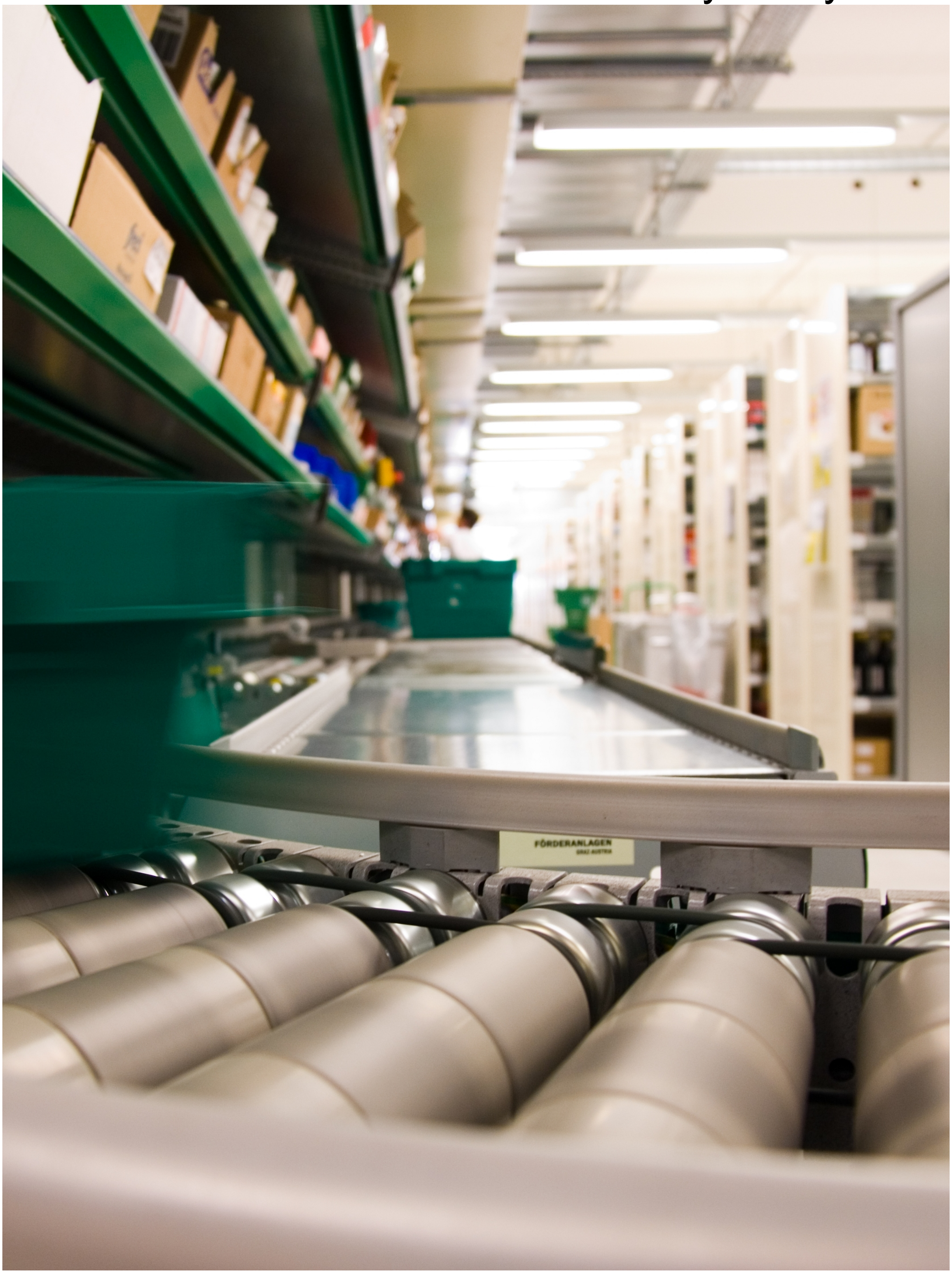
Six-monthly financial report

February – July 2010



- Refinancing of PHOENIX Group in August following successful termination of trust agreement, standstill agreement and restructuring loan.
- Increase of EUR 505m in limited partner capital of the Group in August.
- Repayment in August of most of the loan granted to a related party of EUR 435m.
- Disposals of non-core activities continue. Sale of the interest in KL Holding GmbH for EUR 58.5m in September.
- Reduction in debt ratio by around EUR 1b as a result of above measures.
- Bond with a nominal value of EUR 506 million issued.
- Syndicated loan agreement concluded for EUR 2.6b.
- Refinancing of the Comifar Group successfully completed in Italy.
- Joint venture founded with Celesio to bundle activities in the Netherlands.
- Revenue up 1.8% to EUR 10.8b.
- Gross profit margin increased from 8.6% to 8.8%.
- Profit before taxes (adjusted for expenses relating to the financial restructuring) up 2.5% to EUR 160.1m.

	1st six months	
	2009 EUR k	**2010** **EUR k**
Revenue	**10,580,032**	**10,768,548**
Gross profit	**908,661**	**943,643**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**273,779**	**271,460**
Adjusted EBITDA	**293,838**	**291,621**
Earnings before interest and taxes (EBIT)	**230,327**	**224,158**
Financial result	**-86,414**	**-109,838**
Profit before taxes	**143,913**	**114,320**
Profit or loss for the period	**95,193**	**65,014**

	31 Jan 2010 EUR k	**31 Jul 2010** **EUR k**
Equity	**1,112,497**	**1,193,954**
Equity ratio	**13.8%**	**13.9%**
Net financial liabilities	**3,479,822**	**3,583,052**

Six-monthly financial report for February – July 2010

Interim group management report

Business and general environment

Development of the market

The overall economic environment improved in the first six months compared to the same period in the prior year, although the crisis on the financial markets has not yet been overcome. Development was stable on the European pharmaceutical markets.

Despite the general market recovery, growth on various markets was influenced by healthcare policy. In Germany, the mandatory discounts offered to public health insurers by manufacturers of pharmaceuticals were increased from 6% to 16% as of 1 August 2010. PHOENIX is not directly affected by this, but there is a potential indirect effect if conditions deteriorate for the pharmaceutical industry. In addition, the federal cabinet passed draft law on restructuring the pharmaceuticals market.

In Italy mandatory price cuts were introduced for certain pharmaceuticals as of 1 June 2010. Regulations on margins for pharmaceutical wholesalers and retail pharmacies were also adjusted there. The reference price system introduced in the prior year in Finland had a curbing effect on market growth. The underlying trend for pharmaceutical trade in Europe remains positive overall, however. Germany, our largest market, saw market growth in pharmaceutical wholesale of 5.5% in the period January – July 2010. Growth was also observed on the pharmaceutical market in various eastern European countries.

