the Advisory Board and the Executive Board is based on a trusting and cooperative relationship. Together we are working to reach the defined objectives in the short, medium, and long term. Given that the PHOENIX group is always looking for the best solution on behalf of its customers and exploits existing potential for optimisation, it will maintain and expand its leading position also in the future. Highly productive employees combined with responsible management provide the recipe for future success.

On behalf of the Advisory Board,
Mannheim, May 2014

Dr. Bernd Scheifele
Chairman of the Advisory Board

Members of the Advisory Board

Dr. Bernd Scheifele
Chairman of the Advisory Board,
Chairman of the Managing Board of
HeidelbergCement AG, Heidelberg, Germany

Dr. Wolfram Freudenberg
Chairman of the Board of Partners of
Freudenberg & Co. KG, Weinheim, Germany

Dr. Peter Maag
President & CEO, XDx, Inc., California, USA

Ludwig Merckle
Company shareholder, Director of
Merckle Service GmbH, Ulm, Germany

Dr. Lorenz Näger
Member of the Managing Board of
HeidelbergCement AG, Heidelberg, Germany

Sustainability

Sustainable company management for long-term success. // Added value as a contribution to future viability. // Conscientious interaction with the environment. // Transparency through CSR reporting. // Operating throughout Europe for a reliable supply of pharmaceuticals. // Supporting charitable projects. // Promoting pharmaceutical research with the PHOENIX Pharmaceutics Science Award.

Social responsibility as a corporate obligation

As a leading European pharmaceutical trader, the PHOENIX group is aware of its corporate and social responsibility. Above and beyond the regulatory standards, we are committed to the sustainable development of our organisation. We pay particular attention to the economic, ecological, and social consequences of our actions.

Great emphasis is placed on strict quality orientation and high cost awareness in the management of our company.

By being true to our economic commitments, the group conducts its business with the utmost care. We thus place emphasis on strict quality orientation and high cost awareness. Our success strategy is based on the efficient use of resources to achieve the greatest possible profitability. An ethically correct and fair interaction with business partners and competitors is a matter of course at all times.

Acting with environmental awareness

We show ourselves to be ecologically responsible in the way we continuously look for ways to minimise the impact of pharmaceutical trade and transport on the environment. This can be seen, for example, in the reduction of waste and its environmentally friendly disposal, as well as the measures to reduce CO_2 emissions. Environmental protection and the energy efficiency of products are guiding principles when considering new investments.

Ensuring quality and compliance

The secure and reliable supply of pharmaceuticals requires a high-quality and efficient supply chain. Our competent and well-structured quality management (QM) provides the basis. The topicality and functionality of the QM systems is guaranteed by means of internal and external audits, whereby existing certifications are reviewed on a regular basis.

We are also concerned with protecting patients from counterfeit pharmaceuticals. We are therefore active in two groups that focus on the protection against counterfeiting: in the securPharm working group as well as in the European Stakeholder Model as an emissary of the European Association of Pharmaceutical Full-line Wholesalers (Groupement International de la Répartition Pharmaceutique, GIRP).

Our code of conduct defines a scope of action for our employees. It contributes to transparent work processes, among other things. Anti-corruption policies are in place to prevent bribery and corruption. A Compliance Manager has been assigned as contact person for such issues. With these group-wide guidelines, we are committed to complying with the governing European and national law and ethical standards at all times.

Transparency and further development of the CSR activities

With the Corporate Social Responsibility (CSR) report, introduced in 2013, we document the results of all company activities that promote the sustainable development of all business units. We primarily take

Our professional quality management ensures a reliable supply.

We are promoting pharmaceutical research with the PHOENIX Pharmaceutics Science Award.

into account the following aspects: economic responsibility, environmental responsibility, personnel and well-being at work, quality and compliance. The first CSR report by the PHOENIX group describes the activities of Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, and Sweden. It was prepared in accordance to the reporting standards of the Global Reporting Initiative and also features additional company-specific indicators that are material to pharmaceutical distribution. The report, which is to be published annually from now on, creates transparency and is expected to summarise the activities of all subsidiaries by 2015/16.

The first CSR report by the PHOENIX group was prepared in accordance to the reporting standards of the Global Reporting Initiative.

In order to identify the expectations of our customers, employees, and suppliers in view of our CSR activities, we conducted a survey on our sustainability strategy. A total of roughly 9,000 individuals and companies were interviewed from the current CSR countries. In line with our CSR strategy, we will optimise our services according to the feedback and focus on expanding our commitment to those topics relevant to our target groups.

Promoting charitable projects
Supporting aid projects is of particular interest to the PHOENIX group. For more than 15 years we have supported the non-profit association Kulturbras e.V., among others, which cares for Brazilian children in need. In addition to a one-time donation, a donor participation was set up for the third consecutive year, which was linked to the sales volumes of its own brand from the PHOENIX private range. This commitment has a long tradition in the group and will be upheld in the coming years. The subsidiaries are establishing national aid projects on a local level. For example, the new construction of the children's hospital in Helsinki, Finland, is being supported by our subsidiary Tamro. The company will invest its entire aid money in this project over a period of three years.

Awarding fundamental pharmaceutical research
The group has been recognising outstanding achievements of fundamental pharmaceutical research in German-speaking countries for 17 years with the PHOENIX Pharmaceutics Science Award. In October 2013, four research groups, including a team from both Switzerland and Austria, were honoured for their innovative work in Hamburg, Germany. The winners were traditionally selected by an independent jury, chaired by Professor Dr. Jörg Kreuter from Johann Wolfgang Goethe University in Frankfurt am Main, Germany.

PHOENIX group in the capital market

Successful issuance of another bond on the capital market. // As the only leading and independent pan-European pharmaceutical trader, the PHOENIX group has its creditworthiness assessed and published by rating agencies.

PHOENIX group with clear focus on capital market

Although unlisted, the PHOENIX group considers itself focused on the capital market. After the issuance of the first bond in 2010, access to the capital market was further strengthened when a new bond was issued in 2013. The objective is to diversify its sources of financing and thus to optimally ensure the liquidity supply. We are guided by the requirements of the capital market in relation to transparency and publicity. This includes corporate management based on value enhancement as well as accounting that promotes transparency and is in line with the International Financial Reporting Standards (IFRS). Ever since the first bond was issued in July 2010, the PHOENIX group has been assessed by leading rating agencies.

Transparent creditor relations

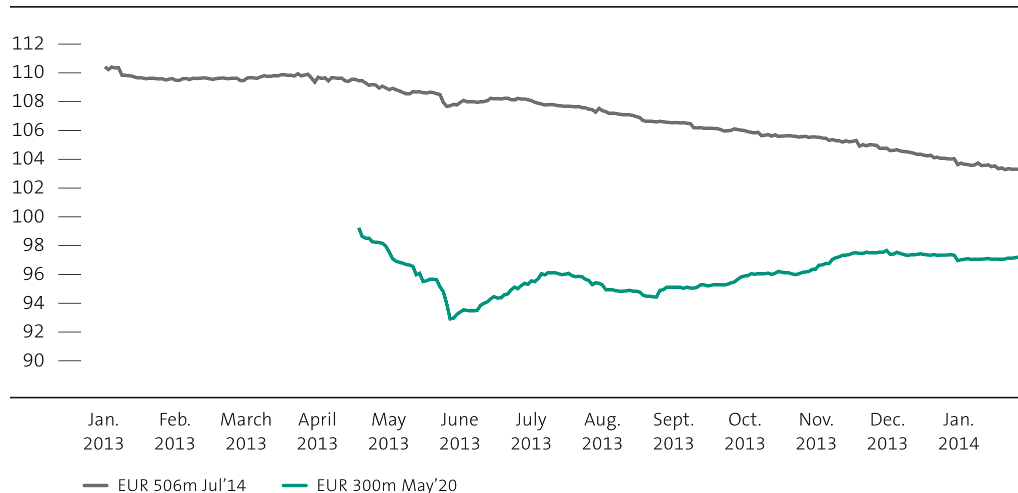
Current information and dates concerning investor relations can be found under www.phoenixgroup.eu/EN/Service/Investor-Relations/pages/default.aspx.

The aim of the creditor relations activities is to provide transparent, consistent, and prompt information about developments in the market environment and the company, as well as about our objectives. We thus want to continue to strengthen confidence in the group and the understanding of our business. Capital market communication is oriented towards the long term and considered part of the sustainable strategy for value enhancement. Relevant information is made available to all capital market participants on the PHOENIX group website under the Investor Relations section. Ever since the first bond was issued in 2010, the PHOENIX group has been publishing a quarterly financial report on its business performance. Personal conversations and quarterly teleconferences with representatives of the Executive Board serve as important tools for ensuring continuous and active communication with investors.

Brief overview of the PHOENIX group bonds

Issuer	PHOENIX PIB Finance B.V.	PHOENIX PIB Dutch Finance B.V.
Surety	PHOENIX Pharmahandel GmbH & Co KG and certain subsidiaries	PHOENIX Pharmahandel GmbH & Co KG and certain subsidiaries
Bond type	Unsecured eurobond	Unsecured eurobond
Issue volume	EUR 506,150,000	EUR 300,000,000
Coupon	9.6250 %	3.1250 %
Coupon due date	Biannually on 15 January and 15 July	Annually on 27 May
Division into shares	EUR 1,000 with minimum volume of EUR 50,000	EUR 100,000
Term	15 July 2014	27 May 2020
Stock exchange listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange
ISIN	XS0524563128	XS0935786789
Bond rating at reporting date	Standard & Poor's: BB, Outlook stable Fitch Ratings: BB, Outlook stable	Standard & Poor's: BB, Outlook stable Fitch Ratings: BB, Outlook stable
Company rating at reporting date	Standard & Poor's: BB, Outlook stable Fitch Ratings: BB, Outlook stable	Standard & Poor's: BB, Outlook stable Fitch Ratings: BB, Outlook stable

Price development PHOENIX bonds in %



Successful new bond issue in 2013

In May 2013, PHOENIX Pharmahandel GmbH & Co KG successfully issued their second unsecured bond on the capital market through its subsidiary PHOENIX PIB Dutch Finance B.V. With a volume of EUR 300 million and a term of seven years, the bond has a coupon of 3.125 per cent p.a. with an initial return of 3.25 per cent p.a. The coupon is one of the lowest for comparable bonds observed until that point in time (term and rating). The placement was implemented with great success in an attractive market environment, so that within a very short time it was oversubscribed ten times. The early refinancing of a large part of the bond, which matures in July 2014, contributed to a further improvement in the financial structure of the group.

The coupon of the new bond is one of the lowest for comparable bonds observed until that point in time.

Market-driven development of bonds

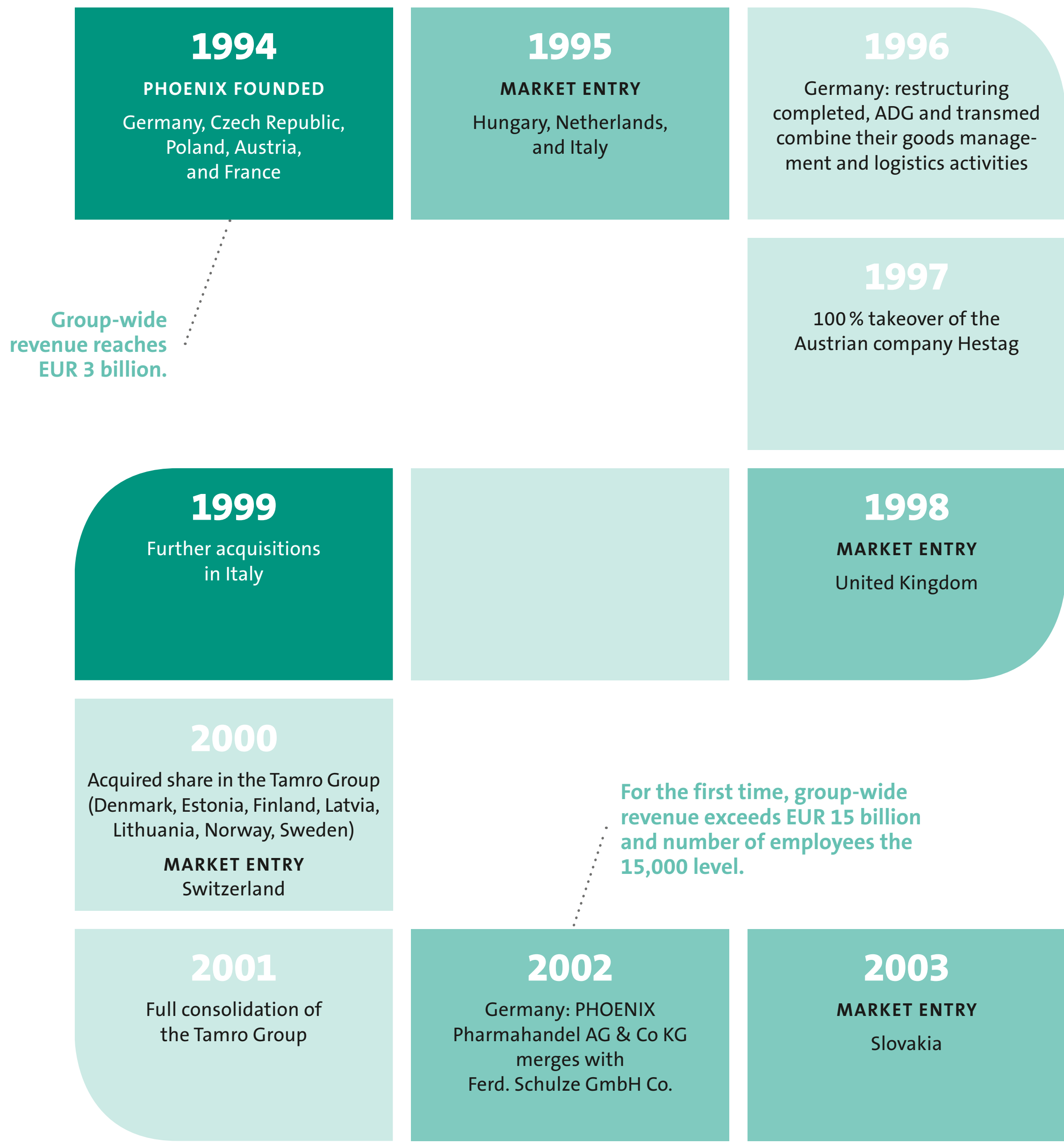
The price of the bond issued in 2010 fell as expected in the fiscal year 2013/14. This is mainly due to the positive performance since its issue and its approaching maturity in July 2014. The bond issued in 2013, which was issued at a historically low euro interest rate for terms of seven years, has developed in line with the market for comparable bonds (term and rating) and businesses. The market slowdown shortly after the issue of the second bond is mainly attributed to the Federal Reserve's announcement to reduce their former secondary market purchases (so-called quantitative easing) where necessary by the end of 2013. This led, among other things, to rising capital market rates in the euro area. During the course of the past fiscal year, the overall market and the price of the new bond were able to recover. On the reporting date of 31 January 2014, the bonds were listed at 103.57 per cent and 97.03 per cent, respectively.

Continuous interaction with rating agencies

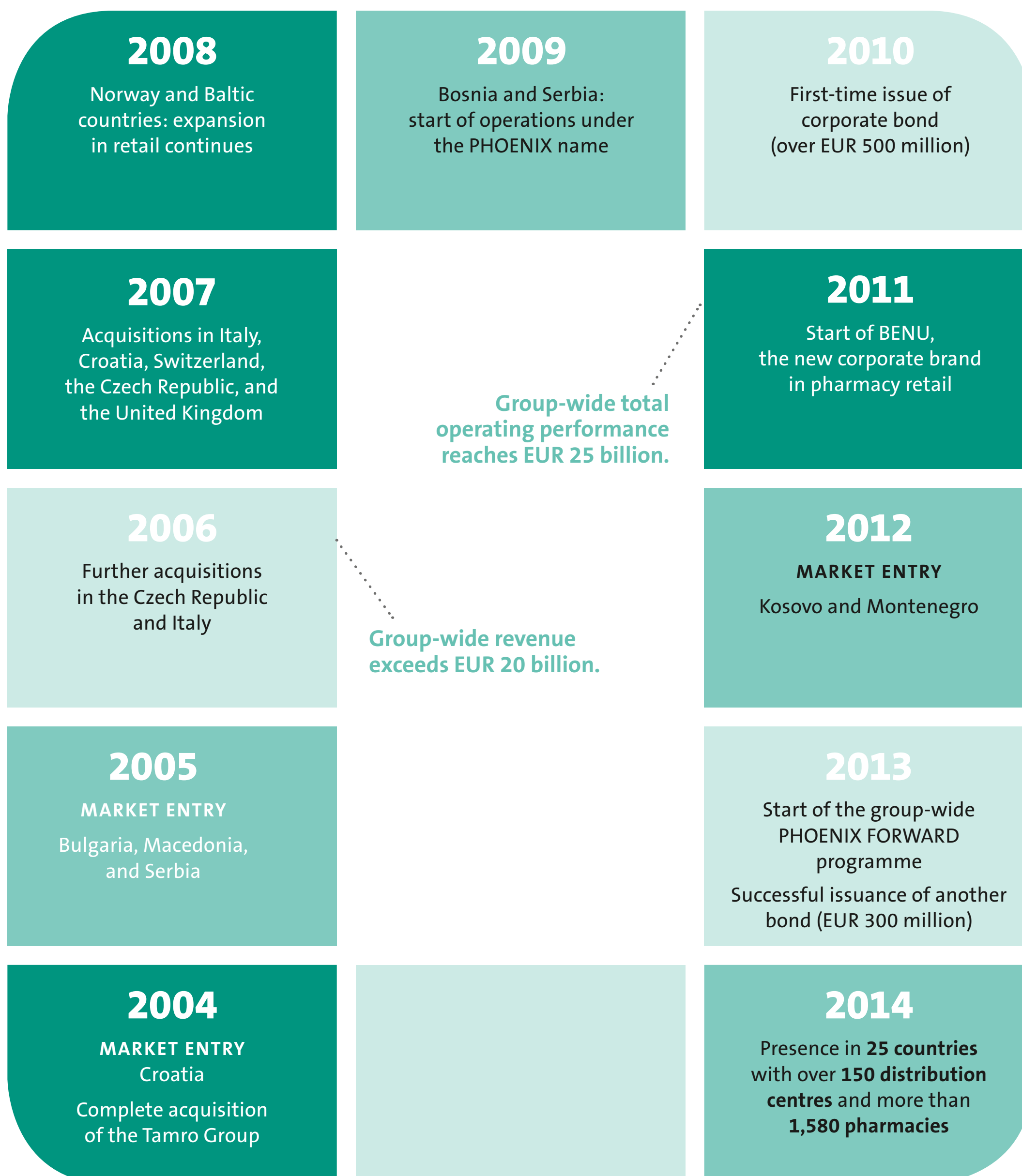
The PHOENIX group, as the only leading and independent pan-European pharmaceutical trader, has its creditworthiness assessed and published by rating agencies. In this context, a distinction can be made between the company rating, which gives an independent opinion on the company's general financial power, and the bond rating, which primarily relates to the individual bond. The creditworthiness of the PHOENIX group was rated as "BB" with a stable outlook by the rating agencies Standard & Poor's and Fitch at the end of the fiscal year 2013/14.

20 years of PHOENIX group

Founded in 1994 as a merger of regional pharmaceutical wholesalers in Germany. // Roots in Germany and various European countries date back over 100 years. // Evolved through numerous wholesale



and retail acquisitions in Europe. // Regional expansion in Europe developed rapidly. // The 2014 anniversary year records a total operating performance of over EUR 25 billion and more than 28,500 employees.



Cooperative

"The PHOENIX group knows what really matters. This is evidenced by the fact that they always support us in a cooperative manner and provide attractive services."

//
Julia Bittler, pharmacist, Turm-Apotheke, Leimen, Germany

Logistical expertise for first-class service

Leading pharmaceutical wholesaler in Europe. // Unrivalled geographic coverage. // Reliable and prompt supply of pharmacies and medical institutions. // Customised services for pharmacy customers. // Cooperation programmes create competitive advantages. // Intelligent computer systems simplify work processes. // "Best Pharmacy Partner" 2014 in Germany.

Providing a reliable supply

Founded in 1994 from the merger of five German pharmaceutical wholesalers, the PHOENIX group has decades of logistical expertise. With meanwhile 152 distribution centres in 25 countries, we offer unique geographic coverage across Europe. We are the market leader in 10 countries, and rank among the top 3 in 20 countries. A market-oriented range of pharmaceuticals and medical products is ready for delivery in our distribution centres. In Germany, for example, the further optimised logistic structure guarantees that around 140,000 items reach their destination at exactly the right time after receipt of order.

Supporting individual pharmacies

As a retail partner, we offer independent pharmacies a comprehensive service range within the context of our cooperation programmes. In addition to the high awareness of our brands, such as Numark in the United Kingdom or Valore Salute in Italy, they also benefit from promotional marketing services and training events. MIDAS has been successfully established in Germany. Betty is a new programme that has been launched for Southeastern Europe. More than 13,000 pharmacies participate in our cooperation programmes and partner projects across the group.

Modern technology for the pharmacy

Innovative inventory control and point of sales systems from our subsidiary ADG optimise workflows of pharmacies in the domestic German market as well as in the Czech Republic and Hungary, and provide users with the highest degree of comfort. From prescription management independent of location and time to business management, each pharmacy can select the services suitable to their requirements. This leaves more time for what is truly important – advising customers.

Convincing performance

The high level of satisfaction with our services is not least evident in the awards that were presented to us by "PharmaRundschau" on behalf of the German pharmacists. In 2014, PHOENIX and ADG were awarded the prize for "Best Pharmacy Partner" in the respective categories. With 12 awards, PHOENIX is even a record holder. This spurs us on to keep our focus on a high level of customer orientation.

