QUARTERLY REPORT FEBRUARY – OCTOBER 2011

PHOENIX group

Wir bringen Gesundheit

- Stable business developments enabled the PHOENIX Group to consolidated its leading position in Europe as a pharmaceuticals retailer in the first three quarters
- Growth of European pharmaceuticals markets weakens
- Market position in Northern Italy strengthened with acquisition of Farcopa Distribuzione S.r.l. in the first quarter and a further regional wholesaler in the second quarter
- The pharmacy chain Lloyds Nederland BV successfully integrated in the first quarter
- Market position in Eastern Europe expanded further based on organic growth
- Adjusted EBITDA before non-recurring pensions effect up by approximately 1%
- On 27 July 2011, the rating agency Standard & Poor's raised PHOENIX's rating from "B+" to "BB-" with a positive outlook
- On 1 August 2011, the rating agency Moody's raised the outlook for PHOENIX from "stable" to "positive"
- On 17 October 2011, the rating agency Fitch issued a rating for PHOENIX of "BB" with a "stable" outlook.

First 9 months

EUR k	2010*	2011
Revenue	16,134,522	16,215,357
Gross profit	1,406,978	1,469,524
Earnings before interest, taxes and depreciation and amortisation (EBITDA)	424,085	418,195
Adjusted EBITDA	453,879	439,635
Adjusted EBITDA before non-recurring pensions effect	435,722	439,635
Earnings before interest and taxes (EBIT)	356,587	346,080
Financial result	-176,233	-106,096
Profit before tax	180,354	239,984
Profit for the period	102,086	166,661

EUR k	31 Jan 2011*	31 Oct 2011
Equity	1,761,143	1,827,001
Equity ratio	23.2 %	24.6 %
Net financial liabilities	2,176,588	2,368,930

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

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INTERIM GROUP MANAGEMENT REPORT

Business and economic environment

Development of the market

In the third quarter, economic development weakened further in comparison to the previous quarters. Germany's real GDP grew by 2.5% in the third quarter of 2011 in comparison to the prior-year period, after 2.8% in the second quarter and 5.2% in the first quarter. Real GDP also grew in the euro zone in the third quarter of 2011, up by 1.4% compared to the prior-year period, following 1.7% in the second quarter and 2.5% in the first quarter.

Growth on the pharmaceutical markets was curbed by this difficult economic environment. This means that over the period from January to October 2011 the wholesale pharmaceuticals market in Germany only grew by 0.4% in comparison to the same period of the prior year. 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 were still in evidence on the German market. Owing to the intensity of competition, it was not possible for sales measures to fully compensate from an economic perspective for the burdens from the 0.85% mark-down in the wholesale pharmaceuticals business on the manufacturer's sales price for prescription pharmaceuticals.

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. Our preparations in this context are on schedule. In addition to our own pharmacies, our franchise partner pharmacies will also be able to profit 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, in some cases financially weak, local competitors in this country, we benefit from our very good relations to international pharmaceuticals manufacturers.

Northern Europe saw diverse market developments. While the Danish market contracted, the Finnish and Swedish markets grew appreciably.

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, investments and joint ventures

As in the prior year, we pursued a cautious acquisition strategy in the first nine months of the fiscal year 2011/12. In total, business combinations in the first nine months led to cash a outflow of EUR 16.2m (prior year: EUR 9.5m).

We had already acquired 60% of the voting shares in Farcopa Distribuzione S.r.l., a regional pharmaceuticals wholesaler in Northern Italy, in the first quarter.

The other business combinations in the first nine months of 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 Lloyds Nederland BV as part of our Netherlands joint venture with Celesio, which was established in the prior year.

Results of operations, net assets and financial position

Results of operations

Revenue increased by 0.5% to EUR 16,215.4m in the first nine months of 2011/12 (prior-year: EUR 16,134.5m).

Gross profit increased by EUR 62.5m to EUR 1,469.5m. The gross profit margin also improved from 8.72% to 9.06%. This development was buoyed by the sales policy, which is still margin-oriented, an increase in higher-margin revenue in the service fees segment and an overall increase in the proportion of retail revenue, in particular due to the inclusion of the Dutch pharmacies of the Lloyds group.