The main drivers of growth on the pharmaceutical market include demographic change and medical advancement, both of which mean that we consider the pharmaceutical market to be a sustainable growth market.

Acquisitions and joint ventures

In the first half of 2010/11, individual pharmacies were acquired primarily in the regions northern, western and eastern Europe.

On 16 June 2010 we reached an agreement with Celesio AG, limited to the Netherlands, under which Celesio contributes its 100% interest in Lloyds Nederland B.V., consisting of 62 pharmacies, to Brocacef Holding N. V. In return, Celesio AG receives 45% of the shares in Brocacef Holding N. V. With a total of 115 of its own pharmacies and around 40 franchise partner pharmacies, the joint venture will be the second largest on the Dutch pharmacy market, thus achieving a considerably better market position. The transaction is still subject to the approval of the antitrust authorities.

In the course of clearing our portfolio of non-core activities, we signed a contract for the sale of our investment of 42.5% in a Russian pharmaceuticals trading company on 15 March 2010.

Moreover, we were able to successfully sell our start-up business in the Swedish retail pharmacy business as of 30 April 2010, as planned.

Financial restructuring

The major elements set out below make up the financial restructuring of the PHOENIX Group:

- Syndicated loan agreement for EUR 2.6b.
- Issue of bond with a nominal value of EUR 506m.
- Independent financing of the Comifar Group in Italy of up to EUR 750m.
- Sale of the interest in KL Holding GmbH.
- Repayment of the loan granted to a related party (carried at EUR 457.5m including accrued interest as of 31 July 2010). Receipt of at least EUR 410m upon, or directly after, first drawing on the new credit facility of EUR 2.6m.
- Increase of EUR 505m in limited partner capital.

On 2 July 2010 PHOENIX concluded a syndicated loan agreement with 17 banks for a total of EUR 2.6b. The syndicated loan agreement expires on 31 December 2013.

On 2 July 2010 the Italian Comifar Group agreed new long-term financing with a syndicate of six Italian banks for commitments of EUR 750m until 31 December 2013. This financing package replaces the previous financing in Italy.

After securing the independent financing of the Comifar Group, Italy, the Italian credit facility of EUR 750m included in the syndicated loan agreement for EUR 2.6b was irrevocably terminated as of 5 July 2010.

Key prerequisites for drawing on the new credit line included receiving repayment of at least EUR 410m of the loan granted to a related party, increasing limited partner capital by at least EUR 500m, completing the sale of the interest in KL Holding, extending the ABS and factoring programs for a volume of at least EUR 750m until at least 31 December 2013 and cash inflow of at least EUR 500m from the issue of a bond.

On 13 July 2010, PHOENIX PIB Finance BV successfully placed a bond with a nominal value of EUR 506.15m and a term until 2014. The bond bears interest at a fixed coupon rate of 9.625%. The proceeds from the issue are deposited on a trust account until the entire refinancing plan has been implemented and is available for the Company to use once the new credit facility has been utilised for the first time. The bond is guaranteed by the same group subsidiaries that guarantee the syndicated loan facility.

The agreement to sell the interest in KL Holding to a related party for a price of EUR 58.5m was signed on 27 July 2010.

Additional details on refinancing are presented in the section on subsequent events.

Results of operations, net assets and financial position

Results of operations

Revenue increased by 1.8% to EUR 10,768.5m in the first six months (comparative period: EUR 10,580.0m). In Germany, the largest market, revenue increased by EUR 85.2m. Revenue growth came to EUR 103.6m in northern Europe and EUR 52.8m in eastern Europe. In western Europe, there was a slight decrease in revenue of approx. 1% compared to the comparative period of the prior year.

Gross profit increased by EUR 34.9m to EUR 943.6m. The gross profit margin also improved from 8.59% to 8.76%. The margin-oriented sales policy contributed to this, as did the increase in revenue from services, which generate a higher margin.

Other operating income decreased by EUR 5.9m on the comparative period of the prior year. The reason for this development was mainly the lower income from exchange gains of EUR 2.2m (comparative period: EUR 9.6m).

Personnel expenses rose by EUR 18.8m to EUR 471.1m. The ratio of cost of materials in relation to total operating performance increased slightly from 4.28% to 4.38%.

An increase of EUR 16.1m to EUR 282.1m was recorded for other expenses. The increase is mainly attributable to the fact that additional specific bad debt allowances were recognised (EUR 23.1m; comparative period: EUR 14.8m). In addition, consulting fees rose by EUR 2.9m compared to the prior-year period, with transport costs up EUR 3.1m.

The investment result was up EUR 2.9m compared to the same period in the prior year to EUR 3.8m. The dividend from our interest in ZAO Rosta, Russia, is the reason for the increase.

Overall, earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by EUR 2.3m to EUR 271.5m.

Adjusted EBITDA fell by EUR 2.2m to EUR 291.6m and breaks down as follows:

	1st six months 2009 EUR k	2010 EUR k
EBITDA	273,779	271,460
Interest from customers	10,392	9,868
Restructuring expenses	5,873	7,776
Factoring fees	3,794	2,517
Adjusted EBITDA	**293,838**	**291,621**

Amortisation and depreciation increased by EUR 3.9m compared to the first six months of the prior year to EUR 47.3m.

Earnings before interest and taxes (EBIT) dropped by 2.7% to EUR 224.2m accordingly.

Compared to the same period of the prior year, the financial result fell by EUR 23.4m to EUR -109.8m. The decrease is mainly attributable to higher expenses in connection with the successful premature termination of the standstill agreement and the restructuring loan.

Profit before tax fell by EUR 29.6m to EUR 114.3m owing to higher financial expenses.

The tax rate comes to 43.1% in the first six months of the current year (comparative period: 33.9%). The increase mainly stems from non-deductible interest as a result of the interest limitation rule in Germany.

Profit for the period fell by EUR 30.2m to EUR 65.0m. Of this, EUR 62.7m is attributable to the partners of the parent (comparative period: EUR 88.2m) and EUR 2.3m is attributable to minority interests (comparative period: EUR 7.0m).

Profit before tax is affected by the special expenses in connection with the standstill agreement as well as refinancing. Adjusted profit before tax breaks down as follows:

	1st six months 2009 EUR k	2010 EUR k
Profit before tax	143,913	114,320
Costs of financial restructuring	12,352	45,828
Profit before tax (adjusted)	**156,265**	**160,148**

Overall, adjusted profit before tax improved by EUR 3.9m to EUR 160,148m.