//

Service is our strength. With our logistical expertise, tailored cooperation programmes, and modern software solutions, we support our pharmacy customers in many ways.

Competent

“At BENU, great emphasis is placed on advice. Being competent and customer-oriented clearly sets us apart from the competition.”

//

Hennie Havelaar, employee BENU pharmacy, Rotterdam, the Netherlands

Strong pharmacy brands for customer satisfaction

BENU – Apotek 1 – rowlands pharmacy: dynamic trio for Europe. // Focus on professional advice. // Around 700 BENU pharmacies in seven European markets. // Design concept enhances the attractiveness of branches. // Expansion of BENU own brand range. // More large-format Apotek 1 pharmacies in Norway. // Europe's northernmost pharmacy opened. // Firmly anchored in the United Kingdom with rowlands pharmacy.

The patient is the centre of attention

The PHOENIX group is represented by three major brands in pharmacy retail: BENU, Apotek 1 and rowlands pharmacy. It combines the objective of advising customers competently and according to their needs at all times. To this end, employees receive training in patient communication in addition to regular specialist courses. Moreover, the brands are consistently evolving with the latest trends. Products and services as well as the appearance of our branches are always one step ahead of the competition and are setting standards.

BENU – leading in continental Europe

With nearly 700 stores in the Netherlands, Switzerland, the Baltic countries, Hungary, and the Czech Republic, BENU is the leading pharmacy brand in continental Europe. Apart from its clear customer focus, it is distinguished by its integrated pharmacy concept, which includes a modern interior design and attractive product presentation. The complimentary own brand range BENU combines high-quality products with value for money. The continuous expansion of the product portfolio contributes to strengthening BENU on a sustainable basis.

Apotek 1 – number one in Norway

Apotek 1 is the market leader in Norway. The well-established pharmacy chain keeps surprising with new ideas, such as the innovative large-store concept that was recently implemented in Kristiansand: a comprehensive range of prescription-only and -free products are available on 500 m². Furthermore, Apotek 1 has opened Europe's northernmost pharmacy in Spitsbergen and thus ensures local supply with qualified advice also in this region.

rowlands pharmacy – strong in the United Kingdom

In the United Kingdom, rowlands pharmacy holds a strong position in the market. In order to differentiate the brand, greater emphasis is being placed on health and well-being in customer contact. The pharmacies are therefore offering a variety of services in preventive care and to assist, for example, in losing weight or stopping smoking.

//

**Health is the most valuable asset.
To preserve and promote health, our pharmacy employees throughout Europe are committed every day to providing customers with professional advice.**

Holistic

"The holistic approach of PHOENIX All-in-One offers us the opportunity to mutually grow and develop our business along the entire value chain."

//

Lars Ramneborn, Senior Vice President, Pharma Division, International, Actavis, that has a long-term partnership with the PHOENIX group

All-in-One for targeted support

Services across the whole supply chain. // Sophisticated solutions for manufacturers, pharmacies, and patients. // Leveraging of synergies through Health Care Logistics. // Production of patient-specific blister packs. // Continuously enhancing services. // Optimising patient care.

Comprehensive service

With its “All-in-One” concept, the Pharma Services division of the PHOENIX group provides services across the whole supply chain. Manufacturers, pharmacies, and patients benefit from our pan-European market and logistics expertise. We are continuously expanding existing services and developing innovative concepts that create sustained added value for all stakeholders.

Health Care Logistics for manufacturers

Logistics is one of our core competences. Within the context of All-in-One, we make our long-standing know-how in this area available to the pharmaceutical industry. We closely cooperate with the manufacturers in order to consistently expand our services in line with requirements. This also allows us to identify and make use of synergies along the supply chain. More than 200 customers are already using our comprehensive range of logistics and other services. With over 180,000 pallet spaces in various temperature conditions and thanks to an integrated transport management, we meet all the requirements for the safe storage and delivery of products.

Assisting pharmacies

As a result of demographic changes, the demand for a patient-specific compilation of drugs is increasing. In several European countries, we are able to support our pharmacy customers by producing the respective blister packs according to individual requirements. For the patient, blister packing guarantees the safe administration of drugs.

Improving patient care

Providing the ideal drug supply requires professional patient care. Therefore, we have developed a patient care programme that was initially launched in the United Kingdom and the Netherlands. It is based on a detailed explanation of the disease pattern and the therapy. To increase compliance, the pharmacist additionally supports the regular administration of drugs and determines their compatibility in advance. By working hand in hand with retail and together with the industry, we are thus making a contribution towards increasing the safety and efficiency of patient care.

//

All-in-One: from logistical services to blister packing to patient care programmes – we cover the entire pharmaceutical supply chain.

Together

“We are jointly shaping the future! Together we are able to achieve our set objectives, with each person giving their best every day!”

//
Oliver Windholz, Chief Executive Officer

Committed employees for outstanding performance

Successful together for 20 years. // Targeted training for our employees. // European programmes promote knowledge transfer across borders. // Consistent exchange of best practices.

Employees are the basis of our success

Thanks to our more than 28,500 employees, today the PHOENIX group is one of Europe's leading pharmaceutical traders. We are proud of what we have achieved together over the last 20 years. The Leadership Guidelines are the foundation of this team work. They create a corporate culture geared towards the common understanding of good conduct and support solidarity across the group. The collegial cooperation between managers and employees sets the course for the further successful development of the PHOENIX group.

Further education for the future

We offer attractive training schemes for employees in all business units. Our employees receive training options that are tailored to their position, the professional requirements of the job, and their personal needs. In this way, we are not only promoting the progress of the individual, but that of the entire group. There are also special advanced training courses for senior and junior managers. These include the two training courses "European Management Development Programme" and "Top Management Education Programme", which are characterised by their distinct practical orientation and international team work.

Working together to achieve more

Together, we are committed to the advancement of the PHOENIX group and are constantly working on solutions to optimise the processes and structures in our organisation. Constructive cooperation across national borders is crucial to staying ahead of the competition. When establishing new concepts, we focus on the transfer of knowledge across locations, for example: colleagues who have already had practical experience with new processes support other branches with their implementation in an advisory capacity. The exchange of best practice solutions is simplified through online platforms and coordinated by the appropriate functions within the company.

//

A collegial and dialogue-oriented collaboration is emphasised in our company. As is further education and the group-wide transfer of knowledge.

Group management report 2013/14

Background of the Group **35**
Overview of the PHOENIX group 35
The PHOENIX group 35
Activities by business unit 36
Processes and organisation 37

Business and economic environment **38**
Overall situation of the economy and the industry 38
Situation of the PHOENIX group and development of its business 38
Investments in logistics and technology in wholesale activities 38
Acquisitions 39
Refinancing 39
Results of operations 40
Net assets 42
Financial position 43
Employees 44

Subsequent events **46**

Risks and opportunities **47**
Risks 47
Opportunities 49

Forecast **50**

Background of the Group

Leader in European pharmaceutical distribution. // Unique coverage thanks to presence in 25 countries. // Ranked among the top 3 pharmaceutical wholesalers in 20 markets. // Strategic focus on customer-oriented corporate culture, strict cost management and profit-oriented growth. // Service range systematically expanded in all business units. // Continuous improvement of processes. // Services for pharmacy customers enhanced. // Successful further development of retail segment. // PHOENIX FORWARD optimisation programme in the implementation stage.

Overview of the PHOENIX group

The PHOENIX group

The PHOENIX group is a leading European company in pharmaceutical trading and one of the largest family firms in both Germany and Europe. The core business of the PHOENIX group is pharmaceutical wholesale and retail. In addition, Group companies operate in related business areas. These companies offer pharmacy IT systems and logistic solutions as well as services for the pharmaceutical industry.

The PHOENIX group has business activities in 25 European countries. In its core business, the Company operated 152 wholesale points and a total of 1,586 pharmacies as of the end of the reporting year. This makes the PHOENIX group's country portfolio highly diversified. As the largest market, Germany makes up around one-third of consolidated revenue. None of the foreign subsidiaries make up more than 11 % of consolidated revenue.

The PHOENIX group is already among the top 3 pharmaceutical wholesalers in 20 countries. The PHOENIX group operates the retail pharmacy business mainly in the UK, Norway, the Netherlands, Switzerland, Hungary, the Czech Republic and the Baltic countries.

The activities of the PHOENIX group are geared to achieving sustainable values through a customer-oriented corporate culture, strict cost management and profit-oriented growth. Local marketing efforts address the regional differences prevailing in the various European pharmaceutical markets.

In addition to organic growth, another part of the strategy is to regularly acquire pharmacies and wholesale companies to expand the market position. The PHOENIX group also systematically expands its service range for pharmaceutical manufacturers, pharmacies and other customers.

In pharmaceutical wholesale, the PHOENIX group has long-established partnerships with pharmacy customers. Many of our pharmacy customers take part in partnership programmes. In some countries, the PHOENIX group also offers franchise systems for independent pharmacies. Regular customer surveys help to maintain a strong customer focus and, in turn, high levels of customer satisfaction.

Throughout all business units, the PHOENIX group continuously implements best practices across Europe. In addition to group-wide initiatives, the PHOENIX group mainly benefits in this regard from locally successful process optimisation measures, which serve as a starting point for improvement measures in other countries.

The Company is largely managed using the financial indicators of the income statement and the statement of financial position. The main income statement indicators are revenue and adjusted EBITDA.

Activities by business unit

Optimised services for pharmacy customers

The PHOENIX group offers an extensive portfolio of services for pharmacy customers Europe-wide, comprising training, other services and cooperation programmes. More than 13,000 independent pharmacies across Europe are members in one of our many programmes or partner projects aimed at optimising customer loyalty. The expansion of the range for pharmacy customers was also driven forward in the past fiscal year.

"Numark" – the largest cooperation programme for independent pharmacies in the UK operated by PHOENIX UK – also recorded rising numbers of members in the fiscal year 2013/14. The roughly 3,000 participating pharmacies benefit, among other things, from marketing and communication services and are therefore able to focus on providing customers comprehensive advice (including health tests).

In Slovakia, the customer loyalty programme "PARTNER" was successfully continued with a fresh new brand image. With services such as "space management", pharmacies can optimise their product presentation, for example. Overall, around 500 pharmacies have already been won with the programme.

The Betty programme was introduced in Serbia and Bosnia-Herzegovina. This offers the participating pharmacies marketing and communication services designed to stimulate sales under a unique, strong brand. This gives pharmacies competitive advantages. After its successful launch in these two countries, the programme is also to be established in Macedonia and Bulgaria in 2014. Betty already had approximately 300 members in Serbia and Bosnia-Herzegovina as of the end of the fiscal year.

To significantly increase the availability of goods, the 20 distribution centres in Germany were linked even closer together with a daily cooperation concept. Some 140,000 articles are constantly available. This means that even more goods are available for same-day delivery to pharmacies throughout Germany.

By individually combining medications for patients into blister packs, the PHOENIX group is reducing the workload of pharmacies in several European countries. BlisterCenter Aschaffenburg GmbH, Germany, recorded an increasing number of customers in the past fiscal year. In Norway, Apotek 1, the PHOENIX group's subsidiary, strengthened its leading position by systematically expanding the blister packaging business. These business activities also developed positively in the Netherlands and Finland.

Services across the entire supply chain: Pharma Services

In the area of Pharma Services, the PHOENIX group offers Europe-wide services across the entire supply chain. These comprise individual distribution solutions for the European, regional and local requirements of the industry. A comprehensive range of additional services, such as product marketing and distribution, round off the offering. The existing pan-European partnerships with leading manufacturers of generic drugs were successfully renegotiated in the past fiscal year and are being expanded further.

Continuous extension of retail brands

With BENU, the PHOENIX group has created a brand that stands for professional support and absolute customer-centricity in the pharmacy retail business. Almost 700 pharmacies in the Netherlands, Switzerland, the Baltic countries, Hungary and the Czech Republic operated under the BENU brand at the end of January 2014. BENU's integrated pharmacy concept, which is characterised by an inviting design and an appealing presentation of goods, has already been installed in a large number of pharmacies. Focusing on customers' needs, marketing and sales activities were rigorously stepped up. For example, in-store marketing in the BENU pharmacies was optimised in the Czech Republic.

BENU's comprehensive own brand range comprises products from different categories, including food supplements, first aid products and diagnostic products. Additional new product listings are planned in the body care segment for 2014.

The pharmacy brands rowlands pharmacy in the UK and Apotek 1 in Norway are firmly anchored in their markets and are continuously being enhanced. A further 23 pharmacies in the UK and 40 pharmacies in Norway were given a completely new store design or were moved to another, more attractive location.

The PHOENIX group analyses and constantly optimises its existing portfolio. The Company is optimally positioned in the retail business segment thanks to selective acquisitions and consolidation measures. The expansion of the pharmacy network through targeted acquisitions of attractive locations forms part of the strategic alignment. In the past fiscal year, a leading company was acquired in Serbia, which simultaneously represented market entry in the pharmacy retail business there.

Processes and organisation

The PHOENIX group continually optimises its structures and processes. The aim is to constantly increase efficiency and always provide the flexibility needed to respond quickly to market developments in a way that ensures long-term profitability.

In the area of finance, SAP was successfully introduced in Finland and Sweden. A group-wide switch to a uniform IT platform is scheduled for completion by the end of the fiscal year 2015/16. This should further raise the quality, efficiency and transparency of the accounting function's reporting closing process at a global and local level. It also shortens the response time for any changes needed.

In January 2013, the PHOENIX group commenced its PHOENIX FORWARD programme in order to use its position of strength to respond to the increasing pressure on margins in an environment that is burdened by more and more regulation and to the increasing frequency of waves of healthcare reform in many European markets. The aim of the programme is to generate sustainable cost savings of at least EUR 100m by means of a number of measures across the Group. To do this, a large number of measures were defined and some were already implemented in the past fiscal year. The full cost-savings effect should be achieved by the end of the fiscal year 2015/16.

Business and economic environment

Challenging economic environment. // Growth in Germany, Norway and eastern Europe. // Investments in wholesale improve logistic performance. // Pharmaceutical industry benefits from market and logistics expertise. // Refinancing continued. // Professional basic and advanced training as basis for qualified employees.

Overall situation of the economy and the industry

The overall economic environment continued to be challenging in 2013. While gross domestic product in German increased 0.5 % compared to 2012 adjusted for the calendar year, economic output in the euro zone declined by 0.4 %. The decline resulted from the first three quarters of 2013, while the fourth quarter of the year saw growth of 0.5 % in gross domestic product in the euro zone compared to the same quarter of the prior year.

The European pharmaceutical market developed modestly overall. Healthcare measures and the increase in generic drugs had a dampening effect on growth.

In contrast, strong market growth was recorded in Germany. Compared to 2012, the wholesale pharmaceutical market grew 7.3 %. At the same time, the German market continued to be dominated by fierce competition.

A positive trend was seen outside Germany, in particular in Norway, a key pharmaceutical market for the PHOENIX group. Tangible market growth was also evident in several eastern European countries. In particular, the Netherlands, France, Denmark, Hungary and the Czech Republic recorded downward trends – partly as a result of healthcare measures.

Situation of the PHOENIX group and development of its business

Investments in logistics and technology in wholesale activities

A new distribution centre opened in April 2013 in Toulouse, France, in order to be able to continue reliably serving the ever-growing customer base in the region. The entire range of products that is typical for the country is available in an area of 2,300 m^2. Future growth can also be efficiently managed by automating the new warehouse. Furthermore, the warehouse capacity at the location in Prague, Czech Republic, was increased by around 2,000 m^2. In Eindhoven, Netherlands, construction started in November 2013 on a new distribution centre with warehousing space of over 6,000 m^2. In addition, the PHOENIX group's second shuttle order-picking system went into operation in the Amsterdam distribution centre. This enables the effortless order picking of 500 lines an hour, which permanently increases productivity.

In the branch in Stockholm, Sweden, the commissioning of an order-picking terminal in October 2013 significantly increased the degree of automation. Europe-wide, computing systems that control the entire warehouse operations continued to be renewed. Systems were replaced at a total of six locations in Germany as well as at locations in Switzerland and Hungary.

Acquisitions

As was the case in the prior year, the PHOENIX group pursued a cautious acquisition strategy in the fiscal year 2013/14. In total, business combinations in the reporting year led to cash outflow of EUR 21.4m (prior year: EUR 7.7m). Cash received from divestitures amounted to EUR 6.9m (prior year: EUR 0.1m).

The business combinations in the fiscal year 2013/14 mainly concerned pharmacies in various countries and a software company.

Refinancing

Successful refinancing

At the beginning of August 2013, the existing financing facility in Italy was largely replaced by a new one. EUR 700m of the existing credit line was replaced by a new revolving credit facility of EUR 400m with a term until 31 December 2016.

Further bond issued

In May 2013, the PHOENIX group issued another corporate bond with a volume of EUR 300m, a term of seven years and an interest coupon of 3.125 %.

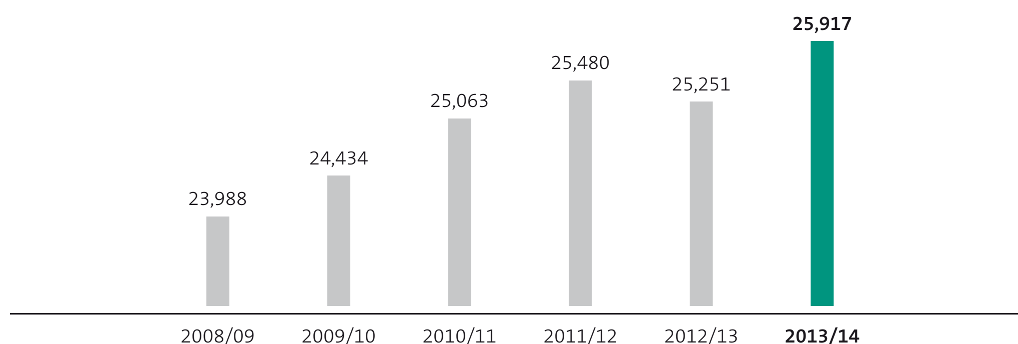
Changes in management

Effective 1 September 2013, Mr. Helmut Fischer was appointed to the management of PHOENIX Verwaltungs GmbH, the unlimited partner of PHOENIX Pharmahandel GmbH & Co KG. Mr. Fischer is responsible for finance, controlling, financial reporting and taxes. Effective 31 August 2013, Dr. Michael Majerus left the Company after financing was successfully reorganised. He is now no longer a general manager of PHOENIX Verwaltungs GmbH.

Mr. Reimund Pohl, CEO, retired as of the end of the fiscal year 2013/14 on 31 January 2014 as scheduled. Effective 1 February 2014, Mr. Oliver Windholz, responsible for sales and marketing, took over as CEO.

Dr. Hans-Ulrich Kummer, responsible for operations and logistics, left management as of 31 January 2014. Effective 1 February 2014, Mr. Frank Große-Natrop was appointed to the management of PHOENIX Verwaltungs GmbH and is now responsible for operations and logistics.

Total operating performance



Results of operations

Total operating performance, which comprises revenue and handled volumes that are not reported as revenue, increased by 2.6 % to EUR 25,917.4m in the fiscal year 2013/14. This increase was higher than average market growth.

Revenue increased by 2.7 % to EUR 21,792.4m in the fiscal year 2013/14 (prior year: EUR 21,218.7m). This was primarily attributable to revenue growth in our largest market, Germany, where we were able to gain significant market shares. This development corresponds to the statements made in the forecast of the group management report for fiscal year 2012/13. Adjusted for exchange rate effects, the increase in revenue amounts to 3.6 %. At 0.1 %, changes in the basis of consolidation did not have a significant effect on revenue development.

The gross profit margin, calculated as gross profit in relation to revenue, decreased from 10.32 % to 9.53 %. This is mainly due to the fierce competition in Germany as well as a higher share of wholesale's contribution to revenue.

Other income rose by EUR 10.7m to EUR 140.1m. This rise is in particular attributable to the gain on disposal of retail activities in Poland of EUR 4.0m.

Personnel expenses declined by 0.4 % from EUR 1,079.9m to EUR 1,076.1m. Adjusted for exchange rate effects, personnel expenses increased 1.6 % on the prior year. This is primarily attributable to collectively bargained wage increases as well as increased restructuring expenses. The first signs of the cost-saving measures of the PHOENIX FORWARD programme had a positive impact.

Other expenses rose by EUR 14.4m to EUR 703.4m. In the fiscal year 2013/14, there were higher transport costs driven by quantity effects as well as non-recurring costs in connection with the PHOENIX FORWARD optimisation programme. In addition, other expenses contained a VAT refund in the prior year. A reduction in marketing expenses and decreased consignment fees had a positive influence. Initial cost savings relating to the PHOENIX FORWARD programme also had a positive impact on other expenses.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased from EUR 553.6m to EUR 440.5m as a result of the decline in the gross margin – in particular in Germany – as well as restructuring expenses and exchange rate effects.

At EUR 461.0m, the PHOENIX group's EBITDA indicator used for comparison with net debt (adjusted EBITDA) was below the prior-year level as expected. It is determined as follows:

EUR k	FY 2012/13	FY 2013/14
EBITDA	553,613	440,483
Interest from customers	18,304	17,036
Factoring fees	5,027	3,516
Adjusted EBITDA	**576,944**	**461,035**

At EUR 192.0m, amortisation, depreciation and impairment losses were EUR 5.8m higher than in the prior year (EUR 186.2m). This was mainly due to an impairment loss recognised on goodwill of EUR 84.9m (prior year: EUR 80.0m).

The effects described led to a decrease in earnings before interest and taxes (EBIT) from EUR 367.4m in the prior year to EUR 248.4m. The return on sales based on EBIT amounted to 1.14 % (prior year: 1.73 %).

