In motion.

Annual Report
2011/2012

PHOENIX group

The PHOENIX group is in motion.

Movement allows progress.
Only by being in motion can we adapt and respond flexibly to the changes in the market environment.
We stay in motion so that we can offer our customers the best services – both today and tomorrow.

Three-year overview

	2009/2010	2010/2011	2011/2012
Revenue (EUR k)	21,317,594	21,737,772	**21,660,649**
EBIT (EUR k)*	428,610	487,042	**438,120**
EBT (EUR k)*	247,239	274,911	**300,918**
Employees (total number as of 31 January)	28,156	28,721	**28,141**
Employees (full-time)	23,261	23,206	**23,850**
Number of pharmacies	1,487	1,562	**1,547**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A.

PHOENIX in brief

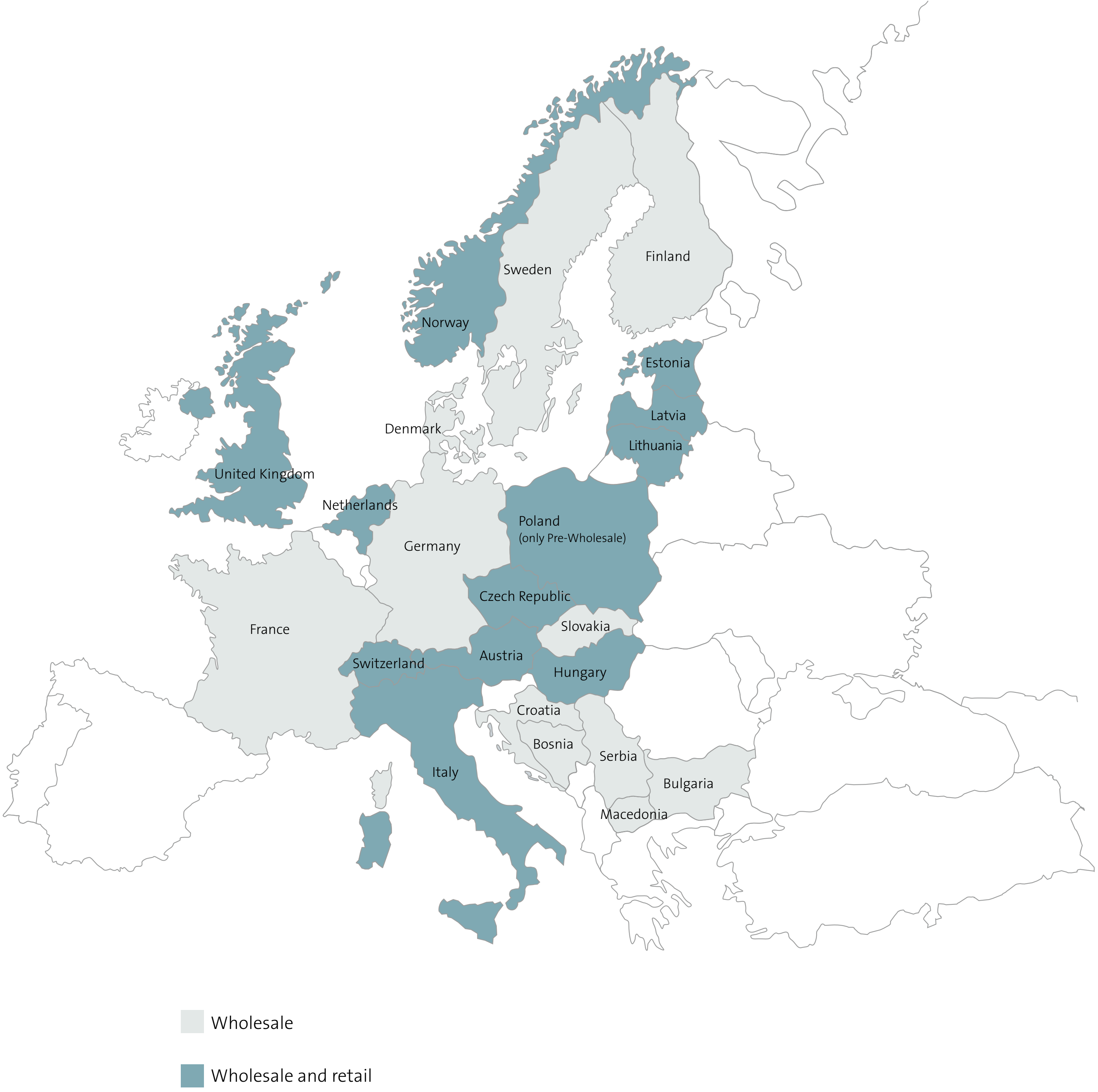
The PHOENIX group from Mannheim is a leading pharmaceutical trader in Europe, supplying people quickly and reliably with drugs and medical products every day. Having originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994, the company now offers a geographic positioning that is unmatched throughout Europe, making a vital contribution to comprehensive healthcare with more than 28,000 employees in the core business areas of wholesaling and retailing.

In pharmaceutical wholesale, the PHOENIX group is active with almost 150 distribution centres in 22 countries and supplies pharmacies and medical institutions with drugs and other health products. The company also provides numerous other products and services, from support for patient advice to the modern goods management system for pharmacies. Upon request, the PHOENIX group can take care of the entire drug supply chain for pharmaceutical manufacturers through its supplier services. This includes storage, transport, goods management, and billing, in addition to other services.

In the pharmacy retail business, the PHOENIX group operates around 1,550 of its own pharmacies in 12 countries. In Western and Northern Europe, the PHOENIX group is active in Norway, the United Kingdom, the Netherlands, and Switzerland, among other countries. The activities of the retail business also focus on the Eastern European and Baltic markets. More than 13,000 pharmacy employees have 115 million customer contacts each year. They dispense around 250 million drug packages to patients and advise them on questions concerning pharmaceuticals as well as general health.

Country overview

Business areas of the PHOENIX group



As of 31 January, 2012

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Letter from the Chief Executive Officer

Ladies and Gentlemen,

The PHOENIX group remained on the move in the fiscal year 2011/2012. We were active in a number of areas in order to strengthen our core competences while continuing to develop the company. Our strategic orientation allowed us to compete successfully on the market despite the weak growth of the European pharmaceutical market. In order to meet the changing demands of our customers, the PHOENIX group invested extensively in its two core business areas of wholesaling and retailing and introduced a number of innovations. As a partner to the pharmaceutical industry, in the supplier services area we focused on expanding our capacities and range of services. In particular, we employed a variety of measures as part of our stringent efforts to further optimise the financial result. The PHOENIX group is in an excellent position to continue developing on a sustainable basis.

Figures and activities in the fiscal year 2011/2012

As in previous years, the health system and pharmaceutical distribution in Europe were characterised by legal changes that further increased the cost pressure. The volume of the European pharmaceutical market also fell slightly in the past year. Nevertheless, our activities developed steadily: in the past fiscal year, the group generated revenues amounting to EUR 21.7 billion, around the same level as the previous year. Our very good position in the countries of Eastern Europe had a positive impact on this figure. We achieved strong revenue growth in this region, which allowed us to further reduce our dependence on other markets – such as our home market, Germany. The group result rose by around 50 per cent to EUR 221.4 million. In 2011/2012, we once again performed well in comparison with our main competitors. The positive development of the PHOENIX group's earnings contrasts sharply with the conflicting trend seen in the industry as a whole.

We are well-positioned in our core business areas of wholesaling and retailing. In pharmaceutical wholesale, we are in the top three in 20 of 22 countries and the market leader in 11 countries. We attach great importance to the continuous development of the company. The total sum invested by the group in the past fiscal year was in the three-digit million range, with a large portion used to optimise operational quality and logistical processes. For example, in order to strengthen our supplier services offering for customers from the pharmaceutical industry, we constructed a new high-bay storage facility in Tampere, a branch of our subsidiary Tamro Finland.

Developments linked to the new regulatory environment in Germany proved particularly challenging. The Act on the Reform of the Market for Medicinal Products (AMNOG) in force since 1 January 2011 gradually changed the wholesale reimbursement system. The structural change to wholesale reimbursement for prescription drugs came into effect on 1 January 2012, which meant a transition to a price-independent fixed markup per dispensed pack in combination with a percentage-based markup on the pharmaceutical company's selling price. As the market leader, we approached the customers, ahead of our competitors, to

Reimund Pohl
Chief Executive Officer

present our new condition system. Our top priority was to make the system transparent and easy to understand. The new system was accepted by our customers because we continue to offer them fair market conditions and a first-class delivery service.

In pharmacy retail, the PHOENIX group is active in 12 European countries with around 1,550 pharmacies. As a result, we have a strong market position in Europe, particularly in Norway, the United Kingdom, the Netherlands, Switzerland, and the countries of Central and Eastern Europe. We have developed the corporate brand BENU in order to expand our retail business and strengthen our market position in Continental Europe. More than 700 pharmacies in selected European countries are being unified under the name BENU. We are also introducing an innovative concept in our pharmacies, comprising shopfitting, optimisation of the product presentation, and individualised advice for customers.

In addition, the pharmacies that were merged in the previous year as a result of the joint venture with the Celesio subsidiary Lloyds Nederland, which is limited to the Netherlands, were successfully integrated into our subsidiary Brocacef. The integration of these pharmacies was completed in the first quarter of 2011/2012. Another significant step for our retail business was the majority takeover of Pharmanova Zrt. with its excellent, committed pharmacists and a modern infrastructure. The acquisition strengthens our company's market position in Hungary.

Optimised financial structures

The PHOENIX group closes the fiscal year 2011/2012 with a significantly improved financial result. The company can now benefit from an optimised capital structure. Besides increasing the equity ratio, we were able to reduce our debt more substantially than planned. We were also able to make our financing more favourable by using a variety of financing instruments. The financial result, which fell by around EUR 75 million to EUR -137.2 million, was improved in particular by a considerable decline in interest expenses and the absence of restructuring costs. In addition, we succeeded in optimising the tax ratio significantly thanks to the tax strategy we initiated in the previous year.

The external valuations awarded to us by the ratings agencies improved once again in the past fiscal year, thanks to the stable course of business and the very positive development in terms of financing.

Strategic orientation

The leading position held by the PHOENIX group in European pharmaceutical distribution is strengthened by our strategic objectives. Our focus is on the core business areas of wholesaling, including supplier services, and retailing. Special emphasis is placed on reducing our operating costs in these areas.

We continually examine our country portfolio and carry out targeted acquisitions in our core markets. For example, we have taken over two regional wholesalers in Italy and made selected acquisitions in pharmacy retail. We also streamline our portfolio in situations where we see no possibility of increasing our earnings in the long term, as was the case with the closure of our wholesale business in Poland.

Our group-wide organisational structure also proved to be a strategic advantage in the past fiscal year. The international subsidiaries are responsible for our operational business, which allows us to respond to specific requirements within the markets. However, we pool responsibilities wherever it is useful and cost-effective. For example, centralisation in the area of financing means that, by equalising liquidity within the group, we can optimise our use of the available capital and improve external financing by pooling our borrowed capital requirements. In addition, we have standardised and modernised our debtor management by means of a Europe-wide guideline. The aim is to minimise the risk of bad debts by means of more comprehensive, transnational information as well as further reducing our accounts receivable in all countries. After just a few months, we have been able to achieve some success.

We have also focused on systematically expanding the range of products and services we offer our customers. In wholesale, we have further improved our operational quality and optimised logistical processes. For the supplier services area, we have increased our storage capacities across Europe and offer a variety of additional services to support pharmaceutical manufacturers. Our innovative pharmacy concept helps us to meet changing customer needs. We have also made enhancements in the area of Internet communication, with a new international corporate website that provides complete and clear information on the activities and positioning of the PHOENIX group in Europe. This website forms the central hub for the comprehensive array of information and services that the company makes available on the Internet.

Executive Board changes

Oliver Windholz joined the Executive Board of the PHOENIX group at the beginning of the past fiscal year and has taken on responsibility for the Sales and Marketing division as Henry Iberl's successor. Mr Iberl retired as planned after working for the company for over 30 years. On behalf of the whole Executive Board, I would like to thank Mr Iberl for his many years of co-operative and successful work and wish him all the best for the future. In his new role, Mr Windholz has taken on Europe-wide responsibility for our sales activities in the area of wholesale and will endeavour to stimulate further development in this area.

Continuity as a factor for success

Thanks to the support of our shareholders, we were able to continue developing the group successfully. The Executive Board involves the Advisory Board in its discussions on all important strategic issues. The Advisory Board does not act merely in an advisory capacity; as a supervisory committee, it also makes a decisive

contribution to professional corporate governance. The co-operation between the boards was very constructive and is based on long-standing mutual trust. At the invitation of the Executive Board, members of the Advisory Board take part in the yearly international management meeting of the PHOENIX group, helping to ensure that the Advisory Board is always fully involved and given comprehensive information.

Thanks to our employees and our customers

The past fiscal year has confirmed that the PHOENIX group can count on the commitment and dedication of its employees. My thanks therefore go to our managers and employees, first and foremost, for their loyal service. I would also like to thank the employee representatives for their good, constructive co-operation. In addition, I want to express my thanks to our customers for their trust over the past year. We look forward to continuing and intensifying our partnership.

Outlook

Cost-saving measures in health policy and the uncertainty caused by the ongoing financial crisis are once again expected to have a negative impact on the pharmaceutical markets this year. In order to develop strongly in this challenging environment now and in the future, we will continue to focus on the core business areas of wholesaling and retailing, and work systematically to expand these activities. We will remain a European pharmaceutical trader and will strive to achieve stable revenue development in the coming fiscal year. Where we see attractive possibilities, we will also make targeted acquisitions.

Naturally, we will endeavour to exploit existing opportunities in the markets. We anticipate a further rise in demand for innovative drugs, and demographic change is continuing apace in many European countries. The population must be able to rely on a secure, dependable, and local supply of drugs. We will play a major part in making this happen, while continuing to develop our services along the entire pharmaceutical value chain.

We remain in motion – for our customers.

On behalf of the Executive Board,
Mannheim, May 2012

Reimund Pohl
Chief Executive Officer

Executive Bodies of the PHOENIX group

The Executive Board (from left to right): Oliver Windholz, Stefan Herfeld, Reimund Pohl, Dr. Hans-Ulrich Kummer, and Dr. Michael Majerus

Executive Board

Reimund Pohl
Chief Executive Officer

Stefan Herfeld
Retail

Dr. Hans-Ulrich Kummer
Operations/Logistics

Dr. Michael Majerus
Finance

Oliver Windholz
Sales/Marketing

Advisory Board

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

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

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

Rolf Glessing
Director of F. Reichelt AG,
Hamburg, Germany
Director of
Merckle Service GmbH,
Ulm, Germany

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

Report of the Advisory Board

Ladies and Gentlemen,

In the past fiscal year, the work of the Advisory Board of the PHOENIX group was very eventful – in a positive sense. As both a supervisory and advisory body, the Advisory Board was involved in all decisions of fundamental importance, relating in particular to the ongoing development of the corporate strategy as well as acquisitions. Because the PHOENIX group has a stable shareholder structure, with the Merckle family as the majority shareholder, the management is able to pursue a long-term corporate strategy. This value-based management approach stands for long-term, sustainable growth and is comprehensively supported by the Advisory Board.

Structure and remit of the Advisory Board

The duties and competencies of the Advisory Board primarily include the appointment of the Executive Board members, the choice of the auditor and decisions regarding measures that extend beyond the scope of normal business activity on account of their volume, duration, or significance. Another task is the approval of the group budget. The Advisory Board was informed regularly in writing and orally about the business activities in addition to fundamental issues relating to financial, investment, and personnel planning as well as the profitability of the company, and investigated any deviations in the business performance. The Advisory Board was involved in all major personnel decisions within the group and was informed promptly about changes. In the fiscal year 2011/2012, five meetings of the Advisory Board were held. It also maintained a regular dialogue with the Executive Board outside the scheduled meetings.

Focuses of the activity

The further optimisation of the group's financing was an important topic in the past fiscal year, which was discussed intensively by the Executive Board and Advisory Board. We also discussed the measures to improve the tax ratio in detail with the Executive Board. The strategic closure of the wholesale activities in Poland was explained fully to the Advisory Board by the Executive Board and was implemented with its approval. We were also involved in the strategic orientation in the pharmacy retail business, particularly in the development and introduction of the new corporate brand BENU. To gain first-hand information on the implementation of investment measures, the development of business, and the market situation, I visited individual international subsidiaries together with Mr Pohl.

In the past fiscal year, the Advisory Board once again examined the risk management system on an ongoing basis and satisfied 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 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 2011/2012 to Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, and discussed the focal points of the audit with the auditor. The Executive Board had 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.

Dr. Bernd Scheifele
Advisory Board Chairman

The annual financial statements as well as the company and consolidated management report were audited by the appointed independent auditor and given an unqualified audit opinion. The Advisory Board received all financial statements and discussed them in detail in the presence of the auditor. It raised no objections to the auditor's findings. The Advisory Board therefore approved the annual financial statements and consolidated financial statements. The Advisory Board consented to the Executive Board's proposal regarding the appropriation of the retained earnings.

Executive Board change

Oliver Windholz joined the Executive Board of the PHOENIX group as of 1 February 2011 and took on responsibility for the area of sales and marketing as of 1 July 2011. As a result of his earlier activities, Mr Windholz has gained excellent knowledge of the European pharmaceutical market and is thus ideally suited for this challenging task.

His predecessor, Mr Henry Iberl, retired at the end of June 2011 following many years of trusting co-operation. Mr Iberl began his career with the PHOENIX group in 1978 and, since July 1998, was a member of the Executive Board, with responsibility for the areas of sales and marketing. After more than 30 years in the company, we would like to express our special thanks for his valuable work and enormous dedication. We wish Mr Iberl all the best for the future.

Always working together in partnership

The co-operation between the Advisory Board and the Executive Board is characterised by open, transparent communication and a close relationship. In particular, my relationship with Mr Pohl is based on many years of mutual trust. The Executive Board and Advisory Board are committed, as partners, to achieving the goals of the PHOENIX group and pursue a long-term approach in order to do so.

In the past fiscal year 2011/2012, the PHOENIX group once again asserted its position as a leading pharmaceutical trader in Europe. The Advisory Board is confident that the decisions and measures taken in the past fiscal year will ensure that the company continues to develop positively. With its committed employees and a highly motivated management team, the PHOENIX group is in a very good position to face the challenges of the market.

