We deliver health.

Half-year report
February to July 2013

PHOENIX group

PHOENIX group

> **The PHOENIX group is a leading pharmaceutical trader in Europe,** reliably supplying people with drugs and medical products every day. The PHOENIX group originated from the merger of five regionally active pharmaceutical wholesale businesses in Germany in 1994. Today, the company offers unique geographical coverage with 25 countries throughout Europe, making a vital contribution to comprehensive healthcare with around 28,700 employees.

> **In pharmaceutical wholesale,** the PHOENIX group operates 155 distribution centres throughout Europe and supplies pharmacies and medical institutions with drugs and other health products. The company also provides numerous other products and services, from support with patient advice to modern goods management for pharmacies.

> **In pharmacy retail,** the PHOENIX group is active in twelve countries with around 1,550 of its own pharmacies – 700 of which already operate under the new corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also represented in the Eastern European and Baltic markets. The more than 12,000 pharmacy employees have 110 million customer contacts each year. They dispense around 240 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

> **The Pharma Services division** provides services across the whole supply chain for manufacturers, pharmacies, and patients. We take on the entire distribution process for the pharmaceutical industry as desired, which includes storage, transportation, and goods management.

> **We deliver health.** This is our motivation and the claim we have committed ourselves to across Europe. As a link between the pharmaceutical industry and patients, we provide services that encompass the fast and reliable supply of pharmaceuticals. With our range of services, we aim to support our customers and the healthcare system. Everything we do is always centred around group-wide values. Governed by the theme of progress – for a strong PHOENIX group.

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- PHOENIX group consolidates its position in Europe as leading pharmaceuticals distributor
- Total operating performance and revenue increased, in spite of negative development in Europe
- Net debt compared to prior year H1 significantly reduced and financial result improved by EUR 29.7m compared to prior period
- Profit for the period in line with expectations below prior period´s level
- Successful issuance of another corporate bond in May 2013

Key figures of the PHOENIX group		1st half-year 2012	1st half-year 2013
Total operating performance*	in EUR k	12,517,008	12,839,329
Revenue	in EUR k	10,518,844	10,807,724
Gross profit	in EUR k	1,081,075	1,032,655
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	in EUR k	276,433	222,173
Financial result	in EUR k	– 81,869	– 52,215
Profit before tax	in EUR k	144,102	116,704
Profit for the period	in EUR k	101,656	79,009

* Total operating performance = revenue + handled volume (handling for service charge).

		31 Jul. 2012	31 Jan. 2013	31 Jul. 2013
Equity	in EUR k	2,006,753	2,103,800	2,177,943
Equity ratio	in %	27.5	28.7	29.0
Net debt	in EUR k	2,010,074	1,611,518	1,673,305

Interim group management report

Business and economic environment

Development of the market

In the Euro zone, GDP decreased seasonally adjusted by 0.7 % in the second quarter of 2013. Especially in several Southern European countries, the economic performance continued to be lower compared to previous year. Germany's real GDP increased by 0.9 % compared to the second quarter of 2013. On a calendar-adjusted basis, the increase was 0.5 %. Compared to the first quarter of 2013, the economic performance recorded a slight improvement.

In this economic environment, the European pharmaceutical markets mostly showed a weak development. After a decline of 2.0 % in the first quarter of 2013, no market growth could be recorded in the second quarter as well. In several countries, healthcare policy cost-cutting measures, price reductions and a continuous increase of generic products were weighing growth down.

Fortunately, the German market continued its positive trend of growth that has already been observable in the first quarter. The wholesale pharmaceutical market grew by 7.1 % from January to July 2013 compared to the same period of prior year. However, this market was still shaped by intense competition.

In total, the PHOENIX group's revenue and total operating performance developed better than the overall pharmaceutical market in this challenging economic environment.

Acquisitions

As in the prior year, we pursued a cautious acquisition strategy in the first half-year of 2013/14. In total, business combinations led to a cash outflow of EUR 10.5m (comparative period: EUR 3.9m).

The business combinations primarily concerned individual pharmacies in various countries.

Successful issuance of another corporate bond

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

Results of operations, net assets and financial position

Results of operations
Total operating performance, comprising revenue and handled volume which cannot be recognised as revenue, increased by 2.6 % to EUR 12,839.3m.

In the first half-year of 2013/14, revenue grew by EUR 288.9m (2.7 %) to EUR 10,807.7m (comparative period: EUR 10,518.8m). This is mainly due to an increase in revenue in our largest market in Germany, where we significantly raised market shares.