Net assets

Total assets of the Group increased by EUR 553.0m compared to 31 January 2010 to EUR 8,612.2m. The placing of a bond (carrying amount as of 31 July 2010: EUR 487.7m) and the associated increase in cash and cash equivalents is the main reason for the increase in total assets.

Intangible assets increased slightly to EUR 1,512.3m (31 January 2010: EUR 1,484.7m). This is mainly attributable to a rise in goodwill on account of exchange rate effects. Intangible assets contain goodwill of EUR 1,169.6m in total (31 January 2010: EUR 1,150.3m) and pharmacy licenses in the UK and Italy totalling EUR 306.2m (31 January 2010: EUR 295.7m).

Property, plant and equipment decreased on account of depreciation and a continuing policy of modest investment from EUR 727.8m to EUR 725.4m.

Other non-current financial assets fell by EUR 135.6m to EUR 68.7m, which is due in particular to the reclassification of interests not related to core business activities to assets classified as held for sale.

Inventories increased by 12.6% to EUR 1,717.8m on account of seasonal fluctuation.

Trade receivables decreased by 3.4% to EUR 2,759.6m. Receivables sold in the course of ABS and factoring programmes and accounted for off the face of the statement of financial position or at the amount of continuing involvement came to EUR 469.9m (31 January 2010: EUR 415.1m).

Other non-current receivables and financial assets increased from EUR 678.3m as of 31 January 2010 to EUR 742.1m. This stems in particular from the increase in receivables from collateral retained in ABS/factoring as well as transaction costs in connection with refinancing.

Other current receivables and other financial assets contain the loan to a related party for EUR 457.5m (31 January 2010: EUR 444.1m), including accrued interest in each case. Repayment of this loan is a component of the PHOENIX Group's refinancing plan. We refer to the disclosures in the section on subsequent events.

Other current assets fell from EUR 82.8m as of 31 January 2010 to EUR 79.8m.

The increase in cash and cash equivalents from EUR 396.8m to EUR 794.6m is mainly attributable to proceeds on the issue of the bond placed.

The increase in assets classified as held for sale from EUR 12.1m to EUR 122.4m is attributable to the fact that four investments not related to core business were reclassified to this item.

Financial position

Equity increased by EUR 81.5m to EUR 1,194.0m, mainly as a result of the net income for the year as well as positive currency translation effects. Of this, EUR 111.8m (31 January 2010: EUR 111.2m) was attributable to minority interests.
The cash flow from operating activities came to EUR -7.6m (31 July 2009: EUR -41.7m). The improvement in the cash flow from operating activities is mainly due to the fall in interest payments compared to the first six months of the prior year (up EUR 30.0m) and the positive development in working capital from EUR -190.5m to EUR -163.8m.

Cash flow from investing activities amounted to EUR -36.8m. In the comparative period, cash flow from investing activities came to EUR -95.2m as of 31 July. The decrease is due to the considerably lower volume of acquisitions and reduced investments in property, plant and equipment.

Free cash flow thus improved to EUR -44.4m (31 July 2009: EUR -136.9m). The negative value at the end of the first six months stems from regional fluctuations in working capital.

At EUR 701.9m, the non-current financial liabilities have increased significantly compared to 31 January 2010 (EUR 238.7m). The increase is mainly attributable to proceeds from the placement of a non-current bond with a nominal volume of EUR 506.2m in July 2010, which is partly offset by the increase in cash and cash equivalents. Non-current financial liabilities also include supplementary contributions of EUR 135.0m (31 January 2010: EUR 135.0m) and non-current derivatives of EUR 10.5m (31 January 2010: EUR 10.5m).

Current financial liabilities increased by EUR 38.0m to EUR 3,675.8m. The increase is attributable to the rise in liabilities to associates and related parties (EUR 135.0m; 31 January 2010: EUR 41.6m).

A partner granted the PHOENIX Group a loan of EUR 96.6m at the end of June 2010.

In addition to the utilisation of the remaining amount of the restructuring loan, current financial liabilities also contains bonds of EUR 194.4m (31 January 2010: EUR 177.1m), with the US private placement included as of the reporting date 31 July 2010 (31 January 2010: EUR 176.5m). This item also contains a syndicated loan of EUR 600.0m (prior year: EUR 600.0m). Both of these financial instruments were part of the standstill agreement and were replaced in August upon completion of refinancing. Furthermore, bilateral loan agreements of subsidiaries in various countries contain financial covenants. These were all complied with in the first six months of 2010/11 with one exception in the Slovak Republic. There is no risk arising from this, however, because the credit line in question was repaid in the course of refinancing.

Trade payables fell by 1.3% compared to 31 January 2010 to EUR 2,429.9m on account of seasonal fluctuation.

Other liabilities increased from EUR 248.5m as of 31 January 2010 to EUR 268.4m.

Lines of credit of EUR 1,458.8m are subject to the standstill agreement that is in force in Germany until 31 January 2011. The standstill agreement was terminated upon implementation of the new financing structure. We refer to the disclosures in the section on subsequent events.

The standstill agreement in Italy, which also ran until 31 January 2011, was terminated on 2 July 2010 upon successful implementation of new financing in Italy.

The objective of financial management is to continuously improve the capital structure by reducing the degree of indebtedness and optimising the structure of debts. In the long term, we aim to further strengthen the equity ratio and achieve a ratio of net financial liabilities to EBITDA of around 3.0.

Overall, the PHOENIX Group enjoyed stable business development in the first six months of 2010/11 and maintained its position as one of the leading pharmaceutical trading companies in Europe.

Subsequent events

Once all prerequisites had been met, the measures to refinance PHOENIX were successfully completed on 11 August 2010. The standstill agreement with the lenders and the trust agreement were ended accordingly. Funds from the EUR 2.6b credit facility, the EUR 506m bond, the EUR 505m capital increase and the EUR 435m received in repayment of a loan granted to a related party were used to settle the previous liabilities governed by the standstill agreement and the agreements related to them were terminated. Furthermore, the previous financing of foreign subsidiaries of the Group was also, to a large extent, replaced in the course of the refinancing measures.

The partner loan granted at the end of June 2010 was repaid including interest on 17 August 2010.

The sale of the shares in KL Holding GmbH was arranged by agreement dated 27 July 2010. The shares were transferred to the buyer on 3 September 2010 and we received the purchase price.

Mr. Stefan Herfeld was appointed general manager of PHOENIX Verwaltungs GmbH on 3 September 2010.

Dr. Michael Keppel stepped down as general manager of PHOENIX Verwaltungs GmbH and will leave the company with effect as of 30 September 2010.

