Results of the 3rd Quarter 2013/14

Investor Call
Mannheim, 19th December 2013

PHOENIX group

Reimund Pohl
CEO

Helmut Fischer
CFO

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Agenda

PHOENIX group

Overview
3rd Quarter 2013/14

Reimund Pohl
CEO

Group Financials
3rd Quarter 2013/14

Helmut Fischer
CFO

Questions & Answers

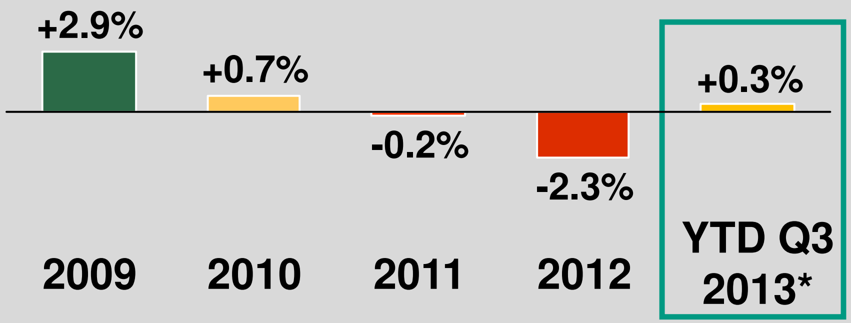
Overview 3rd quarter 2013/14

PHOENIX group continues to grow above the market trend.

Profitability suffers from currency effects, restructuring costs and the high level of competition, especially in Germany.

PHOENIX group remains focused on the careful execution of its group-wide optimization program PHOENIX *FORWARD*.

Growth trend in European pharmaceutical remains weak:

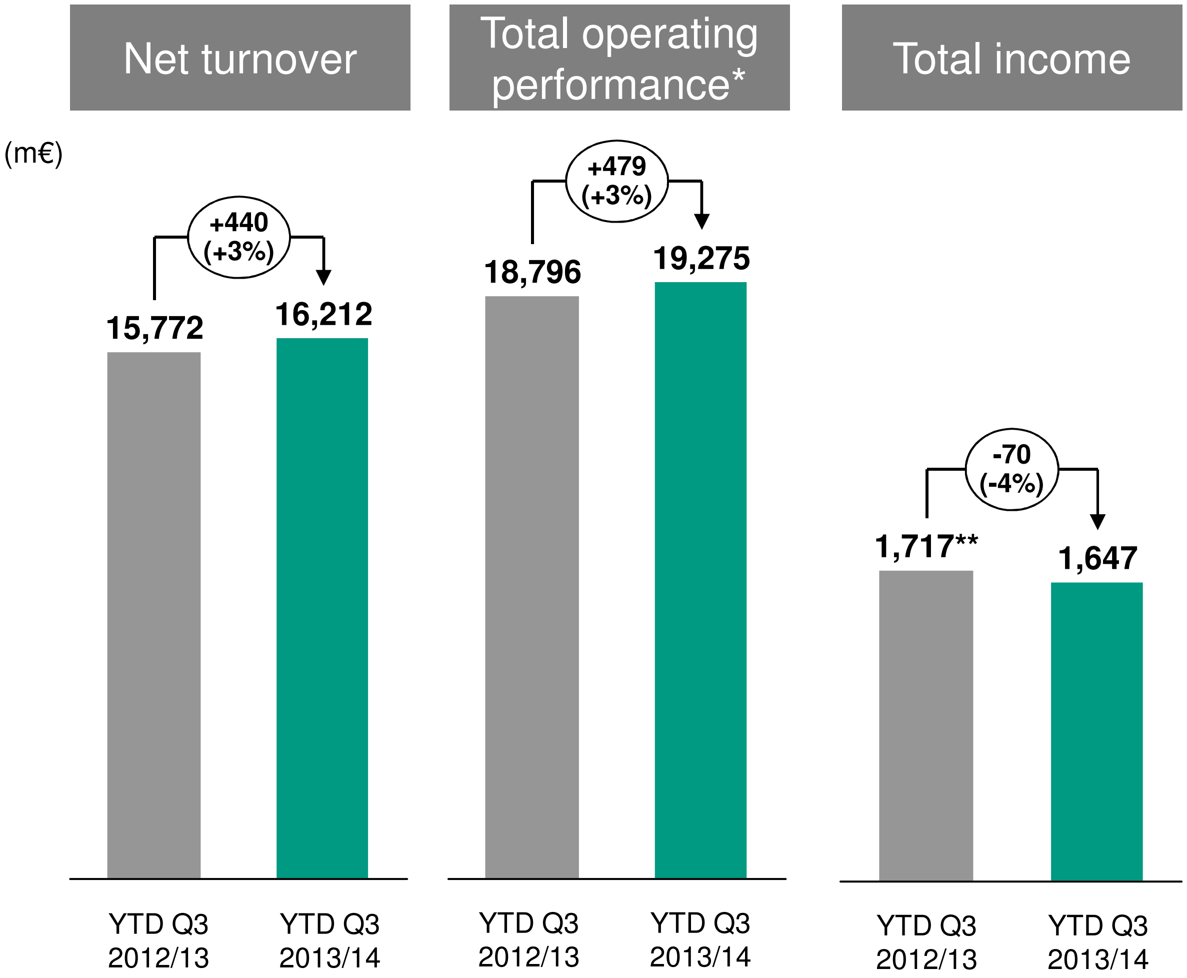


Market growth in key markets*:

