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# WE GO FORWARD

Quarterly report
February to October 2014

PHOENIX group

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

PHOENIX group

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

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

> **In pharmacy retail,** the PHOENIX group operates more than 1,600 of its own pharmacies in 12 countries – of which around 700 operate under the corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also represented in the Eastern European and Baltic markets. The more than 12,000 pharmacy employees have 110 million customer contacts each year. They dispense around 240 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

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

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

Cooperative | Competent | Holistic | Together


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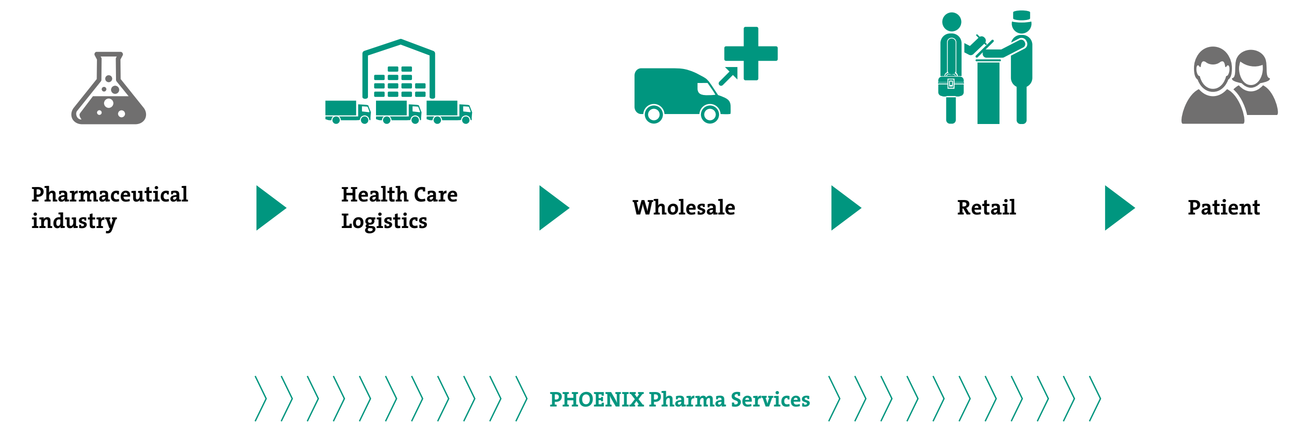
# PHOENIX group: Link between manufacturer and patient




## Wholesale

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

## Pharma Services

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

## Retail

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

# The first nine months at a glance

- Sustained strengthening of market position as an integrated healthcare provider in Europe through planned acquisition of Mediq Apotheken Nederland B.V.
- Position as a leading pharmaceutical trader in Europe underlined
- Total operating performance and revenue increased again
- Profit for the period significantly exceeds previous year's value
- Successful implementation of PHOENIX FORWARD optimisation programme
- Positive outlook for fiscal year 2014/15 confirmed

| Key figures of the PHOENIX group | | 1st nine months 2013* | 1st nine months 2014 |
|---|---|---|---|
| Total operating performance | in EUR k | 19,274,004 | 20,190,714 |
| Revenue | in EUR k | 16,210,998 | 16,728,438 |
| Gross profit | in EUR k | 1,539,466 | 1,561,848 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | in EUR k | 336,009 | 332,000 |
| Adjusted EBITDA | in EUR k | 351,113 | 345,936 |
| Earnings before interest and taxes (EBIT) | in EUR k | 256,419 | 250,989 |
| Financial result | in EUR k | −80,248 | −62,054 |
| Profit before tax | in EUR k | 176,171 | 188,935 |
| Profit for the period | in EUR k | 119,447 | 127,380 |

| | | 31 Oct. 2013 | 31 Jan. 2014 | 31 Oct. 2014 |
|---|---|---|---|---|
| Equity | in EUR k | 2,200,768 | 2,161,841 | 2,375,180 |
| Equity ratio | in % | 29.7 | 29.4 | 32.3 |
| Net debt | in EUR k | 1,794,082 | 1,331,627 | 1,529,661 |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

# Interim group management report

## Business and economic environment

**Development of the market**

In Germany as well as in the Euro zone, the third quarter of 2014 showed a slight economic growth. Germany's GDP increased by 1.2 % compared to prior year's third quarter, after a rise of 0.8 % in the second quarter. The economic growth was particularly due to a dynamic foreign trade which contributed 0.7 %-points to the growth. Also in the euro zone, GDP increased by 0.8 % compared to the third quarter of 2013.

The European pharmaceutical markets were shaped by healthcare policy cost-cutting measures in several countries. In total, an appreciable market growth could not be recorded in the European pharmaceutical markets.

A noticeable growth was still observable in the German pharmaceutical market. The wholesale pharmaceutical market grew by 4.9 % from January to October 2014 compared to the same period of prior year. Especially for prescription and OTC pharmaceuticals, a considerable growth was recorded. However, this market was still shaped by intense competition.

In total, the PHOENIX group developed better than the overall pharmaceutical market in this economic environment. The increase in total operating performance was 4.8 %; revenue grew by 3.2 %.

**Acquisitions**

As in the prior year, we pursued a cautious acquisition strategy in the first nine months of 2014/15. In total, business combinations led to a cash outflow of EUR 17.2m (comparative period: EUR 17.5m).