Other operating income was down EUR 1.9m to EUR 109.1m.

Personnel expenses rose by EUR 66.4m to EUR 752.2m. At 4.64%, the ratio of personnel expenses in relation to total operating performance exceeds the level in the comparative period for the prior year (4.25%). The increase is mainly attributable to the inclusion of the Dutch pharmacies of the Lloyds group in the first nine months of 2011/12, which were not included in the comparative period. In addition, the prior-year figure included income of EUR 18.2m on account of a reduction in pension obligations in Norway on account of a change in legislation.

Other expenses decreased by EUR 3.2m to EUR 410.7m. The decrease is mainly attributable to lower additions to bad debt allowances. In addition, special expenses of EUR 8.9m were recorded in the first nine months of the prior year in connection with the financial restructuring which had come to a successful conclusion in August 2010.

Compared to the same period in the prior year, the investment result was down EUR 3.4m to EUR 0.7m. In the prior-year period, this contained a dividend payment from an investment that was sold in the course of fiscal 2010/11.

Overall, earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by EUR 5.9m to EUR 418.2m.

Adjusted EBITDA as defined in the bond issued in July 2010 decreased by EUR 14.2m to EUR 439.6m and breaks down as follows:

EUR k	First 9 months 2010	**First 9 months 2011**
EBITDA	424,085	418,195
Interest from customers	16,697	17,722
Cost of financial restructuring	8,854	0
Factoring fees	4,243	3,718
Adjusted EBITDA	**453,879**	**439,635**

Adjusted for the non-recurring effect in the prior year in connection with the reduction in pension obligations in Norway on account of a change in legislation (income of EUR 18.2m), adjusted EBITDA before non-recurring pensions effect rose by EUR 3.9m from EUR 435.7m to EUR 439.6m.

Amortisation and depreciation increased by EUR 4.6m compared to the first nine months of the prior year to EUR 72.1m. The increase is mainly attributable to the inclusion of the Lloyds group in the Netherlands in the first nine months of 2011/12, which was not included in the prior-year period, as well as an impairment loss on a building.

Earnings before interest and taxes (EBIT) fell by 3.0% to EUR 346.1m accordingly.

The financial result improved by EUR 70.1m to EUR -106.1m. The improvement is chiefly a consequence of the expiry of the standstill agreement.

The profit before tax rose in comparison to the first nine months of the prior year by EUR 59.6m to EUR 240.0m, primarily on account of improvement in the financial result.

It was possible to reduce the effective tax rate for the Group by 12.8 percentage points to 30.6%. In the prior year, it was not possible to fully deduct interest expenses from taxes owing to the interest limitation rule.

The profit for the period increased by EUR 64.6m to EUR 166.7m. Of this amount, EUR 153.6m (prior year: EUR 96.8m) is attributable to the owners of the parent company and EUR 13.0m (prior year: EUR 5.3m) to non-controlling interests.

Net assets

The Group's total assets decreased by EUR 153.3m to EUR 7,428.9m compared to the level as of 31 January 2011. The main cause for the decline in total assets was a reduction in cash and cash equivalents in connection with the repayment of non-current liabilities.

Compared to 31 January 2011, non-current assets increased by EUR 67.9m to EUR 2,497.9m. The increase is mainly attributable to the rise in property, plant equipment in connection with a finance lease and the rise in deferred tax assets. Intangible assets contain goodwill of EUR 1,221.3m (31 January 2011: EUR 1,201.9m).

Inventories rose by 16.5% to EUR 1,835.7m in response to seasonal fluctuations and changes made to the consolidated group.

Trade receivables rose by 0.6% to EUR 2,610.4m. Receivables sold in the course of ABS and factoring programmes and accounted for off the face of the statement of financial position or only at the amount of continuing involvement came to EUR 404.9m (31 January 2011: EUR 477.6m).