- **Germany: +4.3%**
- **France: -2.2%**
- **Italy: +0.2%**
- **UK: -0.3%**
- **Sweden: -1.3%**
- **Netherlands: -1.8%**

* growth rates compounded from quarterly figures based on IMS Health Executive Market Report

PHOENIX continues its organic growth path and strengthens its market leadership position in Germany



Comments

- **Total operating performance** and **net turnover** increased through organic growth.
- **Turnover increase** in the highly competitive market in **Germany** leads to a reduction in margins.
- The negative margin impact cannot be compensated by **better margins from other markets** and from **retail activities**.
- **Negative currency influences** represent another burden on total income.

* Non-IFRS measure; includes net turnover and handled volume (goods distributed under fee-for-service agreements)
** Total income restated for 2012/13 due to reclassification of transport costs

Operating expenses remain stable despite one-time expenses for the initiative PHOENIX *FORWARD*

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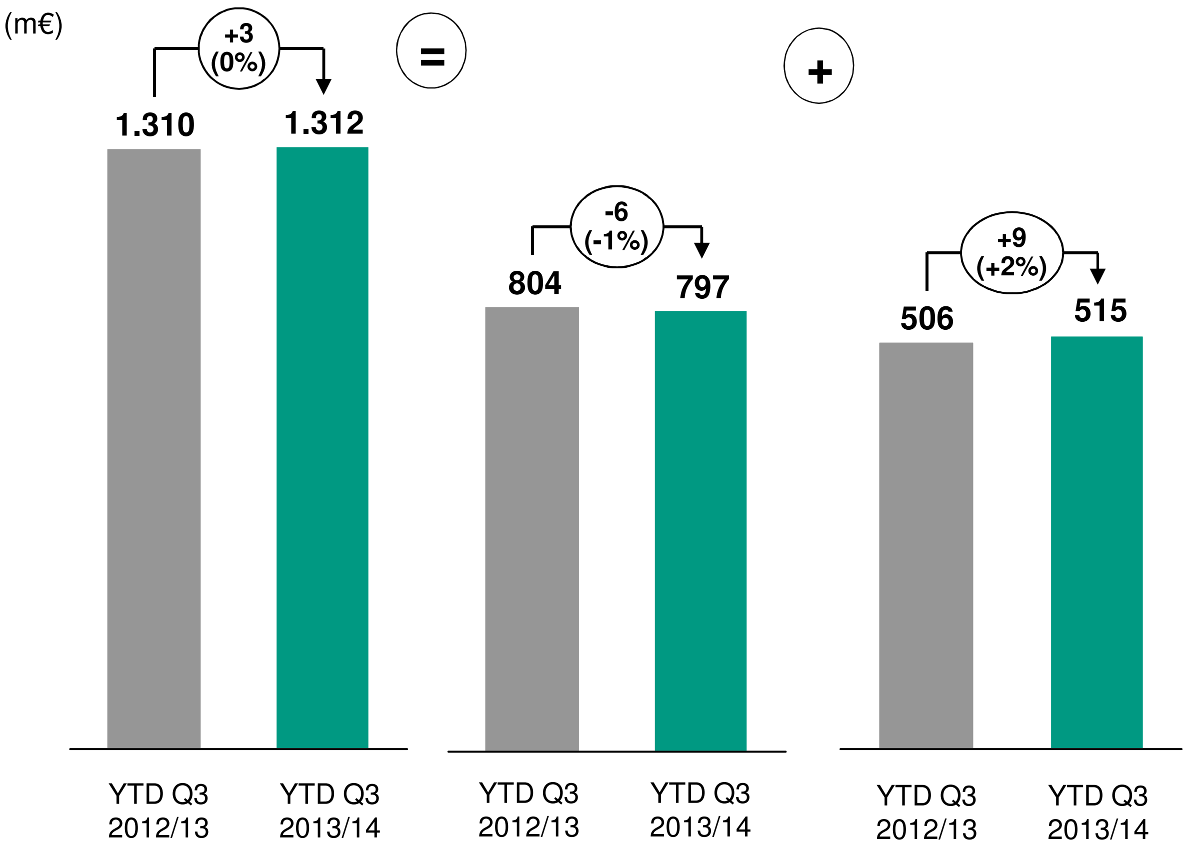
Total operating expenses	Personnel expenses	Other operating expenses	Comments



- **Total expenses** have been kept on a **stable level** despite the higher turnover and volume.
- **Personnel expenses** are slightly below last year due to **currency influence** and positive effects **from PHOENIX *FORWARD***.
- **Other operating expenses** are slightly higher, mainly due to **one-time costs** for **PHOENIX *FORWARD*** as well as **higher transport costs** related to the increased turnover and volume.