**Results of operations**

Total operating performance, comprising revenue and handled volume which cannot be recognised as revenue, increased by 4.8 % to EUR 20,190.7m. Adjusted for foreign exchange rate effects, total operating performance grew by 5.8 %.

In the first nine months of 2014/15, revenue grew by EUR 517.4m (3.2 %) to EUR 16,728.4m (comparative period: EUR 16,211.0m). Adjusted for foreign exchange rate effects, revenue grew by 3.8 %. The reason for that is an increase in revenue in Germany where the wholesale pharmaceutical market showed a noticeable growth. Also the majority of our foreign markets recorded increases in revenue.

Gross profit increased by EUR 22.4m to EUR 1,561.8m. The gross profit margin fell from 9.5 % to 9.3 %. This is mainly attributable to the intense competition in several countries.

Other operating income was on prior year's level.

Personnel expenses increased by 2.2 % to EUR 814.4m. This is mainly due to the impact of collective salary increases and the growth in business. Cost savings from the optimisation programme PHOENIX FORWARD had a positive impact on personnel expenses.

Other expenses rose by EUR 10.3m. This is mainly due to increased transportation costs, other taxes, lease costs and communication and IT expenses. A reduction in repair and maintenance expenses and in consultancy costs had a positive impact on other expenses.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by EUR 4.0m to EUR 332.0m. Adjusted for foreign exchange rate effects, EBITDA was on prior year's level.

The PHOENIX group's indicator used for comparison with net debt (adjusted EBITDA) came to EUR 345.9m and is determined as follows:

| EUR k | 1st nine months 2013 | 1st nine months 2014 |
|---|---|---|
| EBITDA | 336,009 | 332,000 |
| Interest from customers | 12,297 | 11,820 |
| Expenses related to ABS/factoring | 2,807 | 2,116 |
| **Adjusted EBITDA** | **351,113** | **345,936** |

Depreciation and amortisation increased slightly by EUR 1.4m compared to prior year.

The financial result improved compared to prior period's result by EUR 18.2m to EUR –62.1m. The improvement is mainly due to the repayment of the high-yield bond issued in 2010 and a lower average net debt.

Profit before tax could be increased by EUR 12.7m to EUR 188.9m compared to prior year.

The effective tax rate in the first nine months of 2014/15 came to 32.6% and was 32.2% in the comparative period.

Profit for the period rose from EUR 119.4m to EUR 127.4m. Of this, EUR 15.5m is attributable to non-controlling interests (comparative period: EUR 13.4m).

**Net assets**

The Group's total assets increased slightly by EUR 4.2m to EUR 7,363.9m compared to 31 January 2014. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR –69.3m (31 January 2014: EUR –83.9m).

Compared to 31 January 2014, non-current assets increased by EUR 29.3m to EUR 2,492.9m. Intangible assets contain goodwill with an amount of EUR 1,124.1m (31 January 2014: EUR 1,101.1m). The increase is mainly due to acquisitions.

Inventories increased compared to 31 January 2014 by EUR 123.8m to EUR 1,888.2m. This increase is mainly due to seasonal fluctuation.

Trade receivables grew by 5.2% to EUR 2,475.9m. As of 31 October 2014, receivables of EUR 121.8m (31 January 2014: EUR 114.2m) had been sold 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 250.4m had been sold as of 31 October 2014 (31 January 2014: EUR 238.1m). The Group's continuing involvement came to EUR 15.1m (31 January 2014: EUR 14.6m).

Other current receivables and other current financial assets declined from EUR 177.3m as of 31 January 2014 to EUR 167.5m. The decrease is among others due to lower loans.

Other current assets increased from EUR 80.7m as of 31 January 2014 to EUR 123.0m among others due to higher prepayments.

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

**Financial position**

Equity increased mainly due to the increase in the limited partner's capital and the profit for the period.

Cash flow from operating activities came to EUR −127.3m (comparative period: EUR −45.5m). The main reason for the negative cash flow from operating activities is an increase in working capital due to seasonal deviations and the considerable growth in revenue. In comparison to last year, there was a higher increase in working capital by EUR 51.3m which resulted in a decrease in cash flow from operating activities.

Cash flow from investing activities amounted to EUR −106.5m. In the comparative period, the cash flow from investing activities amounted to EUR −74.6m. The increase is mainly due to higher investments in fixed assets and less cash inflows from the sale of fixed assets.

Non-current financial liabilities came to EUR 596.8m. As at 31 October 2014, non-current financial liabilities contain, among others, bonds of EUR 591.3m (31 January 2014: EUR 294.6m). End of July 2014, the PHOENIX group issued another corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.625 %. The supplementary partner contribution of EUR 123.8m, up to now presented under non-current financial liabilities, was repaid in August 2014. Simultaneously, the limited partners increased their capital in the parent company by contribution in cash of EUR 135.0m to EUR 1,185.0m. A partial sum of EUR 10.9m was contributed by fully consolidated entities and offset against reserves.

Current financial liabilities decreased by EUR 420.7m to EUR 828.6m. The corporate bond issued in 2010 with an outstanding nominal amount of EUR 496.2m has been repaid in July 2014 as scheduled. On the other hand, current financial liabilities rose due to a EUR 80.1m increase in current liabilities to banks.