On behalf of the Advisory Board,
Mannheim, May 2012

Bernd Scheifele

Dr. Bernd Scheifele
Advisory Board Chairman

In motion for health

In the past fiscal year, the PHOENIX group took another big step forward – in terms of its strategic direction, financial stability, development of profit, its services and internal processes. We have expanded our position in the growing markets in Eastern Europe and made extensive investments for the ongoing development of the group. In the fiscal year 2011/2012, we focused on highly targeted improvements to our financing and capital structure.

The PHOENIX group has unmatched geographic coverage in Europe and is well-positioned with its services along the entire pharmaceutical value chain from the manufacturer to the patient. In the fiscal year 2011/2012, the company further consolidated its position as one of the leading pharmaceutical traders in Europe, with its two core business areas of wholesale, including supplier services, and pharmacy retail. Overall, the activities have experienced stable development despite a challenging environment: revenue remained at around the previous year's level, reaching EUR 21.7 billion. We were able to increase the earnings before taxes to EUR 300.9 million.

Strategic business management

Optimising our country portfolio is at the centre of our efforts. The PHOENIX group pursues a selective acquisition strategy – particularly in pharmacy retail – in defined core markets and, when required, takes steps to streamline its portfolio in the countries in which it is not possible to achieve a higher earnings target in the long term. We also work continuously to expand additional services for our existing customer groups.

Our aim is to be in the top three in every country in which we operate in wholesale. We have already achieved this goal in 20 of 22 countries. In 11 countries, the PHOENIX group is the market leader in wholesale. We deliberately rely on a broad spectrum of countries so that we are less dependent on individual markets. In retail, the PHOENIX group is well-represented in Norway, the United Kingdom, the Netherlands, Switzerland, and in the Central and Eastern European markets with own pharmacies. We are looking to further expand our market position.

Optimised financing and tax ratio underpin business success

The PHOENIX group closes the past fiscal year with a significantly improved financial result. We were able to reduce our debt more substantially than originally planned. The interest result – adjusted for the effects of disposals of shareholdings – improved by around EUR 100 million in comparison with the previous year. We renegotiated our credit terms at the start of 2011, changed the credit structure, and made use of options for more attractive financing involving different forms of finance. The equity ratio rose by around 3 percentage

points to 26.1 per cent as a result of the increase in equity from EUR 1,772.4 million to EUR 1,935.6 million as well as a reduction in the balance sheet total connected with the repayment of liabilities.

The overall very positive change in the financial result, the further reduction of debt and the stable development of the PHOENIX group's earnings – despite regulatory changes – were also reflected in the company's ratings, which improved again in the past fiscal year. At the end of the fiscal year 2011/2012, the ratings awarded by the three leading ratings agencies were at a comparable level in the BB range. We are the only pan-European pharmaceutical trader to have its creditworthiness assessed by ratings agencies. The more favourable ratings and the good performance of the PHOENIX group were reflected in the stronger development of the PHOENIX bond in comparison with the market.

The tax strategy we initiated in the previous year to optimise the allocation of capital in the group was also pursued further, resulting in a significant reduction in the group tax ratio to 19.7 per cent.

Recognising the individuality of each country – building on common ground

The organisational structure of the PHOENIX group is based on the responsibility of each international subsidiary for the operational business and the best local strategy – in line with the credo "all business is local". The individuality of our international subsidiaries is very important to us. Group-wide centralisation of the organisational structures is only carried out in areas in which it is valuable and cost-effective. After all, flexibility in the national organisations allows us to respond as effectively as possible to specific requirements in the markets. We use a comparable organisational structure within the international subsidiaries, which makes transnational co-operation simpler and more efficient. In the group, we strive to maintain lean hierarchies and short decision paths. Our organisational structure is designed to promote the growth of the PHOENIX group.

In addition, we place a high value on the exchange of best practice throughout the group: concepts developed successfully in one country are transferred to other countries. We promote a constructive cross-border exchange of ideas.

"With our good financial basis and profitability, we have laid the foundation for the sustainable development of the PHOENIX group in Europe."

Dr. Michael Majerus, Executive Board Member Finance

WHOLESALE

1

In motion for manufacturers and pharmacies

"The new sorter has allowed us to optimise the goods dispatch processes at our distribution centre. This helps us guarantee an efficient and reliable supply of drugs to our customers"

Christoffer Knutsson,
Logistics coworker,
Apokjeden Distribusjon AS, Norway

APOTEK

In motion for manufacturers and pharmacies

In the wholesale segment, the PHOENIX group used the fiscal year 2011/2012 to move ahead in the market and strengthen its position as one of the leading pharmaceutical wholesalers in Europe. We are an established, competent partner to pharmacies, hospitals, dispensing doctors, and medical institutions, always on hand to provide a fast and reliable supply of drugs and health products.

With nearly 150 distribution centres in 22 European countries, giving us a geographic positioning that is unmatched among our competitors, we supply around 70,000 pharmacies, doctors, and hospitals every day from a range of up to 100,000 items. On a daily basis, we move an average of around 8 million drug packages across Europe. The PHOENIX group is among the top three wholesalers by market share in 20 of 22 countries, and the market leader in 11 countries.

We have further expanded the supplier services activities for companies in the pharmaceutical industry. With services tailored to the market conditions in each country, we offer our logistical expertise to the pharmaceutical industry, handling all activities within the drug supply chain.

Investments in logistics and operational quality

For the benefit of our customers, we continuously invest throughout Europe to develop and increase the efficiency of logistical processes and to optimise operational quality. In the past fiscal year, the group released an amount in the three-digit million range for investments. A significant portion of this was used for technical innovations.

Example from Northern Europe: at our Norwegian distribution centre in Oslo, the warehouse volume rose by more than 200 per cent between 2004 and 2009. To expand the warehouse, we constructed a new high-bay storage facility with space for 6,000 pallets during the fiscal year 2011/2012. This meant that we were able to close two external warehouses and bring the goods together at one location. In order to improve dispatch sorting, we have installed a new sorter. This buffering and sorting system allows fully automated sorting and stacking of boxes on customer-specific pallets. These two measures have optimised the goods dispatch processes significantly.

Example from Western Europe: in Germany, our home market, we have invested in the modernisation of the automation technology and warehouse control at our distribution centres. At the distribution centre in Herne, we started replacing the robot systems with more modern picking machines, which will reduce expenditure in incoming goods and technical support. In addition, at several German distribution centres, we modernised the computer systems that control the warehouse processes.

In the Netherlands, we introduced the “Central Filling” (CeFi) service in the fiscal year 2010/2011. CeFi allows Dutch pharmacists to outsource specific processes. By law, they are required to apply patient-specific

information directly to the packaging of prescription drugs. In the past fiscal year, this service was extended to include automation in the case of repeat orders. The CeFi service helps to relieve the burden on pharmacies as they do not need to use any additional resources for these time-consuming work processes. The PHOENIX group is the only ISO-certified provider of such service. After successfully running a pilot project in Amsterdam, we are exploring options to extend it to other countries.

Learning from colleagues in other countries – achieving progress

In order to offer our customers the best possible services and continuously optimise our processes, we also made use of the exchange of best practice between countries.

Photograph documentation of packed boxes, which started as a pilot project at the distribution centres in Germany, was also implemented in other countries, for example. It has now been introduced in the United Kingdom, as well as in Switzerland, Norway, and Denmark. Because the box content is documented, this measure optimises the picking quality.

A group-wide platform is being initialised with the aim of intensifying the networking of marketing services and business solutions. This will allow us to introduce new services in the various countries much more rapidly.

Working successfully with pharmacy customers

Across Europe, pharmacies can choose from our broad spectrum of tailor-made services. Our range of events, seminars, and training measures helps pharmacies to position themselves as competence centres for health. We also provide support in the area of new media with online portals as well as in the field of e-commerce. In addition, we give individual advice to pharmacies on the basis of business analyses, for example in Germany via our PHOENIX Consult Service.

The PHOENIX group also offers co-operation programmes in many European countries or supports the pharmacies in partner projects. In Italy, we offer the “Valore Salute” programme, which comprises marketing,

“Thanks to significant investments and innovative solutions, we are continuously improving the services we offer to our customers.”

Dr. Hans-Ulrich Kummer, Executive Board Member Operations/Logistics

> "AMNOG represents a huge challenge for wholesale and pharmacies. With our new condition system, which is transparent, fair, and profitable for the customers, we will remain a reliable partner to pharmacies now and in the future."
>
> **Oliver Windholz, Executive Board Member Sales/Marketing**

trading, communication, and training services to help promote sales. In the United Kingdom, the PHOENIX group has established a successful programme for independent pharmacies with "Numark" – as shown by the steadily increasing number of members: at the end of 2011, "Numark" already had more than 2,700 members. For more than 20 years, PlusPharmacie has been one of the largest pharmacy co-operations in France, now with more than 800 members. With attractive own brands and marketing services, PHOENIX supports independent pharmacies, which benefit most of all from the strong brand recognition. In Germany, we work closely with the Marketing Verein Deutscher Apotheker e.V. (MVDA) as a co-operation partner. With more than 3,300 members and the umbrella brand "Linda", the MVDA is the largest German pharmacy marketing co-operation. In addition, our co-operation concept "MIDAS", which has provided continuously enhanced services for more than seven years, has attracted more than 2,000 customers.

Growth in the area of point-of-sale systems

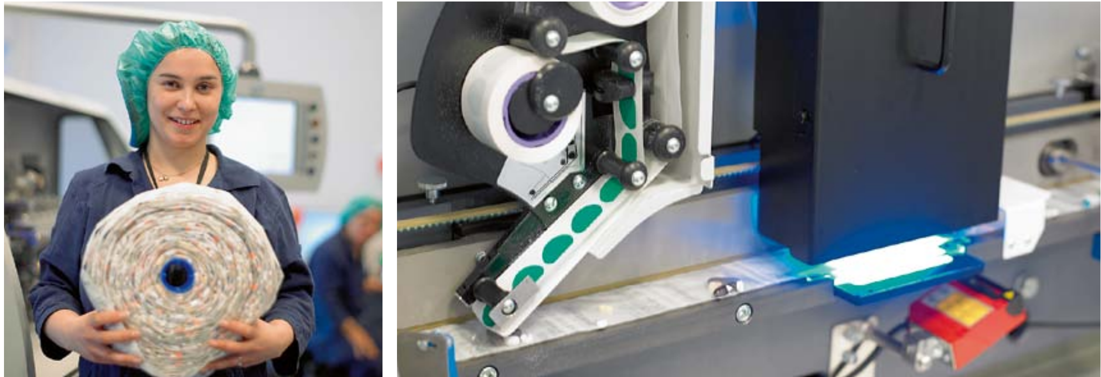
We invested in external growth and innovations wherever we felt it made good sense to do so. For example, our subsidiary ADG (Apotheken-Dienstleistungsgesellschaft mbH) acquired the majority share in JDM Innovation GmbH during the fiscal year 2011/2012, a move that expanded its portfolio. ADG is one of the largest suppliers of systems in the areas of goods management, point-of-sale, and management for pharmacies, and its point-of-sale systems are produced by JDM. By acquiring the majority of the shares, ADG brings together the development and marketing of modern software and hardware solutions. The most innovative development from ADG so far is the K4000 V point-of-sale system, which contains a camera to read prescriptions automatically, thus optimising the documentation of prescriptions for the pharmacist.

Blister packing – the right service for a reliable supply

As a result of demographic change, more and more patients are receiving multiple medications. Offering individually packed drugs is therefore increasingly important for nursing homes and clinics, as well as in private care. We offer individual blister packing for pharmacies and patients in a number of European countries. Multiple inspections of the blister packs safeguard our high quality standards. By offering this service, we support pharmacists and relieve them of the investment risk of purchasing and maintaining their own machines. In Norway, the market is recording such strong growth that we are investing in several new machines for our production hall in order to cover the rising demand as effectively as possible. In Germany, our BlisterCenter Aschaffenburg has a leading position and supplies pharmacies throughout the country. We also offer a successful blister packing service in the Netherlands via our company Pack4U: the number of customers doubled in the past fiscal year and an additional location will be opened in 2012.

The wholesale business in Europe – together we are strong

The PHOENIX group's existing strategy for the wholesale business has proved successful. In Germany, we achieved a market share of 27 per cent in the past fiscal year. This makes us a clear leader in the wholesale business in our home market. However, the effects of the Act on the Reform of the Market for Medicinal Products (AMNOG) were clearly in evidence. The AMNOG, which came into effect in January 2011, led to



a change in the wholesale reimbursement system. A transitional arrangement was put in place for 2011, which impaired the margin in the wholesale segment considerably. The new reimbursement system has been in force since January 2012: for prescription drugs, the margin for wholesaling will, in future, comprise a fixed amount of EUR 0.70 per dispensed pack as well as a mark-up of 3.15 per cent on the pharmaceutical company's selling price. The AMNOG also restricts the discounting possibilities, and this is why PHOENIX in Germany proposed a new condition system to its customers in the past year. The system is simple, transparent and fair and is designed to allow the positive, long-term co-operation with pharmacy customers to continue, helping both parties to achieve success now and in the future. The PHOENIX group is a reliable, faithful partner to pharmacies, even during testing times in terms of health policy.

In the fiscal year 2011/2012, particularly pleasing development was recorded in Northern and Eastern Europe. In Northern Europe, the company achieved an average market share of around 55 per cent. In Eastern Europe, we generated strong growth: for example, revenue in Serbia rose by more than 50 per cent in comparison with the previous year, while business increased by almost 30 per cent in Macedonia and by almost 20 per cent in Bosnia. In Hungary, we increased our market share to 40 per cent. In the Czech Republic, we were able to keep our share stable at 36 per cent and remain the clear market leader, despite a difficult market environment.

In Western Europe, the company increased its market share in some countries by means of targeted acquisitions. In Italy, for example, we were able to increase our market share further and expand our market leadership by purchasing two wholesalers. The Dutch activities also developed positively, partly because of the expanded scope of the CeFi service.

In all our activities, we always ensure that we minimise the risk to the company. In countries in which difficult conditions for wholesale are expected in the long term, we are always ready to take decisive action. We pursued this strategy with the closure of our wholesale business in Poland, while our Polish activities in the area of supplier services and pharmacy retail remained unaffected.

Despite the challenging market situation – with growing price pressure and the changes in health policy in Europe – the PHOENIX group is pleased with the development of its wholesale business. Our strategy is based on unmatched geographical coverage in Europe, which safeguards our commercial success.

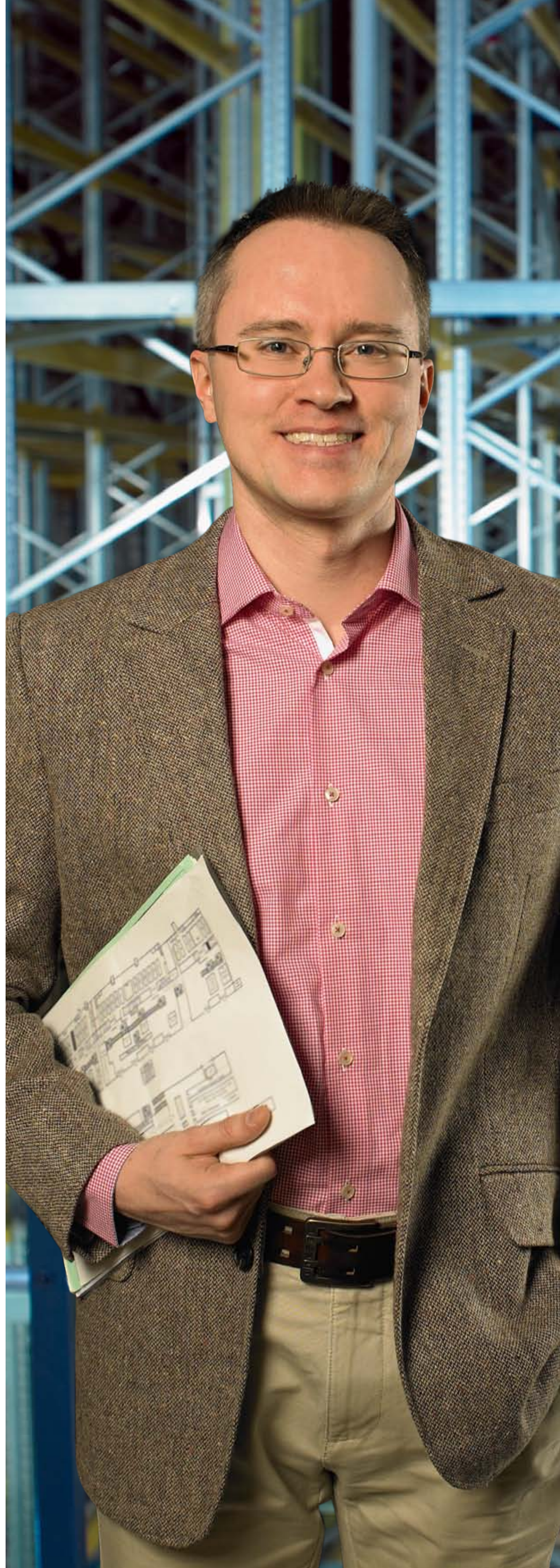
> "The PHOENIX group stays on the move for pharmacy customers: we want to keep developing and growing – with them, and for them."
>
> **Oliver Windholz, Executive Board Member Sales/Marketing**

1 2 3 4

Supplier Services

The supplier services portfolio is aimed directly at pharmaceutical manufacturers for whom we take on management of the complete supply chain. This comprises tasks relating to incoming goods, shipment, storage, picking, and transport. With our long-standing expertise and excellent industry knowledge, we can offer "value added services" that allow our customers to concentrate on their core business.

"The approximately 23,000 new pallet spaces are a targeted investment in our location, to ensure a successful future. By means of this expansion we can offer our customers more capacities and more flexibility."



Jussi Ranta,
Logistics Development Manager,
Tamro Finland

The area of supplier services was successfully expanded in the fiscal year 2011/2012. We work continuously on optimising the range of services offered in order to fulfil the requirements of our customers even more effectively. In the past fiscal year, a total sum of more than EUR 30 million was invested:

- To strengthen our market leadership in Northern Europe, a new high-bay warehouse was constructed in Tampere, Finland, providing space for around 23,000 pallets. The integration of three smaller locations allowed us to combine capacities, increase efficiency, and optimise the logistics.
- In Eastern Europe, the PHOENIX group is the largest service provider for pharmaceutical manufacturers. We have the best country coverage and offer local expertise within the pharmaceutical supply chain. This leading position was consolidated in the fiscal year 2011/2012, with 6,000 additional pallet spaces in Slovakia added to the existing capacities.
- In 2011, the PHOENIX group increased the number of spaces to just under 10,000 at its subsidiary Health Logistics GmbH in Bruchsal, Germany.