The reduction in total income leads to a lower profit before tax

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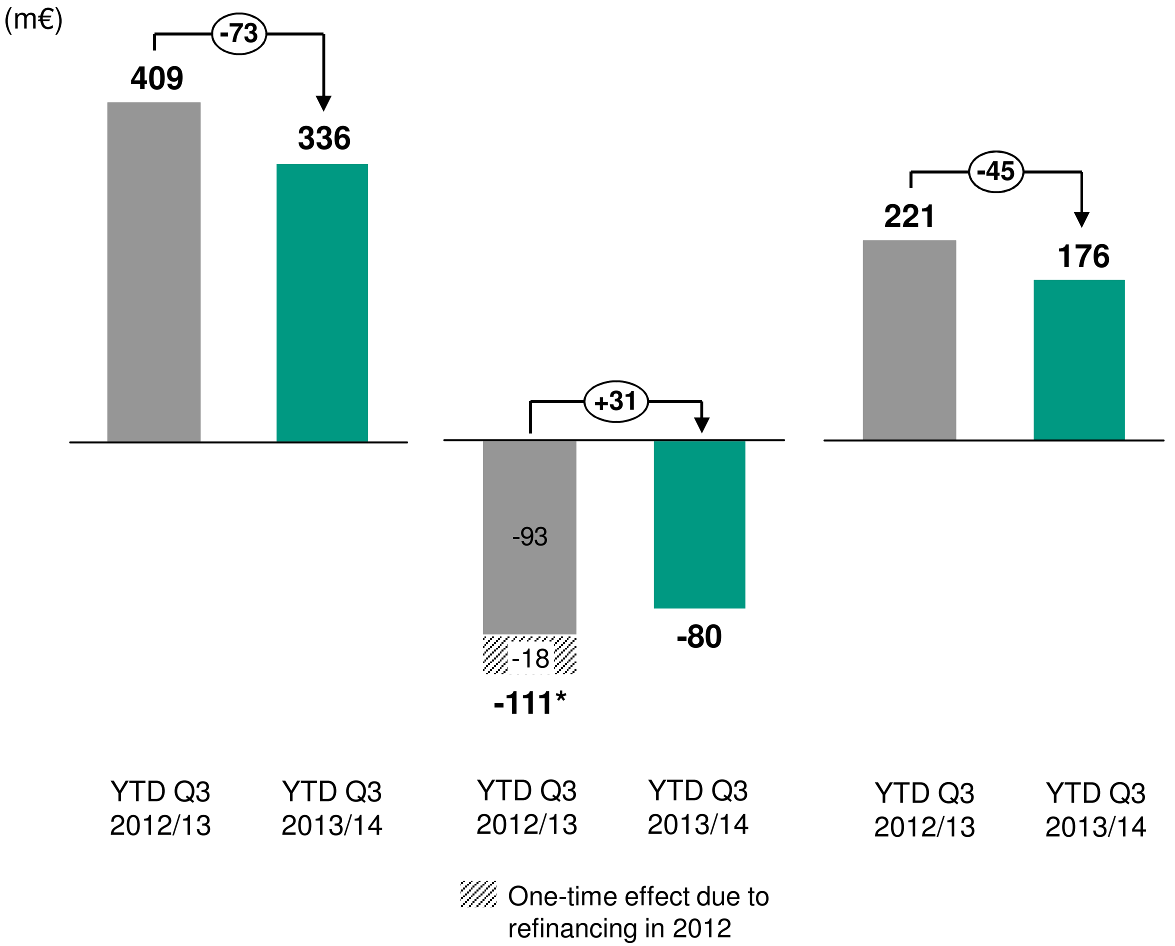
EBITDA	Financial result	Profit before tax	Comments



- The **EBITDA** suffers from the **reduction in margins** and **negative currency effects**, as well as one-time expenses for PHOENIX *FORWARD*.
- The **financial result** continues to benefit from the continuous **reduction of net debt** and the optimized **financing structure**.
- **Profit before tax is reduced**, as the improvement of the **financial result is outweighed by the reduction in EBITDA**.

* Prior year adjusted due to the first-time adoption of IAS 19R

PHOENIX will strengthen its profitability and efficiency with the group-wide initiative PHOENIX *FORWARD*

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Target

Sustainable savings of at least **100 m€** as of FY 2015/16, guided by the principle *"Evolution instead of Revolution"*

Focus areas in all 25 countries

- Pooling and standardization of **general procurement** for non-trading goods.
- Optimization of **customer service infrastructures**.
- Bundling of **administrative and support functions.**
- Refinement of **warehouse efficiency** through process improvements.