Current financial liabilities include, among others, liabilities to banks of EUR 291.3m (31 January 2014: EUR 211.2m), bonds of EUR 0.0m (31 January 2014: EUR 493.4m), liabilities from ABS and factoring agreements with an amount of EUR 283.8m (31 January 2014: EUR 251.0m) as well as other loans amounting to EUR 112.8m (31 January 2014: EUR 119.7m).

In June 2012, PHOENIX group concluded a syndicated loan agreement with a total volume of EUR 1.35bn. After repayments, a revolving credit facility of EUR 1.05bn was still available until June 2017. In April 2014, the PHOENIX group was able to re-negotiate more favourable credit terms and extend the remaining time to maturity to five years.

Trade payables increased by EUR 14.9m to EUR 2,828.4m.

Other liabilities declined from EUR 275.2m as of 31 January 2014 to EUR 258.6m. This is mainly due to lower liabilities from other taxes.

Overall, the PHOENIX group was able to underline its position in the first three quarters of 2014/15 as leading pharmaceuticals distributor in Europe.

## Subsequent events

The PHOENIX group plans to purchase Mediq Apotheken Nederland B.V. via its subsidiary Brocacef Groep. Besides pharmacies and the pharmaceutical wholesale, the acquisition also includes pre-wholesale activities. The acquisition is subject to the approval by the relevant competition authorities as well as consultations with the works councils of both companies.

## Risks and opportunities

The PHOENIX group has comprehensive planning, approval and reporting structures and an early warning system which we use to identify, assess and monitor our opportunities and risks. The opportunities and risks of significance to us are presented extensively in our annual report for fiscal year 2013/14.

The risks presented there are still essentially relevant.

## Forecast

We expect a stable macroeconomic environment in 2014. Moderate growth of about 1 % in economic output is predicted for the euro zone.

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

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

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

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

# Interim condensed consolidated financial statements

# Consolidated income statement

## for the first nine months of 2014/15

| EUR k | 3rd quarter 2013* | 3rd quarter 2014 | 1st nine months 2013* | 1st nine months 2014 |
|---|---|---|---|---|
| **Revenue** | **5,403,956** | **5,625,941** | **16,210,998** | **16,728,438** |
| Cost of purchased goods and services | −4,896,811 | −5,099,855 | −14,671,532 | −15,166,590 |
| **Gross profit** | **507,145** | **526,086** | **1,539,466** | **1,561,848** |
| Other operating income | 38,041 | 35,662 | 107,377 | 107,892 |
| Personnel expenses | −262,507 | −273,101 | −797,282 | −814,437 |
| Other operating expenses | −169,227 | −175,418 | −514,765 | −525,034 |
| Results from associates and joint ventures | 365 | 448 | 1,031 | 1,617 |
| Result from other investments | 20 | 51 | 182 | 114 |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | **113,837** | **113,728** | **336,009** | **332,000** |
| Amortisation of intangible assets and depreciation of property, plant and equipment | −26,338 | −27,546 | −79,590 | −81,011 |
| **Earnings before interest and taxes (EBIT)** | **87,499** | **86,182** | **256,419** | **250,989** |
| Interest income | 5,349 | 4,941 | 16,707 | 13,870 |
| Interest expenses | −33,624 | −16,939 | −102,642 | −74,368 |
| Other financial result | 246 | −1,262 | 5,687 | −1,556 |
| **Financial result** | **−28,029** | **−13,260** | **−80,248** | **−62,054** |
| **Profit before tax** | **59,470** | **72,922** | **176,171** | **188,935** |
| Income taxes | −19,032 | −22,315 | −56,724 | −61,555 |
| **Profit for the period** | **40,438** | **50,607** | **119,447** | **127,380** |
| thereof attributable to non-controlling interests | 5,201 | 5,125 | 13,412 | 15,489 |
| thereof attributable to owners of the parent company | 35,237 | 45,482 | 106,035 | 111,891 |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

# Consolidated statement of comprehensive income

for the first nine months of 2014/15

| EUR k | 3rd quarter 2013 | 3rd quarter 2014 | 1st nine months 2013 | 1st nine months 2014 |
|---|---|---|---|---|
| **Profit for the period** | **40,438** | **50,607** | **119,447** | **127,380** |
| **Items that will not be recycled through profit or loss** | | | | |
| Remeasurements of defined benefit plans | −30,709 | −46,730 | −25,384 | −46,260 |
| **Items that may subsequently be recycled through profit or loss** | | | | |
| Gains/losses from changes in the fair value of available-for-sale financial assets | 53 | 0 | 1,793 | 0 |
| Gains/losses recycled through profit or loss | 0 | 0 | −3,423 | 0 |
| Currency translation differences | 15,188 | 4,416 | 9,039 | 14,997 |
| **Other comprehensive income, net of taxes** | **−15,468** | **−42,314** | **−17,975** | **−31,263** |
| **Comprehensive income** | **24,970** | **8,293** | **101,472** | **96,117** |
| thereof attributable to non-controlling interests | 4,637 | −626 | 12,456 | 10,030 |
| thereof attributable to owners of the parent company | 20,333 | 8,919 | 89,016 | 86,087 |