Other current receivables and financial assets fell from EUR 212.0m as of 31 January 2011 to EUR 188.2m. This mainly results from a change in the consolidated group as well as lower collateral pledges in connection with ABS and factoring programmes and a lower level of receivables from customers.

On account of a higher level of tax assets and an increase in prepayments, other current assets rose from EUR 72.0m as of 31 January 2011 to EUR 101.7m.

The decrease in cash and cash equivalents from EUR 575.0m to EUR 138.5m is related to the decrease in non-current liabilities.

Financial position

The increase in equity mainly reflects the profit for the period. This is counterbalanced by actuarial losses in connection with the pension obligations owing to the lower interest rates.

Cash flow from operating activities came to EUR -97.3m (31 October 2010: cash outflow of EUR 99.2m); the fall is due to an increase in working capital. The higher profit for the period had a positive effect.

Cash flow from investing activities amounted to EUR -67.9m. In the comparative period, cash flow from investing activities came to EUR 459.3m. The fall is essentially due to the repayment of a loan granted to a related party in the prior year.

Non-current financial liabilities came to EUR 1,294.1m, down EUR 339.8m compared to 31 January 2011. A total of EUR 165m of the syndicated loan taken out in the prior year was repaid in the first nine months of 2011/12 following the EUR 200m already repaid in January 2011. In addition, a partial amount of EUR 200m was converted into a line of credit that had not been drawn as of 31 October 2011. Due to a finance lease, non-current lease liabilities increased by EUR 22.4m. Non-current financial liabilities further include bonds of EUR 481.2m (31 January 2011: EUR 487.8) as well as supplementary contributions of EUR 135.0m (31 January 2011: EUR 135.0m).

Current financial liabilities increased by EUR 157.5m to EUR 1,020.4m. This is due to a rise in current liabilities to banks. The decline in short-term loans had the opposite effect.

Current financial liabilities include among other things liabilities to banks of EUR 551.9m (31 January 2011: EUR 289.7m), liabilities from ABS and factoring agreements of EUR 232.6m (31 January 2011: EUR 262.6m) and other loans amounting to EUR 95.7m (31 January 2011: EUR 167.5m).

Trade payables decreased by EUR 83.3m to EUR 2,493.4m.

Other liabilities fell from EUR 251.6m as of 31 January 2011 to EUR 219.2m. This decrease is mainly attributable to the lower amount of taxes withheld for transfer.

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 financial liabilities to EBITDA of around 3.0 by retaining profits.

Overall, the PHOENIX Group was able to reinforce its position in the first nine months of the fiscal year 2011/12 as one of the leading pharmaceuticals retailers in Europe and reported a stable business performance.

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 2010/11.

The risks presented there are still essentially relevant.

Forecast

In the context of the deepening European debt crisis, increasing efforts to consolidate budgets are to be expected in several European countries. The resulting efforts to make savings in the healthcare sector may also have a negative impact on pharmaceutical markets. We are consequently working on the assumption that there will be weak growth on the pharmaceuticals markets in Europe. The high intensity of competition, especially in Germany on account of the AMNOG and in France, constitutes a challenge for the remaining part of the fiscal year 2011/12.

We continue to expect our revenue growth to slightly outpace the market in the fiscal year 2011/12. At the end of the third quarter of 2011/12, EBITDA adjusted for the special pensions effect is up by EUR 3.9m on the prior-year figure. In light of this, we expect that adjusted EBITDA of a similar amount to the prior year will be achieved in the fiscal year 2011/12 as a whole.

For 2011/12, we continue to anticipate that investments in property, plant and equipment will exceed depreciation, which is especially due to the expansion of a wholesale branch office in Northern Europe.

Following the significant reduction in net debt in the fiscal year 2010/11, we also expect a further reduction in debt levels for 2011/12, which means that the net debt/adjusted EBITDA ratio will continue to improve significantly.