Financial result improves

The financial result improved from EUR –136.7m to EUR –105.3m. Adjusted for the premature release of transaction costs of EUR 18.4m in the prior year, the improvement amounted to EUR 13.0m. Alongside gains of EUR 7.2m from the sale of shares and equity investments, the reduction in net debt had a significant positive effect here.

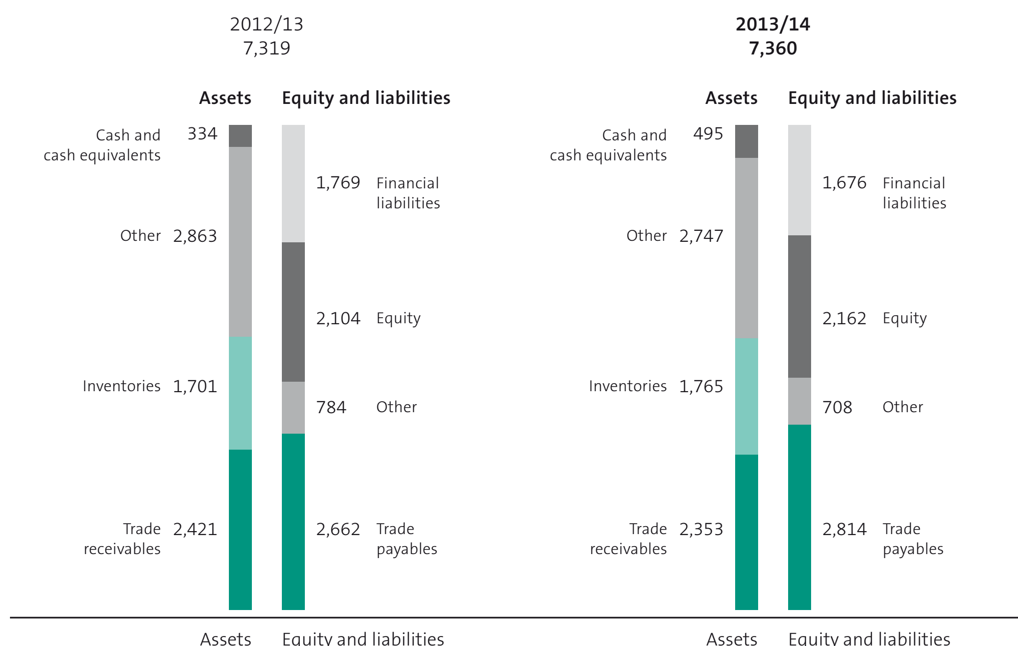
Overall, earnings before income taxes decreased from EUR 230.7m to EUR 143.1m.

Income taxes amounted to EUR 73.1m (prior year: EUR 71.2m). Income taxes contain expenses from current taxes of EUR 85.5m (prior year: EUR 86.9m) as well as deferred tax income of EUR 12.4m (prior year: EUR 15.7m). The tax rate rose to 51.1 % (prior year: 30.9 %) This was negatively impacted by goodwill impairments, which cannot be recognised for tax purposes, as well as unrecognised deferred taxes on unused tax loss carryforwards.

Profit for the period came to EUR 70.0m (prior year: EUR 159.5m). An amount of EUR 19.9m (prior year: EUR 13.6m) thereof was attributable to non-controlling interests.

The profit attributable to the owners of the parent company dropped from EUR 145.9m to EUR 50.1m.

Structure of the statement of financial position



Net assets

The Group's total assets increased slightly by 0.6 % to EUR 7,359.8m. The currency translation difference on the total assets, which is disclosed in the statement of changes in equity, amounts to EUR –83.9m (prior year: EUR –96.2m).

Intangible assets fell by EUR 56.1m to EUR 1,456.0m. This is mainly due to an impairment loss recognised on goodwill in France and Croatia totalling EUR 84.5m. As of 31 January 2014, intangible assets essentially comprised goodwill (EUR 1,101.1m; prior year: EUR 1,168.8m) and pharmacy licenses in the UK (EUR 301.9m; prior year: EUR 289.6m).

Property, plant and equipment only changed marginally compared with the prior year.

Inventories rose only slightly in comparison to the prior year by 3.8 % to EUR 1,764.5m.

Trade receivables decreased again from EUR 2,420.5m in the prior year to EUR 2,353.1m. As part of intensified accounts receivable management, measures aimed at shortening payment terms and reducing past due receivables helped to further reduce trade receivables.

Receivables amounting to EUR 114.2m had been sold as of 31 January 2014 (prior year: EUR 85.5m) under ABS and factoring programmes that are not accounted for in the statement of financial position. Under ABS and factoring programmes that are accounted for only to the extent of the continuing involvement, receivables of EUR 238.1m had been sold as of 31 January 2014 (prior year: EUR 305.3m). The Group's continuing involvement came to EUR 14.6m (prior year: EUR 19.8m).

Other receivables and other current financial assets decreased by EUR 20.6m to EUR 177.3m. The decrease chiefly stems from a decline in short-term loans as well as the fall in receivables from factoring programmes.

Financial position

Further increase in equity

Equity increased from EUR 2,103.8m as of 31 January 2013 to EUR 2,161.8m as of 31 January 2014. The equity ratio stands at 29.4 % (prior year: 28.7 %). The increase stemmed primarily from the profit for the period of EUR 70.0m (prior year: EUR 159.5m). The change in equity reflects currency translation with an effect of EUR 12.3m (prior year: EUR – 11.4m), the change in the reserve for available-for-sale financial assets with an effect of EUR – 1.2m (prior year: EUR – 0.7m) and the change in the reserve for the remeasurement of defined benefit plans with an effect of EUR – 15.4m (prior year: EUR 36.4m). At the beginning of the fiscal year, the interest income on plan assets was amended in accordance with IAS 19R. The discount rate used for discounting obligations is now also used to determine the interest income on plan assets. As of 1 February 2013, the switch resulted in a decline in reserves of EUR 21.1m and a simultaneous increase in actuarial gains of EUR 21.1m. As of 31 January 2014, the available-for-sale reserve amounts to EUR 8.0m (prior year: EUR 9.2m) and mainly contains changes in the fair values of minority investments in pharmacies.

Cash flow from operating activities came to EUR 417.0m (prior year: EUR 464.6m). The decline is mainly attributable to the lower profit for the period. The cash flow from investing activities came to EUR – 112.9m (prior year: EUR – 126.9m).

The free cash flow decreased from EUR 337.7m in the prior year to EUR 304.2m. For the change in free cash flow and cash and cash equivalents, please refer to the statement of cash flows.

Provisions for pensions only changed marginally from EUR 236.4m in the prior year to EUR 236.1m in the reporting year.

Net financial liabilities decreased

Non-current financial liabilities decreased from EUR 915.4m in the prior year to EUR 426.8m. The fixed loan of a nominal amount of EUR 300.0m taken out in the prior year was repaid in full in the fiscal year 2013/14. In May 2013, the PHOENIX group issued another corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.125 %. The bond issued in 2010 and due in July 2014 is reported under current financial liabilities as of 31 January 2014.

Current financial liabilities rose from EUR 853.4m in the prior year to EUR 1,249.2m, chiefly due to the recognition of the bond due in July 2014 of EUR 493.4m under current financial liabilities. This was countered by the repayment of a loan of EUR 96.0m granted by a related party in the prior year.

According to the calculation below, total net debt was reduced from EUR 1,611.5m to EUR 1,331.6m.

EUR k	31 Jan. 2013	31 Jan. 2014
+ Financial liabilities (non-current)	915,353	426,787
./. Supplementary partner contribution	–123,766	–123,766
./. Derivative financial instruments (non-current)	0	0
+ Financial liabilities (current)	853,445	1,249,173
./. Derivative financial instruments (current)	–2,741	–3,107
./. Cash and cash equivalents	–333,598	–494,598
./. Held-to-maturity financial assets	–58	0
./. Financial assets held for sale	0	0
+ Receivables sold in the course of factoring and ABS transactions	370,936	337,676
./. Factoring receivables	–47,254	–37,350
./. Receivables from ABS programmes	–20,799	–23,188
Net debt	**1,611,518**	**1,331,627**

The objective of financial management is to continuously improve the capital structure by reducing the level of indebtedness. In the medium term, the aim is to further strengthen the equity ratio and achieve a ratio of net debt to EBITDA of below 3.0 by retaining profits.

Trade payables increased slightly by EUR 151.5m compared with the prior year to EUR 2,813.6m.

For further information on the PHOENIX group's financial liabilities, please refer to the sections on "financial liabilities" and "other notes" in the notes to the consolidated financial statements.

Overall, the PHOENIX group was able to further strengthen its market position in the fiscal year 2013/14 as a leading pharmaceutical trader in Europe and expanded its wholesale and retail activities despite the difficult market environment.

Employees

It is thanks to the great efforts of our employees in all business units that the PHOENIX group was also able to develop further in this fiscal year. At the end of the fiscal year 2013/14, there were 28,555 employees (23,850 full-time equivalents) at the PHOENIX group across a total of 25 European countries.

Dialog-based management culture

Group-wide management guidelines are a core component of our corporate culture. A common bond is created throughout the Group by using uniform conditions for personnel management. The guidelines comprise the following topics:

- Collaboration in partnership
- Motivation and dedication

- Information
- Support and development
- Assessment and feedback
- Value added

Advanced professional training as a basis for progress

Strengthening the technical and personal competencies of management and employees is highly relevant to all local companies. The Company therefore offers attractive training measures in order to establish the preconditions for the continued successful development of the PHOENIX group.

In Germany, training is organised via the wide-ranging seminar offering from the PHOENIX Academy. Employees can choose from a total of six different subject areas: from workshops to improve team work, through training on contract management, to seminars on stress management. The offering is continuously expanded and refined based on employees' suggestions. In order to prepare employees for working with new applications, programmes or equipment, it is also possible to obtain specialised qualifications.

For employees in the pharmacy retail business, there is also a comprehensive training offering that was developed based on the exchange of best practices between group companies. Training is carried out on topics such as cross-selling, customer advice, marketing as well as on general management topics. These were partially completed in Norway via e-learning courses. In the UK, development maps help to optimally prepare employees for their tasks within the team. A further aim is to make participants aware of the value of the respective corporate brands (BENU, Apotek 1, rowlands pharmacy) and provide them training on how to implement this into the daily work. A tailored training concept was developed especially for the employees in BENU pharmacies in the fiscal year 2013/14.

Management and junior management potentials have access to high-quality training programmes at the PHOENIX group. For example, the "Junior development programme" prepares junior management potentials in Germany for their future tasks over a 14 month period. They are trained in topics such as work organisation, cooperation and self-management. In the meantime, the second group has successfully completed the programme, which was launched in 2011, and a third group has just started.

The "European Management Development Programme" is offered as a group-wide personal development measure. The programme is run in collaboration with the Mannheim Business School and Malik Management Zentrum St. Gallen. Participants are given the opportunity to develop detailed knowledge in the areas of effective and strategic management, financial and change management as well as controlling through theoretical and practical modules. The measure also holds alumni events in order to maintain the network and to promote the exchange of best practices.

The PHOENIX group offers the "Top Management Education Programme" to the highest-level managers. This is run in cooperation with IESE Business School in Barcelona. This takes into account various business-related areas while testing the drawing up of strategy concepts and the initiation and implementation of change processes in practical projects. The first group of participants successfully completed the training in 2013 – two more groups started in the past fiscal year.

The PHOENIX group also places great importance on the happiness of its employees. Regular surveys, such as those carried out in Norway, Finland, Denmark and Germany, help to constantly improve working conditions, for example, by promoting the feedback culture. By paying attention to its employees' requirements, the Company positions itself as a reliable and attractive employer.

Numerous opportunities to join the Company

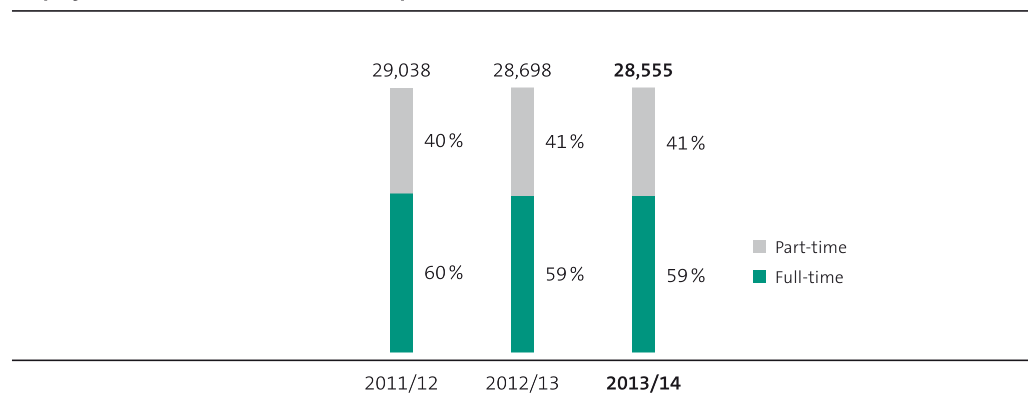
The PHOENIX group places great importance on training young employees, as this is a decisive factor in retaining loyal and qualified employees in the Company.

In its home market, Germany, the PHOENIX group employed 122 trainees and 17 students in dual training courses in the past fiscal year, 13 % more than in the prior year. Joining the PHOENIX group can be done via a training programme for wholesale and foreign trade clerks or for warehouse logistics specialists. Again, more than 80 % of trainees were taken on after completing their training, a very large portion.

In cooperation with Baden-Württemberg Cooperative State University, the Company offers dual study programms for trade, business information technology and online media. The PHOENIX group supports the group-wide exchange through international assignments – both as part of the dual study course and during a practical apprenticeship – from the first day of an employee's career.

Graduates who want to pursue a career in sales and are interested in a wide-ranging and practical training have been able to take part in a 12-month trainee programme "Sales" since the fiscal year 2012/13. With the qualification that has already been recognised by Absolventa, one of the leading job exchanges for young professionals in Germany, we won further trainees in the fiscal year 2013/14.

Employees broken down into full-time/part-time as of 31 Jan.



Subsequent events

There were no significant events after the end of the fiscal year 2013/14.

Risks and opportunities

Risk management system guarantees quick reponse time. // Continuous refinement of accounts receivable management enables optimised management. // PHOENIX group reduces risks in individual countries through broad positioning across Europe. // Integration of wholesale and retail business leads to cost savings. // Sound statement of financial position enables future growth.

Risks

The risk management system within the PHOENIX group consists of comprehensive planning, approval and reporting structures and an early warning system. The internal audit department examines this system regularly for adequacy, operability and efficiency. Findings made by the internal audit department are reported to management on a regular basis.

The PHOENIX group is subject to market risks. As a rule, the pharmaceutical market is less affected by cyclical swings than other industries, but the loss of purchasing power and cost-saving measures in government spending on healthcare can have a negative impact on the market and the Group's business.

The new Hungarian pharmacies act that entered into effect on 1 January 2012 requires pharmacists to hold an investment of at least 25 % in their pharmacies' capital as of 1 January 2014; as of 1 January 2017, pharmacists will have to hold a majority interest in their pharmacies. In this context, the PHOENIX group had to reduce its shareholding in 126 investments in pharmacies, which it did by 31 December 2013.

The earnings situation in the wholesale pharmaceutical business is also heavily influenced by the terms and conditions granted to customers and by suppliers. These depend in particular on the intensity of competition in the individual countries. This is why these terms and conditions are continually monitored on the sales and purchasing side.

In the operating business, the quality and stability of the operating processes is decisive. In many areas, there are contingency plans for maintaining operations even in the event of unforeseen interruptions. The standardisation of the IT systems also helps ensure the stability of the operating processes.

Credit risk and accounts receivable management

The credit risk at the PHOENIX group, measured in relation to total receivables, is comparatively low. Healthcare institutions normally have a good credit standing. Payment terms in the healthcare sector tend to vary from one country to another, with customary longer payment terms in southern and eastern Europe. The risk is also usually distributed over a large number of customer relationships. In the course of liberalisation of the pharmacy markets in Europe, however, pharmacy chains and new sales channels are increasingly emerging, creating a large number of major customers with a higher level of receivables outstanding.

Accounts receivables management, for which a group-wide directive is used, is constantly being refined. It standardises the allocation of all customers into risk classes. The assessment incorporates information from sales and finance, and relevant indicators are systematically taken into account. The risk assessment of existing and new customers is monitored on an ongoing basis using external and internal data. Based on the risk classification, clearly defined process steps and responsibilities apply for each class to enable an immediate response in the event of receivables becoming past due. This makes for standardised and optimised management. Particular importance is attached to the compilation of customer data with respect to pharmacy chains in order to prevent apparently independent pharmacies forming an undetected cluster risk due to the ownership structure or economic factors. The policy is put into practice throughout the organisation through corresponding policies on the separation of functions and the definition of interfaces between sales and accounts receivable management as well as a clear definition of approval requirements. Overall, the group-wide policy will improve group-wide control of the credit risk by means of standardised portfolio management adapted to local requirements and reflecting the risk-bearing capacity of each country.

Acquisition projects are continually subject to analysis

The PHOENIX group's strategy is to acquire pharmacies and wholesale companies to expand its market position. As a result, the Group is exposed to legal, fiscal, financial and operational risks from acquisitions. Acquisition projects are therefore analysed and reviewed by the central mergers & acquisitions department before they are approved by management. It may, however, happen that developments anticipated at the date of acquisition differ from the reality. This can, in turn, lead to an impairment loss being recognised on goodwill in the course of impairment testing.

Legal risks

The PHOENIX group operates in 25 European countries. In light of its strong market position, there is a risk that competitive authorities will occasionally decide in a way that is unfavourable for PHOENIX. Trade with pharmaceutical products requires compliance with certain legal requirements in the different countries. Infringements of these requirements may result in corresponding sanctions by the authorities.

Financial risks

In a financing context, PHOENIX is exposed to various risks.

In the course of the refinancing concluded in June 2012, certain financial covenants were agreed, the breach of which presents a risk to financing. The development of liabilities and covenants is monitored regularly as a result. In the fiscal year 2013/14, the agreed covenants were comfortably complied with.

Derivatives are used to hedge against interest rate and currency risks. Their use is monitored intensively on a timely basis. Derivative financial instruments are only used for hedging purposes; counterparty risks are minimised by the careful selection of trading partners.

The agreements underlying our corporate bonds contain restrictions and obligations for the PHOENIX group as issuer as are customary in the market. Failure to comply with these restrictions and obligations could result in the amount of the bond plus the interest accrued falling due.

As regards the currency translation risk, the exchange rates of the pound sterling and the Norwegian krone are of relevance for the PHOENIX group. Currency transaction risks are relevant in some eastern European countries where deliveries by the pharmaceutical manufacturers are sometimes invoiced in euro and sometimes in US dollar. For the Group, however, these are not material.

Fluctuations on the financial markets may also lead to deficits in the pension funds and the inherent risk of an unplanned increase in personnel expenses.

Tax risks

The companies of the PHOENIX group based in Germany are subject to tax field audits. Foreign subsidiaries are subject to the audit requirements of their local tax authorities. Tax back payments cannot be ruled out as a result of tax audits performed at German and foreign companies.

Please also refer to the comments in the notes to the consolidated financial statements.

Opportunities

Demographic trends and medical progress are key growth drivers for the pharmaceutical markets. The broad geographic diversification of the PHOENIX group reduces the impact of changes in healthcare policy in individual markets and provides a strong basis for successfully developing activities further. Thanks to its broad geographical coverage, for instance, the PHOENIX group can offer the pharmaceutical industry Europe-wide logistics services.

Strong market position in wholesale

The PHOENIX group holds a leading market position in pharmaceutical wholesale in almost all countries in which the Company operates. It is market leader in a large number of countries and has a particularly strong position in northern and eastern Europe and Germany. There, no competitor has comparable country coverage or market position. In addition, the PHOENIX group can fall back on long-established partnerships with pharmacy customers. Many customers take part in cooperation programmes. In some countries, the PHOENIX group also offers franchise systems for independent pharmacies. This can have a positive effect on revenue development, among other things.

Good position in a stable market

The integration of the wholesale and retail pharmaceutical business offers opportunities, allowing cost savings in pharmaceutical sales channels.

In the logistics business unit, the PHOENIX group continuously implements best practices across Europe. Process optimisation measures that are successful in one country serve as a starting point for improvement measures in other countries and can help to reduce costs there.

The sound financing structure has established the financial prerequisites for the future growth of the PHOENIX group. This applies as regards both organic growth and appropriate acquisitions.

Overall, the PHOENIX group operates in a stable market with substantial opportunities and is well positioned to successfully make use of these in order to expand its strong market position in the future.

The risks and opportunities in the pharmaceutical retail business are not subject to any major changes over time.

Forecast

Healthcare measures have a dampening effect on growth. // Sales revenue expected to increase in the fiscal year 2014/15. // Anticipated cost savings from PHOENIX FORWARD optimisation programme. // Equity could increase significantly.

We expect a stable macroeconomic environment in 2014. Moderate growth of 1.1 % in economic output is predicted for the euro zone. The German economy is expected to see somewhat stronger growth of 1.6 %. We also do not expect a noteworthy increase in the inflation rate. We expect the pharmaceutical markets in Europe to record market growth of around 1 % in 2014/15.

Healthcare measures in different countries will have a dampening effect on growth. For the fiscal year 2014/15, the PHOENIX group expects to further expand its market position in Europe through organic growth and selective acquisitions and thereby increase revenue slightly above the level of growth on the European pharmaceutical markets. Slight revenue growth is in particular expected in the German market and for Western Europe. Overall, the markets in Northern and Eastern Europe are forecast to see a stable development.