# Consolidated statement of financial position

as of 31 October 2014

## ASSETS

| EUR k | 31 Jan. 2014* | 31 Oct. 2014 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 1,455,999 | 1,495,598 |
| Property, plant and equipment | 791,169 | 776,668 |
| Investment property | 2,493 | 7,093 |
| Investments in associates | 17,948 | 18,390 |
| Trade receivables | 0 | 1,459 |
| Other financial assets | 72,658 | 63,178 |
| Deferred tax assets | 118,713 | 125,941 |
| Income tax receivables | 4,573 | 4,573 |
| | **2,463,553** | **2,492,900** |
| **Current assets** | | |
| Inventories | 1,764,494 | 1,888,244 |
| Trade receivables | 2,353,127 | 2,474,408 |
| Income tax receivables | 22,702 | 29,309 |
| Other receivables and other current financial assets | 177,290 | 167,501 |
| Other assets | 80,738 | 122,994 |
| Cash and cash equivalents | 494,454 | 187,607 |
| | **4,892,805** | **4,870,063** |
| Non-current assets held for sale | 3,365 | 918 |
| **Total assets** | **7,359,723** | **7,363,881** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

## EQUITY AND LIABILITIES

| EUR k | 31 Jan. 2014* | 31 Oct. 2014 |
|---|---|---|
| **Equity** | | |
| Unlimited and limited partners' capital | 1,050,000 | 1,185,000 |
| Reserves | 1,059,387 | 1,161,251 |
| Accumulated other comprehensive income | −163,224 | −189,028 |
| **Equity attributable to partners** | **1,946,163** | **2,157,223** |
| Non-controlling interests | 215,678 | 217,957 |
| | **2,161,841** | **2,375,180** |
| **Non-current liabilities** | | |
| Financial liabilities | 426,787 | 596,820 |
| Trade payables | 0 | 817 |
| Provisions for pensions and similar obligations | 236,097 | 292,199 |
| Deferred tax liabilities | 114,126 | 119,524 |
| Other non-current liabilities | 3,210 | 3,283 |
| | **780,220** | **1,012,643** |
| **Current liabilities** | | |
| Financial liabilities | 1,249,157 | 828,588 |
| Trade payables | 2,813,538 | 2,827,617 |
| Other provisions | 37,279 | 31,091 |
| Income tax liabilities | 42,403 | 30,195 |
| Other liabilities | 275,209 | 258,550 |
| | **4,417,586** | **3,976,041** |
| Liabilities directly associated with assets held for sale | 76 | 17 |
| **Total equity and liabilities** | **7,359,723** | **7,363,881** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

# Consolidated statement of cash flows

## for the first nine months of 2014/15

| EUR k | | 31 Oct. 2013* | 31 Oct. 2014 |
|---|---|---|---|
| **Net profit/loss for the period** | | **119,447** | **127,380** |
| +/– | Write-downs/write-ups of fixed assets | 79,590 | 81,011 |
| –/+ | Gain/loss from the disposal of fixed assets | –324 | –3,143 |
| +/– | Increase/decrease in non-current provisions | 880 | –5,208 |
| +/– | Other non-cash expenses/income | 59,706 | 66,269 |
| + | Net interest | 85,935 | 60,498 |
| + | Taxes | 56,724 | 61,562 |
| – | Interest paid | –61,010 | –67,909 |
| + | Interest received | 15,605 | 15,188 |
| – | Income taxes paid | –46,836 | –56,394 |
| + | Dividends received | 317 | 274 |
| **Result before changes in working capital** | | **310,034** | **279,528** |
| **Changes in working capital** | | **–355,525** | **–406,785** |
| **Cash inflow (+)/outflow (–) from operating activities** | | **–45,491** | **–127,257** |
| – | Cash paid for the purchase of consolidated companies and business units | –17,478 | –17,208 |
| + | Cash received from the sale of consolidated companies and business units | 6,903 | 0 |
| + | Cash received from the sale of fixed assets | 19,561 | 4,573 |
| – | Cash paid for investments in non-current assets | –83,559 | –93,835 |
| **Cash inflow (+)/outflow (–) from investing activities** | | **–74,573** | **–106,470** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

| EUR k | | 31 Oct. 2013* | 31 Oct. 2014 |
|---|---|---|---|
| **Cash available for financing activities** | | **−120,064** | **−233,727** |
| + | Capital contribution | 0 | 124,065 |
| + | Capital contribution from non-controlling interests | 152 | 0 |
| − | Payments to non-controlling interests (dividends) | −3,135 | −5,427 |
| + | Cash received from the issue of loans from related parties | 45,000 | 0 |
| − | Repayment of borrowings from related parties | −141,000 | 0 |
| − | Acquisition of additional shares in already consolidated companies | −30 | −1,227 |
| +/− | Increase/decrease in ABS/factoring liabilities | −22,809 | 33,965 |
| +/− | Increase/decrease of supplementary partner contribution | 0 | −123,766 |
| + | Cash received from the issue of bonds and loans | 451,233 | 641,780 |
| − | Cash repayments of bonds and loans | −234,947 | −741,364 |
| +/− | Increase/decrease in finance lease liabilities | −709 | −1,105 |
| **Cash inflow (+)/outflow (–) from financing activities** | | **93,755** | **−73,079** |
| **Change in cash and cash equivalents** | | **−26,309** | **−306,806** |
| **Cash and cash equivalents at the beginning of the period** | | **333,598** | **494,458** |
| Exchange rate effect on cash and cash equivalents | | −873 | −45 |
| **Cash and cash equivalents at the end of the period** | | **306,416** | **187,607** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