Specific measures in Germany

- Implementation of a **dedicated management team** for Germany.
- Allocation of existing **distribution centers in eight regions**, which are designed according to **comparable standards.**
- **Bundling of administrative functions** within the regions in order to increase **operational focus** and to generate **synergies**.

All countries, all entities and all functions are working together to bring PHOENIX *FORWARD*

Agenda

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Group Financials
3rd Quarter 2013/14

Helmut Fischer
CFO

Questions & Answers

PHOENIX is able to grow in terms of net turnover, but the challenging market environment puts pressure on the results

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Profit & Loss	YTD Q3 2012/13 *		YTD Q3 2013/14		Delta	
	in m€	%	in m€	%	in m€	%
Net turnover	**15,772.3**	**100%**	**16,211.9**	**100%**	**439.6**	**2.8%**
Cost of goods sold	-14,158.7	-89.8%	-14,672.3	-90.5%	-513.6	3.6%
Gross profit	**1,613.6**	10.2%	**1,539.6**	**9.5%**	**-73.9**	**-4.6%**
Other operating income	103.2	0.7%	107.4	0.7%	4.2	4.1%
Personnel expenses	-803.5	-5.1%	-797.4	-4.9%	6.2	-0.8%
Other operative expenses	-506.2	-3.2%	-514.8	-3.2%	-8.7	1.7%
Result from associates and other invest.	1.9	0.0%	1.2	0.0%	-0.7	-35.9%
EBITDA	**408.9**	**2.6%**	**336.0**	**2.1%**	**-72.9**	**-17.8%**
Depreciations	-76.8	-0.5%	-79.6	-0.5%	-2.8	3.7%
Financial result	-111.4	-0.7%	-80.2	-0.5%	31.2	-28.0%
Profit before tax	**220.7**	**1.4%**	**176.2**	**1.1%**	**-44.6**	**-20.2%**
Income taxes total	-62.4	-0.4%	-56.7	-0.3%	5.6	-9.0%
Profit for the period	**158.4**	**1.0%**	**119.4**	**0.7%**	**-38.9**	**-24.6%**

Developments

- **Net turnover** has significantly improved, mainly due to the good development in the German market, but also in other European markets
- Due to the competitive situation in several markets **gross profit** decreased
- Whereas **other operating income** and **personnel expenses** developed well, other **operative expenses** increased by one-time costs for the group-wide optimization initiative PHOENIX *FORWARD* and due to higher transport costs
- **Depreciations** slightly increased
- Also excluding the one-time effect of the dissolution of transaction costs (-18.4 m€) in the previous year, the **financial result** has improved by +8.4 m€ as a result of the reduced net debt and better financing conditions and +4.4 m€ due to the sale of financial assets
- The **profit before tax** is lower than in the previous year due to the missing gross profit
- The **tax rate** is at 32.2% compared to 28.2% in the previous year, mainly due to deferred taxes

* PY adjusted for reclassifications and due to the first-time adoption of IAS 19R

PHOENIX group improves the financial result, once more

PHOENIX group

Financial result (in m€)	YTD Q3 2012/13**	YTD Q3 2013/14	Delta
Interest income	22.0	16.7	-5.3
Interest expenses	-116.3	-102.6	13.7
Interest result	**-94.3**	**-85.9**	**8.4**
Dissolution of transaction costs due to premature refinancing	-18.4	0.0	18.4
Other net financial result*	1.3	5.7	4.4
Financial result	**-111.4**	**-80.2**	**31.2**