With stable revenue developments and a reduced level of debt, we consider ourselves to be in a good position in upcoming years to further expand our position as a leading European pharmaceuticals retailer.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement for the first nine months of 2011/12

EUR k	3rd Quarter 2010*	**3rd Quarter 2011**	First 9 month 2010*	**First 9 month 2011**
Revenue	**5,365,974**	**5,337,792**	**16,134,522**	**16,215,357**
Cost of purchased goods and services	-4,902,639	-4,850,949	-14,727,544	-14,745,833
Gross profit	**463,335**	**486,843**	**1,406,978**	**1,469,524**
Other operating income	35,343	33,786	111,026	109,121
Personnel expenses	-216,624	-250,778	-685,835	-752,217
Other operating expenses	-131,831	-136,668	-413,891	-410,667
Results from associates	142	436	1,702	1,736
Results from other investments	330	283	4,105	698
Earnings before interest, taxes depreciation and amortisation (EBITDA)	**150,695**	**133,902**	**424,085**	**418,195**
Amortisation of intangible assets and depreciation of property, plant and equipment	-20,196	-25,242	-67,498	-72,115
Earnings before interest and taxes (EBIT)	**130,499**	**108,660**	**356,587**	**346,080**
Interest and similar income	9,901	9,592	40,361	27,044
Interest and similar expenses	-85,127	-44,026	-224,722	-133,799
Other financial result	8,831	1,272	8,128	659
Financial result	**-66,395**	**-33,162**	**-176,233**	**-106,096**
Profit before tax	**64,104**	**75,498**	**180,354**	**239,984**
Income taxes	-28,470	-23,517	-78,268	-73,323
Profit for the period	**35,634**	**51,981**	**102,086**	**166,661**
thereof attributable to non-controlling interests	2,971	4,248	5,267	13,035
thereof attributable to owners of the parent company	**32,663**	**47,733**	**96,819**	**153,626**

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

Statement of comprehensive income for the first nine months of 2011/12

EUR k	3rd Quarter 2010*	**3rd Quarter 2011**	First 9 months 2010*	**First 9 months 2011**
Profit of the period	**35,634**	**51,981**	**102,086**	**166,661**
Actuarial gains and losses from pension obligations	-18,556	-23,927	-19,929	-74,275
of which income tax	6,769	8,729	7,270	27,097
Gains/losses from changes in the fair value of available-for-sale financial assets	-12,335	-2,006	-18,090	-3,724
Currency translation differences	-13,033	-12,132	13,065	-19,211
Other comprehensive income, net of taxes	**-43,924**	**-38,065**	**-24,954**	**-97,210**
Total comprehensive income	**-8,290**	**13,916**	**77,132**	**69,451**
thereof attributable to non-controlling interests	1,929	2,618	4,619	5,426
thereof attributable to owners of the parent company	**-10,219**	**11,298**	**72,513**	**64,025**

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

Consolidated statement of financial position as of 31 October 2011

EUR k	31 Jan 2011*	31 Oct 2011
Non-current assets		
Intangible assets	1,540,719	1,556,247
Property, plant and equipment	734,628	761,174
Investment property	0	5,377
Investments in associates	23,741	23,923
Other financial assets	70,031	65,815
Deferred tax assets	56,609	81,317
Other non-current assets	282	21
Income tax receivables	4,052	4,052
	2,430,062	**2,497,926**
Current assets		
Inventories	1,575,963	1,835,744
Trade receivables	2,596,177	2,610,386
Income tax receivables	16,071	10,103
Other receivables and other current financial assets	212,048	188,220
Other assets	71,952	101,722
Cash and cash equivalents	575,001	138,539
	5,047,212	**4,884,714**
Non-current assets classified as held for-sale	104,903	46,261
Total assets	**7,582,177**	**7,428,901**