In the area of services for drug manufacturers, the PHOENIX group ranks among the trendsetters in Europe. We generate added value for pharmaceutical manufacturers along the entire value chain and benefit from our leading position in the wholesale segment as well as our substantial expertise in retailing. The PHOENIX group has unmatched geographic coverage in Europe and outstanding capacity, with space for more than 170,000 pallets. This makes the supplier services area of the PHOENIX group a reliable partner for companies in the pharmaceutical industry, offering optimal and reliable service quality in Europe.

As its basic service, the supplier services area of the PHOENIX group takes care of the complete or partial drug supply chain ex-factory for more than 200 customers from the pharmaceutical industry. This comprises incoming and outgoing goods inspections, storage – in the cold chain if required –, and transport. The "value added services" also include, for example, the distribution of test drugs for clinical studies or the consignment

> "Now and in the future, we want to set things in motion for our more than 200 customers in the pharmaceutical industry: that's why we are continually expanding our range to ensure that we offer the best supplier services in Europe."
>
> **Dr. Hans-Ulrich Kummer, Executive Board Member Operations/Logistics**

of marketing materials. We also offer financial services such as retailer invoicing or the processing of imports and exports. The PHOENIX group offers a central warehousing solution for biotechnology products and drugs for rare illnesses, known as “orphan drugs”, which are manufactured in small quantities. This ensures direct, fast distribution to hospitals and pharmacies throughout Europe. We deliver temperature-sensitive drugs in a continuous cold chain within 24 hours to almost anywhere in Europe. In some European countries, our field sales teams also support the pharmaceutical manufacturers in the marketing of their products. In the past fiscal year, this service was introduced in Finland. Our service portfolio also includes the disposal of expired or unused drugs.

With our comprehensive range of services for drug manufacturers, we pursue one goal: to facilitate logistical operations for our customers so that they can focus on their core competences – research, development, and production of drugs and medical products.

RETAIL

2

In motion for patients

"Every day, our customers are enthusiastic about the inviting atmosphere in our pharmacy in Riga. The innovative pharmacy concept increases customer retention and strengthens the motivation of our employees."

Mara Seglina,
Pharmacy manager,
Gimenes aptieka,
Latvia

In motion for patients

We offer a comprehensive range of products and services, as well as individual advice, to our customers in pharmacy retail. We respond flexibly to their needs, which – in an intensely competitive environment – is decisive for our success. In the fiscal year 2011/2012, we set our focus on developing this approach even further. Because we were able to stand out from our competitors even more, thanks to new concepts, this business area experienced positive development.

The PHOENIX group has a strong market position in Europe, particularly in Norway, the United Kingdom, the Netherlands, Switzerland and the countries of Central and Eastern Europe. In the past fiscal year, we maintained a reliable supply of drugs to the population, with more than 13,000 pharmacy employees in our approximately 1,550 pharmacies in 12 European countries. They had 115 million customer contacts and dispensed around 250 million drug packages.

We are continuing to work on expanding our pharmacy network by means of selective acquisitions and the expansion of franchise programmes. In the past fiscal year, for example, we attracted around 50 franchisees in the Netherlands and almost 20 in the Czech Republic.

A new pharmacy concept to strengthen our customer loyalty

We have started to introduce a uniform, innovative pharmacy concept comprising shopfitting and optimisation of the product presentation. This enhances the interaction between the customer and the pharmacist, which in turn is helping the PHOENIX group to stand out from the competition on the European pharmacy market and respond specifically to the changing customer needs. Pharmacy customers are increasingly looking for comprehensive advice on various health and care products, in addition to the pure supply of drugs. A modern, inviting interior allows us to present the product range even more effectively to the customers. Modern, illuminated wall systems, free-standing elements for the products in the self-service area, open counters, bright colours and lights optimise the presentation of the items and thus increase turnover in the pharmacies. With this integrated approach, we secure the long-term success of our retail business: the concept was successfully tested in 2011 in the Maglód pharmacy in Budapest, Hungary, and subsequently implemented in individual pharmacies in Switzerland, Latvia, and the Czech Republic. We are planning to introduce it in additional European countries.

To support the pharmacies, we have been continually introducing a specific software solution for category management in the various countries since 2009. It improves product presentation as well as consistency across the different locations. In the past fiscal year, we expanded the category management solution further and deployed it in additional countries.

Our own brands: top quality at a good price

The PHOENIX group successfully offers its own brands to its customers, such as the "Numark" brand in the United Kingdom and "Dermica" and "a1" in Norway. The products range from vitamins, skincare, and baby care to hygiene products. We plan to extend the range of own brands to additional countries. In 2011, we developed a new transnational own brand range comprising eight products in the nutritional supplements category. The products were initially introduced in the Baltic States from the first quarter of 2012. They will subsequently be available in the Czech Republic, Hungary, the Netherlands, and Switzerland. Plans to extend the product range are currently in the pipeline. The quality has been tested by internationally renowned institutes such as SGS Institut Fresenius. We use high-quality packaging materials with FSC certification for our products: products with FSC labels confirm that forests have been utilised in accordance with social, economic, and ecological considerations and indicate responsible use of recycled materials.

"The PHOENIX retail business is optimally positioned with outstanding, return-oriented growth opportunities in its existing markets."

Stefan Herfeld, Executive Board Member Retail

BENU corporate brand for Europe-wide synergies

The uniform pharmacy concept and the own brand are part of our new brand strategy in pharmacy retail. More than 700 pharmacies in various countries in Continental Europe are being unified under the new corporate brand BENU. BENU and PHOENIX are closely linked: the Egyptian name “Benu” has the same meaning as the name “Phoenix” from Greek mythology. The choice of name therefore underscores the innovative strength of the brand. With the unified brand image in selected countries, the PHOENIX group aims to utilise the strong growth potential in the coming years and thus safeguard its market position in the retail business.

The aim is to harness the inviting atmosphere of the BENU pharmacies, our range of services, and the experience and expertise of our employees to promote the health of our customers and to improve their quality of life and well-being. The corporate brand stands for a competent, customer-oriented presence and embodies vitality, innovative spirit, and commitment. Fulfilling individual customer wishes is at the heart of this concept. The first BENU pharmacy was opened in the Netherlands at the beginning of April 2012. Our existing and very successful pharmacy brands in the United Kingdom and Norway will remain unchanged, in line with our strategy of individual approaches in the different countries. With rowlands pharmacy and Apotek 1, we have established two very strong brands that we plan to expand further.

Individual country activities – maintaining a strong presence for the patients

In the fiscal year 2011/2012, developments for the retail business in the European countries were very promising overall.

As early as the first quarter of 2011, we successfully completed the integration of the Dutch pharmacy chain of Celesio AG via the joint venture founded in the previous year. With a total of 137 pharmacies, our subsidiary Brocacef Holding N.V. rose to number two in the Dutch retail business.

In the Netherlands, a new reimbursement system with free tariffs has been in place since January 2012: pharmacists have to negotiate the tariffs for the supplied drugs with the health insurance funds. We have agreed terms with all the large insurers, which we will also offer to our franchisees. By decreasing the complexity for our partners, we offer them considerable added value.

In the United Kingdom, we have redesigned the rowlands pharmacies. The modern interior with appealing colour coding for the individual product groups makes the pharmacies visibly clearer. Our customers can navigate more easily and find the products they want more quickly, which increases customer satisfaction.

In our Norwegian Apotek 1 pharmacies, we have implemented a new marketing concept. The current campaigns in the pharmacies and in external communication channels such as print advertising are being

harmonised even more consistently – in terms of both colours and content. In addition, the regularly changing campaigns in all our pharmacies are being presented in defined areas. This will allow Apotek 1 customers to find special offers from the campaigns in the pharmacy even more easily.

With the BENU brand, the new pharmacy concept, and the other successfully implemented modernisation measures in pharmacy retail, we can be very positive about the future. Our activities are always geared towards the needs of the pharmacies and the patients. We will continue to pursue this approach over the next few years.

> "Strong brands in the various countries set us apart from the competition and secure our long-term success."
>
> **Stefan Herfeld, Executive Board Member Retail**

EMPLOYEES

3

In motion for the edge

“Strengthening our intercultural skills and working in international teams is really motivational and forward-looking. The European Management Development Programme applies and supports this approach.”

Michael Büttner,
Head of Team Europe, Corporate IT,
PHOENIX group, Germany

In motion for the edge

The economic success of the PHOENIX group is underpinned by its more than 28,000 employees across Europe. The ongoing training of our employees is of great importance to us because it plays a decisive role in helping us secure a competitive edge.

A variety of training activities help to expand professional and personal skills that are used for the benefit of the company. This approach is also evident in our Europe-wide management guidelines, the uniform principles that are vital for creating a corporate culture that is practised in every country.

Communicating with one another, facing challenges

The leadership guidelines serve as a corporate mission statement that allows our managers to achieve a uniform management culture. Motivation and commitment are crucial assets to continue achieving outstanding performance and thus ensure the success of the company. Besides comprehensive and prompt information, a sense of partnership, promotion, and development, an important part of our corporate culture is regular, mutual feedback. This is closely linked to our efforts to promote dialogue within the PHOENIX group. Employee development reviews and management by objectives are key management instruments used throughout the company. In addition, supervisor feedback is an instrument that allows managers to assess the effectiveness of their management behaviour. In the past year, many employees in Germany and in other European countries opted to have a supervisor appraisal.

We have already initiated a number of projects to tackle demographic challenges. For example, a pilot project at our subsidiary Brocacef in the Netherlands in the fiscal year 2011/2012 tested various flexible working time models intended to help us meet the needs of our employees in all phases of their lives. In addition to flexible hours, these included the option of a mobile workplace.

Training as a foundation for the future

We place a great deal of value on training within our own company and on retaining young people in the PHOENIX group. This is all the more important considering the demographic change taking place and the associated intensification of the shortage of skilled workers. In the fiscal year 2011/2012, the PHOENIX group trained a total of 432 young people across the group, including 114 in Germany alone. We offer apprenticeships in Germany for the following professions: management assistant in wholesale and foreign trade, warehouse logistics specialist, IT specialist, and management assistant in IT. Young people also complete apprenticeships at our international subsidiaries. Since 1994, our Danish subsidiary Nomeco has offered a two-year trainee programme for graduates of commercial high schools, which has proved very successful. Former participants of this programme now hold leading management positions in the areas of sales and finance.

Besides apprenticeship programmes, an important aspect of our junior staff development is the option of a combined degree in business administration. The specialisms of trade, business IT, and online media are offered in co-operation with the Baden-Wuerttemberg Cooperative State University (DHBW). For graduates who are aiming for a career in sales, we have developed a specially tailored twelve-month trainee programme

that will be introduced in the fiscal year 2012/2013. The participants are familiarised with all sales processes and deployed in different regions during the practical phases.

Targeted career advancement and training at all levels

Throughout Europe, we offer our employees attractive training programmes geared towards our leadership guidelines and corporate goals. Our employees in Germany receive training through the PHOENIX Academy. The training courses cover working techniques, sales training, and other subjects, including topics in the areas of leadership and management. It is clear from the feedback questionnaires and individual feedback that our employees find the training courses very helpful. Participants are particularly enthusiastic about the strong practical relevance, the diversity of the methods used in the seminars, and the trainers' high level of expertise. The PHOENIX Academy therefore provides a solid foundation for our training activities.

Preserving accumulated experience is particularly important for us. We prefer to staff executive positions from our own ranks, where the specific requirements permit. Our junior managers are specifically prepared for these positions by means of relevant training measures.

For the junior executives of the PHOENIX group, we offer the European Management Development Programme, which prepares participants for management duties across the group, in conjunction with the Mannheim Business School and the malik management centre in St. Gallen, Switzerland. In addition, we have completed preparations to run a Top Management Education Programme for one hundred of our top executives in collaboration with the IESE Business School, one of the most prestigious management schools in the world, from the fiscal year 2012/2013.

The overarching goal of all our vocational education and training activities is to position the PHOENIX group as an attractive employer among current employees and applicants, now and in the future. Our strategies of strengthening employees' skills and staffing executive positions from our own ranks are also illustrated by the fact that we generally employ apprentices and students after they have completed their apprenticeship or course of study. Only by consistently supporting and developing our employees, through openness in our dealings with one another as well as motivation and commitment can we face the challenges of the future and continue to offer our customers the best possible services.

"We rely on highly trained employees to ensure that we can respond flexibly and quickly to the changing market environment."

Reimund Pohl, Chief Executive Officer

RESPONSIBILITY

4

In motion for the future

“The PHOENIX Pharmaceutics Science Award highlights and rewards achievements in pharmaceutical research. This recognition gives a significant motivational boost to research.”

Univ. Prof. Dr. Verena Dirsch,
University Professor,
Department of Pharmacognosy,
University of Vienna, Austria

In motion for the future

The PHOENIX group takes on corporate and social responsibility that extends across national borders. The company is primarily active in the areas of pharmaceutical science and health. We are also passionate about supporting aid projects throughout the world, because as a company we feel it is our duty to act ethically and socially.

Strengthening the scientific base

For many years, we have worked to specifically promote pharmaceutical research and development. Our support for pharmaceutical vocational education and training extends beyond the borders of our home market: for a long time, our Swiss subsidiary Amedis-UE AG has presented the Amedis Förderpreis, an award for the best scientific publication of the year. When assessing the works submitted by the Zentrum für Pharmazeutische Wissenschaften Basel-Zürich, the joint research centre of ETH Zürich, and the University of Basel, the jury takes into account not only the scientific quality but also the long-term significance for pharmaceutical practice.

We have also presented the PHOENIX Pharmaceutics Science Award for more than 15 years. This award is given for outstanding scientific work in the area of fundamental pharmaceutical research published in trade publications during the previous year. We consider projects from scientific personnel at pharmaceutical institutes, research institutions, and research centres within the pharmaceutical industry in Germany, Austria, and Switzerland. An independent jury led by Professor Dr. Jörg Kreuter, Johann Wolfgang Goethe-Universität Frankfurt/Main, awards the prize for the best work in the four pharmaceutical sectors of pharmacology, pharmaceutical biology, pharmaceutical chemistry, and pharmaceutical technology. In 2011, we selected four excellent submissions from German and Austrian scientists dealing with key pharmaceutical issues. The topics covered a wide range from research into targeted cancer treatment, membrane technology procedures, and studies on vascular disease to new approaches for stabilising biodegradable implants.

Sustainable regional commitment

In the past fiscal year, we once again sponsored regional activities in the vicinity of our subsidiaries in Europe. In particular, the international subsidiaries of the PHOENIX group donated money to local hospitals, national aid organisations, and medical faculties. The long-term nature of the assistance we provide is something that we feel is very important. In order to strengthen regional development in the area surrounding our group headquarters in Mannheim, we have become a sponsoring member of the Rhine-Neckar Metropolitan Region.

Providing assistance outside Europe

The PHOENIX group supports humanitarian projects worldwide. Again, we take a long-term approach with these activities. In Norway, for example, we have worked with the aid organisation "Pharmacists without borders" (PWB) for many years. The organisation's aim is to improve healthcare in developing countries through drug donations, emergency assistance, and training in crisis regions. A PWB student group at the University of Oslo, which started the development project Pharma Aide Mali-Norvège, is sponsored by Apotek 1.

For the past 16 years, PHOENIX in Germany has supported a child aid institution in Fortaleza, Brazil, via the Kulturbras organisation. Kulturbras e.V. is a non-profit association that assists disadvantaged children in Brazil. Thanks to the company's support, the association was able to set up a full-time school that gives more than 100 children access to schooling, medical care, and a balanced diet. The chairman of the association is Wilhelm Posth, sales manager of the distribution centres in Munich and Augsburg, who was awarded the Order of Merit of the Federal Republic of Germany in 2009 in recognition of his commitment. In order to support the association even more extensively, PHOENIX launched a fundraising initiative linked to the sales volumes of own brands from the PHOENIX private range in the second quarter of the past fiscal year. As the campaign proved very successful, it is being continued in the fiscal year 2012/2013.

"Supporting pharmaceutical science is particularly important to us – it forms the basis for progress."

Oliver Windholz, Executive Board Member Sales/Marketing

PHOENIX Pharmahandel GmbH & Co KG, Mannheim

Group management report and consolidated financial statements 2011/12

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PHOENIX Pharmahandel GmbH & Co KG
Group management report for fiscal year 2011/12

Business development and economic environment

Overview PHOENIX

PHOENIX is a leading European company in pharmaceuticals trading and one of the largest family firms in Germany and Europe. The core business of PHOENIX is wholesale and retail pharmaceuticals. In addition, Group companies operate in related business areas such as services for pharmaceuticals manufacturers, pharmacy IT systems, and logistics.

PHOENIX has business activities in 23 European countries. At the end of the fiscal year PHOENIX operated 154 wholesale branches in 22 countries in its core business, as well as 1,547 pharmacies in a large number of countries. This makes PHOENIX's country portfolio highly diversified, with Germany as the largest single territory contributing around 31% to consolidated revenue. None of the foreign subsidiaries accounts for more than 11% of consolidated revenue. Eastern European countries account for approximately 14% of revenue. These markets generally grow faster than the mature pharmaceutical markets.

PHOENIX overall target is to be among the TOP 3 pharmaceutical wholesalers in any given country. We have reached this target in 20 out of 23 countries; in eleven countries we are even the market leader in wholesale pharmaceuticals: Germany, Italy, the Czech Republic, Slovakia, Hungary, Bulgaria, Serbia, Bosnia, Denmark, Finland and Sweden. PHOENIX operates the retail pharmacy business mainly in the UK, Norway, the Netherlands, Switzerland and eastern Europe.

In the fiscal year 2011/12, the PHOENIX Group had an average headcount of 23,850 full-time equivalents. This is a change of 644 compared to the prior year (average in the prior year: 23,206 FTEs). Common management principles as well as training programmes and management tools based on these principles ensure that the workforce in all countries is well-qualified, motivated and efficient.

Corporate strategy

The corporate strategy of PHOENIX is geared to achieving sustainable values through a customer-oriented corporate culture, strict cost management and profit-oriented growth. The decentralised organisational structure does justice to the regional differences in the various European pharmaceutical markets.

Part of PHOENIX's strategy is, in addition to organic growth, to regularly acquire pharmacies and wholesale companies to expand its market position. PHOENIX also systematically expands its service range for pharmaceutical manufacturers, pharmacies and other customers.

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

In logistics, PHOENIX 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.

The Company is largely managed using the financial indicators of the income statement, the statement of financial position and the statement of cash flows. The main P&L indicators are EBITDA and profit for the period. As regards the key indicators of the statement of financial position, we primarily aim to further reduce net debt and at the same time to improve the ratio of net debt to EBITDA. Continuous management of net working capital is another important area in this respect.