The gross profit margin fell from 10.3 % to 9.6 %. This is mainly attributable to the intense competition in various countries and a change in the turnover structure. In absolute figures, gross profit decreased to EUR 1,032.7m.

Other operating income increased by EUR 1.8m to EUR 76.0m

Personnel expenses decreased slightly by EUR 0.4m to EUR 534.9m. The impact of collective salary increases could particularly be compensated by raising productivity.

Other expenses rose by EUR 7.2m to EUR 352.5m. This is in particular due to non-recurring costs related to the PHOENIX Forward cost reduction programme.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by EUR 54.3m to EUR 222.2m due to the decrease of gross profit.

The adjusted EBITDA of EUR 232.2m was EUR 56.1m below the comparative period level and is determined as follows:

EUR k	1st half-year 2012	1st half-year 2013
EBITDA	276,433	222,173
Interest from customers	9,649	7,982
Expenses related to ABS/factoring	2,151	2,011
Adjusted EBITDA	**288,233**	**232,166**

Depreciation increased due to investments by EUR 2.8m to EUR 53.3m compared to last year's first half-year.

The financial result compared to prior period's result improved by EUR 29.7m to EUR – 52.2m. Interest income decreased from EUR 14.1m to EUR 11.4m mainly due to lower interest from customers. Interest expenses fell from EUR 96.8m to EUR 69.0m. The main reason for this decrease was the premature amortisation of transaction costs in the comparative period with an amount of EUR 18.4m in conjunction with the refinancing in prior year. In addition, the interest expenses decreased by EUR 9.4m.

Profit before tax decreased from EUR 144.1m to EUR 116.7m.

The effective tax rate came to 32.3 % and was 29.4 % in the comparative period. The tax rate of the comparative period was influenced by recognising deferred tax assets on tax losses.

Profit after tax amounts to EUR 79.0m (comparative period: EUR 101.7m). Of this, EUR 8.2m is attributable to non-controlling interests (comparative period: EUR 5.0m).

Net assets

The Group's total assets increased by 2.6 % to EUR 7,505.8m compared to 31 January 2013. The currency translation difference on the total assets, which is presented in the statement of changes in equity, amounts to EUR – 102.1m (31 January 2013: EUR – 96.2m).

Compared to 31 January 2013, non-current assets declined by EUR 26.0m to EUR 2,511.1m. Among other things the decrease is due to the reduction in non-current loans. Intangible assets contain goodwill with an amount of EUR 1,172.4m (31 January 2013: EUR 1,168.8m). The increase is mainly caused by the acquisition of individual pharmacies.

Inventories increased compared to 31 January 2013 by EUR 132.6m to EUR 1,833.2m. This increase is mainly due to seasonal fluctuation.

Trade receivables decreased by 6.2 % to EUR 2,270.2m. Receivables of EUR 112.3m (31 January 2013: EUR 85.5m) had been sold under ABS and factoring programmes that are not accounted for in the statement of financial position. Under ABS and factoring programmes that are accounted for only to the extent of the continuing involvement, receivables of EUR 315.4m had been sold as of 31 July 2013 (31 January 2013: EUR 305.3m). The Group's continuing involvement came to EUR 19.8m (31 January 2013: EUR 19.8m).

Other current receivables and financial assets increased from EUR 197.9m as of 31 January 2013 to EUR 217.8m. The increase is mainly due to higher receivables in conjunction with ABS and factoring programmes and higher rebates and discounts. Current derivatives declined by EUR 6.5m.

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

Financial position

Equity increased mainly due to the profit for the period. With the beginning of the current business year, interest calculation on plan assets for pensions interest calculation has changed according to IAS 19R. Now, interest on plan assets is calculated by applying the same interest rate as for discounting the defined benefit obligation. Due to this change, reserves declined by EUR 21.1m and actuarial gains increased by EUR 21.1m simultaneously as of 1 February 2013.

Cash flow from operating activities came to EUR 21.1m (comparative period: EUR – 26.4m). In comparison to last year, there was a lower increase in working capital by EUR 65.7m which resulted in an increase in cash flow from operating activities.

Cash flow from investing activities amounted to EUR – 49.5m. In the comparative period, the cash flow from investing activities amounted to EUR – 70.0m. The decrease is mainly due to less investments in fixed assets.