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

Consolidated statement of financial position as of 31 October 2011

EUR k	31 Jan 2011*	31 Oct 2011
Equity		
Unlimited and limited partners' capital	1,050,000	1,050,000
Reserves	663,574	813,818
Other comprehensive income	-137,432	-227,033
Non-controlling interests	185,001	190,216
	1,761,143	**1,827,001**
Non-current liabilities		
Financial liabilities	1,633,905	1,294,079
Provisions for pensions and similar obligations	194,511	294,388
Deferred tax liabilities	125,974	119,411
Other non-current liabilities	435	950
	1,954,825	**1,708,828**
Current liabilities		
Financial liabilities	862,921	1,020,367
Trade payables	2,576,711	2,493,374
Other provisions	32,816	27,039
Income tax liabilities	89,973	104,924
Other liabilities	251,554	219,203
	3,813,975	**3,864,907**
Liabilities directly associated with assets classified as held for sale	52,234	28,165
Total equity and liabilities	**7,582,177**	**7,428,901**

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

Statement of changes in equity for the first nine months of 2011/12

Statement of changes in equity EUR k	Unlimited and limited partners' capital	Reserves
1 February 2010	**500,000**	**567,428**
using the OCI approach for pension obligations		12,729
Restated as of 1 February 2010	**500,000**	**580,157**
Profit for the period		96,819
Other comprehensive income		0
Total comprehensive income, net of tax	**0**	**96,819**
Capital increase/reduction	550,000	-44,550
Changes in consolidated group		1,764
Dividends		0
Other changes		-93
31 October 2010	**1,050,000**	**634,097**
1 February 2011	**1,050,000**	**653,987**
using the OCI approach for pension obligations		9,587
Restated as of 1 February 2011	**1,050,000**	**663,574**
Profit for the period		153,626
Other comprehensive income		0
Total comprehensive income, net of tax	**0**	**153,626**
Capital increase/reduction		0
Changes in consolidated group		-3,382
Dividends		0
31 October 2011	**1,050,000**	**813,818**

Currency translation differences	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	-30,325	-826	-31,151
–102,600	**37,120**	**–43,715**	**970,962**	**110,384**	**1,081,346**
			96,819	5,267	102,086
12,828	-17,669	-19,465	-24,306	-648	-24,954
12,828	**–17,669**	**–19,465**	**72,513**	**4,619**	**77,132**
			505,450		505,450
			1,764	-4,174	-2,410
			0	-1,808	-1,808
			-93	-40	-133
–89,772	**19,451**	**–63,180**	**1,550,596**	**108,981**	**1,659,577**
–82,077	**12,304**	**0**	**1,634,214**	**187,536**	**1,821,750**
-1,853		-65,806	-58,072	-2,535	-60,607
–83,930	**12,304**	**–65,806**	**1,576,142**	**185,001**	**1,761,143**
			153,626	13,035	166,661
-18,921	-3,637	-67,043	-89,601	-7,609	-97,210
–18,921	**–3,637**	**–67,043**	**64,025**	**5,426**	**69,451**
			0	810	810
			-3,382	2,670	-712
			0	-3,691	-3,691
–102,851	**8,667**	**–132,849**	**1,636,785**	**190,216**	**1,827,001**