Development of the market

Economic development in 2011 was stable despite the negative impact of the debt crisis. Real GDP in Germany rose by 3% compared to the prior year in 2011. In the euro area real GDP likewise rose by 1.5% in 2011 compared to the prior year.

Owing above all to healthcare policy measures, the pharmaceutical markets showed a comparatively slow development in Europe. On the whole, there was a slight decrease of 0.2% in relation to 2010. The TOP 10 manufacturers were most affected by this development, sustaining a decrease of 2.1%.

This means that over the period from January to December 2011 the wholesale pharmaceuticals market in Germany only grew by 0.4% in comparison to the same period of the prior year. The German market reflected the implications of the AMNOG ["Gesetz zur Neuordnung des Arzneimittelmarktes in der gesetzlichen Krankenversicherung": German Act for the Restructuring of the Pharmaceutical Market in Statutory Health Insurance] which came into effect on 1 January 2011. The transitional provisions applicable in 2011 involving a 0.85% mark-down in the wholesale pharmaceuticals business on the manufacturer's sales price for prescription pharmaceuticals ended on 1 January 2012 and were replaced by a new remuneration structure for the wholesale pharmaceutical business. This provides for a fixed mark-up of EUR 0.70 per pack and a percentage component. Based on the new remuneration structure, we made extensive changes to the system of terms and conditions.

The pharmaceuticals markets in the other countries in western Europe similarly did not see any significant growth. In the UK, another reduction in the refund prices for generic medicines as of 1 October 2011 negatively impacted the retail pharmaceutical business. The French market continued to be shaped by intense competition. A new remuneration policy for pharmacies came into effect in the Netherlands at the beginning of 2012, under which the remuneration of pharmacies can be agreed in contracts with the various health insurance funds without restriction. In addition to our own pharmacies, our franchise partner pharmacies will also be able to benefit from our contractual agreements with health insurance funds.

Eastern European markets continue to return moderate growth. In Serbia in particular, we succeeded in further expanding our market position through organic growth. Being the sole pan-European pharmaceuticals retailer among several local competitors, we are the partner of choice for international pharmaceuticals manufacturers in this country.

Northern Europe saw diverse market developments. While the Danish market contracted marginally, the Finnish and Swedish markets grew slightly. In Norway, market volume remained stable at the prior-year level. In Sweden, the number of pharmacies increased again noticeably in the liberalised market environment in 2011. As the sole wholesaler without any pharmacies of our own we benefit there from our position as independent and reliable partner to pharmacies and pharmaceutical manufacturers.

In this challenging environment, PHOENIX was able to underscore its position as a leading European pharmaceuticals distributor. Apart from the supplementary acquisitions implemented, this was primarily driven by organic growth, particularly in eastern Europe.

Acquisitions, divestitures and joint ventures

As was the case in the prior year, we pursued a cautious acquisition strategy in the fiscal year 2011/12. In total, business combinations in the reporting year led to cash outflow of EUR 29.9m (prior year: EUR 10.7m). Cash received from divestitures amounted to EUR 16.3m in the fiscal year 2011/12 (prior year: EUR 11.2m).

We acquired 60% of the voting shares in Farcopa Distribuzione S.r.l., a regional pharmaceuticals wholesaler in northern Italy.

The other business combinations in the fiscal year 2011/12 were immaterial and primarily concerned individual pharmacies in various countries and the increase in our equity investment in a further regional wholesaler in Italy from 40% to 100%.

Back in the first quarter, we successfully completed the integration of the Lloyds pharmacies in the Netherlands.

After a sale had proved not to be feasible, we closed our unprofitable Polish wholesale business in the fourth quarter of 2011/12. The closure did not reduce earnings significantly in the reporting year.

Change in management

Mr. Oliver Windholz was appointed to the management of PHOENIX Verwaltungs GmbH with effect as of 1 February 2011. Mr. Windholz is responsible for sales and marketing. On 30 June 2011, Mr. Henry Iberl, long-standing member of management of the PHOENIX Group, retired after 33 years of service and since that date is no longer managing director of PHOENIX Verwaltungs GmbH.

Results of operations, net assets and financial position

Results of operations

At EUR 21,660.6m, revenue roughly matched the prior-year level despite the currently low level of growth on the European pharmaceutical markets. Exchange rate effects amounted to 0.6%. At 0.3%, changes in the basis of consolidation did not have a material effect on revenue development.

The gross profit margin, calculated as gross profit in relation to revenue, increased from 8.95% to 9.25%. This is attributable to a selling strategy focused on margins in various countries as well as to the increase in revenue from higher-margin service fees. The increase in gross profit margin was partly also attributable to the inclusion of the Dutch Lloyds pharmacies for a full 12 months in fiscal year 2011/12 (prior year: two months).

Other income fell only marginally by EUR 0.4m to EUR 146.6m.

Personnel expenses rose by 9.0% from EUR 934.0m to EUR 1,017.7m. The main reason here was the inclusion of the Dutch Lloyds pharmacies for a full 12 months (prior year: two months). In addition, a legal amendment in the prior year concerning the treatment of pension plans in Norway and the UK had led to a non-recurring EUR 19.2m reduction in pension obligations, which had reduced personnel expenses in the prior year. Collectively bargained pay rises also drove up personnel expenses. Further productivity improvements had a decreasing effect on personnel expenses.

Other operating expenses increased by EUR 7.6m to EUR 596.7m. This was mainly attributable to the recognition of a VAT provision, an increase in rental costs, primarily owing to the inclusion of the Dutch LLOYDS pharmacies for a full 12 months (prior year: two months), and higher transport costs. This was counterbalanced by a decrease in consulting fees, which in the prior year had included costs of EUR 8.6m from financial

restructuring. In addition, a write-down was recognised on a receivable from a key account in Slovakia in the prior year. We also implemented consistent cost controlling.

At EUR 2.2m, the result from associates approximated the prior-year level.

The result from other investments fell from EUR 5.9m to EUR 1.6m. In the prior year, this had included a dividend from the investment in ZAO Rosta, Russia, which had been sold in the prior year.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) dropped from EUR 576.9m to EUR 539.4m. The increase in gross profit could not compensate the rising costs.

The EBITDA indicator used for comparison with our net debt (adjusted EBITDA) of EUR 566.5m was 7.7% below the prior-year level and is determined as follows:

EUR k	FY 10/11	FY 11/12
EBITDA	576,861	539,387
Interest from customers	23,656	22,885
Costs of financial restructuring	8,554	0
Factoring fees	4,956	4,211
Adjusted EBITDA	**614,027**	**566,483**

At EUR 101.3m, depreciation and amortisation was around 12.8% higher than the prior-year figure of EUR 89.8m. This was mostly due to higher capital expenditure and inclusion of the Dutch Lloyds pharmacies for a full 12 months.

Earnings before interest and taxes (EBIT) fell driven by the development of EBITDA and amortisation, depreciation and impairment from EUR 487.0m in the prior year to EUR 438.1m. The return on sales based on EBIT decreased from 2.24% to 2.02%.

The financial result improved from EUR -212.1m to EUR -137.2m. The main reasons for the improvement in the financial result are the elimination of the costs of financial restructuring included in the prior year, the effect for a full year of the capital increase of EUR 505.5m performed in August 2010, an improvement in the credit margins, reduction in net debt and lower average working capital. Interest income decreased from EUR 46.3m to EUR 33.5m. Interest expenses dropped from EUR 200.9m to EUR 173.9m. Net exchange rate losses in the financial result came to EUR 1.2m (prior year: exchange rate losses of EUR 22.1m), while changes in derivatives produced a net profit of EUR 3.2m recognised in the income statement (prior year: net profit of EUR 16.0m).

In the prior year, the other financial result of EUR 16.1m (current fiscal year: EUR 3.4m) had contained income from the sale of the investments in Andreae-Noris Zahn AG, Germany, and KL Holding GmbH, Germany.

Profit before tax rose as a result of the significant improvement in the financial result from EUR 274.9m to EUR 300.9m.

Income taxes came to EUR 59.2m, EUR 67.1m better than the prior-year figure. Income taxes contain expenses from current taxes of EUR 96.0m (prior year: EUR 109.6m) as well as deferred tax income of EUR 36.8m (prior year: deferred tax expense of EUR 16.8m). The tax rate fell from 46.0% to 19.7%, principally as a result of the recognition of deferred tax assets on unused tax losses that can be used in future for tax structuring

options. In the prior year, the tax expense had also been influenced by write-downs of losses and interest carried forward as well as non-deductible expenses under the interest limitation rule.

Profit for the period came to EUR 241.7m (prior year: EUR 148.6m). An amount of EUR 20.3m (prior year: EUR -0.1m) thereof was attributable to non-controlling interests.

Net assets

The Group's total assets decreased by 2.3% to EUR 7,411.0m. The currency translation difference on the total assets, which is disclosed in the statement of changes in equity, amounts to EUR -84.9m (prior year: EUR -83.9m).

Intangible assets rose by EUR 60.4m to EUR 1,601.1m. The increase was above all due to the acquisitions made in the reporting year, which led to a rise in goodwill. As of 31 January 2012, intangible assets essentially comprised goodwill (EUR 1,251.3m; prior year: EUR 1,201.9m) and pharmacy licenses in the UK (EUR 297.5m; prior year: EUR 287.3m).

Property, plant and equipment increased by EUR 44.5m to EUR 779.1m. The increase was caused by the capital expenditure made in the reporting year. Acquisitions also contributed to the rise in property, plant and equipment.

Non-current other financial assets decreased from EUR 70.0m in the prior year to EUR 64.3m.

Inventories rose compared to the prior year by EUR 118.6m to EUR 1,694.5m. The increase is particularly attributable to revenue development towards the end of the fiscal year. The acquisitions accounted for an increase of EUR 22.2m in inventories (prior year: EUR 11.0m).

Trade receivables decreased from EUR 2,596.2m in the prior year to EUR 2,533.9m. As part of intensive accounts receivable management, measures aimed at shortening payment terms and reducing past due receivables helped to further reduce trade receivables. Days sales outstanding (measured as trade receivables/revenue x 360) decreased from 43.0 days in the prior year to 42.1 in the reporting year.

Receivables amounting to EUR 74.8m had been sold as of 31 January 2012 (prior year: EUR 139.3m) 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 265.3m had been sold as of 31 January 2012 (prior year: EUR 338.2m). The Group's continuing involvement came to EUR 17.4m (prior year: EUR 15.1m).

Non-current assets held for sale essentially contain real estate not needed for operating purposes and individual shareholdings in pharmacies. The decrease from EUR 104.9m to EUR 8.4m is mostly attributable to the successful closure of our Polish wholesale business in the fiscal year 2011/12.

Financial position

Equity increased from EUR 1,772.4m as of 31 January 2011 to EUR 1,935.6m as of 31 January 2012. The equity ratio stood at 26.1% (prior year: 23.4%). The increase stemmed primarily from the profit for the period of EUR 241.7m (prior year: EUR 148.6m). Currency translation had an effect of EUR -0.9m (prior year: EUR 19.2m), the change in the reserve for available-for-sale financial assets of EUR -2.4m (prior year: EUR -25.5m) and the change in the reserve for actuarial gains and losses from pension obligations of EUR -61.1m (prior year: EUR -29.8m) on the change in equity. As of 31 January 2012, the reserve for available-for-sale financial assets amounts to EUR 9.9m (prior year: EUR 12.3m) and mainly contains changes in the fair values of non-controlling interests in pharmacies.

The cash flow from operating activities came to EUR 382.6m (prior year: EUR 580.0m). A stable development of earnings made a substantial contribution to the positive cash flow from operating activities. The cash flow from investing activities came to EUR -113.0m (prior year: EUR 502.5m). In the prior year the repayment of the EUR 458.5m loan granted to a related party and the cash received of EUR 130.2m from disposals of financial assets had more than offset the cash paid for business combinations and investments in non-current assets.

The free cash flow fell from EUR 1,082.5m in the prior year to EUR 269.7m and was used to reduce net financial liabilities.

At EUR 334.8m, cash and cash equivalents in the statement of financial position were substantially below the prior-year level of EUR 575.0m. For the change in cash and cash equivalents, please refer to the statement of cash flows.

Provisions for pensions rose from EUR 194.5m in the prior year to EUR 282.9m. The main reason here were changes in the actuarial assumptions used. The accounting method for pension obligations changed at the beginning of the fiscal year. A transition was made from the previously used corridor method for actuarial gains and losses to immediate recognition in other comprehensive income. The transition led to an increase in pension provisions of EUR 82.5m as of 31 January 2011.

Non-current financial liabilities decreased from EUR 1,622.6m in the prior year to EUR 1,285.2m. In the reporting year, further repayments were made of the non-current tranche of the syndicated loan. In addition, an amount of EUR 200.0m was shifted from the non-current tranche to the revolving facility. As of 31 January 2012, the non-current tranche amounted to EUR 660.0m. The term to maturity of a portion of EUR 200.0m thereof has already been successfully extended until 31 December 2015. Otherwise, non-current financial liabilities contain supplementary contributions of EUR 123.8m (prior year: EUR 123.8m).

Current financial liabilities decreased from EUR 862.9m in the prior year to EUR 751.2m. This was mostly brought about by the reduction in other loans, primarily through a decrease in customer advances and lower liabilities to banks.

According to the calculation below, net debt fell from EUR 2,176.6m to EUR 1,855.7m.

EUR k	31 Jan 11	31 Jan 12
+ Financial liabilites (non-current)	1,622,639	1,285,153
./. Supplementary contribution by the partners	-123,766	-123,766
./. Derivative financial instruments (non-current)	-488	-849
+ Financial liabilities (current)	862,921	751,223
./. Derivative financial instruments (current)	-5,628	-7,434
./. Cash and Cash equivalents	-575,001	-334,846
./. Held-to-maturity investments	-60	-59
./. Available-for-sale financial assets	0	-35
+ Receivables sold from ABS/factoring transactions	462,479	322,661
./. Receivables from factoring	-47,390	-14,406
./. Receivables from ABS programmes	-19,118	-21,899
Net debt	**2,176,588**	**1,855,743**

The objective of financial management is to continuously improve the capital structure by reducing the gearing ratio. In the medium term, we aim 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 by EUR 3.9m compared with the prior year to EUR 2,580.6m.

PHOENIX was able to meet its payment obligations at all times in the fiscal year 2011/12.

For further information on our 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 defend its position in the fiscal year 2011/12 as one of the leading pharmaceuticals traders in Europe and reported a stable business performance with respect to operations despite the difficult market environment.

Risks and opportunities

Risks

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

PHOENIX 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 pharmaceutical market and PHOENIX’s business. For example, the changes in remuneration structures under the AMNOG in Germany could influence our business.

The new Hungarian pharmacies act that entered into effect on 1 January 2011 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.

The earnings situation in the wholesale pharmaceuticals business is also heavily influenced by the terms and conditions granted to customers and by suppliers. This is why these terms and conditions are monitored on a constant basis 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 to manage unforeseen interruptions of business. The standardisation of the IT systems helps ensure the stability of the operating processes.

The credit risk at PHOENIX, measured based on total receivables, is low. Healthcare institutions generally have a good credit rating. Payment terms in the healthcare sector tend to vary from one country to another, with longer payment terms in southern and eastern Europe. The risks are generally diversified by the 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 an increasing number of major customers with a higher level of receivables outstanding. The receivables management system is subject to a continuous improvement process. A groupwide policy for accounts receivable management was implemented in the fiscal year 2011/12. 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 reviewed on an ongoing basis using external and internal data. Based on the risk classification different, 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, improved customer management. Particular importance is attached to the accumulation of customer data with respect to pharmacy chains in order to prevent apparently independent pharmacies forming an unknown cluster risk through these two factors. The policy will be 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 groupwide policy will improve groupwide control of the credit risk by means of a standardised portfolio management adapted to local requirements and reflecting the risk-bearing capacity of each country.

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

Based on the information currently available, there are no legal proceedings which could have a material influence on the results of operations, net assets and financial position.

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

In the course of the refinancing concluded in August 2010, certain financial covenants were agreed, the breach of which present a risk to financing. The development of the liabilities and the covenants is monitored regularly as a result. In the fiscal year 2011/12, the agreed covenants have been comfortably complied with.

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

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.

As regards the translation risk, the exchange rates of the pound sterling and the Norwegian krone are of relevance for PHOENIX. Transaction risks are relevant in some eastern European countries where deliveries by the pharmaceuticals 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.

Please also refer to the comments in the notes.

Opportunities

Demographic trends and medical progress are long-term drivers of growth and will ensure a continuing positive trend in the pharmaceutical market. The broad geographic diversification of PHOENIX 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, PHOENIX can offer pharmaceuticals manufacturers Europe-wide logistics services.

PHOENIX holds a leading market position in wholesale pharmaceuticals in almost all countries in which the company operates. For example, we are the market leader for wholesale pharmaceuticals in a large number of countries. Our market position is particularly strong in eastern Europe. There, no competitor has comparable country coverage or market position.

In wholesale pharmaceuticals, PHOENIX has established partnerships with pharmacy customers. Many of the pharmacy customers take part in partnership programmes. In some countries, PHOENIX also offers franchise systems for independent pharmacies. This can have a positive effect on revenue development, among other things.

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

In logistics, PHOENIX 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 created the financial prerequisites for the further growth of PHOENIX. This applies both to organic growth and to appropriate acquisitions.

Overall, PHOENIX operates in a stable market with substantial opportunities and is well positioned to successfully make use of these opportunities and to further 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.

Subsequent events

On 7 February 2012, the rating agency Standard & Poor's raised PHOENIX's corporate rating to BB stable (previously: BB-/positive).

Forecast

On the whole, we do not expect the pharmaceutical markets in Europe to record growth in the fiscal year 2012/13. Cost-cutting measures introduced by healthcare policymakers and uncertainty about the situation of the economy as a whole in relation to the European debt crisis are likely to curb growth on the pharmaceutical markets.

In Germany, the AMNOG resulted in a new remuneration structure for the German wholesale pharmaceutical business. The statutory transitional provisions involving a flat-rate mark-down for 2011 have been replaced in 2012 through a change in the remuneration structure towards a combination of fixed mark-up and a percentage component. Based on the new regulation, we made extensive changes to the system of terms and conditions. We thereby hope to avoid negative effects on the quality of our earnings.

We expect revenue to show a stable development in the fiscal year 2012/13. At the level of adjusted EBITDA, we expect to reach the 2011/12 level in the fiscal year 2012/13.

For 2012/13 we plan to make slightly lower capital expenditures than in the prior year. The capital expenditures will serve above all to further optimise our wholesale branch network and raise the attractiveness of our pharmacies.