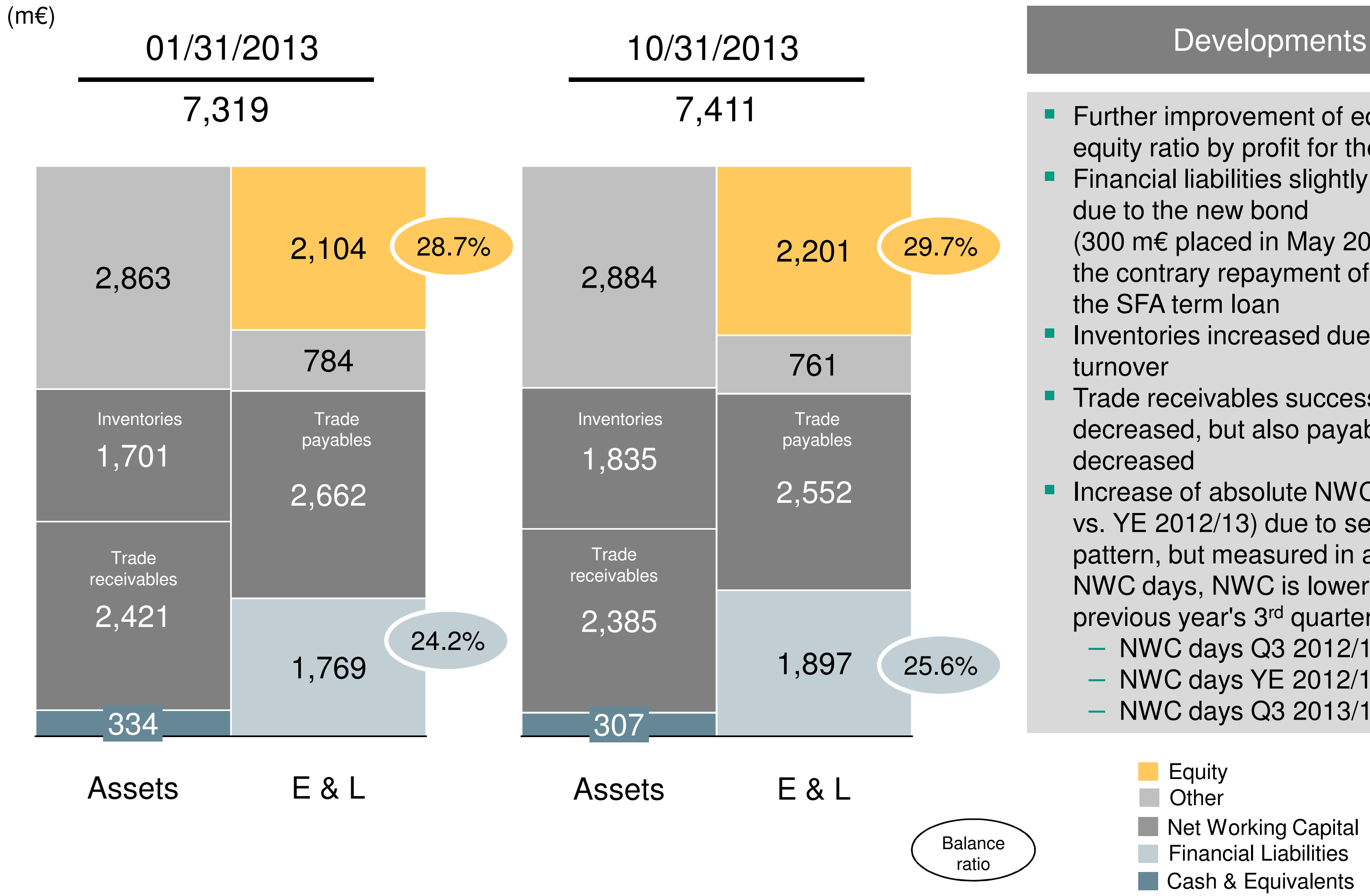
Developments

- Slight reduction of interest income
- Lower interest expenses are mainly driven by reduced debt and by optimized interest rates
- Most influencing factor in the previous year was the premature refinancing of PHOENIX group, resulting in the dissolution of corresponding transaction costs
- Improvement in other net financial result due to the sale of financial assets

* Other net financial result comprises
- "other financial income and expenses",
- "financial income and expenses from derivatives"
- "exchange rate gains and losses" related to the financial result