Non-current financial liabilities came to EUR 1,211.1m and increased by EUR 295.8m compared to 31 January 2013. This item contains a fixed loan of a nominal amount of EUR 300.0m and a term until June 2016, bonds of EUR 784.9m (31 January 2013: EUR 487.7m) and supplementary contributions by the partners of EUR 123.8m (31 January 2013: EUR 123.8m). In May 2013, the PHOENIX group issued another corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.125 %.

Current financial liabilities declined by EUR 59.8m to EUR 793.6m. This was mainly due to a decrease in liabilities attributable to ABS and factoring programmes and the repayment of liabilities to related parties while current liabilities to banks increased simultaneously.

Current financial liabilities include, among others, liabilities to banks of EUR 299.6m (31 January 2013: EUR 237.3m), liabilities from ABS and factoring agreements with an amount of EUR 224.0m (31 January 2013: EUR 262.7m) as well as other loans amounting to EUR 124.0m (31 January 2013: EUR 116.6m).

Trade payables decreased by EUR 55.6m to EUR 2,606.5m.

Other liabilities fell from EUR 282.2m as of 31 January 2013 to EUR 246.7m. The decrease is primarily due to lower other taxes.

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 by retaining profits and achieve a ratio of net debt to EBITDA of below 3.0.

Overall, the PHOENIX group was able to underline its position in the first half-year of the fiscal year 2013/14 as leading pharmaceuticals distributor in Europe.

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 2012/13.

The risks presented there are still essentially relevant.

Subsequent events

Effective from 31 August 2013, Dr. Michael Majerus, CFO and responsible for finance, controlling, accounting and taxes has left the company after having successfully implemented a new financing structure in the PHOENIX group. Effective 1 September 2013, Helmut Fischer was appointed as Member of the Executive Board and assumed the position of CFO.

In early August 2013, the existing financing in Italy has largely been replaced by a new financing. EUR 700m of the previous credit line have been replaced by a new revolving credit facility of EUR 400m maturing at 31 December 2016. A tranche of EUR 50m of the previous financing will still be in place until 31 December 2013.

In early September 2013, an amount of EUR 150m of the term loan under the Syndicated Facilities agreement has been repaid.

Forecast

On the whole, we still do not expect the pharmaceuticals markets in Europe to record growth in the fiscal year 2013/14. The effects of healthcare measures and the overall economic environment will have a damping effect on growth. In the second quarter of 2013, the European pharmaceutical markets could not record any growth, after a decline of 2.0% in the first quarter.

Despite the current period of market weakness, we expect revenue to increase slightly in 2013/14. In Germany in particular, our largest market, we anticipate a tangible increase in revenue in 2013/14 which has already been observable in the first half-year of 2013/14.

We expect to partly compensate the negative external influences by internal measures and a positive development in our North- and East European markets. We expect a decrease of the EBITDA that can only partly be balanced by a significant improvement in the financial result.

We expect the net debt to further decrease compared to prior year.

Interim condensed consolidated financial statements

Consolidated income statement

for the first half-year of 2013/14

EUR k	2nd quarter 2012*	2nd quarter 2013	1st half-year 2012*	1st half-year 2013
Revenue	**5,321,399**	**5,467,582**	**10,518,844**	**10,807,724**
Cost of purchased goods and services	– 4,771,460	– 4,944,150	– 9,437,769	– 9,775,069
Gross profit	**549,939**	**523,432**	**1,081,075**	**1,032,655**
Other operating income	35,566	35,946	74,172	76,000
Personnel expenses	– 268,099	– 269,287	– 535,260	– 534,852
Other operating expenses	– 172,417	– 174,355	– 345,227	– 352,457
Results from associates	1,023	290	1,400	665
Result from other investments	170	– 2	273	162
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**146,182**	**116,024**	**276,433**	**222,173**
Amortisation of intangible assets and depreciation of property, plant and equipment	– 25,744	– 27,123	– 50,462	– 53,254
Earnings before interest and taxes (EBIT)	**120,438**	**88,901**	**225,971**	**168,919**
Interest income	7,814	5,168	14,138	11,362
Interest expenses	– 38,485	– 35,257	– 96,768	– 69,018
Other financial result	974	4,692	761	5,441
Financial result	**– 29,697**	**– 25,397**	**– 81,869**	**– 52,215**
Profit before tax	**90,741**	**63,504**	**144,102**	**116,704**
Income taxes	– 26,965	– 19,767	– 42,446	– 37,695
Profit for the period	**63,776**	**43,737**	**101,656**	**79,009**
thereof attributable to non-controlling interests	2,552	4,724	5,034	8,211
thereof attributable to owners of the parent company	61,224	39,013	96,622	70,798

* Prior year was restated owing to the changed presentation of subcontractor services within EBITDA and the first-time adoption of IAS 19R.