The current results of operations as of March so far confirm the development anticipated in the planning for 2012/13.

For the following fiscal year, we anticipate a low rate of revenue growth. In the medium term, the development of earnings will depend in particular on the development of market growth and the gross profit margin, especially against the backdrop of healthcare policy measures and the competitive situation.

We believe that PHOENIX is well positioned in order to achieve a positive business development, even in a more challenging market environment.

Mannheim, 20 April 2012

Reimund Pohl Stefan Herfeld Dr. Hans-Ulrich Kummer

Dr. Michael Majerus Oliver Windholz

PHOENIX Pharmahandel GmbH & Co KG, Mannheim

Consolidated financial statements as of 31 January 2012

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Consolidated income statement for fiscal year 2011/12

EUR k	Note	FY 10/11*	FY 11/12
Revenue	1	21,737,772	21,660,649
Cost of purchased goods and services		-19,792,954	-19,657,178
Gross profit		**1,944,818**	**2,003,471**
Other operating income	2	147,012	146,585
Personnel expenses	3	-934,048	-1,017,742
Other operating expenses	4	-589,103	-596,728
Results from associates	5	2,237	2,171
Result from other investments	5	5,945	1,630
Earnings before interest, taxes depreciation and amortisation (EBITDA)		**576,861**	**539,387**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	-89,819	-101,267
Earnings before interest and taxes (EBIT)		**487,042**	**438,120**
Interest and similar income		49,555	34,727
Interest and similar expenses		-277,781	-175,341
Other financial result		16,095	3,412
Financial result	7	**-212,131**	**-137,202**
Profit before tax		**274,911**	**300,918**
Income taxes	8	-126,351	-59,207
Profit for the period		**148,560**	**241,711**
Thereof attributable to non-controlling interests		72	20,331
Thereof attributable to owners of the parent company		**148,488**	**221,380**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A as well as changes in the presentation within the financial result

Consolidated statement of comprehensive income for fiscal year 2011/12

EUR k	FY 10/11*	FY 11/12
Profit for the period	**148,560**	**241,711**
Actuarial gains/losses from pension obligations	-40,699	-83,392
Gains/losses from changes in the fair value of available-for-sale financial assets	-1,079	-969
Reclassification adjustment of available-for-sale financial assets	-27,741	-1,506
Currency translation differences	19,178	-933
Deferred taxes on other comprehensive income	14,251	22,328
„Other comprehensive income, net of taxes (other comprehensive income)“	**-36,090**	**-64,472**
Total comprehensive income	**112,470**	**177,239**
Thereof attributable to non-controlling interests	-1,998	18,518
Thereof attributable to owners of the parent company	**114,468**	**158,721**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

Consolidated statement of financial position as of 31 January 2012

EUR k	Note	1 Feb 2010*	31 Jan 2011*	31 Jan 2012
Non-current assets				
Intangible assets	9	1,484,719	1,540,719	1,601,119
Property, plant and equipment	10	727,826	734,628	779,102
Investment property	11	0	0	5,326
Investments in associates	12	25,156	23,741	18,842
Other financial assets	13	204,314	70,031	64,250
Deferred tax assets	8	66,649	56,609	124,265
Other non-current assets		0	282	0
Income tax receivables		0	4,052	4,052
		2,508,664	**2,430,062**	**2,596,956**
Current assets				
Inventories	14	1,525,542	1,575,963	1,694,509
Trade receivables	15	2,857,738	2,596,177	2,533,903
Income tax receivables		9,420	16,071	12,643
Other receivables and other current financial assets	15	678,332	212,048	148,894
Other assets	16	82,816	71,952	80,850
Cash and cash equivalents	17	396,716	575,001	334,846
		5,550,564	**5,047,212**	**4,805,645**
Non-current assets classified as held for sale	24	12,128	104,903	8,415
Total assets		**8,071,356**	**7,582,177**	**7,411,016**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A and other reclassifications

Consolidated statement of financial position as of 31 January 2012

EUR k	Note	1 Feb 2010*	31 Jan 2011*	31 Jan 2012
Equity				
Unlimited and limited partners' capital	18	500,000	1,050,000	1,050,000
Reserves	18	591,423	674,840	885,914
Accumulated other comprehensive income	18	-109,195	-137,432	-200,091
Equity attributable to partners		**982,228**	**1,587,408**	**1,735,823**
Non-controlling interests	18	110,384	185,001	199,800
		1,092,612	**1,772,409**	**1,935,623**
Non-current liabilities				
Financial liabilities	21	227,455	1,622,639	1,285,153
Provisions for pensions and similar obligations	19	169,637	194,511	282,864
Deferred tax liabilities	8	122,788	125,974	133,633
Other non-current liabilities		0	435	6,962
		519,880	**1,943,559**	**1,708,612**
Current liabilities				
Financial liabilities	21	3,637,817	862,921	751,223
Trade payables	22	2,461,916	2,576,711	2,580,564
Other provisions	20	49,055	32,816	58,028
Income tax liabilities		61,540	89,973	98,773
Other liabilities	23	248,536	251,554	278,114
		6,458,864	**3,813,975**	**3,766,702**
Liabilities directly associated with assets classified as held for sale	24	0	52,234	79
Total equity and liabilities		**8,071,356**	**7,582,177**	**7,411,016**

* Prior-year figures were restated due to first-time adoption of IAS 19,93A and other reclassifications

Consolidated statement of cash flows for fiscal year 2011/12

EUR k		31 Jan 2011	31 Jan 2012
Profit for the period*		**148,560**	**241,711**
+/-	Write-downs/write-ups of fixed assets	89,819	101,267
-/+	Gain/loss from the disposal of fixed assets	-14,834	-6,515
+/-	Increase/decrease in non-current provisions	-20,005	3,400
+/-	Other non-cash expenses/income*	23,150	41,502
+	Net interest	154,551	140,371
+	Taxes*	126,352	59,207
-	Interest paid	-159,053	-155,688
+	Interest received	43,560	30,839
-	Income taxes paid	-91,777	-73,597
+	Dividends received	9,827	1,783
Result before changes in working capital		**310,150**	**384,280**
Changes in working capital		**269,888**	**-1,649**
Cash inflow (+)/outflow (-) from operating activities		**580,038**	**382,631**
-	Cash paid for the purchase of consolidated companies and business units	-10,740	-29,889
+	Cash received from the sale of consolidated companies and business units	11,169	16,305
+	Cash received from disposals of non-current assets	136,131	34,200
-	Cash paid for investments in non-current assets	-94,321	-133,575
+	Cash received from the repayment of loans to related parties	458,495	0
+	Cash received from securities and non-current financial assets	1,731	0
Cash inflow (+)/outflow (-) from investing activities		**502,465**	**-112,959**

* The prior-year figures were restated in line with the amendment to IAS 19,93A

Consolidated statement of cash flows for fiscal year 2011/12

	EUR k	31 Jan 2011	31 Jan 2012
Cash available for financing activities		**1,082,503**	**269,672**
+	Capital increase	505,450	0
+	Capital contribution from non-controlling interests	0	810
-	Payments to non-controlling interests (dividends)	-2,454	-4,084
+/-	Increase/decrease in ABS/factoring liabilities	-82,497	2,819
+	Cash received from the issue of bonds and loans	1,959,012	366,775
-	Cash repayments of bonds and loans	-3,287,221	-872,529
+/-	Increase/decrease in finance lease liabilities	3,672	-7,249
Cash inflow (+)/outflow (-) from financing activities		**-904,038**	**-513,458**
Change in cash and cash equivalents		**178,465**	**-243,786**
Cash and cash equivalents at the beginning of the period		**396,716**	**578,713**
Exchange rate effect on cash and cash equivalents		3,532	-81
Cash and cash equivalents at the end of the period		**578,713**	**334,846**

Statement of changes in equity for fiscal year 2011/12

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2010	**500,000**	**567,428**
Application of the OCI approach for pension obligations and other changes		23,995
1 February 2010 restated	**500,000**	**591,423**
Profit for the period		148,488
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**148,488**
Capital increase/reduction	550,000	-44,550
Changes in basis of consolidation		-21,990
Dividends		0
Other transactions with owners		-1,027
Other changes		2,496
31 January 2011	**1,050,000**	**674,840**
1 February 2011	**1,050,000**	**653,987**
Application of the OCI approach for pension obligations and other changes		20,853
1 February 2011 restated	**1,050,000**	**674,840**
Profit for the period		221,380
Accumulated other comprehensive income		0
Total comprehensive income, net of tax	**0**	**221,380**
Capital increase/reduction		0
Changes in basis of consolidation		-3,197
Dividends		0
Other changes		-7,109
31 January 2012	**1,050,000**	**885,914**

For more information please refer to note (18).

Currency translation difference	IAS 39 Available-for-sale financial assets	Actuarial gains/losses	Equity attributable to partners	Non-controlling interests	Total equity
-103,261	**37,120**	**0**	**1,001,287**	**111,210**	**1,112,497**
661		-43,715	-19,059	-826	-19,885
-102,600	**37,120**	**-43,715**	**982,228**	**110,384**	**1,092,612**
			148,488	72	148,560
18,670	-24,816	-27,874	-34,020	-2,070	-36,090
18,670	**-24,816**	**-27,874**	**114,468**	**-1,998**	**112,470**
			505,450	63,841	569,291
		5,783	-16,207	14,626	-1,581
			0	-1,871	-1,871
			-1,027		-1,027
			2,496	19	2,515
-83,930	**12,304**	**-65,806**	**1,587,408**	**185,001**	**1,772,409**
-82,077	**12,304**	**0**	**1,634,214**	**187,536**	**1,821,750**
-1,853		-65,806	-46,806	-2,535	-49,341
-83,930	**12,304**	**-65,806**	**1,587,408**	**185,001**	**1,772,409**
			221,380	20,331	241,711
-944	-2,425	-59,290	-62,659	-1,813	-64,472
-944	**-2,425**	**-59,290**	**158,721**	**18,518**	**177,239**
			0	810	810
			-3,197	-5,402	-8,599
			0	-3,903	-3,903
			-7,109	4,776	-2,333
-84,874	**9,879**	**-125,096**	**1,735,823**	**199,800**	**1.935.623**

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Notes to the consolidated financial statements as of 31 January 2012

General

The Company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, Germany ('PHOENIX' or 'the Group') is a European pharmaceuticals distribution group. PHOENIX operates wholesale distribution centres in 23 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 PHOENIX 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 have been prepared in euro (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 has been 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 2012 and the year then ended were authorised for issue on 20 April 2012 by the management of PHOENIX Pharmahandel GmbH & Co KG.

Application of new accounting standards and changes in accounting policies

Pension provisions

Beginning in fiscal 2011/12, PHOENIX changed the accounting policy for pension provisions by electing to exercise the option in IAS 19.93A. Accordingly, actuarial gains and losses are immediately recognised in other comprehensive income in the period in which they occur. PHOENIX is of the opinion that the immediate

recognition of all actuarial gains and losses provides a better view of net assets in that hidden reserves or burdens are disclosed and the financial statements thus convey more relevant information. The comparative figures were restated accordingly.

The change in accounting policy had the following effects on the profit for the period, the Group's equity and the pension provisions of the comparative period:

- Profit for the period
  Personnel expenses in fiscal 2010/11 decreased by EUR 3,861k in the amount previously expensed for the amortisation of actuarial gains and losses and reductions pursuant to IAS 19.58(b). Income tax expenses of EUR 983k are allocable to this, resulting in a EUR 2,878k effect on the profit for the period.

- Group equity and pension provisions
  Offsetting actuarial gains and losses led to a EUR 82,536k increase in pension provisions as of 31 January 2011 and a EUR 43,349k increase as of 1 February 2010. As of 31 January 2011, taxes of EUR 21,929k are allocable to this (1 February 2010: EUR 12,198k), resulting in a EUR 60,607k decrease in the Group's equity as of 31 January 2011 (1 February 2010: EUR 31,151k).

Changes in presentation

A reclassification of EUR 11,266k with effect for the reporting dates 1 February 2010 and 31 January 2011 led to a decrease in non-current financial liabilities and an increase in retained earnings.

In order to improve the presentation of the components of financial result, currency effects and changes in the fair value of derivative financial instruments that were used to hedge interest rate and currency risks but do not meet the criteria for hedge accounting are disclosed in the other financial result. The related effects are presented in note 7.

In the fiscal year 2011/12, PHOENIX applied the following revised standards and interpretations that are mandatory for the fiscal year 2011/12 for the first time:

IAS 24 Related Party Disclosures

The amended version of IAS 24 contains a revised definition of related parties and an exemption from some disclosures on transactions with related parties for government-related entities. The revised definition of related parties has no significant effects on PHOENIX's disclosure requirements.

Improvements to IFRSs (May 2010)

The Improvements to International Financial Reporting Standards issued by the IASB in May 2010 mainly contain clarifications and exemptions. First-time adoption did not result in any significant effects for the consolidated financial statements.

None of the following IASB pronouncements or changes to the pronouncements mandatory for fiscal years beginning on 1 February 2011 had a significant effect on the consolidated financial statements of PHOENIX:

- IFRIC 14 (Prepayments of a Minimum Funding Requirement)
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)

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 2011/2012 or have not yet been endorsed by the European Commission in some cases as of the reporting date. We are currently examining how they might affect the consolidated financial statements of PHOENIX in future.

Standard/interpretation		Effective as of the fiscal year	Endorsed by the EU
IFRS 7	Disclosures–Transfers of Financial Assets	2012/2013	Yes
IFRS 7	Disclosures–Offsetting Financial Assets and Financial Liabilities	2013/2014	No
IFRS 9	Financial Instruments: Classification and Measurement	2015/2016	No
IFRS 10	Consolidated Financial Statements	2013/2014	No
IFRS 11	Joint Arrangements	2013/2014	No
	Improvements to International Financial Reporting Standards 2011	2013/2014	
IFRS 12	Disclosures of Interests in Other Entities	2013/2014	No
IFRS 13	Fair Value Measurement	2013/2014	No
IAS 1	Presentation of Items of Other Comprehensive Income	2013/2014	No
IAS 12	Deferred Tax: Recovery of Underlying Assets	2012/2013	No
IAS 19	Employee Benefits	2013/2014	No
IAS 27	Separate Financial Statements	2013/2014	No
IAS 28	Investments in Associates	2013/2014	No
IAS 32	Offsetting of Financial Assets and Financial Liabilities	2014/2015	No
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	2013/2014	No

Basis of consolidation

The consolidated financial statements comprise the financial statements of PHOENIX and its subsidiaries as of 31 January 2012 and the year then ended.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent 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 Luxembourg, Bulgaria, Serbia, Bosnia and Macedonia have 31 December as their reporting date. In general there is no material impact on the financial statements, and in case of any material effect this impact is considered.

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

Non-controlling interests represent the portion of profit or loss and net assets that is not held by 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 329 (31 January 2011: 308) German and foreign entities. 24 associates (31 January 2011: 34) were accounted for using the equity method, and three entities (31 January 2011: three) were consolidated proportionately. In addition, one special purpose entity (31 January 2011: one) was 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 reporting year.

in %	31 Jan 2011	31 Jan 2012
Phoenix LV, a.s.	99.97	99.99
Europharm a.s.	89.74	99.99
Plus Pharmacie	61.56	68.27
Amedis Holding AG	94.61	94.86
Amedis Pharma Holding AG	94.99	97.37
ProPharmacy a.s.	99.98	100.00
PHOENIX Farmacija d.d.	99.70	99.75
PHOENIX Arzneiwarengroßhandlung GmbH	99.98	100.00
PHOENIX Zdravotnícke zásobovanie a.s.	69.43	95.79
Comifar SpA	94.29	94.10

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. Costs related to the business combination are expensed as incurred. On initial recognition of an acquisition, all identifiable assets, liabilities and contingent liabilities are measured at fair value on acquisition date. 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 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 assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot 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 accumulated other comprehensive income.

The assets and liabilities of foreign operations 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 accumulated other comprehensive income until the subsidiaries are disposed of.

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

Country	Currency	Closing rate		Average rate	
		31 Jan 2011	31 Jan 2012	FY10/11	FY11/12
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	24.2230	25.1880	25.1507	24.6815
Croatia	HRK	7.4171	7.5780	7.2977	7.4520
Denmark	DKK	7.4544	7.4346	7.4480	7.4492
Estonia	EEK	15.6466	1.0000	15.6466	1.0000
United Kingdom	GBP	0.8609	0.8351	0.8550	0.8665
Hungary	HUF	273.8500	293.9100	275.9353	282.0859
Latvia	LVL	0.7030	0.6991	0.7083	0.7059
Lithuania	LTL	3.4528	3.4528	3.4528	3.4528
Macedonia	MKD	61.7880	61.5050	61.6200	61.6898
Norway	NOK	7.9270	7.6560	7.9757	7.7811
Poland	PLN	3.9362	4.2243	3.9803	4.1612
Serbia	RSD	104.6485	106.0620	104.1478	102.0991
Sweden	SEK	8.8670	8.8967	9.4359	9.0241
Switzerland	CHF	1.2891	1.2048	1.3646	1.2271

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 annually either individually or at the cash generating unit level. 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 pharmaceutical 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 the main types of tangible assets are as follows:

■ Buildings	25 to 50 years
■ Technical equipment and machines	5 to 14 years
■ Other equipment, furniture and fixtures	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 the 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 amounts and recognises the difference in the income statement.

Non-current assets held for sale

Non-current assets or groups of assets and liabilities are classified as held for sale if their carrying amount is likely to be principally realised from a sale and not from their continued use. 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 exceeds 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 net realisable amount of all cash-generating units is determined on the basis of value in use. Free cash flows are discounted using weighted average cost of capital. The free cash flows are based on financial budgets approved by management covering a detail 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 investments for which no quoted market price is available, and whose fair value cannot be reliably measured, are carried at cost. When the investment 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 and loans are classified 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 t o 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. The probability of default of the financial guarantee is considered low.

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 such as forward exchange contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. 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 from changes in fair value of derivatives during the period 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 the PHOENIX 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 assets 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 have all features 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 present value of the obligations was set on the basis of high-quality fixed interest-bearing securities/corporate bonds with a duration corresponding to the pension plans in the relevant country. All actuarial gains and losses are recognised in other comprehensive income. Past service cost is recognised on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, following the introduction of, or changes to, a pension plan, past service costs are recognised 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 taxes

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 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 difference 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 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 originates revenue from the sale of pharmaceutical 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 pharmaceutical and related goods is recorded. Indicators for this case are contract situations in which the Group is primary obligor towards the customer, carries the significant risks and rewards associated with inventory, has latitude over product pricing and carries the credit risk of the sales transaction.