Risk report

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. However, demographic development and progress in the field of medicine mitigate the risk associated with the impact of regulation on the market. PHOENIX continues to counter this market risk through geographical diversification and by spreading itself along the value-added chain.

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 as total receivables, is comparatively low. Healthcare institutions generally have a good credit rating and 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 a large number of major customers with a higher level of receivables outstanding. Receivables management is developed on ongoing basis and adjusted to changing conditions.

PHOENIX regularly acquires 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 of 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 financial position and performance.

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.

We plan to reduce net debt by way of various measures. These measures include the sale of other investments outside the core business. Working capital is also to be further optimised.

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.

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, these are not however material.

Due to an investment in the listed pharmaceutical companies Andreae Noris Zahn AG, Germany, and Polska Grupa Farmaceuticzna SA, Poland, PHOENIX is exposed to share price fluctuations. 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.

Forecast

For the current fiscal year, we assume that the pharmaceutical markets in Europe will continue to show stable development. Healthcare policy in some countries can be expected to introduce further cost-saving measures in the course of consolidation efforts.

Discussions are currently underway in Germany regarding new regulation of the compensation structure of pharmaceutical wholesale. It is intended that the spread model previously in place will be replaced by a combination of fixed and variable components of compensation. We endeavour to compensate for any resulting pressure on margins by implementing measures on the sales side.

On the other hand, 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 Group's exposure to the risk of changes in healthcare policy in the individual markets.

The further integration of the wholesale and retail pharmaceutical business offer opportunities, as does our strong market position in eastern Europe.

Regarding revenue, the Company expects growth of around 2% for the fiscal year 2010/11, most of it internally generated. At the level of adjusted EBITDA, PHOENIX expects to exceed the 2009/10 level by a comparable rate in the fiscal year 2010/11. In addition to the further development of the gross profit margin, a continuing source of uncertainty for us is how foreign currencies and market interest rates relevant for us will develop.

For 2010/11 we plan that investments in property, plant and equipment will slightly exceed depreciation; these capital expenditures will be fully financed from operating cash flows.

The current income situation as of July so far confirms the development anticipated in the planning for 2010/11.

The implementation of the new financing structure marks the achievement of our main target for fiscal 2010/2011. Following eighteen months characterised by difficulties on the financing side, we can now shift our focus once again to steadily optimising and improving operating business. Further reduction of net debt remains an important target.

Interim consolidated financial statements

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Consolidated income statement for the first six months of 2010 / 2011

	2nd quarter		1st six months	
	2009 EUR k	**2010 EUR k**	2009 EUR k	**2010 EUR k**
Revenue	**5,388,912**	**5,387,688**	**10,580,032**	**10,768,548**
Cost of purchased goods and services	-4,919,779	-4,906,155	-9,671,371	-9,824,905
Gross profit	**469,133**	**481,533**	**908,661**	**943,643**
Other income	40,945	32,253	81,594	75,683
Personnel expenses	-233,548	-240,907	-452,321	-471,141
Other expenses	-136,052	-131,875	-266,000	-282,060
Result from associates	443	1,070	976	1,560
Result from other investments	543	-61	869	3,775
Earnings before interest, taxes, amortisation and depreciation (EBITDA)	**141,464**	**142,013**	**273,779**	**271,460**
Amortisation of intangible assets and depreciation of property, plant and equipment	-21,937	-24,950	-43,452	-47,302
Earnings before interest and taxes (EBIT)	**119,527**	**117,063**	**230,327**	**224,158**
Interest and similar income	25,588	31,375	50,536	58,014
Interest and similar expenses	-64,355	-100,370	-136,658	-167,806
Other financial result	0	87	-292	-46
Financial result	**-38,767**	**-68,908**	**-86,414**	**-109,838**
Profit before tax	**80,760**	**48,155**	**143,913**	**114,320**
Income taxes	-27,023	-26,182	-48,720	-49,306
Profit or loss for the period	**53,737**	**21,973**	**95,193**	**65,014**
Thereof attributable to minority interests	2,700	2,099	7,040	2,262
Thereof attributable to partners of the parent company	**51,037**	**19,874**	**88,153**	**62,752**

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Statement of comprehensive income for the first six months of 2010 / 2011

	2nd quarter		1st six months	
	2009 EUR k	**2010 EUR k**	2009 EUR k	**2010 EUR k**
Profit or loss for the period	**53,737**	**21,973**	**95,193**	**65,014**
Gains/losses from changes in the fair value of available-for-sale financial assets	5,654	-5,511	9,427	-5,755
Currency translation differences	26,632	11,943	33,096	26,098
Other comprehensive income, net of taxes	**32,286**	**6,432**	**42,523**	**20,343**
Total comprehensive income	**86,023**	**28,405**	**137,716**	**85,357**
Thereof attributable to minority interests	2,842	2,202	8,193	2,688
Thereof attributable to owners of the parent company	**83,181**	**26,203**	**129,523**	**82,669**

PHOENIX group

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Consolidated statement of financial position as of 31 July 2010

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Non-current assets		
Intangible assets	1,484,719	1,512,245
Property, plant and equipment,	727,826	725,416
Investments in associates	25,156	25,303
Other financial assets	204,314	68,673
Deferred tax assets	54,451	51,609
	2,496,466	**2,383,246**
Current assets		
Inventories	1,525,542	1,717,814
Trade receivables	2,857,738	2,759,598
Income tax receivables	9,420	12,642
Other receivables and other current financial assets	678,332	742,061
Other assets	82,816	79,814
Cash and cash equivalents	396,716	794,595
	5,550,564	**6,106,524**
Non-current assets classified as held for sale	12,128	122,399
Total assets	**8,059,158**	**8,612,169**

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Equity		
Issued capital	500,000	500,000
Reserves	567,428	628,100
Other comprehensive income	-66,141	-45,920
Minority interests	111,210	111,774
	1,112,497	**1,193,954**
Non-current liabilities		
Financial liabilities	238,721	701,882
Provisions for pensions and similar obligations	126,288	130,364
Deferred tax liabilities	122,788	123,126
	487,797	**955,372**
Current liabilities		
Financial liabilities	3,637,817	3,675,765
Trade payables	2,461,916	2,429,888
Other provisions	49,055	22,263
Income tax liabilities	61,540	66,527
Other liabilities	248,536	268,400
	6,458,864	**6,462,843**
Total equity and liabilities	**8,059,158**	**8,612,169**

PHOENIX group

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Consolidated statement of changes in equity for the first six months of 2010 / 11