# Consolidated statement of changes in equity

## for the first nine months of 2014/15

| EUR k | Unlimited and limited partners' capital | Reserves |
|---|---|---|
| **1 February 2013** | **1,050,000** | **1,010,372** |
| Profit for the period | | 106,035 |
| Accumulated other comprehensive income | | 0 |
| **Total comprehensive income, net of tax** | **0** | **106,035** |
| Capital increase/reduction | | 0 |
| Changes in basis of consolidation | | −3,174 |
| Dividends | | 0 |
| Other changes | | 618 |
| **31 October 2013** | **1,050,000** | **1,113,851** |
| **1 February 2014** | **1,050,000** | **1,059,387** |
| Profit for the period | | 111,891 |
| Accumulated other comprehensive income | | 0 |
| **Total comprehensive income, net of tax** | **0** | **111,891** |
| Capital increase/reduction | 135,000 | −10,935 |
| Changes in basis of consolidation | | 244 |
| Dividends | | 0 |
| Other changes | | 664 |
| **31 October 2014** | **1,185,000** | **1,161,251** |

| | Currency translation difference | IAS 39 Available-for-sale financial assets | Remeasurement of defined benefit plans | Equity attributable to partners | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | **−96,244** | **9,215** | **−71,944** | **1,901,399** | **202,401** | **2,103,800** |
| | | | | 106,035 | 13,412 | 119,447 |
| | 8,938 | −1,644 | −24,313 | −17,019 | −956 | −17,975 |
| | **8,938** | **−1,644** | **−24,313** | **89,016** | **12,456** | **101,472** |
| | | | | 0 | 274 | 274 |
| | | | | −3,174 | 1,194 | −1,980 |
| | | | | 0 | −3,423 | −3,423 |
| | | | | 618 | 7 | 625 |
| | **−87,306** | **7,571** | **−96,257** | **1,987,859** | **212,909** | **2,200,768** |
| | **−83,896** | **7,983** | **−87,311** | **1,946,163** | **215,678** | **2,161,841** |
| | | | | 111,891 | 15,489 | 127,380 |
| | 14,595 | | −40,399 | −25,804 | −5,459 | −31,263 |
| | **14,595** | **0** | **−40,399** | **86,087** | **10,030** | **96,117** |
| | | | | 124,065 | 80 | 124,145 |
| | | | | 244 | −1,567 | −1,323 |
| | | | | 0 | −5,838 | −5,838 |
| | | | | 664 | −426 | 238 |
| | **−69,301** | **7,983** | **−127,710** | **2,157,223** | **217,957** | **2,375,180** |

# Notes to the interim condensed consolidated financial statements
as of 31 October 2014

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

**Basis of presentation**
The interim condensed consolidated financial statements of the PHOENIX group as of 31 October 2014 are prepared on the basis of IAS 34 "Interim Financial Reporting", observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory in the EU as of 31 October 2014, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 31 October 2014 of the PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 8 December 2014.

**Significant accounting policies**
The accounting policies used to prepare the interim condensed consolidated financial statements are essentially consistent with those used in the consolidated financial statements as of 31 January 2014. Standards and Interpretations that are applicable since 1 February 2014 for the first time had the following impacts on the interim financial statements:

*IFRS 10 Consolidated Financial Statements*
IFRS 10 establishes a single consolidation model based on control that applies to all entities. Control exists when an investor has decision-making power, is exposed to variable returns, and it can affect these returns by its decision-making power. IFRS 10 replaces the requirements of IAS 27 and SIC 12. For the PHOENIX group, no significant impacts arise from the application of the new standard.

*IFRS 11 Joint Arrangements*

IFRS 11 provides new guidance on accounting for joint arrangements. Joint arrangements are classified into joint ventures and joint operations. Interest in a joint venture, shall be accounted for as an investment using the equity method. Due to the first-time adoption of the new standard, two (comparative period: three) entities that were formerly consolidated proportionally, have been accounted for using the equity method in the first nine months of 2014/15. The impact on the interim financial statements of the PHOENIX group is not material. The comparative period has been adjusted accordingly.

*IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to subsidiaries, joint arrangements, associated companies, consolidated and unconsolidated structured entities. For these interim financial statements, no additional disclosure requirements arise from IFRS 12.

*IAS 32 Offsetting Financial Assets and Financial Liabilities*

The amendment clarifies details concerning the netting of financials assets and financial liabilities. Offsetting is only allowed if an unconditional right to netting exists, both in the ordinary course of business and in the event of a payment default and insolvency of all contract partners. The amendment did not have any impact on the interim financial statements of the PHOENIX group.

For better presentation of the results of operations, the reversal of provisions is recorded in the income statement item in which the additions to the provision were recognised previously.

The comparative period has been adjusted accordingly.

**Business combinations in the first nine months of 2014/15**

The business combinations carried out in the first nine months of 2014/15 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 “Business Combinations”.

In fiscal 2014/15, the cumulative profit for the period of the acquirees came to EUR – 6k and revenue to EUR 19,871k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, accumulated revenue for the period came to EUR 30,134k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, the accumulated profit for the period came to EUR 241k.