In cases where the Group acts as an agent (net) revenue for the rendering of services is recorded. 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 the goods. Goods are then stocked on a commission basis.

Revenue from the sale of pharmaceutical 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.

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 loss carryforwards. 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 discount rates, expected rates of return of assets, 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-bearing 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 specific country.

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.

Revenue recognition

Under IAS 18, the gross versus net sales presentation of distribution agreements with pharmaceutical 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 arising at 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 2011/12 and fiscal 2010/11 are explained below. Purchase accounting is performed in accordance with the purchase method pursuant to IFRS 3 “Business Combinations”.

With the exception of one acquisition in Italy, the business combinations performed in the fiscal year 2011/12 were individually immaterial and mainly related to certain pharmacies in the regions of northern and western Europe as well as one wholesaler in Italy.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Farcopa Distrubizione Srl	Other	Total
Cash and cash equivalents	1,200	33,199	34,399
Equity instruments	1,110	0	1,110
Acquisition-date fair value of previously held equity interests	0	1,922	1,922
Total cost	**2,310**	**35,121**	**37,431**
Intangible assets	131	8,589	8,720
Other non-current assets	794	5,472	6,266
Inventories	14,452	7,758	22,210
Trade receivables	34,016	11,905	45,921
Cash and cash equivalents	182	2,468	2,650
Other current assets	2,163	9,508	11,671
Non-current liabilities	1,150	2,027	3,177
Current liabilities	57,990	41,298	99,288
Net assets	**-7,402**	**2,375**	**-5,027**
Non-controlling interests	-2,961	-316	-3,277
Net assets acquired	**-4,441**	**2,691**	**-1,750**
Bargain purchase	**0**	**-30**	**-30**
Goodwill	**6,751**	**32,460**	**39,211**

Farcopa Distribuzione Srl

On 15 April 2011, Comifar SpA acquired 60% of the voting shares in Farcopa Distribuzione Srl, which has wholesale activities in Italy. It is expected that PHOENIX will decisively strengthen its market position in the region through the acquisition.

The fair value of the equity interests issued (132,347 shares) was determined using market pricing models.

Anticipated synergies essentially account for the goodwill.

The goodwill from this business combination was allocated to the Italian cash-generating unit.

The fair value of current receivables contains trade receivables with a fair value of EUR 34,016k. The gross amount of the trade receivables past due amounts to EUR 34,638k, of which EUR 622k is expected to be uncollectible.

The loss for the period and revenue generated since the acquisition date came to EUR 275k and EUR 47,997k respectively. Assuming the acquisition date for the business combination had been the beginning of the period, the cumulative loss for the period would have amounted to EUR 1,767k and cumulative revenue to EUR 88,905k.

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

Based on the information available, the measurement of individual assets and liabilities could not be finalised as of the reporting date.

Other business combinations

In the course of business combinations in the fiscal year 2011/12, the Group acquired shares in a system manufacturer, pharmacies and further interests in a wholesaler that are individually immaterial.

Other business combinations include contingent consideration of EUR 810k (maximum amount expected).

The goodwill mainly results from the acquired pharmacies' location advantages and was allocated to the cash-generating units United Kingdom (EUR 1,512k), Norway (EUR 1,987k), Czech Republic (EUR 2,225k), Italy (EUR 2,366k), Germany (EUR 2,902k), Switzerland (EUR 3,811k) and the Netherlands (EUR 17,657k) and is managed in the local functional currencies (CZK, CHF, GBP, EUR and NOK).

EUR 11,862k of the goodwill recognised from business combinations is expected to be tax deductible.

The profit for the period and revenue generated since the acquisition date came to EUR 1,553k and EUR 26,559k respectively. Assuming the acquisition date for the business combination had been the beginning of the period, the cumulative profit for the period would have amounted to EUR 7,015k and cumulative revenue to EUR 63,337k.

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

One business combination was a bargain purchase. The gain of EUR 30k was reported in the income statement under other operating income.

Based on the information available, the measurement of individual assets and liabilities could not be finalised as of the reporting date.

Business combinations in fiscal 2010/11

Amounts recognised as of the acquisition date

EUR k	Lloyds	Other	Total
Cash	0	13,162	13,162
Equity	63,840	0	63,840
Total Costs	**63,840**	**13,162**	**77,002**
Intangible assets	1,269	2,374	3,643
Property, plant and equipment	10,879	3,256	14,135
Financial assets	491	35	526
Inventories	9,314	1,678	10,992
Current receivables	16,554	2,217	18,771
Other assets	1,171	1,922	3,093
Cash and bank balances	4,948	1,328	6,276
Asset	**44,626**	**12,810**	**57,436**
Non-current provisions	65	13	78
Non-current liabilities	0	1,887	1,887
Deferred tax liabilities	106	641	747
Current provisions	2,099	326	2,425
Current liabilities	16,978	8,340	25,318
Equity and liabilities	**19,248**	**11,207**	**30,455**
Net assets	**25,378**	**1,603**	**26,981**
Non-controlling interests	0	2	2
Net assets acquired	**25,378**	**1,601**	**26,979**
Goodwill	**38,462**	**11,561**	**50,023**

Lloyds Nederland B.V.
On 1 December 2010, Brocacef Holding N.V. acquired 100% of the voting shares in Lloyds Nederland B.V., which has pharmacies in the Netherlands. It is expected that PHOENIX will decisively strengthen its market position through the acquisition.

The fair value of the issued equity interest was determined using an EBIT multiplier.

The goodwill mainly results from the acquired pharmacies' location advantages. EUR 8,959k of the recognised goodwill is expected to be tax deductible.

The goodwill from this business combination was allocated to the Netherlands cash-generating unit.

The fair value of current receivables contains trade receivables with a fair value of EUR 16,208k. The gross amount of the trade receivables past due amounts to EUR 16,504k, of which EUR 296k is expected to be uncollectible.

The profit for the period and revenue generated since the acquisition date came to EUR 350k and EUR 28,746k respectively. Assuming the acquisition date for the business combination had been the beginning of the period, the cumulative profit for the period would have amounted to EUR 2,859k and cumulative revenue to EUR 170,000k.

Acquisition accounting was performed on the basis of a provisional purchase price allocation that was finalised in fiscal 2011/12. The previously recognised values did not have to be adjusted.

Other business combinations
In fiscal 2010/11 the Group acquired further pharmaceutical companies in business combinations that are individually immaterial.

The goodwill arising on those acquisitions was allocated to the cash-generating units Hungary (EUR 2,752k), Switzerland (EUR 915k), United Kingdom (EUR 759k), Estonia (EUR 328k), the Czech Republic (EUR 2,910k), the Netherlands (EUR 1,279k), Slovakia (EUR 2,076k) and Norway (EUR 542k) and is managed in the local functional currencies (HUF, CHF, GBP, EUR, CZK and NOK).

EUR 1,688k of the recognised goodwill from other business combinations is expected to be tax deductible.

The profit for the period and revenue generated since the acquisition date came to EUR 227k and EUR 18,260k respectively. Assuming the acquisition date for the business combination had been the beginning of the period, the cumulative loss for the period would have amounted to EUR 107k and cumulative revenue to EUR 33,626k.

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

Notes to the income statement

1 Revenue

The Group's revenue mainly consists of the sale of pharmaceutical and related goods (EUR 21,368,876k in fiscal 2011/12 and EUR 21,567,775k in fiscal 2010/11). The smaller portion of revenue is attributable to distribution fees and consignment warehouse fees, the sale of pharmacy IT systems as well as delivery and other services.

2 Other operating income

EUR k	FY10/11	FY11/12
Exchange rate gains	2,702	4,067
Net profit on disposal of fixed assets	21,242	10,507
Income from the release of provisions and accruals	7,391	6,186
Commission received	29,856	31,439
Rental income	6,430	7,248
Income from the reversal of bad debt allowances and payments received for receivables and other assets	10,532	12,948
Marketing and other services	31,736	37,603
Allocation of freight costs	2,214	2,400
Other	34,909	34,187
Other operating income	**147,012**	**146,585**

The net gains from the disposal of fixed assets contain EUR 2,151k (prior year: EUR 15,150k) from the disposal of shares in an entity.

The "other" item contains a number of individual items, such as energy cost mark-ups for example.

3 Personnel expenses

EUR k	FY10/11	FY11/12
Wages and salaries	727,401	781,792
Social security contributions, retirement benefits and similar expenses	141,331	177,738
Other personnel expenses	65,316	58,212
	934,048	**1,017,742**

The average headcount measured in full-time equivalents (FTEs) increased by 644 to a total of 23,850. Other personnel expenses mainly include training expenses and costs for temporary personnel.

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

	FY10/11	FY11/12
Western Europe	12,645	13,298
Eastern Europe	5,103	5,071
Northern Europe	5,458	5,481
	23,206	**23,850**

The average headcount of entities that were consolidated proportionately was 8 (prior year: 6).

The line item "Basic wages and salaries" includes an amount of EUR 6,193k (prior year: EUR 4,021k) for severance payments and similar costs.

In the prior year, pension obligations decreased by EUR 19,228k through profit or loss owing to legislative amendments affecting the calculation of pension obligations.

4 Other operating expenses

EUR k	FY 10/11	FY 11/12
Transportation costs	105,074	115,782
Lease and rental costs	102,259	111,282
Exchange rate losses	2,977	7,487
Expenses from bad debt allowances	65,361	18,130
Other building and equipment costs	51,142	54,898
Marketing and advertising expenses	55,410	51,646
Communication and IT expenses	39,813	42,291
Legal and consulting fees	45,113	39,608
Repair and maintenance costs	29,535	31,739
Net loss on the disposal of assets	3,447	4,091
Other taxes	9,858	35,761
Office supplies	10,282	10,524
Insurance costs	6,779	6,856
Expenses related to ABS/factoring	4,956	4,211
Other	57,097	62,422
Other operating expenses	**589,103**	**596,728**

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

In fiscal 2011/12, the auditors of the Group received audit fees of EUR 633k (prior year: EUR 770k), other attestation fees of EUR 482k (prior year: EUR 1,261k), tax advisory fees of EUR 237k (prior year: EUR 46k) and EUR 685k (prior year: EUR 1,533k) for other services.

Other operating expenses contain costs related to the financial restructuring of the PHOENIX Group in the amount of EUR 0k (prior year: EUR 8,554k).

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 Depreciation of property, plant and equipment and amortisation of intangible assets

EUR k	FY 10/11	FY 11/12
Depreciation of property, plant and equipment and amortisation of intangible assets	89,398	100,649
Impairment of pharmacy licenses	421	618
	89,819	**101,267**

The depreciation, amortisation and impairment charge in fiscal 2011/12 contains an impairment loss of EUR 1,000k recognised on leasehold improvements (prior year: EUR 0k) and amortisation of EUR 2,098k recognised on intangible assets in France (prior year: reversal of impairment losses of EUR 1,900k).

7 Financial result

EUR k	FY 10/11*	FY 11/12
Interest and similar income		
Interest income	46,325	33,498
Other financial income	3,230	1,229
	49,555	**34,727**
Interest and similar expenses		
Interest expense	-200,876	-173,869
Other financial expenses	-76,905	-1,472
	-277,781	**-175,341**
Other financial results	**16,095**	**3,412**
Financial result	**-212,131**	**-137,202**

* The prior year was restated due to a change in presentation

Interest income includes interest income from customers in the amount of EUR 22,885k (prior year: EUR 23,656k) and interest from a related-party loan amounting to EUR 0k (prior year: EUR 14,367k).

The financial result includes interest income and interest expenses on financial assets and liabilities that are not recognised through profit or loss of EUR -136,116k (prior year: EUR -153,459k).

The other financial result includes exchange rate gains of EUR 88,743k (prior year: EUR 64,159k) and exchange rate losses of EUR 89,977k (prior year: EUR 86,231k). Changes in the market value of derivatives gave rise to income of EUR 139,657k (prior year: EUR 22,726k) and expenses of EUR 136,495k (comparative period: EUR 6,759k).

In the prior year other financial expenses contained non-recurring effects of EUR 16,846k in connection with refinancing and expenses of EUR 56,319k associated with the financing covered under the standstill agreement, of which amount EUR 13,031k pertained to the premature termination of this financing. These effects did not occur in the reporting year.

The other financial result comprises gains from the disposal of financial assets of EUR 1,471k classified as available for sale (prior year: EUR 27,741k).

8 Income taxes

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

EUR k	FY 10/11*	FY 11/12
Current taxes	109,588	96,008
Deferred tax	16,763	-36,801
	126,351	**59,207**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

The current income taxes include income for prior periods of EUR 13,182k (prior year: EUR 5,623k) and expenses of EUR 4,850k (prior year: EUR 8,320k).

By using previously unused tax losses, the current income taxes were reduced by EUR 2,501k (prior year: EUR 2,934k).

In fiscal 2011/12, a deferred tax asset of EUR 22,328k was recognised without effect on profit or loss (prior year: EUR 14,331k). This amount results from actuarial gains and losses from pension obligations (EUR 22,291k; prior year: EUR 10,879k) and changes in the fair value of financial assets classified as available for sale (EUR 37k; prior year: EUR 3,452k) which are recognised in other comprehensive income.

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 two 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 10/11*		FY 11/12	
	EUR k	in %	EUR k	in %
Profit before tax	**274,911**	**100.0**	**300,918**	**100.0**
Expected income tax expense	**76,975**	**28.0**	**84,257**	**28.0**
Impact of changes to tax rates on deferred taxes	-1,946	-0.7	-5,450	-1.8
Tax effect of non-deductible expenses and tax-exempt income	1,756	0.6	12,238	4.1
Effect of taxes relating to prior years recognised in the fiscal year	11,303	4.1	-7,196	-2.4
Effect of differing national tax rates	3,552	1.3	-4,967	-1.6
Effect of impairments/adjustments to carrying amounts	33,366	12.1	-21,521	-7.2
Other effects	1,345	0.5	1,846	0.6
Income taxes	**126,351**	**46.0**	**59,207**	**19.7**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

Other effects comprise a deferred tax expense of EUR 1,752k (prior year: EUR 614k) 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	1 Feb 2010 Deferred tax assets	1 Feb 2010 Deferred tax liabilities	31 Jan 2011 Deferred tax assets	31 Jan 2011 Deferred tax liabilities	31 Jan 2012 Deferred tax assets	31 Jan 2012 Deferred tax liabilities
Intangible assets	5,905	75,440	5,498	76,292	4,081	77,100
Property, plant and equipment	8,781	46,640	8,279	49,583	6,755	44,585
Financial and other assets	12,875	37,705	20,864	29,342	12,734	17,719
Inventories	6,653	3,989	6,088	3,898	6,063	4,028
Assets classified as held for sale	0	0	0	3,168	4	533
Provisions *	38,206	1,929	41,791	815	65,763	1,003
Liabilities	31,084	6,752	24,299	15,158	7,280	10,937
Deferred taxes on temporary differences*	**103,504**	**172,455**	**106,819**	**178,256**	**102,680**	**155,905**
Deferred taxes on unused tax losses	12,812	0	2,072	0	43,857	0
Netting	-49,667	-49,667	-52,282	-52,282	-22,272	-22,272
Total deferred taxes	**66,649**	**122,788**	**56,609**	**125,974**	**124,265**	**133,633**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

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 301,772k (prior year: EUR 420,218k). Deferred taxes include income from previously unused tax losses of EUR 32,918k (prior year: EUR 0k). The unused tax losses and interest carryforwards expire as follows:

EUR k	31 Jan 2011	31 Jan 2012
Within one year	1,380	1,309
After one year, but within two years	48	2,784
After two years, but within three years	2,988	941
After three years, but within four years	1,011	1,238
After four years, but within five years	1,236	3,460
After five years	53,487	0
Unused tax losses and interest carryforwards that are not forfeited	360,068	292,040
	420,218	**301,772**

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 1,953,670k (prior year: EUR 2,084,746k) 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 2010	**388,868**	**1,215,909**	**1,076**
Currency translation	2,910	5,406	-8
Changes in the basis of consolidation	-130	0	827
Additions	6,538	53,351	1,397
Disposals	-1,435	-625	-3
Reclassifications from non-current assets held for sale	-1,487	-13,647	0
Reclassifications	1,533	0	-1,845
31 January 2011	**396,797**	**1,260,394**	**1,444**
Currency translation	9,161	8,734	-13
Changes in the basis of consolidation	-8,267	-248	6,500
Additions	14,630	39,211	1,023
Disposals	-1,644	-996	-10
Reclassifications from non-current assets held for sale	1,487	9,818	0
Reclassifications	7,228	0	-7,660
31 January 2012	**419,392**	**1,316,913**	**1,284**
Accumulated amortisation			
1 February 2010	**55,485**	**65,629**	**20**
Currency translation	826	0	2
Changes in the basis of consolidation	-497	0	0
Additions	8,743	0	4
Reversal of impairment losses	-1,900	0	0
Disposals	-1,845	0	0
Reclassifications from non-current assets held for sale	-1,390	-7,174	0
Reclassifications	13	0	0
31 January 2011	**59,435**	**58,455**	**26**
Currency translation	187	0	-1
Changes in the basis of consolidation	-207	0	0
Additions	9,352	0	0
Impairment losses	2,716	0	0
Disposals	-1,425	0	0
Reclassifications from non-current assets held for sale	1,390	7,174	0
Reclassifications	-632	0	0
31 January 2012	**70,816**	**65,629**	**25**
Carrying amount 31 January 2011	**337,362**	**1,201,939**	**1,418**
Carrying amount 31 January 2012	**348,576**	**1,251,284**	**1,259**

The item "Rights and licenses" mainly contains pharmacy licenses and brand names with indefinite useful lives in the UK totalling EUR 299,370k (31 January 2011: EUR 289,158k). 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 2011	31 Jan 2012
Hungary	HUF	82,411	77,383
Netherlands	EUR	121,878	139,405
Switzerland	CHF	112,021	122,192
Italy	EUR	72,173	81,287
France	EUR	70,438	70,442
United Kingdom	GBP	286,726	292,621
Sweden	SEK	40,639	40,639
Denmark	DKK	44,797	44,797
Norway	NOK	177,109	179,581
Other		193,747	202,937
Total		**1,201,939**	**1,251,284**

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:

- Terminal EBITDA and terminal value growth rate
- Perpetual capital expenditure
- Discount rates

The terminal EBITDA is obtained by increasing the EBITDA of the last planning period with a terminal growth rate of 1 % (prior year: 1 %).

Perpetual capital expenditure (cash flow from investing activities) is computed using a ratio of capital expenditure to revenue based on historical data (on average 0.4 %).