Consolidated statement of comprehensive income

for the first half-year of 2013/14

EUR k	2nd quarter 2012*	2nd quarter 2013	1st half-year 2012*	1st half-year 2013
Profit for the period	**63,776**	**43,737**	**101,656**	**79,009**
Items that will not be recycled through profit or loss				
Actuarial gains/losses from pension obligations	– 37,309	1,960	– 48,087	5,325
Items that may subsequently be recycled through profit or loss				
Gains/losses from changes in the fair value of available-for-sale financial assets	– 60	50	– 175	1,740
Gains/losses recycled through profit or loss	0	– 2,864	0	– 3,423
Currency translation differences	11,099	– 12,826	21,023	– 6,149
Other comprehensive income, net of taxes	**– 26,270**	**– 13,680**	**– 27,239**	**– 2,507**
Comprehensive income	**37,506**	**30,057**	**74,417**	**76,502**
thereof attributable to non-controlling interests	1,163	4,003	2,707	7,819
thereof attributable to owners of the parent company	36,343	26,054	71,710	68,683

* Prior year was restated owing to the first-time adoption of IAS 19R.

Consolidated statement of financial position

as of 31 July 2013

ASSETS

EUR k	31 Jan. 2013	31 Jul. 2013
Non-current assets		
Intangible assets	1,512,059	1,508,289
Property, plant and equipment	801,699	795,188
Investment property	2,266	2,259
Investments in associates	18,104	18,097
Other financial assets	65,518	48,703
Deferred tax assets	132,871	133,994
Income tax receivables	4,573	4,573
	2,537,090	**2,511,103**
Current assets		
Inventories	1,700,595	1,833,202
Trade receivables	2,420,546	2,270,242
Income tax receivables	20,671	30,805
Other receivables and other current financial assets	197,886	217,808
Other assets	104,651	102,819
Cash and cash equivalents	333,598	528,742
	4,777,947	**4,983,618**
Non-current assets classified as held for sale	3,743	11,115
Total assets	**7,318,780**	**7,505,836**

EQUITY AND LIABILITIES

EUR k	31 Jan. 2013	31 Jul. 2013
Equity		
Unlimited and limited partners' capital	1,050,000	1,050,000
Reserves*	1,010,372	1,079,684
Accumulated other comprehensive income*	−158,973	−161,088
Equity attributable to partners	**1,901,399**	**1,968,596**
Non-controlling interests	202,401	209,347
	2,103,800	**2,177,943**
Non-current liabilities		
Financial liabilities	915,353	1,211,146
Provisions for pensions and similar obligations	236,441	217,256
Deferred tax liabilities	136,479	139,996
Other non-current liabilities	6,330	4,923
	1,294,603	**1,573,321**
Current liabilities		
Financial liabilities	853,445	793,627
Trade payables	2,662,092	2,606,465
Other provisions	30,599	27,685
Income tax liabilities	92,035	77,022
Other liabilities	282,178	246,707
	3,920,349	**3,751,506**
Liabilities directly associated with assets classified as held for sale	28	3,066
Total equity and liabilities	**7,318,780**	**7,505,836**

* Prior year was restated owing to the first-time adoption of IAS 19R.

Consolidated statement of cash flows

for the first half-year of 2013/14

EUR k		31 Jul. 2012	31 Jul. 2013
Net profit/loss for the period*		**101,656**	**79,009**
+/–	Write-downs/write-ups of fixed assets	50,462	53,254
–/+	Gain/loss from the disposal of fixed assets	850	248
+/–	Increase/decrease in non-current provisions	1,959	3,207
+/–	Other non-cash expenses/income	15,879	39,069
+	Net interest*	82,630	57,656
+	Taxes*	42,446	37,695
–	Interest paid	– 66,028	– 48,491
+	Interest received	13,793	10,413
–	Income taxes paid	– 49,756	– 56,251
+	Dividends received	336	258
Result before changes in working capital		**194,227**	**176,067**
Changes in working capital		**– 220,665**	**– 154,990**
Cash inflow (+) / outflow (-) from operating activities		**– 26,438**	**21,077**
–	Cash paid for the purchase of consolidated companies and business units	– 3,942	– 10,547
+	Cash received from the sale of consolidated companies and business units	42	0
+	Cash received from the sale of fixed assets	4,494	17,460
–	Cash paid for investments in non-current assets	– 70,577	– 56,379
Cash inflow (+) / outflow (-) from investing activities		**– 69,983**	**– 49,466**

* Prior year was restated owing to the first-time adoption of IAS 19R.