Consolidated statement of cash flows for the first nine months of 2011/12

EUR k		31 Oct 2010*	31 Oct 2011
NET PROFIT/LOSS FOR THE PERIOD*		**102,086**	**166,661**
+/-	Write-downs/write-ups of non-current assets	67,498	72,115
-/+	Gain/loss from the disposal of fixed assets	-1,311	-5,030
+/-	Increase/decrease in non-current provisions	-17,031	2,568
+/-	Other non-cash expenses/income *	-12,073	7,830
+	Net interest	107,984	103,449
+	Taxation*	78,268	73,323
-	Interest paid	-129,745	-118,287
+	Interest received	34,902	24,172
-	Income tax paid	-75,660	-54,077
+	Dividends received	8,307	502
RESULT BEFORE CHANGE IN WORKING CAPITAL		**163,225**	**273,226**
CHANGES IN WORKING CAPITAL**		**-63,985**	**-370,556**
CASH INFLOW (+)/OUTFLOW (-) FROM OPERATING ACTIVITIES		**99,240**	**-97,330**
-	Cash paid for the purchase of consolidated companies and business units	-9,451	-16,187
+	Cash received from the sale of consolidated companies and business units	2,082	15,163
+	Cash received from disposals of fixed assets	67,629	18,385
-	Cash paid for investments in fixed assets	-61,140	-85,258
+	Cash received from loans granted to related parties	458,495	0
+	Cash received from securities and financial assets	1,731	0
CASH INFLOW (+)/OUTFLOW (-) FROM INVESTING ACTIVITIES		**459,346**	**-67,897**
CASH AVAILABLE FOR FINANCING ACTIVITIES		**558,586**	**-165,227**
+	Capital increase	505,450	0
+	Capital contribution from minority interests	0	810
-	Payments to minority interests (dividends)	-1,871	-3,591
+/-	Increase/decrease in ABS/factoring liabilities	-78,351	-30,416
+	Cash received from the issue of bonds and loans	1,959,012	336,368
-	Cash repayments of bonds and loans	-2,688,010	-570,900
+/-	Increase/decrease in finance lease liabilities **	-2,537	-5,596
CASH INFLOW (+)/OUTFLOW (-) FROM FINANCING ACTIVITIES		**-306,307**	**-273,325**
CHANGE IN CASH AND CASH EQUIVALENTS		**252,279**	**-438,552**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**396,716**	**578,713**
Exchange rate effect on cash and cash equivalents		2,599	-1,431
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**651,594**	**138,730**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A.
** The increase/decrease in finance lease liabilities reporting items was a new addition in the fiscal year.
The prior-year figures were restated accordingly.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 OCTOBER 2011

The company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, ("PHOENIX" or the "Group") is a European pharmaceuticals trading 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 interim condensed consolidated financial statements of PHOENIX as of 31 October 2011 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 2011, 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 2011 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 13 December 2011.

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 2011. Any differences are explained below.

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 the first nine months of 2010/11 decreased by EUR 2,895k 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 738k are allocable to this, resulting in a EUR 2,157k 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. Taxes of EUR 21,929k are allocable to this, resulting in a EUR 60,607k decrease in the Group's equity.

The standards and interpretations mandatory for the first time since 1 February 2011 had the following impact on the interim consolidated financial statements:

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 (April 2009)

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 interim 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:

- IFRS 1 (Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters)
- IFRIC 14 (Prepayments of a Minimum Funding Requirement)
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)

Business combinations in the first nine months of 2011/12

The business combinations carried out in the first nine months of 2011/12 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal 2011/12, the cumulative profit for the period of the acquirees came to EUR 224k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, cumulative revenue for the period came to EUR 123,588k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, the cumulative loss for the period came to EUR -1,027k.

With the exception of one acquisition of a regional pharmaceuticals wholesaler in Italy, the business combinations performed in the first nine months of 2011/12 were individually immaterial and mainly related to individual pharmacies in the regions of Northern and Western Europe and a further regional pharmaceuticals wholesaler in Italy.

The table below shows a summary of their fair values:

Fair value recognized on acquisition

EUR k	Farcopa Distribuzione Srl	Other	Total
Cash	1,200	17,595	18,795
Equity instruments	1,110	0	1,110
Fait value of share in equity held at the time of acquisition	0	1,681	1,681
Total acquisition costs	**2,310**	**19,276**	**21,586**
Intangible assets	131	8,501	8,632
Other non-current assets	794	4,515	5,309
Inventories	14,452	6,195	20,647
Trade receivables	34,016	10,406	44,422
Cash	182	1,411	1,593
Other current assets	2,163	8,691	10,854
Non-current liabilities	1,150	2,000	3,150
Current liabilities	57,990	36,786	94,776
Net assets	**–7,402**	**933**	**–6,469**
Non-controlling interests	-2,961	-530	-3,491
Net assets acquired	**–4,441**	**1,463**	**–2,978**
Bargain purchase	**0**	**–30**	**–30**
Goodwill	**6,751**	**17,843**	**24,594**

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.

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

Other business combinations

In the first nine months of 2011/12, the Group acquired further pharmacies in business combinations and an additional interest in a wholesaler which are immaterial when considered individually.