** Prior year restated due to the first-time adoption of IAS 19R

PHOENIX continues its committed path of strengthening its balance sheet

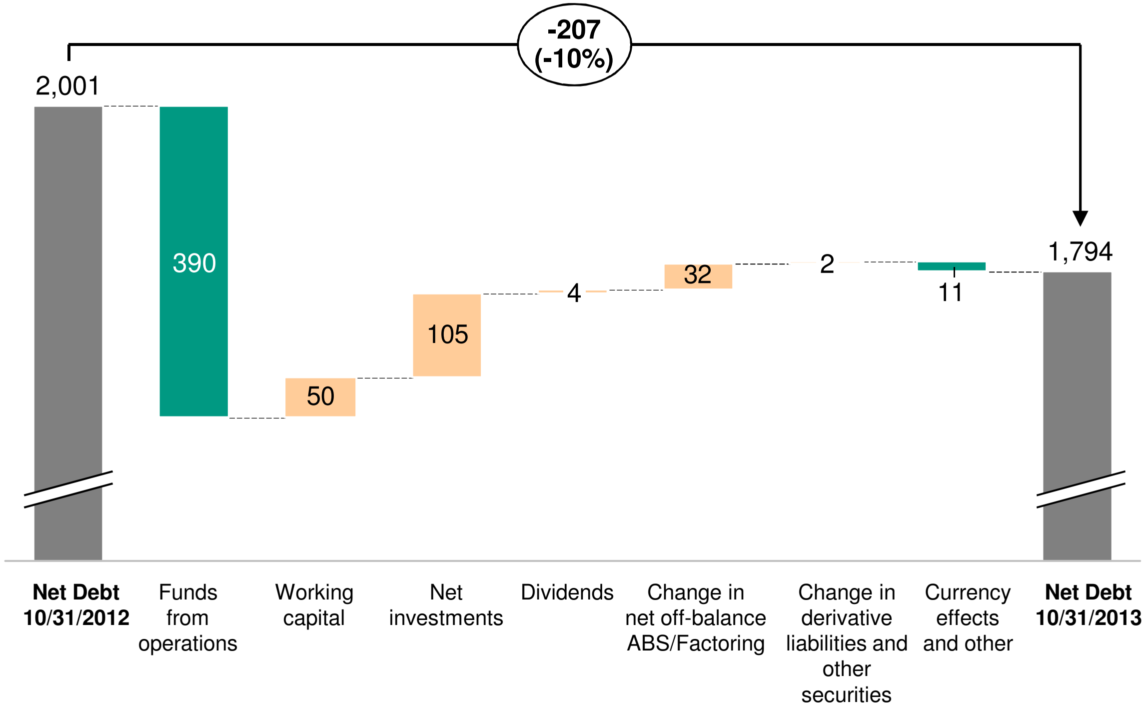


Developments

- Further improvement of equity and equity ratio by profit for the period
- Financial liabilities slightly increased due to the new bond (300 m€ placed in May 2013) and on the contrary repayment of 150 m€ of the SFA term loan
- Inventories increased due to higher turnover
- Trade receivables successfully decreased, but also payables decreased
- Increase of absolute NWC (+208 m€ vs. YE 2012/13) due to seasonal pattern, but measured in average NWC days, NWC is lower than previous year's 3rd quarter and YE:
  - NWC days Q3 2012/13: 38.0
  - NWC days YE 2012/13: 37.5
  - NWC days Q3 2013/14: 36.7

Significant net debt improvement from the Q3 2012/13 to the Q3 2013/14

(m€)



Developments

- Net debt reduction of 207 m€ achieved by significant funds from operations (cash flow before changes in working capital)
- NWC slightly increased
- Investments (mainly capex and pharmacy acquisitions) on a comparable level as in the previous year
- Slight increase in off-balance ABS/Factoring

The new bond and the refinancing in Italy improve the maturity profile

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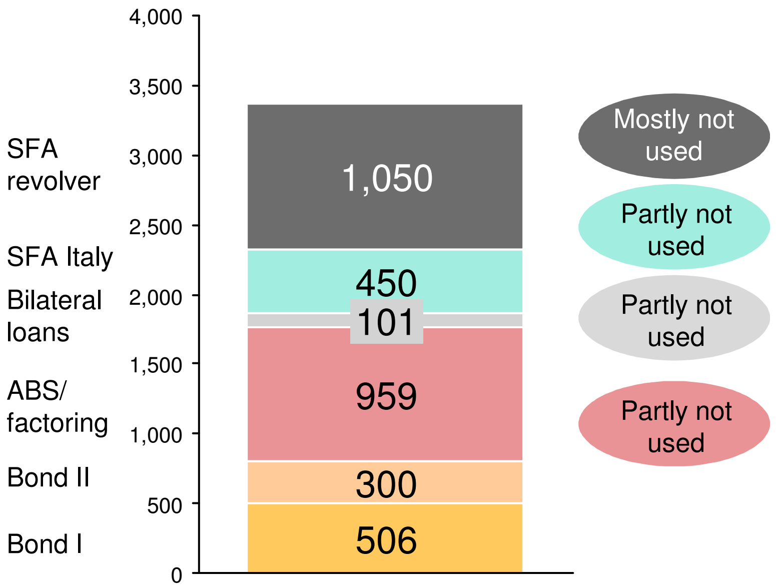
Financial facilities and headroom

(m€)