EUR k		31 Jul. 2012	31 Jul. 2013
Cash available for financing activities		**– 96,421**	**– 28,389**
+	Capital contribution from non-controlling interests	1,278	152
–	Payments to non-controlling interests (dividends)	– 1,675	– 1,293
+	Cash received from the issue of loans from related parties	0	45,000
–	Repayment of borrowings from related parties	0	– 141,000
–	Acquisition of additional shares in already consolidated companies	– 2,750	– 30
+/–	Increase/decrease in ABS/factoring liabilities	– 45,983	– 38,167
+	Cash received from the issue of bonds and loans	675,342	428,948
–	Cash repayments of bonds and loans	– 754,566	– 67,829
+/–	Increase/decrease in finance lease liabilities	– 596	– 328
Cash inflow (+) / outflow (-) from financing activities		**– 128,950**	**225,453**
Change in cash and cash equivalents		**– 225,371**	**197,064**
Cash and cash equivalents at the beginning of the period		**334,846**	**333,598**
Exchange rate effect on cash and cash equivalents		297	– 721
Cash and cash equivalents at the end of the period		**109,772**	**529,941**

Consolidated statement of changes in equity

for the first half-year of 2013/14

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2012	**1,050,000**	**885,914**
Application of the net interest approach for pensions		– 16,717
1 February 2012 adjusted	**1,050,000**	**869,197**
Profit for the period		96,622
Other comprehensive income		0
Comprehensive income	**0**	**96,622**
Capital increase/reduction		0
Changes in basis of consolidation		– 541
Dividends		0
31 July 2012	**1,050,000**	**965,278**
1 February 2013	**1,050,000**	**1,031,516**
Application of the net interest approach for pensions		– 21,144
1 February 2013 adjusted	**1,050,000**	**1,010,372**
Profit for the period		70,798
Other comprehensive income		0
Comprehensive income	**0**	**70,798**
Capital increase/reduction		0
Changes in basis of consolidation		– 1,597
Dividends		0
Other changes		111
31 July 2013	**1,050,000**	**1,079,684**

Currency translation difference	IAS 39 Available-for-sale financial assets	Actuarial gains/losses	Equity attributable to partners	Non-controlling interests	Total equity
– 84,874	**9,879**	**– 125,096**	**1,735,823**	**199,800**	**1,935,623**
		16,717	0		0
– 84,874	**9,879**	**– 108,379**	**1,735,823**	**199,800**	**1,935,623**
			96,622	5,034	101,656
21,410	– 175	– 46,147	– 24,912	– 2,327	– 27,239
21,410	**– 175**	**– 46,147**	**71,710**	**2,707**	**74,417**
			0	1,402	1,402
			– 541	– 1,020	– 1,561
			0	– 3,128	– 3,128
– 63,464	**9,704**	**– 154,526**	**1,806,992**	**199,761**	**2,006,753**
– 96,244	**9,215**	**– 93,088**	**1,901,399**	**202,401**	**2,103,800**
		21,144	0		0
– 96,244	**9,215**	**– 71,944**	**1,901,399**	**202,401**	**2,103,800**
			70,798	8,211	79,009
– 5,847	– 1,644	5,376	– 2,115	– 392	– 2,507
– 5,847	**– 1,644**	**5,376**	**68,683**	**7,819**	**76,502**
			0	152	152
			– 1,597	1,155	– 442
			0	– 2,260	– 2,260
			111	80	191
– 102,091	**7,571**	**– 66,568**	**1,968,596**	**209,347**	**2,177,943**

Notes to the interim condensed consolidated financial statements

as of 31 July 2013

The company

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

Basis of presentation

The interim condensed consolidated financial statements of PHOENIX group as of 31 July 2013 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 July 2013, 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 July 2013 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 10 September 2013.