Statement of changes in equity	Issued capital EUR k	Reserves EUR k	Currency translation differences EUR k	IAS 39 Available-for-sale assets EUR k	**Equity attributable to partners EUR k**	**Minority interests EUR k**	**Total equity EUR k**
1 February 2009	**500,000**	**423,822**	**-135,381**	**5,931**	**794,372**	**98,993**	**893,365**
Profit or loss for the period	0	88,153	0	0	88,153	7,040	95,193
Other comprehensive income	0	0	32,164	9,206	41,370	1,153	42,523
Total comprehensive income, net of tax	**0**	**88,153**	**32,164**	**9,206**	**129,523**	**8,193**	**137,716**
Changes in consolidation scope	0	0	0	0	0	-1,193	-1,193
Dividends	0	0	0	0	0	-1,429	-1,429
IFRIC 14 pension liability adjustment	0	-679	0	0	-679	0	-679
Other changes	0	0	0	0	0	-340	-340
31 July 2009	**500,000**	**511,296**	**-103,217**	**15,137**	**923,216**	**104,224**	**1,027,440**
1 February 2010	**500,000**	**567,428**	**-103,261**	**37,120**	**1,001,287**	**111,210**	**1,112,497**
Profit or loss for the period	0	62,752	0	0	62,752	2,262	65,014
Other comprehensive income	0	0	25,537	-5,620	19,917	426	20,343
Total comprehensive income, net of tax	**0**	**62,752**	**25,537**	**-5,620**	**82,669**	**2,688**	**85,357**
Changes in consolidation scope	0	-1,776	0	0	-1,776	-465	-2,241
Dividends	0	0	0	0	0	-1,659	-1,659
31 July 2010	**500,000**	**628,404**	**-77,724**	**31,500**	**1,082,180**	**111,774**	**1,193,954**

PHOENIX group

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Statement of cash flows for the second quarter of 2010/11

	31 Jul 2009 EUR k	31 Jul 2010 EUR k
Profit or loss for the period	**95,193**	**65,014**
+/- Write-downs/write-ups of non-current assets	43,452	47,302
-/+ Gain/loss from the disposal of non-current assets	-8,849	-2,079
+/- Increase/decrease in non-current provisions	1,252	493
+/- Other non-cash expenses/income	9,663	31,959
- Interest income	-22,395	-28,107
+ Interest expense	102,331	97,300
- Tax income	-3,762	-1,253
+ Tax expense	52,482	50,559
- Interest paid	-105,498	-72,060
+ Interest received	17,822	14,342
Interest paid	**-87,676**	**-57,718**
- Income taxes paid	-33,925	-55,223
+ Dividends received	1,009	7,917
Net interest and taxes paid and dividends received	**-120,592**	**-105,024**
RESULT BEFORE CHANGE IN WORKING CAPITAL	**148,775**	**156,164**
-/+ Increase/decrease in inventories	-129,170	-186,817
-/+ Increase/decrease in trade receivables	98,366	114,123
-/+ Increase/decrease in other receivables and other assets	-106,911	-22,076
+/- Increase/decrease in trade payables	-69,138	-41,456
+/- Increase/decrease in current provisions	-1,558	-32,367
+/- Increase/decrease in other payables and other liabilities	17,894	4,831
Changes in working capital	**-190,517**	**-163,762**
CASH FLOW FROM OPERATING ACTIVITIES	**-41,742**	**-7,598**
- Cash paid for the purchase of consolidated companies and business units	-66,405	-6,408
+ Cash acquired by the purchase of consolidated companies and business units	3,237	673
Cash paid for the purchase of consolidated companies and business units	**-63,168**	**-5,735**
+ Cash received from the sale of consolidated companies and business units	0	711
- Cash paid for the sale of consolidated companies and business units	0	0
Cash received from the sale of consolidated companies and business units	**0**	**711**
+ Cash received from disposals of intangible assets	75	0
+ Cash received from disposals of property, plant and equipment	1,573	2,658
+ Cash received from disposals of financial assets	2,656	5,641
Cash received from disposals of non-current assets	**4,304**	**8,299**
- Cash paid for investments in intangible assets	-6,590	-3,740
- Cash paid for investments in property, plant and equipment	-30,737	-37,307
- Cash paid for investments in financial assets	-442	-488
Cash paid for investments in non-current assets	**-37,769**	**-41,535**
+ Income received from securities and financial assets	1,476	1,474
CASH FLOW FROM INVESTING ACTIVITIES	**-95,157**	**-36,786**
CASH FLOW AVAILABLE FOR FINANCING ACTIVITIES	**-136,899**	**-44,384**
- Payments to minority interests (dividends)	-1,247	-1,318
+ Cash received from the issue of partner loans	0	96,961
+/- Increase/decrease in ABS / factoring liabilities	-92,213	-62,976
+ Cash received from the issue of bonds and loans	187,122	571,949
- Cash repayments of bonds and loans	-28,710	-166,192
CASH FLOW FROM FINANCING ACTIVITIES	**64,952**	**438,424**
CHANGE IN CASH AND CASH EQUIVALENTS	**-71,947**	**394,040**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**398,728**	**396,716**
Exchange rate effect on cash and cash equivalents	6,507	3,839
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**333,288**	**794,595**

PHOENIX Pharmahandel GmbH & Co KG, Mannheim
Notes to the interim condensed consolidated financial statements
as of 31 July 2010

The Company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, ("PHOENIX" or the "Group") is a European pharmaceuticals trading group. PHOENIX operates pharmaceutical wholesale branches in 23 European countries. PHOENIX also runs its own pharmacy chains in several countries. The registered offices of the company are in Mannheim.

Basis of preparation

The interim condensed consolidated financial statements of PHOENIX as of 31 July 2010 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 as of 31 July 2010, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRIC).

The interim condensed consolidated financial statements as of 31 July 2010 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 8 September 2010.

Significant accounting methods

The accounting methods used to prepare the interim condensed consolidated financial statements are essentially consistent with those used in the consolidated financial statements as of 31 January 2010. Any differences are explained below. The standards and interpretations mandatory for the first time since 1 February had the following impact on the interim consolidated financial statements:

IFRS 3 –Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008)

The major changes from the revision of IFRS 3 (Business Combinations) concern the determination of the purchase price, the measurement of non-controlling interests, the accounting for step acquisitions and the treatment of conditional elements of purchase price and acquisition costs.
Under the amendment, shares without a controlling influence can either be measured at fair value (full goodwill method) or pro rata at fair value of the net asset identified. In the case of step acquisitions, the shares held are remeasured at fair value through profit or loss on the date of transfer of control. Any adjustment to conditional elements of the purchase price, which are recognised as a liability on the date of purchase, is also to be recognised through profit or loss. Acquisition-related costs are expensed as incurred. First-time adoption of IFRS 3 (2008) did not lead to any significant effects in the first six months compared to the previous version of the standard.