11/15/2013

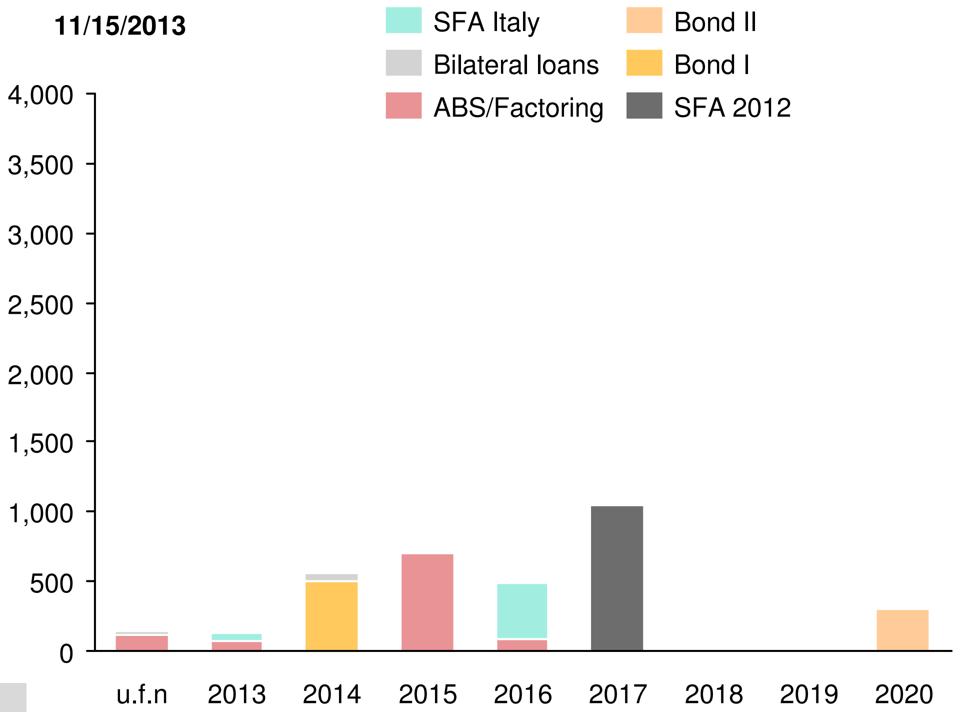


- Diversified financing structure and significant financial headroom
- Reduced financing requirements allow to reduce credit lines: Reduction of the SFA term loan by 150 m€ in November 2013, after reduction of 150 m€ in September 2013

Debt maturity profile

(m€)