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 2013. Standards and Interpretations that are applicable since 1 February 2013 for the first time had the following impacts on the interim financial statements:

IAS 19 Employee Benefits (IAS 19R)

IAS 19R replaces interest expenses and expected returns on plan assets by recording a net interest. Net interest is calculated by applying the discount rate used to measure the defined benefit obligation on the net pension obligation (net pension asset). The difference between the interest income from plan assets and actual return on plan assets is included in actuarial gains and losses in the statement of comprehensive income.

The retrospective application of IAS 19R had the following effects on the profit for the period, and the Group's equity of the comparative period:

- **Profit for the period**
  The financial result of the first half-year 2012/13 decreased by EUR 3,152 k due to the application of the net interest approach. Income taxes of EUR 846k are allocable to this, resulting in a EUR 2,306k effect on the profit for the period.

- **Group equity**
  Due to the application of IAS 19R, actuarial gains increased by EUR 21,144k as of 31 January 2013. Reserves changed by the same amount, so that there was no change in total equity.

IAS 1 Presentation of Other Comprehensive Income
Items presented in other comprehensive income have to be separated into two categories depending on whether, in subsequent periods, they are recycled through profit or loss or not. The consolidated statement of comprehensive income for the Group has been adjusted accordingly.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Additional disclosures are required in respect of netting of financial instruments. The amendment to IFRS 7 does not have any impact on the interim financial statements of the PHOENIX group.

IFRS 13 Fair Value Measurement
IFRS 13 introduces uniform principles for the measurement of the fair value of assets and liabilities. This resulted in additional disclosures in the interim financial statements of the PHOENIX group.

Business combinations in the first half-year of 2013/14
The business combinations carried out in the first half-year of 2013/14 are explained below. Purchase accounting is performed in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations".

In fiscal 2013/14, the cumulative profit for the period of the acquirees came to EUR 191k and revenue to EUR 6,120k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, accumulated revenue for the period came to EUR 9,468k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, the accumulated profit for the period came to EUR 365k.

The business combinations performed in the first half-year of 2013/14 were individually immaterial and related to certain pharmacies in various countries.

The table below shows a summary of their fair values:

Fair value recognised on acquisition

EUR k	Other
Cash and cash equivalents	12,091
Equity instruments	0
Acquisition-date fair value of previously held equity interests	0
Total cost	**12,091**
Intangible assets	8
Other non-current assets	385
Inventories	1,124
Trade receivables	1,401
Cash and cash equivalents	1,059
Other current assets	244
Non-current liabilities	0
Current liabilities	4,261
Net assets	**–40**
Non-controlling interests	0
Net assets acquired	**–40**
Bargain purchase	**0**
Goodwill	**12,131**

Other business combinations
Other business combinations include contingent consideration of EUR 490k (maximum amount expected).

The goodwill arising on those acquisitions was allocated to the cash-generating units Czech Republic (EUR 7,060k), Norway (EUR 3,179), Switzerland (EUR 1,321k) and the Netherlands (EUR 571k) and is managed in the local functional currencies (CZK , NOK, CHF and EUR).

EUR 3,582k of the goodwill recognised from business combinations is expected to be tax deductible.

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

Other operating expenses

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 2,011k (comparative period: EUR 2,151k).

Financial result

EUR k	1st half-year 2012*	1st half-year 2013
Interest income	14,138	11,362
Interest expenses	– 96,768	– 69,018
Other financial result	761	5,441
Financial result	**– 81,869**	**– 52,215**

* Prior year was restated owing to the initial application of IAS 19R.

Interest income includes interest from customers of EUR 7,982k (comparative period: EUR 9,649k).

Interest expenses include EUR 1,550k in connection with the premature amortisation of transaction costs in conjunction with the refinancing in Italy. Interest expenses of the comparative period included EUR 18,433k in connection with the premature amortisation of transaction costs in conjunction with the refinancing.

The other financial result includes exchange rate gains of EUR 17,884k (comparative period: EUR 26,063k) and exchange rate losses of EUR 20,750k (comparative period: EUR 12,509k). Changes in the market value of derivatives gave rise to income of EUR 51,489k (comparative period: EUR 30,002k) and expenses of EUR 48,663k (comparative period: EUR 43,452k).