The table below shows a summary of their fair values:

**Fair value recognised on acquisition**

| EUR k | Other |
|---|---|
| Cash and cash equivalents | 17,298 |
| Equity instruments | 0 |
| Acquisition-date fair value of previously held equity interests | 818 |
| **Total cost** | **18,116** |
| Intangible assets | 7 |
| Other non-current assets | 1,142 |
| Inventories | 2,838 |
| Trade receivables | 1,399 |
| Cash and cash equivalents | 995 |
| Other current assets | 1,637 |
| Non-current liabilities | 361 |
| Current liabilities | 5,819 |
| **Net assets** | **1,838** |
| Non-controlling interests | −166 |
| **Net assets acquired** | **2,004** |
| **Bargain purchase** | **0** |
| **Goodwill** | **16,112** |

**Other business combinations**

In the first nine months of 2014/15, the Group acquired pharmacies that are individually immaterial. Other business combinations include contingent consideration of EUR 541k (maximum amount expected).

In the course of a business combination achieved in stages, a profit of EUR 725k was obtained from the remeasurement of the share in equity held prior to the acquisition date.

The goodwill arising on those acquisitions was allocated to the cash-generating units Czech Republic (EUR 3,919k), Switzerland (EUR 3,835k), Serbia (EUR 3,446k), the Netherlands (EUR 2,972k) and Norway (EUR 1,940k) and is managed in the local functional currencies (CZK, CHF, RSD, EUR and NOK).

EUR 4,964k of the goodwill recognised from business combinations is expected to be tax deductible.

The fair value of current receivables contains trade receivables with a fair value of EUR 2,838k. The gross amount of the trade receivables past due amounts to EUR 2,892k, of which EUR 54k is expected to be uncollectible.

Because of preliminary data, some assets and liabilities could not be finally valued at the balance sheet date.

**Other operating expenses**
Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 2,116k (comparative period: EUR 2,807k).

**Financial result**

| EUR k | 1st nine months 2013* | 1st nine months 2014 |
|---|---|---|
| Interest income | 16,707 | 13,870 |
| Interest expenses | −102,642 | −74,368 |
| Other financial result | 5,687 | −1,556 |
| **Financial result** | **−80,248** | **−62,054** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

Interest income includes interest from customers of EUR 11,820k (comparative period: EUR 12,297k).

The other financial result includes exchange rate gains of EUR 16,055k (comparative period: EUR 21,586k) and exchange rate losses of EUR 12,273k (comparative period: EUR 17,796k). Changes in the market value of derivatives gave rise to income of EUR 51,977k (comparative period: EUR 63,476k) and expenses of EUR 56,677k (comparative period: EUR 66,923k). Moreover, a gain on the sale of shares and other interests of EUR 5,428k was included in prior year’s figures.

**Other assets and other liabilities**

| EUR k | 31 Jan. 2014 | 31 Oct. 2014 |
|---|---|---|
| Prepayments | 46,480 | 66,541 |
| Tax claims – VAT and other taxes | 6,476 | 9,289 |
| Sundry other assets | 27,782 | 47,164 |
| **Other assets** | **80,738** | **122,994** |

| EUR k | 31 Jan. 2014* | 31 Oct. 2014 |
|---|---|---|
| VAT and other tax liabilities | 91,433 | 64,855 |
| Personnel liabilities | 112,907 | 123,356 |
| Liabilities relating to social security/similar charges | 23,300 | 29,891 |
| Prepayments | 17,871 | 12,229 |
| Sundry liabilities | 29,698 | 28,219 |
| **Other liabilities** | **275,209** | **258,550** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

**Other financial assets and other financial liabilities**

The table below presents the non-current financial assets:

| EUR k | 31 Jan. 2014 | 31 Oct. 2014 |
|---|---|---|
| Non-current trade receivables | 0 | 1,459 |
| **Other financial assets** | | |
| Available-for-sale financial assets | 39,657 | 35,256 |
| Loans to and receivables from associates | 5,997 | 6,325 |
| Other loans | 24,898 | 20,672 |
| Other non-current financial assets | 2,106 | 925 |
| | **72,658** | **63,178** |

The table below presents the current financial assets:

| EUR k | 31 Jan. 2014* | 31 Oct. 2014 |
|---|---|---|
| Trade receivables | 2,353,127 | 2,474,408 |
| **Other financial assets** | | |
| Loans to and receivables from associates or related parties | 4,088 | 4,216 |
| Other loans | 26,907 | 21,144 |
| Derivative financial instruments | 59 | 1,010 |
| Other current financial assets | 146,236 | 141,131 |
| | **177,290** | **167,501** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

The receivables from factoring and ABS transactions as of 31 October 2014 are presented below:

| EUR k | 31 Jan. 2014 | 31 Oct. 2014 |
|---|---|---|
| **Transferred but only partly derecognised receivables** | | |
| *Receivables not derecognised in accordance with IAS 39* | | |
| Volume of receivables | 268,313 | 287,500 |
| Financial liability | 236,061 | 268,703 |
| *Continuing Involvement* | | |
| Volume of receivables | 238,062 | 250,425 |
| Continuing Involvement | 14,582 | 14,797 |
| Financial liability | 14,981 | 15,094 |
| *Transferred and fully derecognised receivables* | | |
| Volume of receivables | 114,196 | 121,836 |
| Retentions | 60,538 | 62,219 |

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

| EUR k | 31 Jan. 2014 | 31 Oct. 2014 |
|---|---|---|
| **Financial liabilities (non-current)** | | |
| Liabilities to banks | 846 | 217 |
| Bonds | 294,568 | 591,345 |
| Loans | 142 | 128 |
| Supplementary partner contribution | 123,766 | 0 |
| Other financial liabilities | 7,465 | 5,130 |
| | **426,787** | **596,820** |

End of July 2014, the PHOENIX group issued another corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.625 %.