With regard to adjusted EBITDA, a slight increase is expected that will probably be higher than revenue growth on a percentage basis. An increase in total income as well as cost savings from the PHOENIX FORWARD programme will contribute to this.

The equity ratio in particular is expected to increase significantly as a result of the planned earnings course.

The current results of operations as of February so far confirm the development anticipated in the planning for 2014/15.

Management is convinced that the PHOENIX group is well positioned to achieve a positive business development in the medium and long term. The PHOENIX FORWARD programme will play an important part in this, in order to make the PHOENIX group more efficient, more effective and more agile across Europe.

Mannheim, 2 April 2014

Oliver Windholz Helmut Fischer Frank Große-Natrop Stefan Herfeld

Consolidated financial statements 2013/14

Consolidated income statement **52**

Consolidated statement of comprehensive income **53**

Consolidated statement of financial position **54**

Consolidated statement of cash flows **56**

Consolidated statement of changes in equity **58**

Notes to the consolidated financial statements **60**
- General 60
- Notes to the income statement 80
- Notes to the statement of financial position 86
- Other notes 107

Audit opinion **122**

Consolidated income statement

for fiscal year 2013/14

EUR k	Note	FY 2012/13*	FY 2013/14
Revenue	1	**21,218,687**	**21,792,370**
Cost of purchased goods and services		–19,028,919	–19,714,905
Gross profit		**2,189,768**	**2,077,465**
Other operating income	2	129,379	140,128
Personnel expenses	3	–1,079,870	–1,076,078
Other operating expenses	4	–688,925	–703,385
Result from associates	5	1,469	484
Result from other investments	5	1,792	1,869
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**553,613**	**440,483**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	–186,207	–192,049
Earnings before interest and taxes (EBIT)		**367,406**	**248,434**
Interest income		26,083	22,483
Interest expenses		–166,054	–133,977
Other financial result		3,288	6,157
Financial result	7	**–136,683**	**–105,337**
Profit before income tax		**230,723**	**143,097**
Income tax	8	–71,214	–73,070
Profit for the period		**159,509**	**70,027**
thereof attributable to non-controlling interests		13,639	19,911
thereof attributable to owners of the parent company		145,870	50,116

* Prior-year figures were restated due to presentation changes within EBITDA as well as in the financial result and income taxes as a result of the first-time adoption of IAS 19R.

Consolidated statement of comprehensive income

for fiscal year 2013/14

EUR k	FY 2012/13*	FY 2013/14
Profit for the period	**159,509**	**70,027**
Items not reclassified to the income statement		
Remeasurement of defined benefit plans	35,981	– 20,059
Items that may subsequently be reclassified to the income statement		
Gains/losses from changes in the fair value of available-for-sale financial assets	754	1,420
Reclassification adjustments	– 1,455	– 3,046
Currency translation differences	– 12,700	12,263
Other comprehensive income, net of taxes	**22,580**	**– 9,422**
Total comprehensive income	**182,089**	**60,605**
thereof attributable to non-controlling interests	11,818	14,740
thereof attributable to owners of the parent company	170,271	45,865

* Prior-year figures were restated due to first-time adoption of IAS 19R.

Consolidated statement of financial position

as of 31 January 2014

ASSETS

EUR k	Note	31 Jan. 2013	31 Jan. 2014
Non-current assets			
Intangible assets	9	1,512,059	1,455,999
Property, plant and equipment	10	801,699	791,231
Investment property	11	2,266	2,493
Investments in associates	12	18,104	17,819
Other financial assets	13	65,518	72,658
Deferred tax assets	8	132,871	118,713
Income tax receivables		4,573	4,573
		2,537,090	**2,463,486**
Current assets			
Inventories	14	1,700,595	1,764,529
Trade receivables	15	2,420,546	2,353,140
Income tax receivables		20,671	22,700
Other receivables and other current financial assets	15	197,886	177,290
Other assets	16	104,651	80,738
Cash and cash equivalents	17	333,598	494,598
		4,777,947	**4,892,995**
Non-current assets held for sale	24	3,743	3,365
Total assets		**7,318,780**	**7,359,846**

EQUITY AND LIABILITIES

EUR k	Note	31 Jan. 2013	31 Jan. 2014
Equity			
Unlimited and limited partners' capital	18	1,050,000	1,050,000
Reserves*	18	1,010,372	1,059,387
Accumulated other comprehensive income*	18	– 158,973	– 163,224
Equity attributable to partners		**1,901,399**	**1,946,163**
Non-controlling interests	18	202,401	215,678
		2,103,800	**2,161,841**
Non-current liabilities			
Financial liabilities	21	915,353	426,787
Provisions for pensions and similar obligations	19	236,441	236,097
Deferred tax liabilities	8	136,479	114,126
Other non-current liabilities		6,330	3,210
		1,294,603	**780,220**
Current liabilities			
Financial liabilities	21	853,445	1,249,173
Trade payables	22	2,662,092	2,813,606
Other provisions	20	30,599	37,279
Income tax liabilities		92,035	42,396
Other liabilities	23	282,178	275,255
		3,920,349	**4,417,709**
Liabilities directly associated with assets held for sale	24	28	76
Total equity and liabilities		**7,318,780**	**7,359,846**

* Prior-year figures were restated due to first-time adoption of IAS 19R.

Consolidated statement of cash flows

for fiscal year 2013/14

EUR k		31 Jan. 2013	31 Jan. 2014
Net profit/loss for the period*		**159,509**	**70,027**
+/–	Write-downs/write-ups of fixed assets	186,207	192,049
–/+	Gain/loss from the disposal of fixed assets	1,986	167
+/–	Increase/decrease in non-current provisions	– 3,793	– 1,957
+/–	Other non-cash expenses/income	31,794	73,251
+	Interest result*	139,971	111,494
+	Taxes*	71,214	73,070
–	Interest paid	– 139,013	– 108,846
+	Interest received	27,722	20,784
–	Income taxes paid	– 96,153	– 80,625
+	Dividends received	1,802	1,938
Result before changes in working capital		**381,246**	**351,352**
Changes in working capital		**83,340**	**65,683**
Cash inflow (+) / outflow (–) from operating activities		**464,586**	**417,035**
–	Cash paid for the purchase of consolidated companies and business units	– 7,664	– 21,373
+	Cash received from the sale of consolidated companies and business units	739	6,912
+	Cash received from disposals of non-current assets	17,914	24,424
–	Cash paid for investments in non-current assets	– 137,916	– 122,840
Cash inflow (+) / outflow (–) from investing activities		**– 126,927**	**– 112,877**

* Prior-year figures were restated due to amendments to IAS 19R.

	EUR k	31 Jan. 2013	31 Jan. 2014
Cash available for financing activities		**337,659**	**304,158**
+	Capital contribution from non-controlling interests	1,360	54
–	Payments to non-controlling interests (dividends)	– 6,988	– 3,441
+	Cash received from the issue of loans from related parties	158,000	45,000
–	Repayment of borrowings from related parties	– 62,000	– 141,000
–	Acquisition of additional shares in already consolidated companies	– 3,060	– 30
+/–	Increase/decrease in ABS/factoring liabilities	– 5,237	– 10,977
+	Cash received from the issue of bonds and loans	833,102	486,467
–	Cash repayments of bonds and loans	– 1,252,891	– 516,260
+/–	Increase/decrease in finance lease liabilities	– 1,260	– 1,156
Cash inflow (+) / outflow (–) from financing activities		**– 338,974**	**– 141,343**
Change in cash and cash equivalents		**– 1,315**	**162,815**
Cash and cash equivalents at the beginning of the period		**334,846**	**333,598**
Exchange rate effect on cash and cash equivalents		67	– 1,811
Cash and cash equivalents at the end of the period		**333,598**	**494,602**

Consolidated statement of changes in equity

for fiscal year 2013/14

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2012	**1,050,000**	**885,914**
Application of the net interest approach for pension obligations		– 16,717
1 February 2012 restated	**1,050,000**	**869,197**
Profit for the period		145,870
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**145,870**
Capital increase/reduction		0
Changes in basis of consolidation		– 3,175
Dividends		0
Other transactions with owners		– 974
Other changes		– 546
31 January 2013	**1,050,000**	**1,010,372**
1 February 2013	**1,050,000**	**1,031,516**
Application of the net interest approach for pension obligations		– 21,144
1 February 2013 restated	**1,050,000**	**1,010,372**
Profit for the period		50,116
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**50,116**
Capital increase/reduction		0
Changes in basis of consolidation		– 675
Dividends		0
Other changes		– 426
31 January 2014	**1,050,000**	**1,059,387**

Currency translation difference	IAS 39 Available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to partners	Non-controlling interests	Total equity
−84,874	**9,879**	**−125,096**	**1,735,823**	**199,800**	**1,935,623**
		16,717	0		0
−84,874	**9,879**	**−108,379**	**1,735,823**	**199,800**	**1,935,623**
			145,870	13,639	159,509
−11,370	−664	36,435	24,401	−1,821	22,580
−11,370	**−664**	**36,435**	**170,271**	**11,818**	**182,089**
			0	1,360	1,360
			−3,175	−3,730	−6,905
			0	−6,972	−6,972
			−974		−974
			−546	125	−421
−96,244	**9,215**	**−71,944**	**1,901,399**	**202,401**	**2,103,800**
−96,244	**9,215**	**−93,088**	**1,901,399**	**202,401**	**2,103,800**
		21,144	0		0
−96,244	**9,215**	**−71,944**	**1,901,399**	**202,401**	**2,103,800**
			50,116	19,911	70,027
12,348	−1,232	−15,367	−4,251	−5,171	−9,422
12,348	**−1,232**	**−15,367**	**45,865**	**14,740**	**60,605**
			0	249	249
			−675	1,371	696
			0	−3,441	−3,441
			−426	358	−68
−83,896	**7,983**	**−87,311**	**1,946,163**	**215,678**	**2,161,841**

Notes to the consolidated financial statements

as of 31 January 2014

General

The Company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, Germany ("PHOENIX" or the "PHOENIX group") is a European pharmaceuticals distribution group. PHOENIX has business activities in 25 European countries. In several countries, PHOENIX also operates pharmacy chains of its own. The registered office is located in Mannheim, Germany.

Basis of presentation

The consolidated financial statements of the PHOENIX group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), London, United Kingdom, as approved for adoption in the European Union at the reporting date and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated financial statements are presented in euros (EUR) and all values are rounded to the nearest thousand (EUR k), except when otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis. This does not apply to derivative financial instruments and available-for-sale financial assets which are measured at fair value. The income statement was prepared using the nature of expense method. The statement of financial position has been classified into current and non-current items in line with IAS 1. For the sake of clarity certain items in the statement of financial position and the income statement are summarised. Details of these items are presented in the notes to the financial statements.

The consolidated financial statements of PHOENIX as of 31 January 2014 and the year then ended were authorised for issue on 2 April 2014 by the management of PHOENIX Pharmahandel GmbH & Co KG.

Application of new accounting standards and changes in accounting policies

In the fiscal year 2013/14, PHOENIX applied the following revised standards and interpretations that are mandatory for the fiscal year 2013/14 for the first time:

IAS 19 Employee Benefits (IAS 19R)

IAS 19R replaces the interest cost and expected return on plan assets with a net interest amount. The net interest amount is calculated by applying the discount rate to the net liability (net asset) from defined benefit plans which is used to measure the present value of the defined benefit obligation. The difference between the return on plan assets and the actual return on plan assets is recognised under the item "Remeasurement of defined benefit plans" in the statement of other comprehensive income.

The retrospective application of IAS 19R had the following impact on the profit for the period and group equity of the comparative period:

- **Profit for the period:** The financial result for fiscal year 2012/13 fell by EUR 6,302k as a resulting of applying the net interest amount. Income taxes of EUR 1,690k are allocable to this, resulting in a EUR 4,612k effect on the profit for the period.

- **Group equity:** The application of IAS 19R caused actuarial gains to increase by EUR 21,144k as of 31 January 2013. Reserves changed by the same amount, meaning that overall equity did not change.

IAS 19R also resulted in additional disclosures (see note 19).

IAS 1 Presentation of Items of Other Comprehensive Income
Items of other comprehensive income are divided depending on whether they are reclassified to the income statement in subsequent periods or not. The Group's statement of comprehensive income has been adjusted accordingly.

IFRS 7 Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities
This results in additional disclosures in the notes to the financial statements with regard to offsetting financial statements. The revised version of IFRS 7 does not affect the consolidated financial statements of the PHOENIX group.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance on the fair value measurement of assets and liabilities. This resulted in additional disclosures in the notes to the consolidated financial statements of the PHOENIX group.

The amendments to IAS 36 Impairment of Assets were early adopted voluntarily, according to which disclosures are not required on the recoverable amount of cash-generating units without indication of impairment.

For better presentation of the results of operations, the following disclosure adjustments were made:

- The recognition and reversal of bad debt allowances as well as income and expenses in connection with the derecognition of receivables are netted in the item "Other operating expenses" in the income statement.

- The reversal of provisions is recorded in the income statement item in which the additions to the provision were recognised previously.

- The net effect from exchange rate gains and losses is recognised under "Other operating expenses" in the income statement.

- "Other financial income" and "Other financial expenses" are allocated to "Other financial result" under the financial result.

The comparative period has been adjusted accordingly.

Standards, interpretations and amendments issued, but not yet adopted

The IASB and IFRIC have adopted the standards and interpretations listed below, whose application is not yet mandatory for the fiscal year 2013/14 or have not yet been endorsed by the European Commission in some cases as of the reporting date.

Standard/interpretation		Effective as of the fiscal year	Endorsed by the EU
IFRS 9	Financial Instruments: Classification and Measurement	2015/16	No
IFRS 10	Consolidated Financial Statements	2014/15	Yes
IFRS 11	Joint Arrangements	2014/15	Yes
IFRS 12	Disclosures of Interests in Other Entities	2014/15	Yes
IAS 27	Separate Financial Statements	2014/15	Yes
IAS 28	Investments in Associates and Joint Ventures	2014/15	Yes
IAS 32	Offsetting of Financial Assets and Financial Liabilities	2014/15	Yes
IFRIC 21	Levies	2014/15	No

The first-time adoption of IFRS 10 Consolidated Financial Statements will not have any material effect on the consolidated financial statements of the PHOENIX group.

Through the first-time adoption of IFRS 11 Joint Arrangements, two previously proportionately consolidated entities will be included in the consolidated financial statements using the equity method. This will not have any material effect on the consolidated financial statements of the PHOENIX group.

The adoption of IFRS 12 Disclosures of Interests in Other Entities will result in additional disclosure requirements.

As regards the other standards and interpretations, we are currently examining how they might affect the consolidated financial statements of the PHOENIX group in future.

Basis of consolidation

The consolidated financial statements comprise the financial statements of PHOENIX and its subsidiaries as of 31 January 2014 and the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control. Entities continue to be consolidated until the date that such control by the parent company ceases.

The financial statements of most of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Only the entities in Norway, Luxembourg, Bulgaria, Serbia, Bosnia and Macedonia as well as some entities in Hungary have 31 December as their reporting date; one entity in Finland has 30 June as its reporting date. In general there is no material impact on the financial statements; this notwithstanding, any material impact is taken into account.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets that is not attribute to the Group. The portion of profit or loss attributable to non-controlling interests was consequently disclosed separately in the income statement from the portion attributable to the owners of the parent company. They are reported directly in equity in the consolidated statement of financial position, separately from the equity attributable to the owners of the parent company. Acquisitions of non-controlling interests and changes in the interests attributable to the parent company that do not lead to a loss of control are accounted for as equity transactions.

The entire basis of consolidation comprises 314 (31 January 2013: 270) German and foreign entities. 23 affiliates (31 January 2013: 24) were accounted for using the equity method, and two entities (31 January 2013: three) were consolidated proportionately. In addition, three special purpose entities (31 January 2013: three) were included in the basis of consolidation in accordance with the requirements of SIC 12. The complete list of shareholdings is an integral component of the notes to the consolidated financial statements and will be published in the electronic version of the German Federal Gazette.

The table presents changes in interests without loss of control in the current fiscal year.

in %	31 Jan. 2013	31 Jan. 2014
Aesculap 64 Bt.	80.00	74.33
Aesculap 98 Bt.	73.87	51.00
Apollo Bt.	99.00	74.80
Argon-Pharma Bt.	99.00	74.80
Arpad uti Bt.	73.47	68.00
Avasi Bt.	74.29	74.27
Aveszt Bt.	99.00	74.00
Belvárosi Kígyó Patika Bt.	74.00	74.07
Besztercei Bt.	99.00	74.00
Dosis Alfa Bt.	75.00	74.90
Fehérvár-Pharma Kft	75.00	74.00
Föteri Helikon Bt.	74.00	73.90
Gömör Patika Bt.	74.90	74.80
Gromed Bt.	49.86	49.85
Gyógyító Patikus Bt.	99.00	74.95
Hajnal Bt.	74.00	73.90
Horvath Bt.	65.00	51.00
Immánuel Gytár Kft	96.67	74.33
Kamilla Fötér Bt.	99.00	74.90
Kata Bt.	74.90	74.98

in %	31 Jan. 2013	31 Jan. 2014
Katonareti Agnes Bt.	74.00	51.00
Kigyo Bt.	85.12	74.80
Királyfi és Társa Bt.	99.00	69.00
Lehel Piac Patika Kft	96.67	74.67
Második PHN 2007. Kft	96.67	74.67
Mixtura 36 Bt.	65.00	51.00
Mixtura Bt.	88.30	74.90
Nadaly Bt.	99.00	74.90
Nogradi Elixir Bt.	74.00	60.00
NOVA Gyógyszertárak Zrt	99.98	99.96
Nozsobe Bt.	74.36	74.33
Nyíregy-Nova Kft	75.00	74.67
Orszagalma Bt.	99.00	74.90
Palffy Bt.	74.50	74.40
Panacea Bt.	99.00	74.80
Retsagi Köhars Bt.	65.00	51.00
Rézkígyó Bt.	75.18	74.89
Terra Bt.	74.91	70.00
Tetenyi Bt.	99.00	74.90
Thor Bt.	74.00	51.00
Várdapharma Kft	75.00	74.67
Veszter Bt./Veszter Kft	90.00	74.00
Zalaegerszegi Kigyo Bt.	80.00	49.90
Zalai Borostyankö Bt.	70.00	51.00
Zalai Harsfa Bt.	74.00	51.00
Zalár Patika Kft.	99.27	74.67
Blister Center Holding GmbH	85.00	100.00
Blister Center Aschaffenburg GmbH	60.00	90.00
Holding apotheken Van den Brekel B.V.	80.00	100.00
PLUS PHARMACIE SA	70.41	73.09
Laudanum s.r.o.	66.00	85.00
PHOENIX Zdravotnícke zásobovanie a.s.	95.79	95.87

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, exercised the exemption provision of Sec. 264b HGB.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred and assumed as of the date of exchange. It also includes the fair value of any recognised asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. On initial recognition of an acquisition, all identifiable assets, liabilities and contingent liabilities are measured at acquisition-date fair value. For each business combination, the Group decides on a case-by-case basis whether the non-controlling interests in the acquiree are measured at fair value or the proportionate share in the recognised amounts of the acquiree's net identifiable assets.

Any difference between (i) the aggregate of cost of the business combination, any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interests; and (ii) the fair value of the net identifiable assets acquired is recognised under goodwill. Following initial recognition, goodwill is valued at cost less cumulative impairment charges and not amortised. Goodwill is subjected to an impairment test at least once annually at the reporting date or whenever there is any indication of impairment.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired as of the acquisition date, the difference is recognised directly in the income statement.

Currency translation

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. This is the currency of the primary economic environment in which PHOENIX operates.

Transactions in foreign currency are translated to the functional currency at the rate prevailing on the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange prevailing at the reporting date. All exchange differences are taken to the income statement, provided they are not allocable to monetary items denominated in foreign currency which are part of a net investment in a foreign operation, in which case the exchange differences are recorded in other comprehensive income.

The assets and liabilities of group entities whose functional currency is not the euro are translated to euro at the rate of exchange prevailing as of the reporting date and their income statements are translated at average rates. The exchange differences arising on the translation are recorded in other comprehensive income until the subsidiaries are disposed of.

Changes in exchange rates on the prior year are as follows:

Country	Currency	Closing rate 31 Jan. 2013	Closing rate 31 Jan. 2014	Average rate FY 2012/13	Average rate FY 2013/14
Albania	ALL	139.5800	140.4400	139.5800	140.4400
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558
Bosnia and Herzegovina	BAM	1.9558	1.9558	1.9558	1.9558
Czech Republic	CZK	25.6190	27.5000	25.1518	26.1456
Croatia	HRK	7.5940	7.6515	7.5234	7.5839
Denmark	DKK	7.4613	7.4619	7.4459	7.4579
United Kingdom	GBP	0.8570	0.8214	0.8109	0.8487
Hungary	HUF	292.2700	313.2600	288.1052	297.6029
Latvia	LVL	0.6995	1.0000	0.6972	1.0000
Lithuania	LTL	3.4528	3.4528	3.4528	3.4528
Macedonia	MKD	61.5111	61.6850	61.5232	61.5827
Norway	NOK	7.4350	8.5110	7.4499	7.8939
Poland	PLN	4.1945	4.2488	4.1647	4.2007
Serbia	RSD	111.6013	115.9236	114.0280	113.4432
Sweden	SEK	8.6325	8.8509	8.6844	8.6698
Switzerland	CHF	1.2342	1.2220	1.2068	1.2313

Summary of significant accounting policies

Intangible assets

Purchased intangible assets are measured on initial recognition at acquisition cost plus any incidental costs of acquisition and less any trade discounts or rebates. Internally generated intangible assets are stated at cost.