Other assets and other liabilities

EUR k	31 Jan. 2013	31 Jul. 2013
Prepayments	41,200	66,148
Tax claims – VAT and other taxes	9,374	9,101
Sundry other assets	54,077	27,570
Other assets	**104,651**	**102,819**

EUR k	31 Jan. 2013	31 Jul. 2013
VAT and other tax liabilities	84,516	73,851
Personnel liabilities	109,890	106,957
Liabilities relating to social security/similar charges	20,803	19,010
Prepayments	8,560	7,881
Sundry liabilities	58,409	39,008
Other liabilities	**282,178**	**246,707**

Other financial assets and other financial liabilities

The table below presents the non-current financial assets:

EUR k	31 Jan. 2013	31 Jul. 2013
Available-for-sale financial assets	41,656	33,627
Loans to and receivables from associates	6,973	6,973
Other loans	16,187	7,340
Other non-current financial assets	702	763
	65,518	**48,703**

The table below presents the current financial assets:

EUR k	31 Jan. 2013	31 Jul. 2013
Trade receivables	2,420,546	2,270,242
Other financial assets		
Held-to-maturity financial assets	58	0
Loans to and receivables from associates or related parties	4,131	2,641
Other loans	41,775	42,148
Derivative financial instruments	9,896	3,352
Other current financial assets	142,026	169,667
	197,886	**217,808**

The receivables from factoring and ABS transactions as of 31 July 2013 are presented below:

EUR k	31 Jan. 2013	31 Jul. 2013
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IAS 39		
Volume of receivables	283,951	244,421
Financial liability	242,382	203,772
Continuing Involvement		
Volume of receivables	305,291	315,417
Continuing Involvement	19,839	19,836
Financial liability	20,340	20,277
Transferred and fully derecognised receivables		
Volume of receivables	85,484	112,279
Retentions	68,053	85,020

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

EUR k	31 Jan. 2013	31 Jul. 2013
Financial liabilities (non-current)		
Liabilities to banks	298,794	298,805
Bonds	487,718	784,925
Loans	92	162
Supplementary partner contribution	123,766	123,766
Other financial liabilities	4,983	3,488
	915,353	**1,211,146**

EUR k	31 Jan. 2013	31 Jul. 2013
Financial liabilities (current)		
Liabilities to banks	237,266	299,584
Loans	116,639	123,953
Liabilities to associates and related parties	149,225	48,002
Liabilities for customer discounts and rebates	25,132	34,371
ABS and factoring liabilities	262,722	224,049
Other financial liabilities	62,461	63,668
	853,445	**793,627**

In connection with the loan agreements, it was agreed to comply with certain financial covenants, all of which were comfortably met in the first half-year of 2013/14.

In May 2013, the PHOENIX group issued another corporate bond with a volume of EUR 300.0m, a term of seven years and an interest coupon of 3.125 %.

Liabilities to associates and related parties include current loan liabilities to partners of EUR 47,685k (31 January 2013: EUR 52,554k), resulting mainly from interest on the supplementary partner contribution.

Other financial liabilities (current) contain current derivative financial instruments of EUR 1,800k (31 January 2013: EUR 2,741k).

Information on financial instruments

The items in the statement of financial position for financial instruments are assigned to classes and categories.

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

	Category pursuant to IAS 39						
31 July 2013 EUR k	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial assets							
Bonds and other securities (held-to-maturity)	0	0	0	0	0	0	0
Available-for-sale financial assets	0	33,627	0	0	0	33,627	33,627
Trade receivables	2,270,242	0	0	0	0	2,270,242	2,270,242
Loans to and receivables from associates or related parties	9,614	0	0	0	0	9,614	9,614
Other loans	49,488	0	0	0	0	49,488	49,490
Derivative financial assets without hedge accounting	0	0	0	3,352	0	3,352	3,352
Other financial assets	170,223	204	0	0	3	170,430	170,430
Cash and cash equivalents	528,742	0	0	0	0	528,742	528,742
Non-current assets held for sale	1,793	0	0	0	9,322	11,115	11,115

31 January 2013 EUR k	Category pursuant to IAS 39						
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets held for trading	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial assets							
Bonds and other securities (held-to-maturity)	0	0	58	0	0	58	58
Available-for-sale financial assets	0	41,656	0	0	0	41,656	41,656
Trade receivables	2,420,546	0	0	0	0	2,420,546	2,420,546
Loans to and receivables from associates or related parties	11,104	0	0	0	0	11,104	11,104
Other loans	57,962	0	0	0	0	57,962	57,905
Derivative financial assets without hedge accounting	0	0	0	9,896	0	9,896	9,896
Other financial assets	142,468	260	0	0	0	142,728	142,728
Cash and cash equivalents	333,598	0	0	0	0	333,598	333,598
Non-current assets held for sale	0	450	0	0	3,293	3,743	3,743

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

Derivatives are recognised at their fair values.