The major changes to IAS 27 (Consolidated and Separate Financial Statements) relate to accounting for changes in shareholdings and minority interests. Changes in shareholdings which do not lead to a loss of control are recognised in other comprehensive income as an equity transaction between partners. However, if transactions lead to a loss of control, the resulting gain or loss is to be recognised through profit or loss. Minority interests should even be allocated to loss if this means that the minority interests have a negative balance. There were no transactions of this type in the first six months.

Improvements to IFRSs (April 2009)

The Improvements to International Financial Reporting Standards issued by the IASB in 2009 led to small changes in IFRSs. The change to IAS 7 (Statement of Cash Flows), according to which only cash outflows recognised as assets in the statement of financial position can be classified as investing activities, affects the presentation of cash outflows in connection with conditional purchase price elements in the course of business combinations.

Other changes to the following standards resulting from the improvements to IFRSs do not affect the accounting policies or the financial position and performance of the Group: IFRS 2 Share-based Payment, IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 17 Leases, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

None of the following IASB pronouncements or changes to the pronouncements mandatory for fiscal years beginning on or after 1 February 2010 had a significant effect on the financial position and performance of the Group:

- IFRS 2 (Share-based Payment)
- IAS 32 (Financial Instruments: Presentation)
- IAS 39 (Financial Instruments: Recognition and Measurement – Eligible Hedged Items)
- IFRIC 12 (Service Concession Arrangements)
- IFRIC 15 (Agreements for the Construction of Real Estate)
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)
- IFRIC 17 (Distributions of Non-cash Assets to Owners)
- IFRIC 18 (Transfers of Assets from Customers)

Business combinations in the first six months of 2010 / 2011

The business combinations carried out in the first six months of 2010/2011 are explained below. Capital consolidation is performed in accordance with the purchase method pursuant to IFRS 3 (“Business Combinations”).

In fiscal 2010/11, the accumulated loss for the period of the companies acquired came to EUR -40k. Accumulated revenue came to EUR 9,441k, assuming that the acquisition date coincides with the opening date for this report for all business combinations. Accumulated profit for the period would come to EUR 416k, assuming that the acquisition date coincides with the opening date for this report for all business combinations.

Taken individually, the business combinations performed in the first six months of 2010/11 were immaterial and mainly related to individual pharmacies in the regions of northern, western and eastern Europe.

The table below shows a summary of their carrying amounts and fair values:

Carrying amount before acquisition

	Total
	EUR k
Intangible assets	11
Property, plant and equipment,	803
Non-current receivables	0
Financial assets	27
Deferred tax assets	0
Inventories	1,195
Current receivables	2,909
Other assets	120
Cash and bank balances	672
Assets	**5,737**
Non-current provisions	2
Non-current liabilities	0
Deferred tax liabilities	4
Current provisions	699
Current liabilities	4,562
Equity and liabilities	**5,267**
Net assets	**470**

Fair value recognised on acquisition

	Total
	EUR k
Purchase price	6,756
Incidental costs	0
Equity instruments	0
Total acquisition costs	**6,756**
Intangible assets	11
Property, plant and equipment,	803
Non-current receivables	0
Financial assets	27
Deferred tax assets	0
Inventories	1,195
Current receivables	2,909
Other assets	120
Cash and bank balances	672
Assets	**5,737**
Non-current provisions	2
Non-current liabilities	0
Deferred tax liabilities	4
Current provisions	699
Current liabilities	4,562
Equity and liabilities	**5,267**
Net assets	470
Minority interests	38
Net assets acquired	**508**
Goodwill	**6,248**

Cash outflow owing to business combination	Total
	EUR k
Cash and cash equivalents purchased with the subsidiary	673
Cash paid	-6,408
Actual cash outflow	**-5,735**

On 16 June 2010 PHOENIX reached an agreement with Celesio AG, limited to the Netherlands, under which Celesio contributes its 100% interest in Lloyds Nederland B.V., consisting of 62 pharmacies, to Brocacef Holding N. V. In return, Celesio AG receives 45% of the shares in Brocacef Holding N. V. With a total of 115 of its own pharmacies and around 40 franchise partner pharmacies, the joint venture will be the second largest on the Dutch pharmacy market and thus achieves a considerably better market position. The transaction is still subject to the approval of the antitrust authorities.

Business combinations in the first six months of 2009 / 10

The business combinations carried out in the first six months of 2009/2010 are explained below. Capital consolidation is performed in accordance with the purchase method pursuant to IFRS 3 ("Business Combinations").

In fiscal 2009/10, the accumulated profit for the period of the companies acquired came to EUR 614k. Accumulated revenue for the period came to EUR 41,593k, assuming that the acquisition date coincides with the opening date for this report for all business combinations. Accumulated profit for the period came to EUR 5,995k, assuming that the acquisition date coincides with the opening date for this report for all business combinations.

Carrying amount before acquisition

	Plus Pharmacie SA EUR k	Pharmanova Bel d.o.o EUR k	Evropa Lek d.o.o. EUR k	Pharmacies Norway EUR k	Other EUR k	Total EUR k
Intangible assets	204	114	164	0	59	541
Property, plant and equipment,	67	305	1,691	331	276	2,670
Financial assets	16,428	8,171	2,272	0	0	26,871
Deferred tax assets	0	0	0	317	0	317
Inventories	2,474	3,360	1,394	585	540	8,353
Current receivables	0	0	0	0	302	302
Other assets	2,336	1,295	926	1,586	0	6,143
Cash and bank balances	1,256	225	16	-33	303	1,767
Assets	**22,765**	**13,470**	**6,463**	**2,786**	**1,480**	**46,964**
Non-current provisions	0	172	2,205	0	0	2,377
Non-current liabilities	0	2,805	0	2,914	0	5,719
Deferred tax liabilities	0	0	0	0	0	0
Current provisions	200	0	0	1,135	0	1,335
Current liabilities	15,375	7,089	3,294	0	746	26,504
Equity and liabilities	**15,575**	**10,066**	**5,499**	**4,049**	**746**	**35,935**
Net assets	**7,190**	**3,404**	**964**	**-1,263**	**734**	**11,029**