Following initial recognition, intangible assets are carried at historical cost less any accumulated amortisation and any accumulated impairment losses. For the purposes of amortisation, the useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually either individually or at the cash-generating unit level. These intangible assets are not subject to amortisation. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Pharmacy licenses with indefinite useful lives are granted with unlimited protection for the sale of drugs and other pharmaceuticals products in the related territory under public law. All other pharmacy licenses are granted for periods ranging between 3 and 30 years depending on the specific license.

The useful lives of the main types of intangible assets are as follows:

- Pharmacy licenses — indefinite or 3 to 30 years
- Software — 3 to 5 years
- Trademarks — indefinite or 18 years

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Maintenance and repair costs are expensed as incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

With the exception of land, property, plant and equipment is depreciated over the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method are reviewed at least at the end of each reporting period.

The useful lives of the main types of tangible assets are as follows:

- Buildings — 25 to 50 years
- Technical equipment and machines — 5 to 14 years
- Other equipment, fixtures and fittings — 3 to 13 years

Investment property

Investment property is property held to earn rentals and/or for capital appreciation. It is recognised at cost less depreciation and any impairment losses using the cost method as for property, plant and equipment.

Investments in associates

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are reported using the equity method and initially measured at cost. Goodwill relating to associates is included in the carrying amount of the investment and is not amortised or tested for impairment separately.

The income statement reflects the Group's share of the associates' profit or loss for the period. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Any unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying amount and recognises the difference in the income statement.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a very likely sale transaction. They are measured at the lower of their carrying amount or fair value less cost to sell.

Impairment of non-financial assets

Property, plant and equipment and intangible assets with finite useful lives are reviewed at each reporting date to determine whether there is any indication that they may be impaired. If this is the case, the recoverable amount of the asset is determined. The recoverable amount is the higher of fair value less costs to sell and value in use. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in profit or loss for the difference between the carrying amount and the recoverable amount. For the purpose of impairment testing, assets are allocated to the smallest identifiable group of assets that generates cash inflows. If the cash flows are not separately identifiable for an asset, the impairment test is performed on the basis of the cash-generating unit to which the asset belongs.

If the reasons for an impairment loss no longer apply, it is reversed up to the new recoverable amount. The upper limit for the reversal of impairment losses is the amortised cost that would have been determined if no impairment losses had been charged.

For impairment testing, goodwill is assigned to the cash-generating units. Impairment testing of cash-generating units is performed at least once a year or whenever there is any indication that the carrying amount of a cash-generating unit may exceed the recoverable amount. Where the recoverable amount of the cash-generating unit falls short of the carrying amount of its net assets, an impairment loss is recognised in accordance with the requirements of IAS 36. Impairment losses recognised on goodwill may not be reversed in subsequent periods.

The recoverable amount of the cash-generating units (or groups of cash-generating units) is determined on the basis of value in use. Free cash flows are discounted using the weighted average cost of capital. The free cash flows are based on financial budgets approved by management covering a detailed planning period of four years.

Impairment losses are recognised on intangible assets with indefinite useful lives according to the same principles. If the reasons for an impairment loss no longer apply, it is reversed up to the new recoverable amount.

Financial assets and financial liabilities (financial instruments)

Measurement and recognition of financial assets and financial liabilities

Financial instruments are recognised when PHOENIX becomes a party to the contractual provisions of the instrument. Regular way purchases are recognised on the settlement date.

Financial assets and **financial liabilities** are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

At initial recognition **financial assets** are classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets or financial assets at fair value through profit or loss. The subsequent measurement and recognition of financial assets depends on their classification.

Other financial assets classified as available-for-sale financial assets in accordance with IAS 39 are measured at fair value with unrealised gains or losses recognised in other comprehensive income. Financial assets for which no quoted market price is available, and whose fair value cannot be reliably measured, are carried at cost. When the asset is derecognised, the cumulative gain or loss recorded in equity is recognised in the income statement. If the asset is determined to be impaired, the cumulative loss recorded in equity is recognised in the income statement. Non-derivative other financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Group has the positive intention and ability to hold it to maturity. They are measured at amortised cost.

Trade receivables are classified as loans and receivables and are measured at amortised cost, where appropriate applying the effective interest method. All discernible specific risks and impairment losses are accounted for through the use of an allowance account. Reversals are carried out if the reasons for the impairment no longer apply. Default leads to the immediate derecognition of the receivables.

Other receivables are categorised as loans and receivables and are measured at amortised cost. Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. Gains and losses are recognised when the loans are derecognised or impaired, as well as through the amortisation process due to the effective interest method. All discernible specific risks and impairment losses related to customer loans are accounted for through the use of an allowance account.

At initial recognition **financial liabilities** are classified as financial liabilities at amortised cost or as financial liabilities at fair value through profit or loss.

Financial liabilities and **trade payables** are carried at amortised cost using the effective interest method, if appropriate. Gains and losses are recognised when the liabilities are derecognised. The gain or loss on the hedged item in a fair value hedge under IAS 39 attributable to the hedged risk leads to an adjustment of the carrying amount of the hedged item.

The Group has not designated any non-derivative financial assets or financial liabilities at fair value through profit or loss.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

The Group has not issued any financial guarantees for a consideration.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of assets is impaired. Financial assets that are not measured at fair value through profit or loss are deemed to be impaired if there is objective evidence of impairment (e.g., debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults). PHOENIX assesses individually whether objective evidence of impairment exists for financial assets. Furthermore assets are included in a group of financial assets with similar credit risk characteristics and are assessed collectively for impairment. Any impairment loss is recognised in profit or loss.

Financial assets measured at amortised cost are impaired when the present value of estimated future cash flows is lower than the carrying amount. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. In case of a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Impairment losses of available-for-sale financial assets are measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement. Any impairment loss is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Impairment losses charged on equity instruments are not reversed through the income statement, but are recognised in other comprehensive income.

Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired. In addition a financial asset is derecognised when the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

PHOENIX sells significant volumes of receivables through securitisation programmes or factoring transactions. When the receivables sold do not meet IAS 39 derecognition requirements the receivables are recognised in the consolidated financial statements even though they have been legally sold. A corresponding financial liability is recorded in the consolidated statement of financial position. Gains and losses related to the sale of such assets are not recognised until the assets are removed from the consolidated statement of financial position. Within certain securitisation programmes PHOENIX has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset. These transactions are recognised to the extent of the Group's continuing involvement.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risks. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising during the period from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the income statement.

In the case of derivatives with quoted market prices, fair value is the positive or negative fair value, if necessary after any reduction for counterparty risk. If no quoted market prices are available, fair value is estimated on the basis of the conditions obtained at the end of the reporting period, such as interest rates or exchange rates, and using recognised valuation techniques, such as discounted cash flow models or option pricing models.

PHOENIX does not use hedge accounting at present.

Inventories

Inventories are initially recognised at cost based on the first in first out (FIFO) method. Costs incurred in bringing each product to its present location and condition are included in cost at initial recognition.

At each reporting date, inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits.

Equity

The components of equity are recognised in accordance with IAS 32 (rev. 2008). Financial instruments have to be classified on initial recognition as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangements and the definitions of IAS 32 (2008). The capital contributions of the unlimited and limited partners of PHOENIX Pharmahandel Gesellschaft mit beschränkter Haftung & Co KG (puttable instruments) are classified as equity as all criteria of IAS 32 (2008) were satisfied. The criteria for puttable instruments that should be classified as an equity instrument are:

a) The instrument entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation.

b) The instrument is in the class of instruments that is subordinate to all other classes of instruments.

c) All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.

d) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments as set out in the definitions for financial liabilities in accordance with IAS 32.

e) The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instruments).

The supplementary contributions made by PHOENIX's partners as of 31 January 2008 are classified as financial liabilities in accordance with IAS 32 (2008). The supplementary contributions are also puttable instruments, but do not satisfy all criteria required by IAS 32 (2008).

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in retained earnings.

Pensions and other post-employment benefits

Obligations for defined benefit plans are determined using the projected unit credit method in accordance with IAS 19, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future wage and salary increases. The interest rate used to determine the net obligation was set on the basis of high-quality fixed-interest securities with a term to maturity corresponding to the duration of the pension plans in the relevant country. All actuarial gains and losses are recognised in other comprehensive income. Past service cost is expensed immediately.

Provisions

A provision is recognised when there is a present (legal or constructive) obligation towards a third party on the basis of a past event where it is more likely than not that there will be an outflow of resources to settle the obligation and the obligation can be reliably estimated. Provisions are stated at the amount needed to settle the obligation and are not netted against positive contributions to earnings. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Current and deferred taxes

The tax expense of the period comprises current and deferred taxes. Taxes are recognised in the income statement, unless they relate to items recognised directly in equity or in other comprehensive income in which case the taxes are also recognised in equity or in other comprehensive income.

Current income tax charge

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income taxes

Deferred taxes are recognised for all temporary differences between the tax base of the assets/liabilities and their carrying amounts pursuant to the IFRS financial statements (liability method). Deferred tax assets are also recognised on unused tax losses and tax credits. Deferred taxes are measured using the tax rates and tax provisions enacted or substantively enacted by the reporting date and that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries and associates are recognised, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Leases

Leases are classified either as finance leases or as operating leases. Leases where the Group as lessee retains substantially all the risks and rewards of ownership of the asset are classified as finance leases. In this case the Group recognises the leased asset at the lower of fair value and present value of the minimum lease payments and depreciates the leased asset over the estimated useful life of the asset or the shorter contract term. A corresponding liability is recognised at the same time, which is repaid and reduced in subsequent periods using the effective interest method. All other leases where the Group is the lessee are classified as operating leases. In this case, the lease payments are recognised as an expense on a straight-line basis.

Leases where the Group is the lessor and does not transfer substantially all the risks and rewards of ownership of the asset to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and concluding an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Revenue recognition
PHOENIX mainly generates revenue from the sale of pharmaceuticals and related goods and – to a lesser extent – from the rendering of services.

In cases where PHOENIX acts as principal, i.e., has the exposure to the significant risks and rewards associated with the sale of goods, (gross) revenue from the sale of pharmaceuticals and related goods is recorded. Indicators for this case are contract situations in which the Group has the primary responsibility to meet the obligations towards the customer, carries the significant risks and rewards attributable to inventory, has latitude over product pricing and bears the credit risk of the sales transaction.

In cases where the Group acts as an agent revenue is recorded in the amount of the commission. This is the case where, on aggregate, the above indicators are not satisfied. This situation occurs when PHOENIX does not bear substantially all the risks and rewards of ownership of merchandise. Merchandise is then stocked on a commission basis.

Revenue from the sale of pharmaceuticals and related goods is recognised when PHOENIX has transferred to the buyer the significant risks and rewards of ownership of the goods, when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Revenue from services is recognised upon performance of the related services.

Government grants
Government grants paid as compensation for expenses or losses already incurred are recognised in the period in the income statement in which the corresponding claim arises.

Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions. Estimates are made primarily for the measurement of assets, liabilities and contingent liabilities acquired through business combinations, impairment tests according to IAS 36, measurement of provisions for pensions, other provisions as well as income taxes, particularly related to deferred tax assets on the carryforward of unused tax losses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions and estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of non-financial assets

The Group's impairment test for goodwill is principally based on value in use calculations that use a discounted cash flow model (weighted average cost of capital approach). The cash flows are derived from the budget for the next four years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The recoverable amount is most sensitive to the perpetual capital expenditures and the discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Intangible assets with indefinite useful lives are based on fair value less costs to sell calculations that use a relief from royalty approach or an EBITDA multiple.

Further details on impairment are disclosed in Note 9.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 8.

Bad debt allowance for trade receivables and other assets

Recording a bad debt allowance or derecognising receivables and other assets is to a large extent based on judgement, taking into account the ability of the debtor to pay outstanding balances.

Further details on bad debt allowances are disclosed in Note 15.

Pension benefits

The cost of defined benefit plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuation involves making various assumptions. The actuarial valuation involves making assumptions about interest rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rates of high-quality fixed-interest securities with a duration corresponding to the pension plans in the related country. The mortality rate is based on publicly available mortality tables for the specific country.

Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used are given in Note 19.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details on financial instruments can be found in the note "Additional information on financial instruments".

Revenue recognition

Under IAS 18, the gross versus net sales presentation of distribution agreements with pharmaceuticals suppliers depends on whether the Group acts as a principal or an agent. This judgement requires among others an estimation of the risks and rewards related to inventories and trade receivables incurred by PHOENIX in the context of these distribution agreements.

Further details on revenue are disclosed in Note 1.

Business combinations

The business combinations carried out in fiscal 2013/14 and fiscal 2012/13 are explained below. Business combinations are initially accounted for using the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal 2013/14, the cumulative profit for the period of the Group's acquirees came to EUR 595k and revenue to EUR 20,433k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 31,738k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 957k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Other
Cash and cash equivalents	24,609
Equity instruments	0
Acquisition-date fair value of previously held equity interests	0
Total cost	**24,609**
Intangible assets	9
Other non-current assets	680
Inventories	2,005
Trade receivables	1,973
Cash and cash equivalents	1,387
Other current assets	503
Non-current liabilities	738
Current liabilities	4,814
Net assets	**1,005**
Non-controlling interests	0
Net assets acquired	**1,005**
Bargain purchase	**0**
Goodwill	**23,604**

Other business combinations

In fiscal year 2013/14, the Group mainly acquired additional pharmacies and a software company in business combinations that are individually immaterial.

Other business combinations include contingent consideration of EUR 1,033k (maximum amount expected).

The goodwill arising on those acquisitions was allocated to the cash-generating units Czech Republic (EUR 7,842k), Switzerland (EUR 5,915k), Germany (EUR 3,656k), Norway (EUR 3,470k), Latvia (EUR 2,150k) and the Netherlands (EUR 571k) and is managed in the local functional currencies (CZK, CHF, NOK and EUR).

Non-controlling interests were recognised at the proportionate identifiable net assets in the acquirees.

EUR 7,129k of the recognised goodwill from business combinations is expected to be tax deductible.

Due to the information available, the measurement of individual areas of assets and liabilities could not be finalised as of the reporting date.

Business combinations in fiscal 2012/13

In fiscal 2012/13, the cumulative profit for the period of the acquirees came to EUR 915k and revenue to EUR 15,037k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 27,881k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 1,627k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Other
Cash and cash equivalents	9,117
Equity instruments	0
Acquisition-date fair value of previously held equity interests	936
Total cost	**10,053**
Intangible assets	41
Other non-current assets	818
Inventories	2,054
Trade receivables	3,072
Cash and cash equivalents	1,683
Other current assets	484
Non-current liabilities	575
Current liabilities	4,687
Net assets	**2,890**
Non-controlling interests	215
Net assets acquired	**2,675**
Bargain purchase	**0**
Goodwill	**7,378**

Other business combinations

In fiscal year 2012/13, the Group mainly acquired additional pharmacies and a sales entity in business combinations that are individually immaterial.

Other business combinations include contingent consideration of EUR 1,078k (maximum amount expected).

In the course of business combinations achieved in stages, a profit of EUR 43k was obtained from the remeasurement of the share in equity held prior to the acquisition date.

The goodwill arising on those acquisitions was allocated to the cash-generating units Norway (EUR 2,302k), Serbia (EUR 1,858k), Switzerland (EUR 1,315k), Finland (EUR 700k), Estonia (EUR 670k), Czech Republic (EUR 315k) and Latvia (EUR 218k) and is managed in the local functional currencies (NOK, RSD, CHF, CZK, LVL and EUR).

Non-controlling interests were recognised at the proportionate identifiable net assets in the acquirees.

EUR 1,316k of the recognised goodwill from business combinations is expected to be tax deductible.

Business combinations were initially accounted for on the basis of a provisional purchase price allocation that was finalised in fiscal 2013/14. The previously recognised values did not have to be adjusted.

Notes to the income statement

1 Revenue

The Group's revenue mainly consists of the sale of pharmaceuticals and related goods (EUR 21,474,939k in fiscal 2013/14 and EUR 20,903,112k in fiscal 2012/13). The smaller portion of revenue is attributable to distribution fees and consignment warehouse fees, the sale of pharmacy IT systems, transport services and other services.

2 Other operating income

EUR k	FY 2012/13*	FY 2013/14
Net gain on disposal of fixed assets	2,534	2,440
Income from services	33,674	39,154
Rental income	8,153	8,473
Marketing and other services	35,024	32,945
Allocation of freight costs	4,497	6,850
Other	45,497	50,266
Other operating income	**129,379**	**140,128**

* Prior-year figures were restated due to a change in presentation.

The "other" item contains a number of individual items, such as energy cost markups, gains on deconsolidation and own work capitalised. It also contains government grants of EUR 117k (prior year: EUR 0k).

3 Personnel expenses

EUR k	FY 2012/13	FY 2013/14
Wages and salaries	831,155	840,293
Social security contributions, retirement benefits and similar expenses	189,071	180,189
Other personnel expenses	59,644	55,596
	1,079,870	**1,076,078**

The average headcount measured in full-time equivalents (FTEs) decreased by 42 to a total of 23,844. Other personnel expenses mainly include training expenses and costs for temporary personnel.

The average headcount (FTEs) breaks down as follows by region:

EUR k	FY 2012/13	FY 2013/14
Western Europe	13,472	13,341
Eastern Europe	5,090	5,229
Northern Europe	5,324	5,274
	23,886	**23,844**

The average headcount of entities that were consolidated proportionately was 6 (prior year: 9).

The line item “wages and salaries” includes an amount of EUR 19,286k (prior year: EUR 11,697k) for severance payments and similar costs.

4 Other operating expenses

EUR k	FY 2012/13*	FY 2013/14
Transport costs	238,499	245,896
Lease and rental costs	115,873	119,126
Exchange rate gains/losses	– 2,333	– 563
Net write-downs on receivables	15,915	12,845
Other building and equipment costs	55,100	55,967
Marketing and advertising expenses	56,122	51,262
Communication and IT expenses	43,116	43,454
Legal and consulting fees	41,778	50,392
Repair and maintenance costs	37,938	36,650
Net loss on the disposal of assets	4,542	2,607
Other taxes	– 7,918	8,389
Office supplies	9,410	10,467
Insurance costs	7,230	6,626
Expenses related to ABS/factoring	5,027	3,516
Other	68,626	56,751
Other operating expenses	**688,925**	**703,385**

* Prior-year figures were restated due to a change in presentation.

The development of bad debt allowances is presented in Note 15.

In fiscal year 2013/14, the auditor of the financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, received audit fees of EUR 577k (prior year: EUR 509k), other attestation fees of EUR 193k (prior year: EUR 30k), tax advisory fees of EUR 107k (prior year: EUR 510k) and EUR 76k (prior year: EUR 112k) for other services.

The “other” item contains various individual items, such as consignment fees, contributions to professional associations and administrative expenses.

5 Result from associates and other investments

The result from associates mainly includes the profit from several associates, chiefly non-controlling interests in pharmacies.

6 Amortisation of intangible assets and depreciation of property, plant and equipment

EUR k	FY 2012/13	FY 2013/14
Amortisation of intangible assets and depreciation of property, plant and equipment	105,944	107,494
Impairment of pharmacy licenses	263	259
Reversal of impairment losses	0	– 650
Impairment of goodwill	80,000	84,946
	186,207	**192,049**

7 Financial result

EUR k	FY 2012/13*	FY 2013/14
Interest income	26,083	22,483
Interest expenses	– 166,054	– 133,977
Other financial result	3,288	6,157
Financial result	**– 136,683**	**– 105,337**

* Prior-year figures were restated due to first-time adoption of IAS 19R and other reclassifications.

Interest income includes interest income from customers of EUR 17,036k (prior year: EUR 18,304k).

Interest expenses of the comparative period contained EUR 18,433k in connection with the premature redemption of the former financing.

The other financial result includes exchange rate gains of EUR 117,452k (prior year: EUR 118,256k) and exchange rate losses of EUR 110,476k (prior year: EUR 119,465k). Changes in the market value of derivatives gave rise to income of EUR 80,872k (prior year: EUR 76,383k) and expenses of EUR 88,916k (prior year: EUR 73,915k).

The other financial result includes gains from the disposal of financial assets of EUR 7,248k classified as available for sale (prior year: EUR 1,961k).

The financial result includes interest income and interest expenses of EUR – 103,094k on financial assets and liabilities that are not classified as “at fair value through profit or loss” (prior year: EUR – 129,193k).

8 Income tax

The major components of tax expense are summarised in the following table:

EUR k	FY 2012/13*	FY 2013/14
Current taxes	86,879	85,497
Deferred taxes	– 15,665	– 12,427
	71,214	**73,070**

* Prior-year figures were restated due to first-time adoption of IAS 19R.

The current income taxes include income for prior periods of EUR 3,708k (prior year: EUR 8,411k) and expenses of EUR 1,930k (prior year: EUR 3,579k).

By using previously unused tax losses, the current income taxes were reduced by EUR 0k (prior year: EUR 1,464k).

In fiscal year 2013/14, net tax income (after non-controlling interests) of EUR 27,490k was recognised outside profit or loss (prior year: tax expense of EUR 16,416k). This amount results from actuarial gains and losses from pension obligations (EUR 4,270k; prior year: EUR – 15,234k); net investments in foreign operations (EUR 22,894k; prior year: EUR – 1,529k) and changes in the fair value of financial assets classified as available for sale (EUR 326k; prior year: EUR 347k), which are recognised in other comprehensive income. EUR 377k (prior year: EUR 460k) related to reclassification adjustments.

The deferred taxes at year end were calculated using the tax rates applicable for the respective entities in their respective countries.

In the current fiscal year, the tax rate applicable in the UK decreased by three percentage points, in Finland by 4.5 percentage points and in Sweden by 4.3 percentage points.