The supplementary partner contribution of EUR 123,766k, up to now presented under non-current financial liabilities, was repaid in August 2014.

| EUR k | 31 Jan. 2014* | 31 Oct. 2014 |
|---|---|---|
| **Financial liabilities (current)** | | |
| Liabilities to banks | 211,225 | 291,295 |
| Bonds | 493,353 | 0 |
| Loans | 119,672 | 112,781 |
| Liabilities to associates and related parties | 60,685 | 59,515 |
| Liabilities for customer discounts and rebates | 29,978 | 45,719 |
| ABS/factoring liabilities | 251,042 | 283,797 |
| Other financial liabilities | 83,202 | 35,481 |
| | **1,249,157** | **828,588** |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were met in the first nine months of 2014/15.

The corporate bond issued in 2010 was repaid in July 2014 as scheduled.

Liabilities to associates and related parties include current loan liabilities to partners of EUR 58,721k (31 January 2014: EUR 59,919k), resulting mainly from interest on the supplementary partner contribution.

Other financial liabilities (current) contain current derivative financial instruments of EUR 3,385k (31 January 2014: EUR 3,107k).

**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 of financial assets and the fair values for each class are presented in the following table:

| 31 October 2014<br>EUR k | Category pursuant to IAS 39 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Loans and receivables | Available-for-sale financial assets | Held-to-maturity financial assets | Financial assets held for trading | Outside the scope of IFRS 7 | Carrying amount | Fair value |
| **Assets** | | | | | | | |
| Available-for-sale financial assets | 0 | 35,256 | 0 | 0 | 0 | 35,256 | 35,256 |
| Trade receivables | 2,475,867 | 0 | 0 | 0 | 0 | 2,475,867 | 2,475,867 |
| Loans to and receivables from associates or related parties | 10,541 | 0 | 0 | 0 | 0 | 10,541 | 10,541 |
| Other loans | 41,816 | 0 | 0 | 0 | 0 | 41,816 | 41,810 |
| Derivative financial assets withoud hedge accounting | 0 | 0 | 0 | 1,010 | 0 | 1,010 | 1,010 |
| Other financial assets | 142,056 | 0 | 0 | 0 | 0 | 142,056 | 142,056 |
| Cash and cash equivalents | 187,607 | 0 | 0 | 0 | 0 | 187,607 | 187,607 |
| Non-current assets held for sale | 98 | 0 | 0 | 0 | 820 | 918 | 918 |

| 31 January 2014* EUR k | Category pursuant to IAS 39 Loans and receivables | Available-for-sale financial assets | Held-to-maturity financial assets | Financial assets held for trading | Outside the scope of IFRS 7 | Carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Available-for-sale financial assets | 0 | 39,657 | 0 | 0 | 0 | 39,657 | 39,657 |
| Trade receivables | 2,353,127 | 0 | 0 | 0 | 0 | 2,353,127 | 2,353,127 |
| Loans to and receivables from associates or related parties | 10,085 | 0 | 0 | 0 | 0 | 10,085 | 10,085 |
| Other loans | 51,805 | 0 | 0 | 0 | 0 | 51,805 | 51,957 |
| Derivative financial assets withoud hedge accounting | 0 | 0 | 0 | 59 | 0 | 59 | 59 |
| Other financial assets | 148,269 | 73 | 0 | 0 | 0 | 148,342 | 148,342 |
| Cash and cash equivalents | 494,454 | 0 | 0 | 0 | 0 | 494,454 | 494,454 |
| Non-current assets held for sale | 455 | 0 | 0 | 0 | 2,910 | 3,365 | 3,365 |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

Available for sale financial assets mainly contain interests in non-listed companies. Financial investments whose fair value cannot be reliably measured, are carried at cost. Shares in stock-listed companies are measured at quoted market prices at the reporting date. For other available-for-sale financial assets, fair value is determined by using multiples.

Derivatives are recognised at their fair values.