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

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

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

31 July 2013 EUR k	Category pursuant to IAS 39 Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	598,389	0	0	0	598,389	610,059
Bonds	784,925	0	0	0	784,925	833,947
Loans	124,115	0	0	0	124,115	124,115
Trade payables	2,606,465	0	0	0	2,606,465	2,606,465
Liabilities to associates and related parties	48,002	0	0	0	48,002	48,002
Supplementary partner contributions	123,766	0	0	0	123,766	123,766
Liabilities and provisions for customer discounts and rebates	34,371	0	0	0	34,371	34,371
ABS/factoring liabilities	224,049	0	0	0	224,049	224,049
Other financial liabilities	30,095	0	35,261	0	65,356	65,356
Derivative financial liabilities without hedge accounting	0	1,800	0	0	1,800	1,800
Liabilities directly associated with assets classified as held for sale	1,937	0	0	1,129	3,066	3,066

31 January 2013 EUR k	Category pursuant to IAS 39					
	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Outside the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	536,060	0	0	0	536,060	549,331
Bonds	487,718	0	0	0	487,718	547,296
Loans	116,731	0	0	0	116,731	116,731
Trade payables	2,662,092	0	0	0	2,662,092	2,662,092
Liabilities to associates and related parties	149,225	0	0	0	149,225	149,225
Supplementary partner contributions	123,766	0	0	0	123,766	123,766
Liabilities and provisions for customer discounts and rebates	25,132	0	0	0	25,132	25,132
ABS/factoring liabilities	262,722	0	0	0	262,722	262,722
Other financial liabilities	29,085	0	35,598	20	64,703	64,703
Derivative financial liabilities without hedge accounting	0	2,741	0	0	2,741	2,741
Liabilities directly associated with assets classified as held for sale	0	0	0	28	28	28

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

Derivatives are recognised at their fair values.

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

Fair value hierarchy of financial instruments

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

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

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

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

	Financial instruments measured at fair value			
EUR k	Level 1	Level 2	Level 3	Total
31 July 2013				
Available-for-sale financial assets	0	0	29,122	29,122
Derivative financial assets without hedge accounting	0	3,352	0	3,352
Derivative financial liabilities without hedge accounting	0	1,800	0	1,800
31 January 2013				
Available-for-sale financial assets	5,018	0	29,628	34,646
Derivative financial assets without hedge accounting	0	9,896	0	9,896
Derivative financial liabilities without hedge accounting	0	2,741	0	2,741

The fair value of available-for-sale assets measured at cost of EUR 4,505k (31 January 2013: EUR 7,010k) has not been disclosed because the fair value cannot be measured reliably.

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

EUR k	Available-for-sale financial assets
1 February 2013	**29,628**
Total gains and losses recognised in accumulated other comprehensive income	0
Acquisition	387
Sale of shares	– 893
thereof recognised in the income statement	119
31 July 2013	**29,122**

Commitments and contingent liabilities

Compared to 31 January 2013, commitments increased by EUR 52,247k to EUR 551,491k. This is mainly due to new IT provider contracts.

PHOENIX recorded contingent liabilities for guarantees of EUR 107,677k (31 January 2013: EUR 110,523k).

Notes to the statement of cash flows

EUR k	31 Jan. 2013	31 Jul. 2013
Restricted cash		
Cash and cash equivalents at the end of the period	333,598	529,941
thereof restricted		
due to security deposits	6,410	10,803
due to restrictions placed upon foreign subsidiaries	23,885	19,479

Related party disclosures

A related entity granted a loan to the PHOENIX group during the first half-year of 2013/14 with an amount of EUR 45,000k that has been repaid during the reporting period for which interest expenses of EUR 51k were paid.

Loan liabilities amounting to EUR 96,000k to a related party recorded as of 31 January 2013 have been repaid during the first half-year of 2013/14.

Beyond that, the business relationships with related parties presented in the consolidated financial statements as of 31 January 2013 remained essentially unchanged in the first half-year of 2013/14.

Mannheim, 10 September 2013

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

Financial calendar 2013/14

30 September 2013	Half-year report February to July 2013
19 December 2013	Quarterly Report February to October 2013

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