The goodwill arising on those acquisitions was allocated to the cash-generating units Czech Republic (EUR 582k), Switzerland (EUR 656k), United Kingdom (EUR 1,446k), the Netherlands (EUR 10,811k), Norway (EUR 1,982k) and Italy (EUR 2,366k) and is managed in the local functional currencies (CZK, CHF, GBP, EUR and NOK).

EUR 4,381k of the goodwill recognised from business combinations is expected to be tax deductible.

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

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

Other operating expenses

The decrease in other operating expenses is mainly attributable to the lower expenses in connection with specific bad debt allowances compared to the prior-year period.

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 3,718k (comparative period: EUR 4,243k).

Restructuring costs of EUR 8,854k were incurred in the first nine months of the prior year, which was no longer the case as of the end of the first nine months of 2011/12.

Financial results

EUR k	First 9 months 2010	**First 9 months 2011**
Interest and similar income		
Interest income	37,656	26,171
Other financial income	2,705	873
	40,361	**27,044**
Interest and similar expenses		
Interest expenses	-145,640	-129,620
Other financial expenses	-79,082	-4,179
	–224,722	**–133,799**
Other financial result	**8,128**	**659**
Financial result	**–176,233**	**–106,096**

Interest income includes interest from customers of EUR 17,722k (comparative period: EUR 16,697k). In addition, the first nine months of the prior year included interest from a related party totalling EUR 14,367k, which was no longer the case in the current 2011/12 fiscal year.

In the first nine months of the prior year, other financial expenses contained non-recurring effects of EUR 16,846k in connection with refinancing. In the first nine months of the prior year, this item also contained expenses of EUR 57,251k relating to the financing covered under the standstill agreement. Of this, a total of EUR 37,448k pertained to the premature termination of this financing.

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 comparative figures were restated accordingly. The other financial result includes exchange rate gains of EUR 81,188k (comparative period: EUR 10,077k) and exchange rate losses of EUR 62,775k (comparative period: EUR 44,053k). Changes in the market value of derivatives gave rise to income of EUR 76,607k (comparative period: EUR 32,294k) and expenses of EUR 92,626k (comparative period: EUR 5,725k).

Other assets and other liabilities

EUR k	31 Jan 2011	31 Oct 2011
Prepayments	37,073	38,966
Tax claims – VAT and other taxes	7,771	24,105
Sundry assets	27,108	38,651
Other assets	**71,952**	**101,722**

EUR k	31 Jan 2011	31 Oct 2011
VAT and other tax liabilities	65,627	39,497
Personnel liabilities	109,238	108,595
Liabilities relating to social security/similar charges	15,927	21,558
Prepayments received on account	4,853	4,613
Sundry liabilities	55,909	44,940
Other liabilities	**251,554**	**219,203**

Other financial assets and other financial liabilities

non-current financial assets

EUR k	31 Jan 2011	31 Oct 2011
Available-for-sale financial assets	43,156	45,059
Loans to and receivables from associates	11,361	9,936
Other loans	14,160	9,873
Other non-current financial assets	1,354	947
	70,031	**65,815**

current financial assets

EUR k	31 Jan 2011	31 Oct 2011
Trade receivables	2,596,177	2,610,386
Other financial assets		
Held-to-maturity financial assets	60	58
Available for-sale financial assets	0	33
Loans to and receivables from associates or related parties	21,227	2,492
Other loans	48,923	38,057
Derivative financial instruments	6,720	13,589
Other current financial assets	135,118	133,991
	212,048	**188,220**

As of 31 October 2011, trade receivables include receivables sold in the course of factoring and ABS transactions which do not meet the criteria for derecognition set forth in IAS 39. These receivables are recognised at their original carrying amount of EUR 254,853k (31 January 2011: EUR 283,961k); the associated financial liabilities come to EUR 213,351k (31 January 2011: EUR 246,575k). Receivables sold in the course of factoring and ABS transactions and which meet the criteria for derecognition under IAS 39 and are therefore not included in the statement of financial position amount to EUR 108,609k (31 January 2011: EUR 139,346k). The carrying amount of trade receivables recognised at the amount of the obligation arising from continuing involvement came to EUR 296,294k, with the continuing involvement accounting for EUR 18,090k (31 January 2011: EUR 338,227k with a continuing involvement of EUR 15,094k). The corresponding financial liabilities come to EUR 19,241k (31 January 2011: EUR 15,984k) and are also recognised as securitised loans. Retained collateral of EUR 55,965k (31 January 2011: EUR 66,508k) under securitisation and factoring transactions is subject to the same risks as unsold receivables, i.e., default risk and risk of late payment.