Fair value recognised on acquisition

	Plus Pharmacie SA EUR k	Pharmanova Bel d.o.o. EUR k	Evropa Lek d.o.o. EUR k	Pharmacies Norway EUR k	Other EUR k	Total EUR k
Purchase price	10,880	7,871	2,879	4,246	4,628	30,504
Incidental costs	0	84	0	0	46	130
Equity instruments	0	0	0	0	0	0
Total acquisition costs	**10,880**	**7,955**	**2,879**	**4,246**	**4,674**	**30,634**
Intangible assets	3,164	114	85	0	1,284	4,647
Property, plant and equipment,	67	305	1,691	331	276	2,670
Non-current receivables	0	0	0	0	0	0
Financial assets	16,428	7,401	1,683	0	0	25,512
Deferred tax assets	0	0	0	317	0	317
Inventories	2,474	3,372	1,325	585	588	8,344
Current receivables	0	0	0	0	304	304
Other assets	2,336	1,360	810	1,586	0	6,092
Cash and bank balances	1,256	225	16	-33	303	1,767
Assets	**25,725**	**12,777**	**5,610**	**2,786**	**2,755**	**49,653**
Non-current provisions	0	184	2,636	0	0	2,820
Non-current liabilities	0	2,805	0	2,914	0	5,719
Deferred tax liabilities	355	0	0	0	0	355
Current provisions	200	0	0	1,135	0	1,335
Current liabilities	15,375	7,089	3,294	0	795	26,553
Equity and liabilities	**15,930**	**10,078**	**5,930**	**4,049**	**795**	**36,782**
Net assets	9,795	2,699	-320	-1,263	1,960	12,871
Minority interests	-4,173	0	0	0	49	-4,124
Net assets acquired	**5,622**	**2,699**	**-320**	**-1,263**	**2,009**	**8,747**
Goodwill	**5,258**	**5,256**	**3,199**	**5,509**	**2,665**	**21,887**

Cash outflow owing to business combination	Plus Pharmacie SA EUR k	Pharmanova Bel d.o.o. EUR k	Evropa Lek d.o.o. EUR k	Pharmacies Norway EUR k	Other EUR k	Total EUR k
Cash and cash equivalents purchased with the subsidiary	1,256	225	16	0	303	1,800
Cash paid	-10,880	-7,955	-2,879	-4,246	-4,675	-30,635
Actual cash outflow	**-9,624**	**-7,730**	**-2,863**	**-4,246**	**-4,372**	**-28,835**

Plus Pharmacie SA, Ivry sur Seine, France

On 3 February 2009, PHOENIX Pharma SAS acquired an additional 16% of the voting shares of Plus Pharmacie SA. Until 31 January 2008 this company was consolidated at 35% using the equity method. Since this acquisition was achieved in stages, every stage was regarded separately under IFRS 3 (2004).

Within this acquisition PHOENIX acquired trademarks and customer relationships. Both intangible assets were calculated with a fair value of EUR 1,900k and EUR 1,060k respectively and were disclosed separately from goodwill.

The goodwill comprises the fair value of expected synergies arising from acquisition.

The goodwill arising on this acquisition was allocated to the cash-generating unit France and is managed in the local functional currency (EUR).

As of 31 July 2009 PHOENIX Pharma SAS acquired an additional 10.56% of the shares in Plus Pharmacie SA. The goodwill arising on this acquisition came to EUR 2,120k and was allocated to the cash-generating unit France.

Pharmanova Bel d.o.o. (now: PHOENIX Veleprodaja Lijekova d.o.o.)

On 4 May 2009 PHOENIX PIB Austria Beteiligungs GmbH acquired 100% of the shares with voting rights in the pharmaceutical wholesaler Pharmanova Bel d.o.o. Bijeljina, Bosnia and Herzegovina.

The goodwill comprises the fair value of expected synergies arising from acquisition.

The goodwill arising on this acquisition was allocated to the cash-generating unit Bosnia and Herzegovina and is managed in the local functional currency (BAM).

Evropa Lek d.o.o.

On 1 February 2009 PHOENIX Pharma d.o.o acquired 100% of the shares with voting rights in the pharmaceutical wholesaler Evropa Lek d.o.o Belgrade, Republic of Serbia.

The goodwill comprises the fair value of expected synergies arising from acquisition.

The goodwill arising on this acquisition was allocated to the cash-generating unit Serbia and is managed in the local functional currency (RSD).

Pharmacies in Norway

On 6 March 2009 Apotek1 Norge AS acquired 100% of the shares with voting rights in pharmacies located in Bergen, Norway.

The goodwill comprises the fair value of expected synergies arising from acquisition.

The goodwill arising on these acquisitions were allocated to the cash-generating unit Norway and are managed in the local functional currency (NOK).

Other operating income and expenses

The decrease in other operating income mainly results from lower exchange gains.

The increase in other operating expenses is mainly attributable to the higher expenses in connection with specific bad debt allowances and a rise in consulting fees and transport costs compared to the prior-year period.

Other operating expenses contain income in connection with ABS and factoring programmes of EUR 2,517k (comparative period: EUR 3,794k).

Expenses of EUR 7,776k (comparative period: EUR 5,873k) were recognised under other operating expenses in connection with the financial restructuring of the PHOENIX Group.

Financial result

	1st six months 2009 EUR k	2010 EUR k
Interest and similar income		
Interest income	22,395	28,107
Exchange gains	21,816	11,305
Other financial income	2,562	2,353
Other financial income derivatives	3,763	16,249
	50,536	**58,014**
Interest and similar expense		
Interest expense	-102,331	-97,300
Exchange losses	-4,569	-22,302
Other financial expenses	-7,698	-42,295
Other financial expenses derivatives	-22,060	-5,909
	-136,658	**-167,806**
Other financial result	**-292**	**-46**
Financial result	**-86,414**	**-109,838**

Interest income contains interest from customers of EUR 9,868k (comparative period: EUR 10,392k) as well as interest from a related party of EUR 13,372k (comparative period: EUR 8,276k).

Other financial expenses contain loan commitment fees of EUR 1,044k (comparative period: EUR 0k) in connection with refinancing. This item also contains expenses of EUR 37,008k (comparative period: EUR 6,479k) associated with the financing covered under the standstill agreement. Of this, a total of EUR 17,313k pertained to the premature termination of this financing.

Other finance income and costs from derivatives include changes in the fair value of financial instruments that were used to hedge interest rate and currency risks, but do not meet the criteria for hedge accounting. Income for the fiscal year includes changes in the market value of derivatives which result in unrealised gains of EUR 10,791k (comparative period: EUR -13,460k).