A reconciliation of the expected income tax expense to actual income tax expense using the average tax rate of the Group is presented in the table below:

	FY 2012/13*		FY 2013/14	
	EUR k	in %	EUR k	in %
Profit before tax	**230,723**	**100.0**	**143,097**	**100.0**
Expected income tax expense	**55,374**	**24.0**	**37,205**	**26.0**
Impact of changes to tax rates on deferred taxes	– 8,620	– 3.7	– 8,030	– 5.6
Tax effect of non-deductible expenses and tax-exempt income	7,352	3.2	4,062	2.8
Effect of taxes relating to prior years recognised in the fiscal year	– 3,032	– 1.3	57	0.0
Effect of differing national tax rates	– 8,989	– 3.9	– 4,569	– 3.2
Effect of impairments/adjustments to carrying amounts	1,486	0.6	22,193	15.5
Effect of impairment on goodwill	14,621	6.3	25,015	17.5
Other effects	13,022	5.7	– 2,864	– 2.0
Income taxes	**71,214**	**30.9**	**73,070**	**51.1**

* Prior-year figures were restated due to first-time adoption of IAS 19R.

Other effects comprise a deferred tax income of EUR 3,337k (prior year: deferred tax expense EUR 3,451k) relating to temporary differences associated with investments in subsidiaries.

The deferred tax assets and the deferred tax liabilities are summarised in the following table:

EUR k	31 Jan. 2013 Deferred tax assets	31 Jan. 2013 Deferred tax liabilities	31 Jan. 2014 Deferred tax assets	31 Jan. 2014 Deferred tax liabilities
Intangible assets	7,148	74,755	8,266	73,208
Property, plant and equipment	5,740	41,376	3,813	39,971
Financial and other assets	13,288	17,162	7,898	11,097
Inventories	6,644	3,836	6,573	4,101
Assets classified as held for sale	32	593	0	484
Provisions	48,536	1,206	48,130	949
Liabilities	5,980	8,546	7,834	11,076
Deferred taxes on temporary differences	**87,368**	**147,474**	**82,514**	**140,886**
Deferred taxes on unused tax losses	56,498	0	62,959	0
Netting	– 10,995	– 10,995	– 26,760	– 26,760
Total deferred taxes	**132,871**	**136,479**	**118,713**	**114,126**

Deferred tax assets are recognised on unused tax losses at the amount at which the associated tax benefits are likely to be realised through future taxable profit. The Group has not recognised deferred tax assets on unused tax losses and future interest benefits of EUR 222,409k (prior year: EUR 110,405k). Deferred taxes include income from previously unused tax losses of EUR 489k (prior year: EUR 1,928k). The unused tax losses and interest carryforwards expire as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Within one year	0	0
After one year, but within two years	90	0
After two years, but within three years	319	0
After three years, but within four years	566	0
After four years, but within five years	540	0
After five years	510	0
Unused tax losses and interest carryforwards that do not expire	108,380	222,409
	110,405	**222,409**

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 2,434,655k (prior year: EUR 2,897,455k) because these reserves are intended to be indefinitely reinvested in the operations of subsidiaries.

Notes to the statement of financial position

9 Intangible assets

EUR k	Rights and licenses	Goodwill	Prepayments
Cost			
1 February 2012	**419,392**	**1,316,913**	**1,284**
Currency translation	–6,741	–9,360	–13
Changes in the basis of consolidation	3	–168	0
Additions	9,964	7,742	2,942
Disposals	–1,640	–713	–2
Reclassifications	797	0	–528
31 January 2013	**421,775**	**1,314,414**	**3,683**
Currency translation	10,889	–4,595	–6
Changes in the basis of consolidation	5	0	0
Additions	8,859	24,478	4,212
Disposals	–1,968	–64	–379
Reclassifications from non-current assets held for sale	–945	–11,031	0
Reclassifications	1,962	0	–2,234
31 January 2014	**440,577**	**1,323,202**	**5,276**
Accumulated amortisation			
1 February 2012	**70,816**	**65,629**	**25**
Currency translation	689	0	0
Additions	11,897	0	0
Amortisation and impairment	268	80,000	0
Disposals	–1,372	0	0
Reclassifications	–139	0	0
31 January 2013	**82,159**	**145,629**	**25**
Currency translation	–910	0	–2
Additions	12,502	0	0
Amortisation and impairment	259	84,946	0
Reversal of impairment losses	–650	0	0
Disposals	–1,766	0	0
Reclassifications from non-current assets held for sale	–466	–8,449	0
Reclassifications	–221	0	0
31 January 2014	**90,907**	**222,126**	**23**
Net carrying amount			
31 January 2013	**339,616**	**1,168,785**	**3,658**
31 January 2014	**349,670**	**1,101,076**	**5,253**

The item “Rights and licenses” mainly contains pharmacy licenses and brand names with indefinite useful lives in the UK totalling EUR 303,803k (31 January 2013: EUR 291,517k). The useful life for such licenses has been assessed as indefinite due to the fact that such licenses are granted for an unlimited time period.

Goodwill

Goodwill carrying amounts in EUR k Country	Currency	31 Jan. 2013	31 Jan. 2014
Germany	EUR	40,458	43,280
Hungary	HUF	77,609	74,886
Netherlands	EUR	139,329	140,024
Switzerland	CHF	122,360	128,833
France	EUR	70,442	0
United Kingdom	GBP	288,663	295,170
Sweden	SEK	40,639	40,639
Denmark	DKK	44,797	44,797
Norway	NOK	182,361	183,391
Croatia	HRK	14,192	0
Other		147,935	150,056
Total		**1,168,785**	**1,101,076**

Impairment testing of goodwill

The impairment test involves comparing the carrying amount of a cash-generating unit with its recoverable amount.

The calculations of the recoverable amounts for the cash-generating units are most sensitive to the following assumptions:

- Future free cash flows
  The main components of these free cash flows are EBITDA and the growth rate after the planning period, the cash flow from the change in working capital and the cash flow from investing activities.
- Discount rates

As a rule, a terminal growth rate of 0.5 % is used to extrapolate the EBITDA and cash flow from the change in working capital of the last planning period (prior year: 0.5 %). The EBITDA trend after the planning period is adjusted to what management estimates is a sustainable EBITDA in specific cases for individual cash-generating units, if the general growth rate does not tally with management’s medium-term expectations.

The perpetual cash flow from investing activities is calculated using historical data. This averages 0.5 % of revenue (prior year: 0.5 %).

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates are derived on the basis of the capital asset pricing model. The discount rates are generally adjusted to reflect the market assessment of country-specific risks for which future estimates of cash flows have not been adjusted.

The discount rate is determined using a two-phase approach. The phase one discount rate is used to discount the future cash flows in the planning period and the second phase discount rate is used to calculate the terminal value. The difference between the discount rates used in phases one and two corresponds to a growth mark-down and stands at 0.5 % (prior year: 0.5 %).

The following table shows the phase one pre-tax discount rates (WACC) for material cash-generating units:

in %	31 Jan. 2013	31 Jan. 2014
Discount rate (WACC before tax)		
Germany	9.48	9.10
United Kingdom	10.15	10.15
Netherlands	9.07	8.76
France	9.99	8.84
Switzerland	7.91	7.36
Hungary	13.45	13.56
Croatia	12.48	13.15
Denmark	9.57	9.24
Sweden	9.06	8.81
Norway	9.84	9.52
Other	9.47 – 13.14	8.91 – 14.66

As of 31 January 2014, there were impairment losses for the cash-generating units France and Croatia.

EUR k	31 Jan. 2013	31 Jan. 2014
Impairment of goodwill		
Italy	80,000	0
France	0	70,442
Croatia	0	14,104
	80,000	**84,546**

Furthermore, an impairment loss of EUR 400k (prior year: EUR 0k) was recognised in fiscal year 2013/14 on the goodwill of a disposal group which is allocated to the cash-generating unit Germany.

For the cash-generating unit France, the recoverable amount was lower than its carrying amounts primarily due to the reduction in the medium-term earnings forecast on account of the difficult environment. The impairment loss is based on the value in use. There are no indications that the fair value less costs to sell leads to a higher recoverable amount than the value in use.

Due to an increase of the discount rate, among other things, the recoverable amount of the cash-generating unit Croatia was lower than its carrying amount. The impairment loss is based on the value in use. There are no indications that the fair value less costs to sell leads to a higher recoverable amount than the value in use.

The impairment loss is allocated by writing down the carrying amount of the goodwill in the cash-generating unit. The decrease in the carrying amount charged against income is treated as an impairment loss and is recognised in the line item "Amortisation of intangible assets and depreciation of property, plant and equipment" in the income statement.

A marginal change in the future cash flows or in the discount rate of the material cash-generating units UK, Switzerland, Netherlands and Italy would lead to carrying amounts exceeding the value in use.

The UK cash-generating unit's value in use exceeds its carrying amount by EUR 74,911k. A 9.7 % increase in the discount rate or a 9.7 % decrease in future free cash flow would eliminate this gap.

The Switzerland cash-generating unit's value in use exceeds its carrying amount by EUR 25,684k. A 13.3 % increase in the discount rate would eliminate this gap.

The Netherlands cash-generating unit's value in use exceeds its carrying amount by EUR 28,639k. A 9.1 % increase in the discount rate or a 9.3 % decrease in future free cash flow would eliminate this gap.

The Italy cash-generating unit's value in use exceeds its carrying amount by EUR 35,803k. A 6.7 % increase in the discount rate or a 6.7 % decrease in future free cash flow would eliminate this gap.

Impairment testing of intangible assets with indefinite useful lives

The trademarks "Numark" and "Pharmavie" were tested for impairment as of 31 January 2013 and 2014. The fair value of the trademarks is determined based on a relief from royalty approach using the recent business plans as of the testing date and an appropriate royalty rate of between 0.1 % and 2.0 % (prior year: 0.1 % to 2.0 %). Costs to sell have been deducted in order to derive the fair value less costs to sell. It was not necessary to recognise any impairment losses on the trademarks as of 31 January 2013 and 2014.

The pharmacy licenses of L Rowland & Co. (Retail) Ltd., UK, were tested for impairment as of 31 January 2013 and 2014. The recoverable amount of the licenses in fiscal year 2013/14 was based on the fair value less costs to sell, which was determined using a market price model. The pre-tax discount rate is 9.0 % (prior year: 10.2 %). The terminal growth rate used to extrapolate the income of the last planning period is 2.5 % (prior year: 2.5 %).

The impairment tests resulted in the recognition of an impairment loss on the licenses in the UK:

EUR k	31 Jan. 2013	31 Jan. 2014
Impairment of licenses		
Pharmacy licenses, United Kingdom	263	259

10 Property, plant and equipment

EUR k	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Investment property
Cost					
1 February 2012	**767,768**	**217,044**	**502,153**	**36,995**	**5,479**
Currency translation	1,432	–515	519	109	0
Changes in the basis of consolidation	141	116	181	54	0
Additions	25,319	14,546	53,119	28,948	0
Disposals	–9,279	–7,404	–21,939	–1,608	0
Reclassifications from non-current assets held for sale	4,810	0	561	0	0
Reclassifications	34,708	5,539	11,646	–49,567	–2,595
31 January 2013	**824,899**	**229,326**	**546,240**	**14,931**	**2,884**
Currency translation	–15,177	–1,891	–12,505	–50	0
Changes in the basis of consolidation	393	36	78	0	0
Additions	21,880	13,155	54,728	10,703	307
Disposals	–1,909	–3,979	–24,511	–589	0
Reclassifications from non-current assets held for sale	–652	–430	–575	0	0
Reclassifications	3,824	9,649	2,596	–15,797	0
31 January 2014	**833,258**	**245,866**	**566,051**	**9,198**	**3,191**
Accumulated amortisation					
1 February 2012	**251,637**	**155,808**	**337,413**	**0**	**153**
Currency translation	1,208	–304	888	0	0
Changes in the basis of consolidation	0	–8	–3	0	0
Additions	28,662	13,660	50,725	0	112
Impairment losses	883	0	0	0	0
Disposals	–3,813	–6,821	–17,814	0	0
Reclassifications from non-current assets held for sale	1,270	0	520	0	0
Reclassifications	–560	346	0	0	353
31 January 2013	**279,287**	**162,681**	**371,729**	**0**	**618**
Currency translation	–7,886	–1,392	–10,191	0	0
Changes in the basis of consolidation	0	–21	0	0	0
Additions	29,219	15,002	50,140	0	80
Impairment losses	551	0	0	0	0
Disposals	–945	–2,575	–21,327	0	0
Reclassifications from non-current assets held for sale	–388	–389	–574	0	0
Reclassifications	–100	149	172	0	0
31 January 2014	**299,738**	**173,455**	**389,949**	**0**	**698**
Net carrying amount 31 January 2013	**545,612**	**66,645**	**174,511**	**14,931**	**2,266**
Net carrying amount 31 January 2014	**533,520**	**72,411**	**176,102**	**9,198**	**2,493**

Items of property, plant and equipment with a carrying amount of EUR 16,107k (prior year: EUR 16,704k) have been pledged as collateral for liabilities. The collateral mainly relates to charges on land and buildings in Italy and Germany.

There are contractual commitments to acquire property, plant and equipment of EUR 12,257k (31 January 2013: EUR 9,175k).

Finance leases

The assets held under finance lease agreements are as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Land and land rights and buildings including buildings on third-party land	28,920	27,932
Technical equipment and machinery	6,392	5,538
Carrying amount	**35,312**	**33,470**

Assets held under finance lease agreements primarily represent buildings held in Italy and France.

The reconciliation of the future minimum lease payments and their present value is disclosed in the following table:

EUR k	31 Jan. 2013	31 Jan. 2014
Minimum lease payments		
due within one year	24,984	24,040
due after one year but not more than five years	6,856	6,928
due in more than five years	5,354	3,855
Interest	–1,596	–402
Present value of minimum lease payments	**35,598**	**34,421**

Operating leases

PHOENIX holds numerous assets under operating lease agreements. Such agreements primarily relate to real estate, technical equipment and company cars. The future minimum lease payments under non-cancellable operating leases are summarised by due date below:

EUR k	31 Jan. 2013	31 Jan. 2014
Minimum lease payments		
due within one year	105,341	100,493
due after one year but not more than five years	234,736	262,120
due in more than five years	101,256	115,565
Total minimum lease payments	**441,333**	**478,178**

The income from sublet properties amounts to EUR 2,351k (prior year: EUR 2,620k). The lease expense from operating leases breaks down as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Lease expense		
Minimum lease payments	114,121	115,968
Contingent rents	811	2,159
Sublease payments received	941	999
Total lease expense	**115,873**	**119,126**

Leases where the Group acts as lessor

PHOENIX acts as lessor in several countries of operation. The most significant arrangements in which the Group acts as lessor are held by the German subsidiaries Transmed Transport GmbH and ADG. Transmed Transport GmbH acts as lessor for transport vehicles. ADG leases software and cash systems. Further arrangements with the Group as lessor exist in the Netherlands, Finland, the Czech Republic, and the UK. All lease agreements are operating leases. The future minimum lease payments are as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Minimum lease payments		
due within one year	11,268	12,606
due after one year but not more than five years	13,331	16,105
due in more than five years	3,858	1,175
Total minimum lease payments	**28,457**	**29,886**

11 Investment property

The fair value as of 31 January 2014 determined by an expert appraiser came to EUR 2,493k (31 January 2013: EUR 2,266k). Rental income in the fiscal year 2013/14 came to EUR 115k (prior year: EUR 115k), while expenses totalled EUR 73k (prior year: EUR 60k).

12 Investments in associates

PHOENIX holds investments in 23 associates. The aggregate amounts are presented below:

EUR k	FY 2012/13	of which accounted for using the equity method	FY 2013/14	of which accounted for using the equity method
Net carrying amount	18,104	17,986	17,819	17,799
Assets	247,457	214,425	218,036	191,057
Liabilities	218,522	186,561	199,570	169,732
Revenue	619,803	618,341	571,367	569,702
Profit for the period	4,112	4,016	1,037	4,634
Group's share of profit for the period of all associates	1,469	1,396	484	418
Unrecognised share of losses of associates:				
– in the reporting period	43	–	0	–
– accumulated since acquisition	43	–	0	–

Most associates have diverging fiscal years from PHOENIX, typically the calendar year.

13 Other financial assets

The following table presents the composition of non-current other financial assets:

EUR k	31 Jan. 2013	31 Jan. 2014
Available-for-sale financial assets	41,656	39,657
Loans to and receivables from associates	6,973	5,997
Other loans	16,187	24,898
Other non-current financial assets	702	2,106
	65,518	**72,658**

As part of applying uniform group accounting principles, loans of EUR 10,429k were recognised under non-current other financial assets as of 31 January 2014 unlike in the prior year.

14 Inventories

EUR k	31 Jan. 2013	31 Jan. 2014
Raw materials and supplies	10,441	8,974
Finished goods and merchandise	1,667,575	1,733,862
Prepayments	22,579	21,693
	1,700,595	**1,764,529**

During the fiscal year inventories were written down by EUR 14,247k (prior year: EUR 11,403k). Impairment losses of EUR 10,144k (prior year: EUR 8,002k) were reversed during the period mainly due to the unexpected sale of written-down inventories. Inventory with a carrying amount of EUR 104,229k (31 January 2013: EUR 77,649k) is valued at net realisable value at the reporting date.

15 Trade receivables and other current financial assets

EUR k	31 Jan. 2013	31 Jan. 2014
Trade receivables	2,420,546	2,353,140
Other financial assets		
Held-to-maturity financial assets	58	0
Loans to and receivables from associates or related parties	4,131	4,088
Other loans	41,775	21,675
Derivative financial instruments	9,896	59
Other current financial assets	142,026	151,468
	197,886	**177,290**

Trade receivables and other assets with a carrying amount of EUR 79,767k (prior year: EUR 75,027k) have been pledged as collateral for liabilities.

The trade receivables transferred under factoring and ABS transactions as of 31 January 2014 are presented below:

EUR k	31 Jan. 2013	31 Jan. 2014
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	283,951	268,313
Financial liability	242,382	236,061
Continuing involvement		
Volume of receivables	305,291	238,062
Continuing involvement	19,839	14,582
Financial liability	20,340	14,981
Transferred and fully derecognised receivables		
Volume of receivables	85,484	114,196
Retentions of title	68,053	60,538

The carrying amounts of receivables and liabilities correspond to their fair values.

In the case of the transferred but only partly derecognised receivables, PHOENIX has either fully or partly retained the risk of default as well as the risk of late payment attaching to the transferred receivables. The transferred receivables serve as collateral for the purchase price received for them. The amount received for selling these receivables is recognised as a liability. Cash receipts from these receivables have to be transferred to the factor, thus settling the liability.

Other current financial assets mainly include receivables from bonuses, ABS and factoring programmes and other current receivables.

The valuation allowances on trade receivables and customer loans, which are included in other loans, have developed as follows:

EUR k	Trade receivables	Other loans
Allowances as of 1 February 2012	**109,393**	**8,129**
Additions	20,239	2,039
Utilisation	– 6,694	– 675
Reversal	– 5,327	– 799
Currency and other changes	– 518	121
Allowances as of 31 January 2013	**117,093**	**8,815**
Additions	20,005	1,870
Utilisation	– 36,649	– 874
Reversal	– 7,881	– 500
Currency and other changes	– 676	– 317
Allowances as of 31 January 2014	**91,892**	**8,994**

As of 31 January 2014 and 31 January 2013, the ageing analysis of trade receivables and customer loans that are past due but not impaired is as follows:

EUR k	Total carrying amount	thereof: Neither past due nor impaired	Impaired	Past due but not impaired: < 30 days	31–60 days	61–90 days	91–150 days	151–240 days	241–330 days	> 330 days
31 Jan. 2013										
Trade receivables	**2,420,546**	2,160,072	109,653	73,066	22,008	14,398	20,068	8,495	4,311	8,475
Other loans	**57,962**	51,282	6,573	39	33	11	13	9	2	0
31 Jan. 2014										
Trade receivables	**2,353,140**	2,127,006	94,344	64,489	21,469	7,513	12,668	9,776	3,871	12,004
Other loans	**46,573**	39,218	7,343	12	0	0	0	0	0	0

As of the reporting date, there were no indications that the debtors of the receivables shown as “past due but not impaired” would not meet their payment obligations. The majority of trade receivables past due > 330 days relates to Bulgaria, Italy and Serbia. In some cases PHOENIX holds promissory notes, pledged assets of pharmacies, mortgages, land and buildings, inventories, cash and cash equivalents and other personal guarantees as collateral for trade receivables as well as for other loans.

16 Other assets

EUR k	31 Jan. 2013	31 Jan. 2014
Prepayments	41,200	46,480
Tax claims – VAT and other taxes	9,374	6,476
Sundry other assets	54,077	27,782
Other assets	**104,651**	**80,738**

As part of applying uniform group accounting principles, returns of goods to manufacturers were no longer recognised under “other assets” as in the prior year, but instead under trade receivables or trade payables as of 31 January 2014.

The item “other assets” contains a number of individual items, such as prepayments and claims in connection with employee benefits.

17 Cash and cash equivalents

EUR k	31 Jan. 2013	31 Jan. 2014
Bank balances	329,748	491,318
Cash on hand	3,761	3,280
Cash equivalents	89	0
	333,598	**494,598**

The movement in cash and cash equivalents is presented in the accompanying statement of cash flows.

18 Equity

Unlimited and limited partners' capital

In 2010/11, the limited partners increased their capital in the parent company by contribution in cash of EUR 550,000k to EUR 1,050,000k. A partial sum of EUR 44,500k was contributed by the fully consolidated entities and offset against reserves. The unlimited partners' capital is still EUR 0k.

Reserves

Reserves primarily comprise retained earnings.