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

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

| 31 October 2014<br>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 liabilites** | | | | | | |
| Liabilities to banks | 291,512 | 0 | 0 | 0 | 291,512 | 291,512 |
| Bonds | 591,345 | 0 | 0 | 0 | 591,345 | 604,926 |
| Loans | 112,909 | 0 | 0 | 0 | 112,909 | 112,909 |
| Trade payables | 2,828,434 | 0 | 0 | 0 | 2,828,434 | 2,828,434 |
| Liabilites to associates and related parties | 59,515 | 0 | 0 | 0 | 59,515 | 59,515 |
| Supplementary partner contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Liabilities and accruals for customer rebates and bonuses | 45,719 | 0 | 0 | 0 | 45,719 | 45,719 |
| ABS/factoring liabilities | 283,797 | 0 | 0 | 0 | 283,797 | 283,797 |
| Other financial liabilities | 26,211 | 0 | 11,015 | 0 | 37,226 | 37,226 |
| Derivative financial liabilities without hedge accounting | 0 | 3,385 | 0 | 0 | 3,385 | 3,385 |
| Liabilities directly associated with assets classified as held for sale | 4 | 0 | 0 | 13 | 17 | 17 |

| 31 January 2014* 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 liabilites** | | | | | | |
| Liabilities to banks | 212,071 | 0 | 0 | 0 | 212,071 | 212,071 |
| Bonds | 787,921 | 0 | 0 | 0 | 787,921 | 804,942 |
| Loans | 119,814 | 0 | 0 | 0 | 119,814 | 119,814 |
| Trade payables | 2,813,538 | 0 | 0 | 0 | 2,813,538 | 2,813,538 |
| Liabilites to associates and related parties | 60,685 | 0 | 0 | 0 | 60,685 | 60,685 |
| Supplementary partner contributions | 123,766 | 0 | 0 | 0 | 123,766 | 123,766 |
| Liabilities and accruals for customer rebates and bonuses | 29,978 | 0 | 0 | 0 | 29,978 | 29,978 |
| ABS/factoring liabilities | 251,042 | 0 | 0 | 0 | 251,042 | 251,042 |
| Other financial liabilities | 53,139 | 0 | 34,421 | 0 | 87,560 | 87,560 |
| Derivative financial liabilities without hedge accounting | 0 | 3,107 | 0 | 0 | 3,107 | 3,107 |
| Liabilities directly associated with assets classified as held for sale | 53 | 0 | 0 | 23 | 76 | 76 |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

The fair value of bonds is determined by multiplying the face value of the bond with the quoted market price at the reporting date.

Derivatives are recognised at their fair values.

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 |
| **31 October 2014** | | | | |
| Available-for-sale financial assets | 0 | 0 | 29,570 | 29,570 |
| Derivative financial assets without hedge accounting | 0 | 1,010 | 0 | 1,010 |
| Derivative financial liabilities without hedge accounting | 0 | 3,385 | 0 | 3,385 |
| Other financial liabilities | 0 | 0 | 5,901 | 5,901 |
| **31 January 2014** | | | | |
| Available-for-sale financial assets | 0 | 0 | 29,424 | 29,424 |
| Derivative financial assets without hedge accounting | 0 | 59 | 0 | 59 |
| Derivative financial liabilities without hedge accounting | 0 | 3,107 | 0 | 3,107 |
| Other financial liabilities | 0 | 0 | 5,515 | 5,515 |

The fair value of available-for-sale assets measured at cost of EUR 5,686k (31 January 2014: EUR 10,233k) has not been disclosed because the fair value cannot be measured reliably.

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

| EUR k | Available-for-sale financial assets | Other financial liabilities |
|---|---|---|
| **1 February 2014** | **29,424** | **5,515** |
| Total gains and losses recognised in accumulated other comprehensive income | 0 | 0 |
| Acquisition | 307 | 0 |
| Sale of shares | 0 | 0 |
| thereof recognised in the income statement | 0 | 0 |
| Business combinations | 0 | 541 |
| Payments due to business combinations | 0 | –365 |
| Other | –161 | 210 |
| **31 October 2014** | **29,570** | **5,901** |

**Commitments and contingent liabilities**
Compared to 31 January 2014, commitments increased by EUR 11,623k to EUR 618,184k. This is mainly due to changes in the volumes of goods ordered and new IT provider contracts.

PHOENIX recorded contingent liabilities for guarantees of EUR 97,098 (31 January 2014: EUR 111,373k).

**Notes to the statement of cash flows**

| EUR k | 31 Jan. 2014* | 31 Oct. 2014 |
|---|---|---|
| **Restricted cash** | | |
| Cash and cash equivalents at the end of the period | 494,602 | 187,607 |
| thereof restricted | | |
| due to security deposits | 13,038 | 6,489 |
| due to restrictions placed upon foreign subsidiaries | 10,643 | 15,808 |

* Prior-year figures were restated due to the first-time adoption of IFRS 11.

**Related party disclosures**
To the extent that related parties have still held bond certificates of the bond issued in 2010, those have been repaid in July 2014 as scheduled.

In connection with the bond issued in July 2014, related parties hold bond certificates with a nominal value of EUR 112,400k.

In the third quarter of 2014/15, the PHOENIX group acquired shares in a company for EUR 231k from a related party.

The supplementary partner contribution of EUR 123,766k, up to now presented under non-current financial liabilities, was repaid in August 2014. Simultaneously, the limited partners increased their capital in the parent company by contribution in cash of EUR 135,000k to EUR 1,185,000k. A partial sum of EUR 10,935k was contributed by fully consolidated entities and offset against reserves.

Beyond that, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2014 remained essentially unchanged in the first nine months of 2014/15.

Mannheim, 8 December 2014

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

# Financial calendar 2015

| | |
|---|---|
| **13 May** | Annual report 2014/15 |
| **22 June** | Quarterly report February to April 2015 |
| **28 September** | Half-year report February to June 2015 |
| **17 December** | Quarterly report February to October 2015 |

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