Other assets and other liabilities

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Prepayments	31,602	39,329
Tax claims - VAT and other taxes	6,698	6,696
Sundry assets	44,516	33,789
Other assets	**82,816**	**79,814**

	31 Jan 2010 EUR k	**31 Jul 2010 TEUR**
VAT and other tax liabilities	53,983	64,342
Wages and salaries	57,200	59,155
Personnel-related provisions	44,797	40,228
Liabilities relating to social security/similar charges	15,326	15,372
Payments received on account	4,065	4,256
Sundry liabilities	73,165	85,047
Other liabilities	**248,536**	**268,400**

Other financial assets and other liabilities

The table below shows the non-current financial assets:

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Available-for-sale financial assets	153,852	34,891
Loans to and receivables from associates	13,071	11,874
Other loans	35,360	19,906
Other non-current financial assets	2,031	2,002
	204,314	**68,673**

For details of the decrease in “available-for-sale financial assets” we refer to the comments in the section “non-current assets held for sale”.

The table below shows the current financial assets:

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Trade receivables	2,857,738	2,759,598
Other financial assets		
Held-to-maturity financial assets	60	60
Loans to and receivables from associates or related parties	467,945	480,715
Other loans	62,586	54,361
Derivative financial instruments	587	1,500
Other current financial assets	147,154	205,425
	678,332	**742,061**

Loans to associates or related parties contain a loan to a related party including accrued interest of EUR 457,499k (31 January 2010: EUR 444,128k). Of this, EUR 435,383k was repaid after the reporting date.

As of 31 July 2010, 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 343,881k (31 January 2010: EUR 381,692k); the associated financial liabilities come to EUR 266,839k (31 January 2010: EUR 336,456k) and were treated as securitised loans. 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 146,840k (31 January 2010: EUR 136,236k).

The carrying amount of trade receivables recognised at the amount of the obligation arising from continuing involvement came to EUR 323,075k, with the continuing involvement accounting for EUR 14,194k (31 January 2010: EUR 278,936k with a continuing involvement of EUR 7,201k). The financial liabilities come to EUR 15,250k (31 January 2010: EUR 8,129k) and are also recognised as securitised loans.

Other financial assets contain receivables from ABS and factoring programmes of EUR 77,346k (31 January 2010: EUR 45,865k) as well as transaction costs in connection with refinancing of EUR 44,200k (31 January 2010: EUR 0k).

As of the end of the reporting period, financial liabilities break down as non-current and current liabilities as follows:

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Financial liabilities (non-current)		
Liabilities to banks	74,773	61,043
Bonds	0	487,728
Loans	1,115	978
Supplementary partner contribution	135,032	135,032
Other financial liabilities	27,801	17,101
	238,721	**701,882**

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Financial liabilities (current)		
Liabilities to banks	2,774,430	2,739,068
Bonds	177,089	194,425
Loans	167,551	179,402
Liabilities to associates and related parties	41,560	135,009
Liabilities and provisions for customer rebates and bonuses	29,348	32,671
ABS and factoring liabilities and payables	344,585	282,086
Other financial liabilities	103,254	113,104
	3,637,817	**3,675,765**

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.

Other financial liabilities (non-current) contain non-current derivative financial instruments of EUR 10,504k (31 January 2010: EUR 10,506k).

Liabilities to associates and related parties include current loan liabilities to partners of EUR 122,681k (31 January 2010: EUR 30,341k).

Other financial liabilities (current) comprise current derivative financial instruments of EUR 8,038k (31 January 2010: EUR 17,912k).

Non-current assets held for sale

In the course of grooming the investment portfolio to include only core activities, PHOENIX signed an agreement on the sale of an associate on 15 March 2010.

PHOENIX signed an agreement on the sale of the shares in KL Holding GmbH on 27 July 2010. In the second quarter of 2010, management passed a resolution to sell a further two investments. The investments were previously recognised as non-current assets under “other financial assets”. The accumulated net profit resulting from the change in fair value relating to these investments and recognised in other comprehensive income as of 31 July 2010 came to EUR 27,447k. These investments were disclosed as non-current assets held for sale as of 31 July 2010. It is expected that they will be sold in the second half of 2010.

Other financial obligations and contingent liabilities

Other financial obligations fell by EUR 5,049k compared to 31 January 2010 to EUR 468,093k. This was mainly influenced by the sale of a start-up company in Sweden.

PHOENIX recorded contingent liabilities for warranties of EUR 107,506k as of 31 July 2010 (31 January 2010: EUR 134,416k). In addition, there were notes payable of EUR 1,787k (31 January 2010: EUR 2,173k) and warranty agreements of EUR 350k (31 January 2010: EUR 150k) as of the reporting date.

Related party disclosures

The business relationships with related parties presented in the consolidated financial statements as of 31 January 2010 remained essentially unchanged in the first six months of 2010/11.

By agreement dated 27 June 2010, a partner granted a current loan of EUR 96,613k. The loan is subject to interest at the 1-month EURIBOR plus 4.5% and can be terminated at any time but not before successful refinancing. Interest of EUR 348k had accrued as of 31 July 2010.

We refer to the section “Subsequent events” for further significant transactions with related parties.

Notes to the statement of cash flows

	31 Jan 2010 EUR k	**31 Jul 2010 EUR k**
Restricted cash		
Cash and cash equivalents at the end of the period	**396,716**	**794,595**
Thereof restricted		
due to security deposits	34,888	27,873
due to restrictions on disposal of foreign subsidiaries	158,428	102,205
due to blocked account in connection with bond issue	0	535,517
pursuant to German standstill agreement	130,422	108,524

Restricted cash as of the end of the period corresponds to the collateral pledged for the revolving credit lines (e.g., ABS and factoring). There were also cash and cash equivalents subject to restrictions on disposal on the part of foreign subsidiaries at the end of the period because local interpretations or other arrangements do not permit subgroups to transfer these amounts directly or indirectly to the parent via other subsidiaries.

In addition to the restrictions stated above, there is also a general restriction on cash and cash equivalents held by foreign subsidiaries as of the end of the period because the parent is not permitted to control cash and cash equivalents of foreign subsidiaries under the terms of the German standstill agreement.

The cash inflow generated in the course of the bond issue as well as the collateral to be deposited by PHOENIX were paid into a blocked account. Now that the standstill agreement has been terminated, PHOENIX can dispose of the amounts deposited there.

As of 31 January 2010 a portion of EUR 1,986k of cash and cash equivalents was allocated to the disposal group.

Subsequent events

On 11 August 2010 the PHOENIX Group had implemented all measures including in the refinancing plan on schedule. The major components of the refinancing plan include a syndicated loan with a volume of EUR 2.6b and the successful placement of a bond with a volume of EUR 506m at the beginning of July 2010. Furthermore, the partner of PHOENIX raised the equity by EUR 505m at the beginning of August 2010. A related party repaid liabilities to PHOENIX of EUR 435m.

Mannheim, 8 September 2010

Management of the unlimited partner
PHOENIX Verwaltungs GmbH