Treasury shares

In 2006/07, PHOENIX International Beteiligungs GmbH acquired the companies Otto Stumpf GmbH, Berlin, Germany, and Otto Stumpf GmbH, Gotha. These companies together hold 8.1% of the limited partners' capital of PHOENIX Pharmahandel GmbH & Co KG. The acquisition cost of the treasury shares (EUR 298,737k; prior year: EUR 298,737k) is offset against reserves.

Accumulated other comprehensive income

Accumulated other comprehensive income includes exchange differences, changes in the fair value of available-for-sale financial assets and actuarial gains and losses from pension obligations.

Non-controlling interests

The profit for the period attributable to non-controlling interests came to EUR 19,911k (prior year: EUR 13,639k).

Capital management

The objective of capital management at PHOENIX is to ensure a solid financial profile and to secure business operations.

Owing to PHOENIX's business model, capital expenditures are relatively low. Capital expenditures are determined in the annual budgeting process. The focus is on their impact on the consolidated statement of financial position and the consolidated income statement.

The capital structure is monitored based on the equity ratio and net debt. Adjusted EBITDA is also an important KPI for corporate management purposes.

		31 Jan. 2013	31 Jan. 2014
Equity	EUR k	2,103,800	2,161,841
Total equity and liabilities	EUR k	7,318,780	7,359,846
Equity ratio	in %	28.7	29.4

EUR k	31 Jan. 2013	31 Jan. 2014
+ Financial liabilities (non-current)	915,353	426,787
./. Supplementary partner contribution	– 123,766	– 123,766
./. Derivative financial instruments (non-current)	0	0
+ Financial liabilities (current)	853,445	1,249,173
./. Derivative financial instruments (current)	– 2,741	– 3,107
./. Cash and cash equivalents	– 333,598	– 494,598
./. Held-to-maturity financial assets	– 58	0
+ Receivables sold in the course of factoring and ABS transactions	370,936	337,676
./. Factoring receivables	– 47,254	– 37,350
./. Receivables from ABS programmes	– 20,799	– 23,188
Net debt	**1,611,518**	**1,331,627**

The objective of financial management is to continuously improve the capital structure by reducing the level of indebtedness. In the medium term, we aim to further strengthen the equity ratio and maintain a ratio of net debt to EBITDA of below 3.0.

Under the loan agreements in Germany and Italy a commitment was undertaken to comply with various financial covenants, all of which were comfortably complied with in the reporting year. These include, for instance, the ratio of net debt to EBITDA or the interest cover. Failure to comply with the financial covenants poses a financing risk to the extent that the lenders could demand immediate repayment of the loans.

The agreement underlying our corporate bond contains restrictions and obligations for PHOENIX as issuer as are customary in the market. Failure to comply with these restrictions and obligations could result in the amount of the bond plus the interest accrued falling due.

Compliance with the agreed covenants is strictly monitored as part of corporate planning and reported to the lenders on a quarterly basis.

19 Provisions for pensions and similar obligations

Depending on the economic, legal and tax framework in each country, the employees of the PHOENIX group have different old-age pension systems in place which are structured as defined contribution or benefit plans.

Obligations from defined benefit plans are financed by external pension funds and provisions. In accordance with IAS 19R, these obligations are calculated using the projected unit credit method. To reduce an investment risk, investments in plan assets are made in various asset classes. Furthermore, the investment strategy is designed such that the age structure of the asset is matched with the expected time when the pension is paid out.

The majority of pension obligations relate to the countries Norway, the Netherlands, Switzerland and the UK. These primarily relate to pension plans on a final salary basis, for which the pension payments to beneficiaries are adjusted annually in line with the inflation rate.

The obligations in Norway mainly relate to a pension plan set out especially for the pharmaceuticals segment, which is based on the regulations of public sector pension plans. The pension plan is managed by the Norwegian Public Service Pension Fund and the plan assets must, in accordance with the provisions of the pension fund, be sufficient to cover at least two-thirds of future pension payments.

In the Netherlands, the obligations are financed by an external pension fund. Risk is spread through diversification of investments in pension assets. In accordance with the regulations of the pension fund, plan assets must exceed the obligation calculated according to national principles by at least 5 %.

The obligation in Switzerland is largely invested in insurance assets. The pension fund is thus outsourced to an external insurer which ensures the agreed minimum coverage is secured in the event of a shortfall in pension assets.

The pension plans in the UK are also funded by external pension funds. The trustees decide on the minimum coverage of the obligations in consultation with the Company. Measurements are performed regularly to ensure the minimum coverage is secured as well as to determine the amount of the contributions.

The sum of all pension expenses in connection with defined contribution plans amounted to EUR 46,870k (prior year: EUR 47,063k). This amount includes the contributions the Group made to statutory pension insurance funds which fall under the definition of defined contribution plans.

The following table shows the financing status of the pension plans and the calculation of the net defined benefit liability:

EUR k	31 Jan. 2013	31 Jan. 2014
Calculation of net defined benefit liability		
Present value of funded obligations	– 669,859	– 686,910
Plan assets at fair value	509,363	528,164
Defined benefit obligations in excess of plan assets	**– 160,496**	**– 158,746**
Present value of non-funded obligations	– 75,631	– 77,351
Unrecognised asset (asset ceiling pursuant to IAS 19.58b))	– 314	0
Net defined benefit liability	**– 236,441**	**– 236,097**

The defined benefit obligations contain the following amounts included in the consolidated financial statements:

	Defined benefit obligation		Fair value of plan assets		Effect of the asset ceiling		Net carrying amount from defined benefit plans	
EUR k	31 Jan. 2013	31 Jan. 2014	31 Jan. 2013	31 Jan. 2014	31 Jan. 2013	31 Jan. 2014	31 Jan. 2013	31 Jan. 2014
Norway	394,781	389,307	261,537	260,975			– 133,244	– 128,332
Netherlands	173,841	193,578	171,043	179,815			– 2,798	– 13,763
Switzerland	57,667	59,881	47,242	52,481			– 10,425	– 7,400
United Kingdom	42,032	42,868	28,172	33,725	– 314		– 14,174	– 9,143
Other	77,169	78,627	1,369	1,168			– 75,800	– 77,459
Total	**745,490**	**764,261**	**509,363**	**528,164**	**– 314**	**0**	**– 236,441**	**– 236,097**

The net defined benefit liability developed as follows:

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total	Asset ceiling pursuant to IAS 19.64	Total
1 February 2012	**708,348**	**– 446,448**	**261,900**	**20,964**	**282,864**
Service cost	28,947		28,947		28,947
Interest expenses/income	24,139	– 14,915	9,224		9,224
Other	53	1,214	1,267		1,267
	53,139	**– 13,701**	**39,438**	**0**	**39,438**
Remeasurements					
Return on plan assets excluding amounts contained in interest expenses/income		– 31,683	– 31,683	0	– 31,683
Gain/loss from changes in demographic assumptions			0		0
Gain/loss from changes in financial assumptions	606		606		606
Change in the effect of the asset ceiling pursuant to IAS 19.64			0	– 20,650	– 20,650
	606	**– 31,683**	**– 31,077**	**– 20,650**	**– 51,727**
Employer contributions		– 31,589	– 31,589		– 31,589
Employee contributions	2,876	– 2,876	0		0
Benefits paid	– 28,417	21,653	– 6,764		– 6,764
Plan settlements	– 1,369		– 1,369		– 1,369
Exchange differences	10,307	– 4,719	5,588		5,588
31 January 2013	**745,490**	**– 509,363**	**236,127**	**314**	**236,441**

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total	Asset ceiling pursuant to IAS 19.64	Total
1 February 2013	**745,490**	**– 509,363**	**236,127**	**314**	**236,441**
Service cost	25,451		25,451		25,451
Interest expenses/income	26,432	– 18,418	8,014		8,014
Other	– 380	1,411	1,031		1,031
	51,503	**– 17,007**	**34,496**		**34,496**
Remeasurements					
Return on plan assets excluding amounts contained in interest expenses/income		– 15,298	– 15,298		– 15,298
Gain/loss from changes in demographic assumptions	37,285		37,285		37,285
Gain/loss from changes in financial assumptions	4,620		4,620		4,620
Change in the effect of the asset ceiling pursuant to IAS 19.64				– 314	– 314
	41,905	**– 15,298**	**26,607**	**– 314**	**26,293**
Employer contributions		– 35,823	– 35,823		– 35,823
Employee contributions	2,913	– 2,913	0		0
Benefits paid	– 28,401	21,319	– 7,082		– 7,082
Plan settlements	– 900		– 900		– 900
Other changes recognised in equity	3,249	– 2,817	432		432
Exchange differences	– 51,498	33,738	– 17,760		– 17,760
31 January 2014	**764,261**	**– 528,164**	**236,097**	**0**	**236,097**

Net interest expenses are recognised within the financial result.

Plan assets break down as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Plan assets with underlying active market		
Cash and cash equivalents	5,687	11,742
Equity instruments	280,278	289,706
Debt instruments	130,610	137,442
Property	42,957	42,837
Investment funds	8,180	6,676
Insurance assets	26,635	26,968
Other	4,451	4,045
	498,888	**519,416**
Plan assets without underlying active market		
Structured debt instruments	9,902	8,048
Other	573	700
	10,475	**8,748**
	509,363	**528,164**

The plan assets do not contain any of the PHOENIX group's own financial instruments or assets used by the Group.

The Group expects to contribute EUR 38,352k to its defined benefit plans in fiscal year 2014/15.

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

in %	FY 2012/13	FY 2013/14
Discount rate by currency region		
NOK	3.9	4.0
GBP	4.6	4.4
EUR	4.0 – 3.0	3.6 – 2.5
CHF	1.9	2.2
Future salary inreases	2.9	2.8
Future pension inreases	2.0	1.9

The mortality tables used for the individual countries are based on publicly available data.

The table below shows the effect of each isolated change in the key actuarial assumptions on the present value:

	Change in actuarial assumption in %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	68,651	– 77,836
Future salary increases	0.5	– 26,320	24,949
Future pension increases	0.5	– 46,722	40,145
Life expectancy	10.0	– 33,212	33,169

The average duration of the defined benefit plans was 16 years in the reporting year.

In Norway and the Netherlands, the PHOENIX group has pension plans which are operated together with non-affiliated companies (multi-employer plans). In principle, these are both defined benefit and defined contribution plans. If the required information is available in connection with jointly operated defined benefit plans, these plans are accounted for like any other defined benefit plan; otherwise, they are accounted for as defined contribution plans. In the Netherlands, there are jointly operated defined benefit plans that are accounted for as defined contribution plans, as it is not possible to allocate the pension obligations and plan assets to the participating entities on account of the lack of information available. For these plans, the PHOENIX group expects contribution payments of EUR 7,725k for fiscal year 2014/15. The coverage ratio of these plans (ratio of plan assets to obligation) is between 98.2 % and 108.7 %. In Norway, there is a jointly operated government plan that qualifies as a defined benefit plan and is also accounted for as such. Furthermore, as of 31 January 2014 the PHOENIX group does not expect any major burdens to arise from the multi-employer plans; there is no intention to exit one of these plans.

The PHOENIX group is not aware of any likely significant risks from the multi-employer defined benefit plans accounted for as defined contribution plans.

20 Other provisions

EUR k	Restructuring	Personnel	Other	Total
1 February 2013	**11,482**	**9,864**	**9,253**	**30,599**
Currency translation	6	– 1	– 3	2
Addition	12,760	1,699	2,515	16,974
Utilisation	– 3,892	– 832	– 3,843	– 8,567
Reversal	0	– 255	– 1,652	– 1,907
Interest	0	178	0	178
31 January 2014	**20,356**	**10,653**	**6,270**	**37,279**

The increase in the restructuring provision is attributable to intended measures in connection with the PHOENIX FORWARD programme. The corresponding cash outflows are expected for the next fiscal year.

Personnel-related provisions mainly contain provisions for long-service awards. The corresponding cash outflow is expected within the next year(s) and depends on occurrence of the respective events. PHOENIX does not expect reimbursements.

Other provisions mainly include litigation provisions of EUR 2,158k (prior year: EUR 1,585k). The outflow of these funds is expected within the coming year(s) depending on the occurrence of the respective events or the end of court proceedings. PHOENIX does not expect reimbursements. The provision for VAT of EUR 3,754k contained in the prior year was utilised in the reporting year by payment of EUR 2,933k; the remaining amount of EUR 821k was reversed.

21 Financial liabilities

At the reporting date financial liabilities were split between non-current and current liabilities as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Financial liabilities (non-current)		
Liabilities to banks	298,794	846
Bonds	487,718	294,568
Loans	92	142
Supplementary partner contribution	123,766	123,766
Other financial liabilities	4,983	7,465
	915,353	**426,787**

EUR k	31 Jan. 2013	31 Jan. 2014
Financial liabilities (current)		
Liabilities to banks	237,266	211,225
Bonds	0	493,353
Loans	116,639	119,672
Liabilities to associates and related parties	149,225	60,685
Liabilities for customer rebates and bonuses	25,132	29,978
ABS and factoring liabilities	262,722	251,042
Other financial liabilities	62,461	83,218
	853,445	**1,249,173**

On 13 July 2010, PHOENIX PIB Finance B.V. issued a bond with a nominal volume of EUR 506.15m and a nominal interest rate of 9.625 %. The bond has a term of four years. In February 2011, PHOENIX redeemed bonds with a nominal value of EUR 10,000k.

In May 2013, the PHOENIX group issued another corporate bond with a volume of EUR 300m, a term of seven years and an interest coupon of 3.125 %.

In the course of the refinancing performed in June 2012, PHOENIX concluded a syndicated loan agreement for EUR 1.35b. The long-term tranche of this loan agreement with a nominal volume of EUR 300m and an original term of four years was fully repaid early in fiscal year 2013/14. Moreover, PHOENIX can draw upon a line of credit of EUR 1,050m that has a term of five years. The syndicated loan agreement in place from 2010 up to that point was repaid early. At the beginning of August 2013, the existing financing facility in Italy was largely replaced by a new one. EUR 700m of the existing credit line was replaced by a new revolving credit facility of EUR 400m with a term until 31 December 2016; a partial sum of EUR 50m of the previous financing facility remained as of 31 December 2013. This is reported under current liabilities to banks.

22 Trade payables

Trade payables are non-interest bearing and are normally settled on usual business terms.

23 Other liabilities

EUR k	31 Jan. 2013	31 Jan. 2014
VAT and other tax liabilities	84,516	91,433
Personnel liabilities	109,890	112,907
Liabilities relating to social security/Similar charges	20,803	23,300
Prepayments	8,560	9,314
Sundry other liabilities	58,409	38,301
Other liabilities	**282,178**	**275,255**

Other liabilities mainly include outstanding invoices, most of which are for rental costs and energy.

24 Non-current assets held for sale

Non-current assets of EUR 3,365k (prior year: EUR 3,743k) and liabilities of EUR 76k (prior year: EUR 28k) are classified as held for sale. They mainly stem from entities in Poland, Germany and the Netherlands.

The major classes of assets and liabilities classified as held for sale as of 31 January 2014 are as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Non-current assets	3,517	2,792
Current assets	226	573
Non-current liabilities	0	0
Current liabilities	28	76

In fiscal year 2013/14, an impairment loss of EUR 400k (prior year: EUR 0k) was charged, which is contained in the income statement under amortisation and depreciation.

Other notes

Other financial obligations

Other financial obligations amount to EUR 606,561k (31 January 2013: EUR 499,244k) and generally concern rent and lease agreements. This increase is primarily attributable to the conclusion of new IT provider agreements. The amounts are due as follows:

EUR k	31 Jan. 2013	31 Jan. 2014
Within one year	165,436	175,164
One to five years	232,536	314,641
More than 5 years	101,272	116,756
	499,244	**606,561**

Contingent liabilities

Contingent liabilities comprise EUR 111,373k (31 January 2013: EUR 110,523k) and exclusively relate to guarantees.

Guarantees are potential future obligations to third parties, the existence of which depends on the occurrence of at least one uncertain future event outside the control of PHOENIX. The guarantees mainly relate to pharmacy customers in the wholesale business and were primarily issued by subsidiaries of the subgroups in the UK and Austria. The guarantees include obligations for which the probability of outflow is remote.

The PHOENIX group has filed an appeal with the tax authorities regarding VAT for the period 2001 through 2004. Amended VAT and interest notices were issued for 2001 and 2002, against which PHOENIX has filed an objection/proceedings and lodged an appeal for suspension of enforcement. Pending the conclusion of the appeal proceedings, it is not possible to assess the timing and extent of cash outflows.

Additional information on financial instruments

The items in the statement of financial position for financial instruments are assigned to classes and categories. The carrying amounts for each category and class and the fair values for each class are presented in the following table for fiscal 2013/14:

Fiscal year 2013/14 EUR k	Category pursuant to IAS 39						
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets							
Bonds and other securities (held-to-maturity)	0	0	0	0	0	0	0
Available-for-sale financial assets	0	39,657	0	0	0	39,657	39,657
Trade receivables	2,353,140	0	0	0	0	2,353,140	2,353,140
Loans to and receivables from associates or related parties	10,085	0	0	0	0	10,085	10,085
Other loans	46,573	0	0	0	0	46,573	46,725
Derivative financial assets without hedge accounting	0	0	0	59	0	59	59
Other financial assets	153,501	73	0	0	0	153,574	153,574
Cash and cash equivalents	494,598	0	0	0	0	494,598	494,598
Non-current assets held for sale	455	0	0	0	2,910	3,365	3,365

The carrying amounts for each category and class and the fair values for each class are presented in the following table for fiscal 2012/13:

Fiscal year 2012/13 EUR k	Category pursuant to IAS 39						
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets							
Bonds and other securities (held-to-maturity)	0	0	58	0	0	58	58
Available-for-sale financial assets	0	41,656	0	0	0	41,656	41,656
Trade receivables	2,420,546	0	0	0	0	2,420,546	2,420,546
Loans to and receivables from associates or related parties	11,104	0	0	0	0	11,104	11,104
Other loans	57,962	0	0	0	0	57,962	57,905
Derivative financial assets without hedge accounting	0	0	0	9,896	0	9,896	9,896
Other financial assets	142,468	260	0	0	0	142,728	142,728
Cash and cash equivalents	333,598	0	0	0	0	333,598	333,598
Non-current assets held for sale	0	450	0	0	3,293	3,743	3,743

Available-for-sale financial assets primarily contain shares in unlisted entities. Where no fair value can be determined, they are recorded at acquisition cost. Shares in listed entities are measured at the quoted price determined as of the reporting date. For other available-for-sale financial assets, the fair value is determined using a multiplier method.

Derivatives are carried at fair value.

Due to the short-term maturities of cash and cash equivalents, receivables and other current financial assets, their carrying amounts generally approximate the fair values at the reporting date.

The fair values of loans to and receivables from associates or related entities, other loans, held-to-maturity financial assets and other non-current financial assets due after more than one year correspond to the net present value of the payments related to the assets based on the current interest rate parameters and yield curves.

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for fiscal 2013/14:

Fiscal year 2013/14 EUR k	Category pursuant to IAS 39					
	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	212,071	0	0	0	212,071	212,071
Bonds	787,921	0	0	0	787,921	804,942
Loans	119,814	0	0	0	119,814	119,814
Trade payables	2,813,606	0	0	0	2,813,606	2,813,606
Liabilities to associates and related parties	60,685	0	0	0	60,685	60,685
Supplementary contributions	123,766	0	0	0	123,766	123,766
Liabilities and provisions for customer rebates and bonuses	29,978	0	0	0	29,978	29,978
ABS and factoring liabilities	251,042	0	0	0	251,042	251,042
Other financial liabilities	53,155	0	34,421	0	87,576	87,576
Derivative financial liabilities without hedge accounting	0	3,107	0	0	3,107	3,107
Liabilities directly associated with assets classified as held for sale	53	0	0	23	76	76

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for fiscal 2012/13:

	Category pursuant to IAS 39					
Fiscal year 2012/13 EUR k	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	536,060	0	0	0	536,060	549,331
Bonds	487,718	0	0	0	487,718	547,296
Loans	116,731	0	0	0	116,731	116,731
Trade payables	2,662,092	0	0	0	2,662,092	2,662,092
Liabilities to associates and related parties	149,225	0	0	0	149,225	149,225
Supplementary contributions	123,766	0	0	0	123,766	123,766
Liabilities and provisions for customer rebates and bonuses	25,132	0	0	0	25,132	25,132
ABS and factoring liabilities	262,722	0	0	0	262,722	262,722
Other financial liabilities	29,085	0	35,598	20	64,703	64,703
Derivative financial liabilities without hedge accounting	0	2,741	0	0	2,741	2,741
Liabilities directly associated with assets classified as held for sale	0	0	0	28	28	28

The fair value of the bonds is the nominal value multiplied by the quoted price as of the reporting date.

Derivatives are carried at fair value.

Due to the short-term maturities of trade payables and other current financial liabilities their carrying amounts generally approximate the fair values at the reporting date.

Fair value hierarchy of financial instruments

PHOENIX applies the following fair value hierarchy to define and present its financial instruments measured at fair value:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Techniques that use inputs that are not based on observable market data.

	Financial instruments measured at fair value			
EUR k	Level 1	Level 2	Level 3	Total
Fiscal year 2013/14				
Available-for-sale financial assets	0	0	29,424	29,424
Derivative financial assets without hedge accounting	0	59	0	59
Derivative financial liabilities without hedge accounting	0	3,107	0	3,107
Other financial liabilities	0	0	5,515	5,515
Fiscal year 2012/13				
Available-for-sale financial assets	5,018	0	29,628	34,646
Derivative financial assets without hedge accounting	0	9,896	0	9,896
Derivative financial liabilities without hedge accounting	0	2,741	0	2,741
Other financial liabilities	0	0	4,665	4,665

The fair value of available-for-sale assets measured at cost of EUR 10,233k (prior year: EUR 7,010k) has not been disclosed because the fair value cannot be measured reliably.