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

Financial liabilities (non-current)

EUR k	31 Jan 2011	**31 Oct 2011**
Liabilities to banks	1,007,917	651,408
Bonds	487,793	481,163
Loans	623	586
Supplementary partner contribution	135,032	135,032
Other financial liabilities	2,540	25,890
	1,633,905	**1,294,079**

Financial liabilities (current)

EUR k	31 Jan 2011	**31 Oct 2011**
Liabilities to banks	289,729	551,861
Loans	167,464	95,656
Liabilities to associates and related parties	46,010	44,408
Liabilities and provisions for customer rebates and bonuses	28,505	32,869
ABS and factoring liabilities and payables	262,559	232,592
Other financial liabilities	68,654	62,981
	862,921	**1,020,367**

On 16 July 2010, PHOENIX PIB Finance B.V. issued a bond with a nominal volume of EUR 506,150k. The bond has a term of four years. In February 2011, PHOENIX redeemed bonds with a nominal value of EUR 10,000k.

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were comfortably met in the first nine months of 2011/12.

Shares in material group companies act as collateral, as do certain bank accounts in Germany that reported a balance totalling EUR 2,422k as of 31 October 2011 (31 January 2011: EUR 150,109k).

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 0k (31 January 2011: EUR 488k).

Liabilities to associates and related parties include current loan liabilities to partners of EUR 37,931k (31 January 2011: EUR 37,740k).

Other financial liabilities (current) comprise current derivative financial instruments of EUR 2,702k (31 January 2011: EUR 5,628k).

Non-current assets held for sale

Non-current assets held for sale essentially contain the assets and liabilities of PHOENIX Pharma Polska.

A building classified as held for sale as of 31 January 2011 and assets and liabilities of three disposal groups were reclassified to the respective balance sheet items in the reporting period, as the criteria for classification as held for sale were no longer met.

Exchange differences of EUR -1,645k are recorded directly in equity (31 January 2011: EUR -1,944k); these relate to assets classified as held for sale.

Commitments and contingent liabilities

Compared to 31 January 2011, commitments fell by EUR 46,773k to EUR 425,864k. This mainly reflects the changes in volumes of goods ordered.

PHOENIX recorded contingent liabilities for warranties of EUR 117,301k as of 31 October 2011 (31 January 2011: EUR 115,805k).

Notes to the statement of cash flows

Restricted cash

EUR k	31 Jan. 2011	31 Oct 2011
Cash and cash equivalents at the end of the period	**578,713**	**138,730**
thereof restricted		
due to security deposits	36,138	9,822
due to restrictions on disposal of foreign subsidiaries	4,682	2,260

A partial amount of EUR 191k (31 January 2011: EUR 3,712k) of the cash and cash equivalents was allocated to a disposal group and disclosed under non-current assets held for sale.

In the course of the current fiscal year, PHOENIX acquired property, plant and equipment totalling EUR 22,938k (comparative period: EUR 618k) within the scope of finance leases. These non-cash transactions were not reflected in the consolidated statement of cash flows.

Related party disclosures

The business relationships with related parties presented in the consolidated financial statements as of 31 January 2011 remained essentially unchanged in the first nine months of 2011/12.

Mannheim, 13 December 2011
Management of the unlimited partner
PHOENIX Verwaltungs GmbH

Financial calender 2011/2012

14st May 2012	Annual report 2011/2012
27st June 2012	Quarterly Report February to April 2012
27st September 2012	Quarterly Report February to July 2012
20st December 2012	Quarterly Report February to October 2012

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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.




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