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

in %	31 Jan 2011	31 Jan 2012
Discount rate (WACC before tax)		
United Kingdom	7.24	8.30
Netherlands	7.22	7.48
France	7.06	7.25
Switzerland	7.27	6.33
Italy	7.72	8.88
Hungary	9.09	10.99
Denmark	7.22	7.98
Sweden	7.30	8.00
Norway	7.22	7.83
Other	7.22 - 11.57	7.50 - 12.41

There were no impairment losses as of 31 January 2012.

The Italian cash-generating unit's value in use exceeds its carrying amount by EUR 66,586k. Reducing the growth rate by 0.7%, increasing perpetual capital expenditures to 0.6% or increasing the discount rate by 0.8% would eliminate the surplus.

Impairment testing of intangible assets with indefinite useful lives

The trademarks 'Numark' and 'Pharmavie' were tested for impairment as of 31 January 2011 and 2012. 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 2011 and 2012.

The pharmacy licenses of L Rowland & Co. (Retail) Ltd., UK, were tested for impairment as of 31 January 2011 and 2012. The fair value of the licenses is determined based on the directly attributable operating profit with prescription drugs and an EBITDA multiplier of 12 (prior year: 10) as well as a growth rate of 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 2011	31 Jan 2012
Impairment of licenses		
Pharmacy licenses, United Kingdom	421	618

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 2010	**699,079**	**188,489**	**418,031**	**14,059**	**0**
Currency translation	14,758	1,694	12,059	430	0
Changes in the basis of consolidation	9,472	477	-1,602	-34	0
Additions	14,826	6,185	47,156	18,259	0
Disposals	-6,521	-1,551	-20,133	-1,641	0
Reclassifications from non-current assets held for sale	-9,243	-2,395	-2,201	0	0
Reclassifications	6,757	5,990	3,222	-15,659	0
31 January 2011	**729,128**	**198,889**	**456,532**	**15,414**	**0**
Currency translation	-1,307	-1,067	7,994	0	0
Changes in the basis of consolidation	-270	147	422	0	0
Additions	39,988	17,894	45,324	35,795	0
Disposals	-4,890	-3,635	-20,199	-207	0
Reclassifications from non-current assets held for sale	2,981	2,395	2,200	0	5,479
Reclassifications	2,138	2,421	9,880	-14,007	0
31 January 2012	**767,768**	**217,044**	**502,153**	**36,995**	**5,479**
Accumulated depreciation					
1 February 2010	**193,385**	**132,480**	**265,967**	**0**	**0**
Currency translation	5,904	1,412	8,087	0	0
Changes in the basis of consolidation	0	-41	-311	0	0
Additions	26,717	10,148	45,780	0	0
Impairment losses	345	0	0	0	0
Disposals	-1,178	-1,273	-15,723	0	0
Reclassifications from non-current assets held for sale	-2,662	-1,805	-1,884	0	0
Reclassifications	129	3,444	-3,586	0	0
31 January 2011	**222,640**	**144,365**	**298,330**	**0**	**0**
Currency translation	791	-738	5,863	0	0
Changes in the basis of consolidation	0	-83	-202	0	0
Additions	30,462	12,963	44,593	0	153
Impairment losses	1,000	28	0	0	0
Disposals	-1,674	-3,164	-15,385	0	0
Reclassifications from non-current assets held for sale	737	1,805	1,895	0	0
Reclassifications	-2,319	632	2,319	0	0
31 January 2012	**251,637**	**155,808**	**337,413**	**0**	**153**
Carrying amount 31 January 2011	**506,488**	**54,524**	**158,202**	**15,414**	**0**
Carrying amount 31 January 2012	**516,131**	**61,236**	**164,740**	**36,995**	**5,326**

Items of property, plant and equipment with a carrying amount of EUR 16,936k (prior year: EUR 28,473k) have been pledged as collateral for liabilities. The collateral mainly relates to charges on land and buildings in Germany.

There are contractual commitments to acquire property, plant and equipment of EUR 12,703k (31 January 2011: EUR 1,262k).

Finance leases

The assets held under finance lease agreements are as follows:

EUR k	31 Jan 2011	31 Jan 2012
Land and land rights and buildings including building on third-party land	25,989	29,972
Technical equipment and machinery	2,770	6,832
Carrying amount	**28,759**	**36,804**

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 2011	31 Jan 2012
Minimum lease payments		
due within one year	12,414	1,733
due after one year but not more than five years	4,610	27,760
due in more than five years	4,417	4,848
Interest	-613	-2,495
Present value of minimum lease payments	**20,828**	**31,846**

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 category:

EUR k	31 Jan 2011	31 Jan 2012
Minimum lease payments		
due within one year	85,672	99,505
due after one year but not more than five years	179,963	222,694
due in more than five years	97,358	104,400
Total minimum lease payments	**362,993**	**426,599**

The income from sublet properties amounts to EUR 3,098k (prior year: EUR 2,639k). The lease expense from operating leases breaks down as follows:

EUR k	31 Jan 2011	31 Jan 2012
Lease expense		
Minimum lease payments	85,995	109,964
Contingent rents	166	431
Sublease payments received	868	887
Total lease expense	**87,029**	**111,282**

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 transportation vehicles. ADG leases software and cash systems. Further lessor arrangements exist in the Netherlands, Finland, the Czech Republic, and the UK. The lease agreements exclusively represent operating leases. The future minimum lease payments are as follows:

EUR k	31 Jan 2011	31 Jan 2012
Minimum lease payments		
due within one year	8,803	12,740
due after one year but not more than five years	6,305	14,265
due in more than five years	2,068	602
Total minimum lease payments	**17,176**	**27,607**

11 Investment property

One property held for capital appreciation in the Netherlands was reclassified in the fiscal year 2011/12 from non-current assets classified as held for sale to investment property. The fair value as of 31 January 2012 determined by expert reports was EUR 6,800k and accumulated depreciation amounted to EUR 2,486k based on a useful life of 30 years. Rental income in the fiscal year 2011/12 came to EUR 0k, while expenses totalled EUR 330k.

12 Investments in associates

The PHOENIX Group holds investments in 28 associates. The aggregate amounts are presented below:

EUR k	FY 10/11	of which accounted for using the equity method	FY 11/12	of which accounted for using the equity method
Carrying amount	23,741	23,538	18,842	18,728
Assets	256,841	244,447	195,157	194,749
Liabilities	191,677	172,104	170,127	170,085
Revenue	600,575	574,119	628,884	628,120
Profit for the period	4,887	4,666	4,328	4,101
Group's share of profit for the period of all associates	1,506	-	1,395	-
Unrecognised share of losses of associates:				
- in the reporting period	5	-	0	-
- accumulated since acquisition	3,282	-	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 2011	31 Jan 2012
Available-for-sale financial assets	43,156	42,402
Loans to and receivables from associates	11,361	8,490
Other loans	14,160	12,516
Other non-current financial assets	1,354	842
	70,031	**64,250**

14 Inventories

EUR k	31 Jan 2011	31 Jan 2012
Raw materials and supplies	7,616	14,932
Finished goods and merchandise	1,550,767	1,662,321
Prepayments	17,580	17,256
	1,575,963	**1,694,509**

During the fiscal year inventories were written down by EUR 10,182k (fiscal 2010/11: EUR 10,384k). Impairment losses of EUR 7,448k (fiscal 2010/11: EUR 7,577k) were reversed during the period mainly due to the unexpected sale of written-down inventories. Inventory with a carrying amount of EUR 98,052k (31 January 2011: EUR 77,839k) is valued at net realisable value at the reporting date.

15 Trade receivables and other current financial assets

EUR k	31 Jan 2011	31 Jan 2012
Trade receivables	2,596,177	2,533,903
Other financial assets		
Held-to-maturity financial assets	60	59
Available-for-sale financial assets	0	35
Loans to and receivables from associates or related parties	21,227	3,191
Other loans	48,923	38,675
Derivative financial instruments	6,720	1,006
Other current financial assets	135,118	105,928
	212,048	**148,894**

The receivables from factoring and ABS transactions as of 31 January 2012 are presented below:

EUR k	31 Jan 2011	31 Jan 2012
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	283,961	244,766
Financial liability	246,575	247,854
Receivables derecognised in accordance with IAS 39		
Volume of receivables	139,346	74,760
Continuing involvement		
Volume of receivables	338,227	265,331
Continuing involvement	15,094	17,430
Financial liability	15,984	18,370
Retentions	66,508	36,305

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

Trade receivables and other assets with a carrying amount of EUR 65,648k (prior year: EUR 25,000k) have been pledged as collateral for liabilities.

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 2010	**69,750**	**5,272**
Additions	59,533	3,148
Utilisation	-8,777	-1,231
Reversal	-7,909	-815
Currency and other changes	712	1,354
Allowances as of 31 January 2011	**113,309**	**7,728**
Additions	13,874	2,469
Utilisation	-7,998	-1,892
Reversal	-10,745	-475
Currency and other changes	953	299
Allowances as of 31 January 2012	**109,393**	**8,129**

The increase in allowances in the prior year was mainly attributable to the fact that a receivable from a key account had to be written off in full in the fiscal year 2010/11. In addition, debtor risks increased owing to changes in conditions prevailing in the pharmacy market.

As of 31 January 2012 and 31 January 2011, the ageing analysis of trade receivables and customer loans that are past due but not impaired is as follows:

		thereof								
EUR k	Total carrying amount	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 2011										
Trade receivables	**2,631,323**	2,242,965	195,573	115,325	26,041	9,154	12,053	11,969	6,867	11,376
Other loans	**63,359**	49,647	13,658	51	3	0	0	0	0	0
31 Jan 2012										
Trade receivables	**2,533,903**	2,226,361	190,728	59,477	17,389	12,154	13,228	6,135	2,358	6,073
Other loans	**51,191**	42,834	8,327	22	8	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 and the UK. Trade receivables disclosed in the line item non-current assets held for sale in the statement of financial position in the prior year are included in the ageing analysis presented. 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 2011	31 Jan 2012
Prepayments	37,073	37,492
Tax claims – VAT and other taxes	7,771	9,574
Other assets	27,108	33,784
Other assets	**71,952**	**80,850**

The other assets chiefly comprise prepayments.

17 Cash and cash equivalents

EUR k	31 Jan 2011	31 Jan 2012
Bank balances	562,541	316,934
Cash on hand	9,009	14,134
Cash and cash equivalents	3,451	3,778
	575,001	**334,846**

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

18 Equity

Unlimited and limited partners' capital

In the prior year, 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 fully consolidated entities and offset against reserves. The unlimited partners' capital is still EUR 0k.

Reserves

Reserves primarily comprise retained earnings.

Treasury shares

In the FY 2006/07 PHOENIX International Beteiligungs GmbH acquired the companies Otto Stumpf GmbH, Berlin, Germany, and Otto Stumpf GmbH, Gotha, Germany. 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. The cumulative actuarial gains and losses recognised in other comprehensive income came to EUR -185,408k as of 31 January 2012 (prior year: EUR -102,016k).

Non-controlling interests

The profit/loss for the period attributable to non-controlling interests came to EUR 20,331k (prior year: EUR 72k).

Capital management

The objective of capital management at PHOENIX is to ensure a solid financial profile and 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. EBITDA and earnings after taxes are also important KPIs for corporate management purposes.

EUR k	31 Jan 2011*	31 Jan 2012
Equity	1,772,409	1,935,623
Total equity and liabilities	7,582,177	7,411,016
Equity ratio	**23.4%**	**26.1%**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A and other reclassifications

EUR k	31 Jan 2011	31 Jan 2012
+ Financial liabilities (non-current)	1,622,639	1,285,153
./. Supplementary partner contribution	-123,766	-123,766
./. Derivative financial instruments (non-current)	-488	-849
+ Financial liabilities (current)	862,921	751,223
./. Derivative financial instruments (current)	-5,628	-7,434
./. Cash and cash equivalents	-575,001	-334,846
./. Held-to-maturity investments	-60	-59
./. Financial assets held for sale	0	-35
+ Sold in the course of factoring and ABS transactions	462,479	322,661
./. Factoring receivables	-47,390	-14,406
./. Receivables from ABS programmes	-19,118	-21,899
Net debt	**2,176,588**	**1,855,743**

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

Under the loan agreements in Germany and Italy it 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 the 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

For numerous employees, the Group establishes provision for retirement benefits either directly or indirectly through contributions to pension funds. Various retirement benefit systems are in place, depending on the legal, economic and tax framework in each country. These are generally based on employees' years of service and salary levels. At PHOENIX, the company pension schemes include both defined contribution plans and defined benefit plans. The sum of all pension expenses in connection with defined contribution plans amounted to EUR 46,202k (prior year: EUR 41,160k). This amount includes the contributions the Group made to statutory pension insurance funds which fall under the definition of defined contribution plans. The benefit obligations under defined benefit plans are financed by provisions or by funds.

The expenses for retirement benefits recognised in the income statement can be summarised as follows:

EUR k	FY 10/11*	FY 11/12
Pension cost recognised through profit or loss		
Current service cost	-23,651	-26,214
Interest cost	-24,786	-25,056
Expected return on plan assets	22,423	23,780
Past service cost	19,228	1,050
Other	700	-1,234
	-6,086	**-27,674**
Actual return on plan assets	28,508	5,750

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

Of the total expenditure of EUR 27,674k (prior year: EUR 6,086k), EUR 26,398k (prior year: EUR 3,723k) is shown in personnel costs and EUR 1,276k (prior year: EUR 2,363k) in interest expenses. These interest expenses contain the expected return on plan assets.

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

EUR k	1 Feb 2010*	31 Jan 2011*	31 Jan 2012
Calculation of net defined benefit liability			
Present value of funded obligations	-505,155	-541,392	-640,145
Plan assets at fair value	385,231	429,437	446,448
Defined benefit obligations in excess of plan assets	**-119,924**	**-111,955**	**-193,697**
Present value of non-funded obligations	-41,651	-61,206	-68,203
Past service cost	701	652	604
Unrecognised asset (limit pursuant to IAS 19.58b))	-8,423	-21,720	-21,568
Net defined benefit liability	**-169,297**	**-194,229**	**-282,864**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

The net liability can be broken down into the defined benefit liability and the defined benefit asset as follows::

EUR k	1 Feb 2010*	31 Jan 2011*	31 Jan 2012
Defined benefit asset presented on statement of financial position	340	282	0
Defined benefit liability presented on statement of financial position	-169,637	-194,511	-282,864
Net defined benefit liability	**-169,297**	**-194,229**	**-282,864**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A

The development of the defined benefit obligation is as follows:

EUR k	FY 10/11	FY 11/12
Defined benefit obligation as of 1 February	**546,806**	**602,598**
Current service cost	23,651	26,214
Interest cost	24,786	25,056
Employee contributions	3,047	2,843
Actuarial gains and losses	33,341	61,941
Benefits paid	-24,434	-28,829
Past service cost	-19,228	-1,050
Business combinations	0	1,443
Plan curtailments and settlements	-1,778	0
Other	-2,726	403
Exchange differences	19,133	17,729
Defined benefit obligation as of 31 January	**602,598**	**708,348**

Changes in the fair value of plan assets are as follows:

EUR k	FY 10/11	FY 11/12
Fair value of plan assets as of 1 February	**385,231**	**429,437**
Expected return on plan assets	22,423	23,780
Actuarial gains and losses	6,085	-18,030
Employer contributions	21,398	22,621
Employee contributions	2,774	2,843
Benefits paid	-21,372	-24,671
Exchange differences	11,951	11,317
Other	947	-849
Fair value of plan assets as of 31 January	**429,437**	**446,448**

The funds' assets originate primarily from Norway (50.0%; prior year: 49.0%), the Netherlands (33.6%; prior year: 35.2%), Switzerland (10.3%; prior year: 10.0%) and the UK (5.8%; prior year: 5.5%).

The Group expects to contribute EUR 29,341k to its defined benefit pension plans in FY 2012/13.

The assets in the funds can be divided into the following categories on a percentage basis:

in %	31 Jan 2011	31 Jan 2012
Equity instruments	25.0	22.8
Debt instruments	58.2	61.1
Property	5.2	5.0
Other	11.6	11.1
	100.0	**100.0**

The overall expected rate of return on assets is determined using a uniform method based on long-term actual historical yields, the portfolio structure and the future yields expected in the long term.

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

in %	FY 10/11	FY 11/12
Discount rate by currency region		
NOK	4.0	2.75
GBP	5.6	4.6
EUR	4.1 - 5.2	5.4 - 4.0
SEK	3.8	3.8
DKK	3.84	3.55
CHF	2.5	2.3
Expected return on plan assets by currency region		
NOK	5.4	4.1
GBP	7.0	7.0
EUR	0.0 - 5.7	0.0 - 5.5
CHF	3.25	3.25
Future salary increases	2.7	2.9
Future pension increases	1.9	1.9

The development of the pension obligations and the funds' assets for prior periods is as follows:

EUR k	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12
Defined benefit obligation	-480,939	-493,603	-546,806	-602,598	-708,348
Plan assets	369,782	334,407	385,231	429,437	446,448
(Deficit)/surplus	**-111,157**	**-159,196**	**-161,575**	**-173,161**	**-261,900**
Experience adjustments on plan liabilities	1,425	174	298	4,996	8,872
Experience adjustments on plan assets	-4,062	-30,695	3	6,987	-17,069

20 Other provisions

EUR k	Restructuring	Personnel	Other	Total
31 January 2011	**3,443**	**16,017**	**13,356**	**32,816**
Changes in the basis of consolidation	0	0	154	154
Reclassification	0	-3,784	0	-3,784
Currency translation	-14	-7	-7	-28
Addition	1,852	3,094	43,244	48,190
Utilisation	-2,910	-6,016	-4,681	-13,607
Reversal	0	-390	-5,327	-5,717
Interest	0	4	0	4
31 January 2012	**2,371**	**8,918**	**46,739**	**58,028**

The restructuring provisions are mostly attributable to reorganisations within Finland and Poland. Outflows are expected for the next fiscal year.

Personnel-related other provisions mainly represent long service and severance provisions. The outflow is expected within the next year(s) and depends on occurrence of the event. Reimbursements are not expected. An amount of EUR 3,784k was reclassified to other non-current liabilities in the reporting year.

Other provisions mainly include a provision for value added taxes of EUR 36,893k (prior year: EUR 7,852k) and litigation provisions of EUR 8,845k (prior year: EUR 3,802k). The outflow of litigation provisions is expected within the next year(s) depending on the occurrence of events or the end of court proceedings. PHOENIX does not expect reimbursements.