The following table shows the reconciliation of the fair value based on level 3.

EUR k	Available-for-sale assets	Other financial liabilities
1 February 2012	**31,113**	**4,138**
Total gains and losses recognised in accumulated other comprehensive income	– 104	0
Acquisition	1,399	0
Sale of shares	– 2,780	0
thereof recognised in the income statement	1,225	0
Acquisition	0	1,078
Payments due to acquisitions	0	0
Other	0	– 551
31 January 2013	**29,628**	**4,665**
Total gains and losses recognised in accumulated other comprehensive income	962	0
Acquisition	586	0
Sale of shares	– 1,752	0
thereof recognised in the income statement	604	0
Acquisition	0	1,033
Payments due to acquisitions	0	– 350
Other	0	167
31 January 2014	**29,424**	**5,515**

Net gains or losses on each category of financial instruments

EUR k	FY 2012/13	FY 2013/14
Loans and receivables	– 22,611	– 9,145
Available-for-sale financial assets	3,029	9,713
thereof recognised in accumulated other comprehensive income	297	962
thereof recognised in the income statement	2,732	8,751
Financial liabilities measured at amortised cost	3,147	620
Financial instruments held for trading	2,793	– 7,880
	– 13,642	**– 6,692**

The presentation of net gains or losses does not include interest income and expenses on the respective financial instruments.

Interest from financial instruments is recognised in interest income and expenses. Foreign exchange effects and fair value changes of derivatives are recognised in the other financial result from derivatives. Impairment losses were recognised as follows in the period:

EUR k	FY 2012/13	FY 2013/14
Trade receivables	21,375	21,251
Loans to and receivables from associates	47	222
Other loans	2,076	2,172
Other financial assets	106	1
	23,604	**23,646**

The following table presents the nominal and market values of the derivative financial instruments:

	31 Jan. 2013		31 Jan. 2014	
EUR k	Nominal amount	Market value	Nominal amount	Market value
Assets				
Derivatives held for trading				
Foreign currency contracts	537,989	9,557	258,203	59
Interest rate swaps	0	0	0	0
Liabilities				
Derivatives held for trading				
Foreign currency contracts	483,488	1,239	271,602	3,107
Interest rate swaps	200,000	1,502	0	0

Financial risk management and derivative financial instruments

Objectives and principles of the financial risk management

Due to its multinational business activities, the PHOENIX group is exposed to financial risks. In particular these include market risk (changes in foreign exchange rates, interest rates and prices) and credit risk. In addition, liquidity risks may arise due to the operating business, due to the financial risks named above and because of unexpected fluctuations in the financial markets.

These risks are monitored by the risk management system within the PHOENIX group which consists of fully documented and comprehensive planning, approval and reporting structures and an early warning system. Group treasury is responsible for implementing the binding internal guidelines and requirements, approved by the management board specifying how financial risks are to be controlled, and for ongoing risk management. Group treasury informs the management board on an ongoing basis about the current risk exposure and the development on the global financial markets.

Derivatives are used by PHOENIX in specific cases to hedge against interest rate and currency risks. They are concluded only with banks with a high credit standing. These derivatives are regularly measured and their value in use continually and diligently monitored. Although the derivatives are contracted for hedging purposes, they are classified as held-for-trading under IAS 39.

Only a small number of persons is authorised to trade with derivatives. The trading, control and reporting functions are separate and independent from each other. This control is employed strictly according to binding internal guidelines that utilise a two-person principle. The conclusion or disposal of derivatives is only allowed in accordance with the internal treasury guidelines of PHOENIX.

Under the financing arrangement, PHOENIX has undertaken a commitment to comply with covenants. These were complied with in fiscal year 2013/14.

Market risk

Currency risk

Currency risk arises through fluctuations of the exchange rate of foreign currencies and their impact on the items of the statement of financial position which are not denominated in the functional currency. The currency risks for PHOENIX originate primarily from internal financing activities and investments in foreign entities. As the group entities largely settle their operating business in their respective functional currency, the operative currency risks are small.

Currency risks arise in the course of intragroup financing whenever loans are extended to group entities in currencies other than the euro. These currency risks are hedged by concluding forward exchange contracts with banks.

In the calculation of the currency exposure for the sensitivity analysis those items of the statement of financial position are taken into account which are not in the functional currency of the respective reporting company. Those items of the statement of financial position are aggregated for the whole Group. Also the internal loans which are not in the functional currency of the reporting unit are taken into account and the amounts aggregated. The currency effects for a 10 % increase (decrease) of the EUR against the respective currency are then measured. In the next step, the market value changes of derivative financial instruments (forward exchange contracts), which were entered into to hedge these exposures, were calculated under the assumption of a 10 % increase (decrease) of the spot exchange rates as of the closing date.

Finally, the hypothetical effect on profit or accumulated other comprehensive income of the sensitivity analysis was calculated by netting the effects of the assumed 10 % increase (decrease) in the value of the EUR against all other currencies per 31 January 2014 for both the hedged items and derivative financial instruments. The material results of the sensitivity analysis are as follows:

If the SEK depreciates (appreciates) by 10 % against the EUR accumulated other comprehensive income would be EUR 11,838k (prior year: EUR 12,128k) lower (higher). This effect resulted from an internally issued hybrid loan.

If the EUR depreciates (appreciates) by 10 % against the RSD profit before tax would be EUR 815k (prior year: EUR 1,709k) and accumulated other comprehensive income would be EUR 3,990k (prior year: EUR 4,282k) higher (lower). This results from the trade payables and the internal loans that are classified as a net investment in a foreign operation.

If the EUR depreciates (appreciates) by 10 % against the HRK profit before tax would be EUR 4,593k (prior year: EUR 5,695k) higher (lower). This is primarily due to trade payables.

If the EUR depreciates (appreciates) by 10 % against the CZK profit before tax would be EUR 1,415k (prior year: EUR 94k) higher (lower). This is primarily due to trade payables.

If the EUR depreciates (appreciates) by 10 % against the NOK accumulated other comprehensive income would be EUR 54,740k (prior year: EUR 54,996k) higher (lower). This effect stems from internal loans classified as a net investment in a foreign operation.

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. In the prior year, PHOENIX hedged floating rate financial instruments using interest rate swaps with a nominal volume of EUR 200,000k. These were concluded in fiscal year 2011/12, accounted for as derivatives held for trading and fell due in fiscal year 2013/14.

For financial instruments with fixed interest that are measured at amortised cost, changes in market interest rates have no impact on the earnings and equity. With regard to variable interest bearing financial instruments, changes in market risk rates impact the earnings and are thus considered in the sensitivity analysis.

The interest sensitivity analysis presented below shows the hypothetical effects which a change in the market interest rate at the reporting date would have had on the pre-tax result. It assumes that the exposure at the reporting date is representative of the year as a whole.

PHOENIX's fixed-interest period is primarily of a long-term nature. Therefore, a positive (negative) parallel shift of the EUR market yield curve by 100 basis points as of the reporting date would lead to a positive (negative) impact of EUR 29k (prior year: EUR – 3,725k) on the profit before tax.

In the prior year, a positive (negative) parallel shift of 100 basis points for the EUR yield curves, assuming other yield curves and exchange rates remain constant, would have had a positive (negative) effect of EUR 1,004k on profit before tax on account of the interest derivatives in the portfolio as of the reporting date.

Credit risk

From the Group's perspective, credit risk describes the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the Group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of the counterparty will deteriorate, as well as the concentration of risks. The Group is exposed to credit risk from its operating activities, from certain financial transactions and from the granting of financial guarantees for bank loans for pharmacy customers, mainly in Austria and the UK.

The maximum exposure of financial assets to credit risk is equal to the carrying amount of each class of financial assets.

The level of credit risk from operating activities is monitored and kept in check by a rigorous accounts receivable management system. Due to the structure of our customers, the risk of default is assessed to be rather low in the Group. This is because our customers, in the wholesale segment mostly pharmacies, generally have a high credit

standing. Despite some bigger customers, our customer base is widely diversified with small amounts of receivables allocable to each individual customer. In the course of liberalisation of the pharmacy markets in Europe, however, pharmacy chains and new sales channels are increasingly emerging, creating a large number of major customers with a higher level of receivables outstanding. In addition, the Group holds in some cases promissory notes from customers, pledged assets of pharmacies, mortgages and other personal guarantees as collateral for loans to pharmacies.

The cash investments as of the reporting date were spread between various banks with a high credit standing in order to avoid any concentration of risk. PHOENIX has a policy of only entering into derivatives with banks with a high credit standing and thus limits the default risk for derivatives with a positive market value. As PHOENIX spreads the derivatives between the core banks, there is no concentration of risks of default with a single bank. Additionally, PHOENIX monitors very closely the financial news and markets and has therefore an early warning system to detect possible difficulties on the part of a bank.

Liquidity risk

Liquidity risk describes the risk that a company cannot fulfil its financial obligations when they become due. To monitor the Group's liquidity, PHOENIX has implemented a daily rolling liquidity planning system. Additionally, material liquidity issues and developments are discussed on a regular basis. Subsidiaries are integrated in the Group's central financing system.

The following table shows the contractually agreed undiscounted interest payments and repayments of non-derivative financial liabilities and derivative financial assets and liabilities as of 31 January 2014.

EUR k	Cash flows 2014/15	Cash flows 2015/16	Cash flows 2016/17 – 2018/19	Cash flows 2019/20 – 2023/24	Cash flows > 2024/25
Liabilities to banks	223,026	7,276	9,647		
Bonds	529,428	9,375	28,125	309,375	
Loans	122,324	62			
Trade payables	2,813,606				
Liabilities to associates and related parties/supplementary contribution	67,890	7,426	22,278	131,055	
Liabilities and provisions for customer rebates and bonuses	28,561				
ABS and factoring liabilities	253,633				
Other financial liabilities	35,875	343	5,243		
Finance lease liabilities	25,584	1,471	4,334	3,346	
Financial guarantee contracts	223,797				
Derivative financial liabilities without hedge accounting	3,107				

The table presented includes financial liabilities under the liabilities item of the statement of financial position in conjunction with assets held for sale.

The contractually agreed undiscounted payments at 31 January 2013 are presented in the following table:

EUR k	Cash flows 2013/14	Cash flows 2014/15	Cash flows 2015/16 – 2017/18	Cash flows 2018/19 – 2022/23	Cash flows > 2023/24
Liabilities to banks	269,423	31,623	319,510	0	0
Bonds	47,753	520,026	0	0	0
Loans	117,152	0	0	0	0
Trade payables	2,647,858	0	0	655	0
Liabilities to associates and related parties/supplementary contribution	149,050	138,618	0	0	0
Liabilities and provisions for customer rebates and bonuses	24,239	0	0	0	0
ABS and factoring liabilities	271,176	0	0	0	0
Other financial liabilities	28,550	323	4,348	0	0
Finance lease liabilities	25,167	1,398	3,541	6,081	0
Financial guarantee contracts	208,006	0	0	0	0
Derivative financial liabilities without hedge accounting	2,741	0	0	0	0

Liabilities with early termination rights have been classified according to the first call date. For floating rate interest payments, the current floating interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year end.

Notes to the statement of cash flows

Cash and cash equivalents amounted to EUR 494,602k at the end of the reporting period (prior year: EUR 333,598k) and comprised cash of EUR 494,602k (prior year: EUR 333,509k) as well as cash equivalents of EUR 0k (prior year: EUR 89k). Restricted cash at the end of the period amounts to EUR 13,038k (prior year: EUR 6,410k) and corresponds to security deposits for revolving credit lines (e.g., ABS and factoring). There are also restrictions on cash and cash equivalents of EUR 10,643k (prior year: EUR 23,885k) of foreign subsidiaries at the end of the period, since local covenants or other agreements do not allow the subgroups to transfer those amounts directly or indirectly via other subsidiaries to the parent company.

Payments of EUR 22,829k (prior year: EUR 9,438k) made for acquisitions of consolidated entities and business units correspond to the payments of the purchase price less any cash and cash equivalents acquired of EUR 1,456k (prior year: EUR 1,774k). Payments received from the sale of consolidated entities and business units correspond to the sale proceeds received of EUR 7,153k (prior year: EUR 739k) less cash and cash equivalents disposed of EUR 241k (prior year: EUR 0k).

Related party disclosures

General

In accordance with IAS 24, entities or persons, which are in control of or controlled by the PHOENIX group must be disclosed. Members of the Merckle family and entities controlled by them are considered as related parties. In addition, the disclosure requirements of IAS 24 comprise persons and entities over which PHOENIX has significant influence or joint control.

Transaction volume

The goods and services sold as well as other income from transactions with related parties and goods and services received as well as other expenses from such transactions break down as follows:

	Goods and services sold as well as other income in the fiscal year		Goods and services received as well as other expenses in the fiscal year	
EUR k	2012/13	2013/14	2012/13	2013/14
Partners	**35**	**23**	**22,189**	**22,970**
from financing	0	0	7,426	7,426
from leases, other services	35	23	14,763	15,544
Associates	**39,816**	**30,039**	**6,790**	**7,404**
from financing	272	321	0	0
from leases, other services	6,602	117	2,740	5,915
from goods sold	32,942	29,601	4,050	1,489
Other related parties	**9**	**2**	**1,234**	**1,417**
from financing	0	0	223	402
from leases, other services	9	2	1,011	1,015
from goods sold	0	0	0	0

The goods and services sold mainly consist of goods supplied and other services.

The goods and services received relate primarily to goods, leases and financing transactions.

Outstanding balances

	Receivables as of 31 Jan.		Liabilities as of 31 Jan.	
EUR k	2013	2014	2013	2014
Partners	**1,166**	**24**	**175,881**	**183,298**
from financing	0	0	161,363	168,790
from leases, other services	1,166	24	14,518	14,508
Associates	**10,648**	**9,159**	**1,031**	**128**
from financing	7,510	6,962	0	0
from leases, other services	239	0	774	75
from goods sold	2,899	2,197	257	53
Other related parties	**95**	**96**	**97,027**	**700**
from financing	0	0	96,173	443
from leases, other services	95	96	854	257
from goods sold	0	0	0	0
Impairment losses	**– 276**	**– 965**	**0**	**0**

For the most part, the outstanding balances are not secured nor have guarantees been issued on them. The receivables were settled by payment or by netting them against accounts payable.

Other

In connection with the bond issued in 2010, related parties hold bond certificates with a nominal volume of EUR 49,000k. To the extent that these are still held, interest was paid at the prevailing terms and conditions.

In connection with the bond issued in 2013, related parties hold bond certificates with a nominal volume of EUR 30,200k. To the extent that these are still held, interest was paid at the prevailing terms and conditions.

A related entity granted PHOENIX a loan in fiscal year 2012/13. The loan amounted to EUR 96,173k on 31 January 2013 and was repaid in fiscal year 2013/14. Interest expenses of EUR 142k (prior year: EUR 223k) were incurred on it.

A related party granted PHOENIX a loan of EUR 45,000k in fiscal year 2013/14 which was repaid within the reporting period. Interest expenses of EUR 51k were incurred on it.

Terms and conditions

Unless terms and conditions of related party transactions have been specifically commented on above, they were made on an arm's length basis. Outstanding balances at year end are unsecured and settled by payment.

Remuneration of the members of management board

The total remuneration of the management board in the reporting period was EUR 7,507k (prior year: EUR 7,328k) and is classified as short-term employee benefits.

The current service cost in the reporting period was EUR 238k (prior year: EUR 225k).

Former members of management received remuneration (including severance payments) of EUR 1,558k in the reporting year (prior year: EUR 321k). Pension provisions of EUR 16,518k (prior year: EUR 12,375k) were recognised.

Remuneration of the advisory board

The advisory board remuneration amounted to EUR 350k in the fiscal year (prior year: EUR 317k).

Mannheim, 2 April 2014

Management of the unlimited partner
PHOENIX Verwaltungs GmbH

Audit opinion

We have audited the consolidated financial statements prepared by PHOENIX Pharmahandel GmbH & Co KG, Mannheim, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the financial statements, together with the group management report for the fiscal year from 1 February 2013 to 31 January 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU as well as the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 2 April 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Somes
[German Public Auditor]	[German Public Auditor]

Foreign shareholdings and domestic subsidiaries

Austria
PHOENIX Arzneiwaren-großhandlung Ges.m.b.H.
Albert-Schweitzer-Gasse 3
A-1140 Wien
www.PHOENIX-gh.at

Bosnia and Herzegovina
PHOENIX Pharma d.o.o.
Stefana Dečanskog bb
BA-76300 Bijeljina
www.PHOENIX.ba

Bulgaria
Libra AG
Akad. Stefan Mladenov No. 3
BG-1700 Sofia V
www.libra-ag.com

Croatia
PHOENIX Farmacija d.d.
Ozaljska ulica 95
HR-10000 Zagreb
www.PHOENIX-farmacija.hr

Czech Republic
PHOENIX Lékárenský velkoobchod a.s.
Pérovně 945/7
CZ-10200 Praha Hostivar
www.PHOENIX.cz

Denmark
Nomeco A/S
Borgmester Christiansens Gade 40
DK-1790 Copenhagen V
www.nomeco.dk

Estonia
Tamro Eesti OÜ
Pärnu mnt. 501 Laagri
EST-76401 Harjumaa
www.tamro.ee

Finland
Tamro Oyj
P.O.Box 11
Rajatorpantie 41 B
FI-01640 Vantaa
www.tamro.fi

France
PHOENIX Pharma S.A.S.
ZA des Bouvets
1. rue des Bouvets
F-94015 Créteil Cedex
www.PHOENIXpharma.fr

Germany
PHOENIX Pharmahandel GmbH & Co KG
Pfingstweidstrasse 10-12
D-68199 Mannheim
www.PHOENIXgroup.eu

Hungary
PHOENIX Pharma Zrt.
Keleti M. ut 19
H-2151 Fót
www.mypin.hu

Italy
Comifar Group
Via Fratelli Di Dio N 2
I-20026 Novate Milanese
www.comifar.it

Latvia
SIA Tamro
Kleistu iela 24
LV-1067 Riga
www.tamro.lv

Lithuania
UAB Tamro
9-ojo Forto 70
LT-3040 Kaunas
www.tamro.lt

Macedonia

PHOENIX Pharma DOOEL
Kacanicki pat bb. Vizbegovo
MK-1000 Skopje
www.PHOENIXpharma.com.mk

Netherlands

Brocacef Groep NV
Straatweg 2
NL-3600 AA Maarssen
www.brocacef.nl

Norway

Apokjeden AS
Skårersletta 55
N-1473 Lørenskog
www.apotek1.no

Poland

PHOENIX Pharma Polska Sp. z o.o.
Oddział Warszawa
ul. Oplotek 26
PL-01940 Warszawa
www.pharma.com.pl

Serbia

PHOENIX Pharma d.o.o.
Bore Stankovica 2. P. Box 21
SRB-11 250 Beograd 92
www.PHOENIXpharma.rs

Slovakia

PHOENIX Zdravotnícke zásobovanie a.s.
Pribylinská 2/A
SK-831 04 Bratislava
www.PHOENIX.sk

Sweden

Tamro AB
P.O.Box 49
S-401 20 Gothenburg
www.tamro.se

Switzerland

Amedis-UE AG
Mönchmattweg 5
CH-5035 Unterentfelden
www.amedis.ch

Pharmacies BENU S.A.
Rue du Centre 6
Case postale 108
CH-1752 Villars-sur-Glâne
wwww.benupharmacie.ch

United Kingdom

PHOENIX Medical Supplies Ltd.
Rivington Road
Whitehouse Industrial Estate
GB-Runcorn. Cheshire WA7 3DJ
www.myp-i-n.co.uk

Domestic subsidiaries

ADG Apotheken Dienstleistungsgesellschaft mbH
Pfingstweidstrasse 5
68199 Mannheim
Germany
www.adg.de

Health Logistics GmbH
Vichystrasse 14
76646 Bruchsal
Germany
www.health-logistics.de

PHOENIX Pharma-Einkauf GmbH
Pfingstweidstrasse 10-12
68199 Mannheim
Germany

transmed Transport GmbH
Dr.-Gessler-Strasse 37
93051 Regensburg
Germany
www.transmed.de

Financial calendar 2014

17 June	Quarterly Report February to April 2014
26 September	Quarterly Report February to July 2014
18 December	Quarterly Report February to October 2014

Imprint

Publisher
PHOENIX Pharmahandel GmbH & Co KG
Group Communications
Pfingstweidstrasse 10-12
68199 Mannheim
Germany
Phone +49 (0)621 8505 8502
Fax +49 (0)621 8505 8501
media@PHOENIXgroup.eu
www.PHOENIXgroup.eu

Investor Relations
Karsten Loges
Head of Corporate Finance/Group Treasury/Holdings
Phone +49 (0)621 8505 741
K.Loges@PHOENIXgroup.eu

Concept and realisation
Group Communications PHOENIX group
HGB Hamburger Geschäftsberichte GmbH & Co. KG,
Hamburg, Germany
HERING SCHUPPENER Healthcare, Hamburg, Germany

Photographs
Colin Boulter (p. 25)
Mark Enstone (p. 21)
Erik Fuglseth (p. 25)
Øivind Haug (pp. 29, 33)
HeidelbergCement AG (p. 10)
Hans-Georg Merkel (pp. 4, 5, 6, 7, 13, 18,
19, 21, 22, 23, 25, 26, 29, 30, 33)
Volker Miosga (p. 21)

Printing
Woeste Druck & Verlag GmbH & Co. KG, Essen,
Germany

© PHOENIX Pharmahandel GmbH & Co KG,
Mannheim, Germany
Printed in Germany. All rights reserved.

Translation of the German version.
The German version is binding.