21 Financial liabilities

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

EUR k	31 Jan 2011*	31 Jan 2012
Financial liabilities (non-current)		
Liabilities to banks	1,007,917	651,758
Bonds	487,793	482,369
Loans	623	575
Supplementary partner contribution	123,766	123,766
Other financial liabilities	2,540	26,685
	1,622,639	**1,285,153**

* The prior year was restated due to a change in presentation

EUR k	31 Jan 2011	31 Jan 2012
Financial liabilities (current)		
Liabilities to banks	289,729	260,850
Loans	167,464	110,518
Liabilities to associates and related parties	46,010	45,619
Liabilities for customer rebates and bonuses	28,505	21,209
ABS and factoring liabilities	262,559	266,224
Other financial liabilities	68,654	46,803
	862,921	**751,223**

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 the course of refinancing in 2011, PHOENIX concluded a syndicated loan agreement with a term of 3.5 years. The long-term tranche of this loan agreement with a nominal volume of EUR 1,225m is presented under non-current liabilities to banks. As of the end of fiscal 2011/12, a total of EUR 365m had been repaid prematurely. An amount of EUR 200m was converted to a short-term credit line and the term to maturity of another amount of EUR 200m was extended until 31 December 2015. In addition, PHOENIX has access to a short-term credit line of EUR 825m, which had not been drawn as of 31 January 2012. The Comifar group in Italy also concluded a refinancing arrangement for a total volume of EUR 750m in July 2010, of which EUR 261.9m had been drawn as of 31 January 2012 (31 January 2011: EUR 308.4m). This is reported under current liabilities to banks.

Shares in material group companies act as collateral, as do certain bank accounts in Germany that reported a balance totalling EUR 154,176k as of 31 January 2012 (31 January 2011: EUR 150,109k).

22 Trade payables

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

23 Other liabilities

EUR k	31 Jan 2011	31 Jan 2012
VAT and other tax liabilities	65,627	93,827
Personnel liabilities	109,238	106,670
Liabilities relating to social security/similar charges	15,927	17,499
Prepayments	4,853	9,805
Other liabilities	55,909	50,313
Other liabilities	**251,554**	**278,114**

Other liabilities mainly include outstanding invoices for rental costs and energy.

24 Non-current assets held for sale

Non-current assets of EUR 8,415k (prior year: EUR 104,903k) and liabilities of EUR 79k (prior year: EUR 52,234k) are classified as held for sale. They stem from companies in Poland, Croatia, Denmark, the Czech Republic and Slovakia.

The decrease mainly results from the reclassification of assets and liabilities of PHOENIX Pharma Polska from held for sale. The conditions for classification as available for sale were not satisfied in full for the reclassified assets and liabilities. Some of the Company's buildings are still presented as available for sale. The reclassification expense for the fiscal year amounted to EUR 432k.

The major classes of assets and liabilities classified as held for sale as of 31 January 2012 are as follows:

EUR k	31 Jan 2011	31 Jan 2012
Non-current assets	33,645	7,805
Current assets	71,258	610
Non-current liabilities	59	0
Current liabilities	52,175	79

Exchange differences of EUR 0k are recorded directly in equity (31 January 2011: EUR -1,944k); these relate to assets classified as held for sale.

Other notes

Other financial obligations

Other financial obligations amount to EUR 493,431k (31 January 2011: EUR 472,637k) and generally concern rent and lease agreements. The amounts are due as follows:

EUR k	31 Jan 2011	31 Jan 2012
Within one year	161,915	162,011
One to five years	194,566	227,084
More than five years	116,156	104,336
	472,637	**493,431**

Contingent liabilities

Contingent liabilities comprise EUR 121,807k (31 January 2011: EUR 115,805k) 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 the PHOENIX Group. The guarantees mainly relate to retail customers and suppliers 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.

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 2011/12:

	Category pursuant to IAS 39						
Fiscal year 2011/12 EUR k	Loans and receiv-ables	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	59	0	0	59	59
Available-for-sale financial assets	0	42,437	0	0	0	42,437	42,437
Trade receivables	2,533,903	0	0	0	0	2,533,903	2,533,903
Loans to and receivables from associates	11,681	0	0	0	0	11,681	11,681
Other loans	51,191	0	0	0	0	51,191	50,760
Derivative financial assets without hedge accounting	0	0	0	1,006	0	1,006	1,006
Other financial assets	106,509	261	0	0	0	106,770	106,770
Cash and cash equivalents	334,846	0	0	0	0	334,846	334,846
Non-current assets held for sale	0	0	0	0	8,415	8,415	8,415

The carrying amounts for each category and class and the fair values for each class are presented in the following table for fiscal 2010/11:

	Category pursuant to IAS 39						
Fiscal year 2010/11 EUR k	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	60	0	0	60	60
Available-for-sale financial assets	0	43,156	0	0	0	43,156	43,156
Trade receivables	2,596,177	0	0	0	0	2,596,177	2,596,177
Loans to and receivables from associates	32,588	0	0	0	0	32,588	32,588
Other loans	62,423	0	0	0	660	63,083	62,953
Derivative financial assets without hedge accounting	0	0	0	6,720	0	6,720	6,720
Other financial assets	136,182	245	0	0	45	136,472	136,472
Cash and cash equivalents	575,001	0	0	0	0	575,001	575,001
Non-current assets held for sale	40,661	7,806	0	0	56,436	104,903	104,903

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

The fair value of loans to and receivables from associates or related companies, other loans and receivables from associates or related companies, 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 2011/12:

Fiscal year 2011/12 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	912,608	0	0	0	912,608	935,460
Bonds	482,369	0	0	0	482,369	496,000
Loans	111,093	0	0	0	111,093	111,093
Trade payables	2,580,564	0	0	0	2,580,564	2,580,564
Liabilities to associates and related parties	45,619	0	0	0	45,619	45,619
Supplementary contributions	123,766	0	0	0	123,766	123,766
Liabilities and provisions for customer rebates and bonuses	21,209	0	0	0	21,209	21,209
ABS and factoring liabilities and payables	266,224	0	0	0	266,224	266,224
Other financial liabilities	28,955	0	36,250	0	65,205	65,205
Derivative financial liabilities without hedge accounting	0	8,283	0	0	8,283	8,283
Liabilities directly associated with assets classified as held for sale	0	0	0	79	79	79

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 2010/11:

	Category pursuant to IAS 39					
Fiscal year 2010/11 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	1,297,646	0	0	0	1,297,646	1,341,225
Bonds	487,793	0	0	0	487,793	560,088
Loans	168,087	0	0	0	168,087	168,087
Trade payables	2,576,711	0	0	0	2,576,711	2,576,711
Liabilities to associates and related parties	46,010	0	0	0	46,010	46,010
Supplementary contributions	123,766	0	0	0	123,766	123,766
Liabilities and provisions for customer rebates and bonuses	28,505	0	0	0	28,505	28,505
ABS and factoring liabilities and payables	262,559	0	0	0	262,559	262,559
Other financial liabilities	44,249	0	20,829	0	65,078	65,078
Derivative financial liabilities without hedge accounting	0	6,116	0	0	6,116	6,116
Liabilities directly associated with assets classified as held for sale	45,806	0	0	6,428	52,234	52,234

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 2011/12				
Available-for-sale financial assets	4,344	0	31,113	35,457
Derivative financial assets without hedge accounting	0	1,006	0	1,006
Derivative financial liabilities without hedge accounting	0	8,283	0	8,283
Fiscal year 2010/11				
Available-for-sale financial assets	211	0	30,965	31,176
Derivative financial assets without hedge accounting	0	6,720	0	6,720
Derivative financial liabilities without hedge accounting	0	6,116	0	6,116
Non-current assets classified as held for sale	7,806	0	0	7,806

The fair value for available-for-sale assets measured at cost of EUR 6,980k (prior year: EUR 11,980k) has not been disclosed because the fair value cannot be measured reliably. The reason is that the necessary market parameters cannot be evaluated reliably and no active market exists.

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

Fiscal year 2011/12 EUR k	Available-for-sale financial assets
1 February 2010	**80,555**
Total gains and losses recognised in accumulated other comprehensive income	8,473
Acquisition	405
Sale of shares	-58,468
thereof recognised in the income statement	17,062
31 January 2011	**30,965**
Total gains and losses recognised in accumulated other comprehensive income	1,136
Acquisition	1,395
Sale of shares	-2,383
thereof recognised in the income statement	1,471
31 January 2012	**31,113**

Net gains or losses on each category of financial instruments

EUR k	FY 10/11	FY 11/12
Loans and receivables	-67,867	-2,374
Available-for-sale financial assets	55,467	2,030
thereof recognised in accumulated other comprehensive income	5,745	-1,112
thereof recognised in the income statement	49,722	3,142
Financial liabilities measured at amortised cost	-24,584	-3,561
Financial instruments held for trading	17,447	-5,065
	-19,537	**-8,970**

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

The net gains in the prior year from the sale of available-for-sale financial assets are mainly attributable to sale of the investments in KL Holding GmbH and Andreae-Noris Zahn AG. EUR 27,741k was reclassified from equity to the other financial result in the prior year.

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 10/11	FY 11/12
Trade receivables	61,524	15,209
Loans to and receivables from associates	41	41
Other loans	9,168	2,694
Other financial assets	62	186
	70,795	**18,130**

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

	31 Jan 2011		31 Jan 2012	
EUR k	Nominal amount	Market value	Nominal amount	Market value
Assets				
Derivatives held for trading				
Foreign currency contracts	410,864	6,721	367,217	1,006
Interest rate swaps	0	0	0	0
Liabilities				
Derivatives held for trading				
Foreign currency contracts	472,848	5,628	475,504	7,298
Interest rate swaps	2,477	488	200,794	985

Financial risk management and derivative financial instruments

Objectives and principles of the financial risk management

Due to its multinational business activities, PHOENIX is exposed to financial risks. In particular this includes 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. The 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 rating. Their use and valuation is closely monitored on a timely basis. 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, back office 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 refinancing programme, PHOENIX has undertaken to comply with covenants. These were complied with in the fiscal year 2011/12.

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 (transactional) 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 were considered which are not in the functional currency of the respective reporting company. Those items of the statement of financial position have been accumulated for the whole Group. Also the internal loans which are not in the functional currency of the reporting unit have been considered and the amounts aggregated. After that, the currency effects for a 10% increase (decrease) of the EUR against the respective currency have been measured. In the next step, the market value changes of derivative financial

instruments (currency swap transactions and forwards), which were entered 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 2012 for both the underlying 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 12,463k (prior year: EUR 12,265k) lower (higher). This effect resulted from an internally issued hybrid loan.

If the EUR depreciates (appreciates) by 10% against the RSD profit before taxes would be EUR 7,701k (prior year: EUR 5,323k) higher (lower). This is primarily due to trade payables and intercompany loans granted to the Serbian subsidiaries.

If the EUR depreciates (appreciates) by 10% against the HRK profit before taxes would be EUR 4,373k (prior year: EUR 4,555k) higher (lower). This is primarily due to trade payables.

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. PHOENIX hedges floating-rate financial instruments using interest rate swaps with a nominal volume of EUR 200,000k. They were entered into in fiscal year 2011/2012 and are recognised as derivatives held for trading.

There is also a cross-currency swap in place, which serves to hedge an internal loan. As of the reporting date, the nominal volume amounts to EUR 794k (prior year: EUR 2,477k) and is amortised.

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.

The fixed-interest period under PHOENIX's financial debt is primarily of a short-term nature. Therefore, a positive (negative) parallel shift of the EUR market interest rate curve by 100 basis points as at reporting date would lead to a negative (positive) impact of EUR 6,712k (prior year: EUR 12,245k) on the profit before tax.

A positive (negative) parallel shift of 100 basis points for the EUR interest rate curves, assuming other interest rate curves and exchange rates remain constant, would have a positive (negative) effect of EUR 2,886k (EUR 3,012k) on profit before tax on account of the interest derivatives and foreign exchange derivatives in the portfolio as of the reporting date. Such a shift would not have had any material effect in the prior year. These measurement effects would have a direct effect on profit before tax in the corresponding amount.

Other price risks
As of 31 January 2012, an investment in publically listed entity was disclosed as available for sale. A 10% increase (decrease) in the share price of this entity would have led to a EUR 420k increase (decrease) in accumulated other comprehensive income. In the prior year, a 10% increase (decrease) in the share price would have raised (reduced) accumulated other comprehensive income by EUR 781k.

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 good credit rating. Despite some bigger customers, our customer basis is widely diversified with small amounts of receivables allocable to each individual. 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 the concentration of risk. PHOENIX has a policy of only entering into derivatives with banks with a high rating and thus limits the default risk for derivatives with a positive market value. As PHOENIX spreads the forward exchange contracts and interest rate swaps 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 of possible difficulties of a bank.

Liquidity risks

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, regular telephone conferences are held to discuss special liquidity issues and developments. 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 2012.

EUR k	Cashflows 2012/13	Cashflows 2013/14	Cashflows 2014/15-2016/17	Cashflows 2017/18-2021/22	Cashflows > 2022/23
Liabilities to banks	319,062	498,877	210,870	0	0
Bonds	48,717	48,717	530,508	0	0
Loans	112,264	0	0	0	0
Trade payables	2,556,820	0	0	894	0
Liabilities to associates and related parties/supplementary contribution	45,189	8,102	151,237	0	0
Liabilities and provisions for customer rebates and bonuses	19,076	0	0	0	0
ABS and factoring liabilities and payables	269,644	0	0	0	0
Other financial liabilities	24,517	0	1,500	0	0
Finance lease liabilities	2,734	24,409	4,093	6,592	0
Financial guarantee contracts	107,695	0	0	0	0
Derivative financial liabilities without hedge accounting	7,437	201	0	0	0

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 2011 are presented in the following table:

EUR k	Cashflows 2011/12	Cashflows 2012/13	Cashflows 2013/14-2015/16	Cashflows 2016/17-2020/21	Cashflows > 2021/22
Liabilities to banks	386,427	53,766	1,103,022	565	56
Bonds	48,717	48,717	579,226	0	0
Loans	172,697	0	0	0	0
Trade payables	2,622,109	0	0	0	0
Liabilities to associates and related parties/supplementary contribution	47,965	8,102	151,237	0	0
Liabilities and provisions for customer rebates and bonuses	28,505	0	0	0	0
ABS and factoring liabilities and payables	265,718	0	0	0	0
Other financial liabilities	51,718	0	0	0	0
Finance lease liabilities	11,582	1,947	3,384	4,637	0
Financial guarantee contracts	106,297	0	0	0	0
Derivative financial liabilities without hedge accounting	5,628	488	0	0	0

Liabilities with early termination rights have been classified according to 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 334,846k at the end of the reporting period (prior year: EUR 578,713k) and comprised cash of EUR 331,068k (prior year: EUR 575,262k) as well as cash equivalents of EUR 3,778k (prior year: EUR 3,451k). Restricted cash at the end of the period amounts to EUR 5,109k (prior year: EUR 36,138k) and corresponds to security deposits for revolving credit lines (e.g., ABS and factoring). Cash and cash equivalents of EUR 11,185k (prior year: EUR 4,682k) at the end of the period are restricted to ownership of the foreign subsidiaries, 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.

As of the last fiscal year 2010/11, a partial amount of EUR 3,712k of the cash and cash equivalents was allocated to a disposal group and disclosed under non-current assets held for sale.

Payments of EUR 32,539k (prior year: EUR 16,693k) 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 2,650k (prior year: EUR 5,953k). Cash received from the sale of consolidated entities and business units corresponds to the gains on sale received of EUR 16,445k (prior year: EUR 11,234k) less cash and cash equivalents disposed of of EUR 140k (prior year: EUR 65k).

Related party disclosures

General

In accordance with IAS 24, entities or persons, which are in control of or controlled by PHOENIX must be disclosed. Members of the Merckle family and entities controlled by them are considered as related parties or persons. 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	
	2010/11	2011/12	2010/11	2011/12
Partners	**10**	**0**	**20,404**	**20,004**
from financing	0	0	7,998	7,428
from leases, other services	10	0	12,406	12,576
Associates	**67,635**	**50,314**	**33,927**	**5,916**
from financing	786	3,649	0	0
from leases, other services	0	3,133	0	901
from goods sold	66,849	43,532	33,927	5,015
Other related parties	**44,284**	**0**	**149,839**	**1,001**
from financing	14,367	0	0	0
from leases, other services	771	0	2,035	1,001
from goods sold	29,146	0	147,804	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	
	2011	2012	2011	2012
Partners	**6**	**108**	**37,594**	**44,784**
from financing	0	0	22,759	30,169
from leases, other services	6	108	14,835	14,615
Associates	**36,279**	**12,220**	**3,771**	**256**
from financing	16,472	8,708	0	0
from leases, other services	0	233	0	72
from goods sold	19,807	3,279	3,771	184
Other related parties	**2,413**	**0**	**13,879**	**1,051**
from financing	357	0	6,986	0
from leases, other services	12	0	54	1,051
from goods sold	2,044	0	6,839	0
Impairment losses	**-3,012**	**-194**	**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 by netting them against accounts payable.

Other

In connection with the bond issued, 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.

On 25 November 2011 PHOENIX sold a 1% interest in Otto Stumpf GmbH, Zossen, to a shareholder for a price of EUR 1,090k.

On 24 January 2012, PHOENIX sold an investment in a related party for a price of EUR 4,896k.

Terms and conditions

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

Remuneration of the members of management board

The total expense for remuneration of the management board in the reporting period was EUR 8,138k (prior year: EUR 6,167k) and is classified as short-term employee benefits.

The current service cost in connection with benefits vested by members of the management board in the reporting period was EUR 249k (prior year: EUR 249k).

Former members of management received remuneration of EUR 1,019k in the reporting year (prior year: EUR 1,066k). Pension provision of EUR 10,029k (prior year: EUR 6,106k) have been recognised.

Remuneration of the advisory board

The advisory board remuneration amounted to EUR 250k in the fiscal year (prior year: EUR 100k).

Mannheim, 20 April 2012

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 cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 February 2011 to 31 January 2012. 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 ["Handelsgesetzbuch": German Commercial Code] 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 the group 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 and 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, 20 April 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Rometsch
Wirtschaftsprüferin
[German Public Auditor]

Financial calendar 2012/2013

27th June 2012	**Quarterly Report February to April 2012**
27th September 2012	**Quarterly Report February to July 2012**
20th December 2012	**Quarterly Report February to October 2012**

Foreign shareholdings and domestic subsidiaries

Bosnia-Herzegovina

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The text of the annual report applies equally to both women and men. Any exclusive use of the female or male form encompasses both forms.

PHOENIX group

We deliver health.

PHOENIX group

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