11/15/2013



- ABS/factoring extended to some parts

The active management of net working capital shows significant improvements

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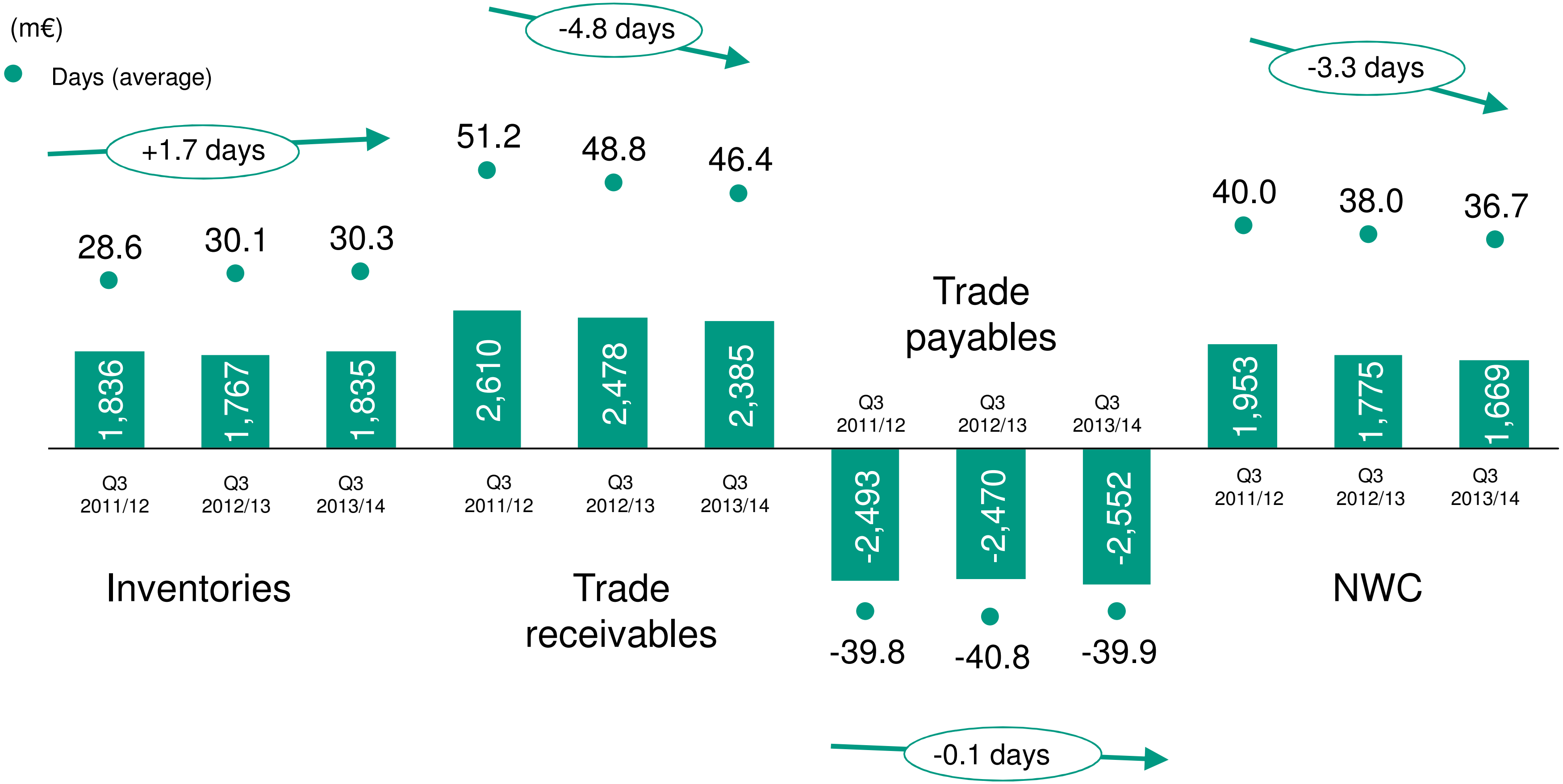
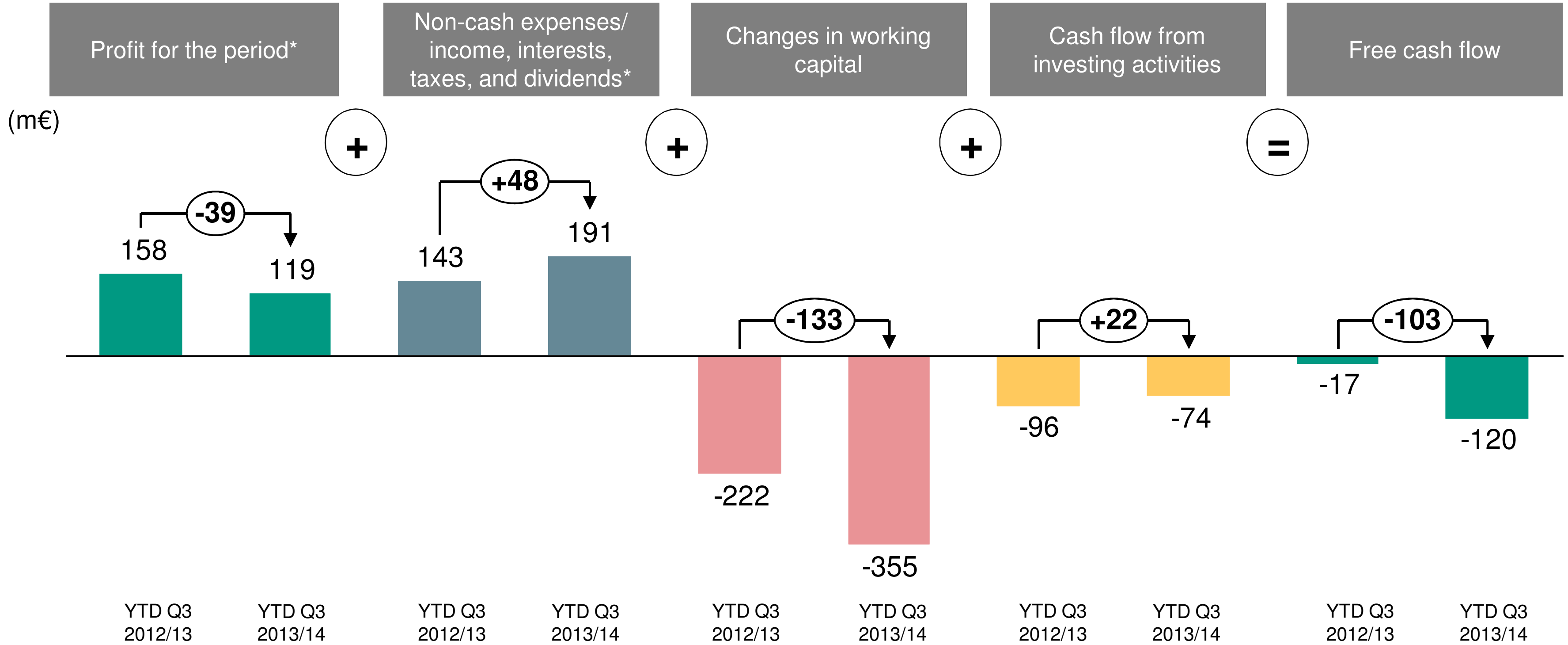


Key Achievements

- Slight increase in stock due to higher turnover
- Trade receivables decreased despite higher turnover
- Payables absolutely increased vs. previous year, day-wise stable
- Overall, significantly improved NWC

- Balance sheet figures as externally reported
- Net working capital days: Average figures for the respective period; figures including ABS/factoring; may include rounding differences

Free cash flow development



Cash flow development

- The cash flow before changes in working capital is slightly higher due to lower expenses from the financial result
- Negative swing in working capital compared to previous year, due to increase of inventories and a lower level of payables
- Cash outflow from investing activities is slightly decreased due to lower investments in fixed assets and higher cash inflows from the disposal of fixed assets
- Compared to previous year's 3rd quarter, the level of free cash flow has decreased

* Prior year restated due to the first-time adoption of IAS 19R

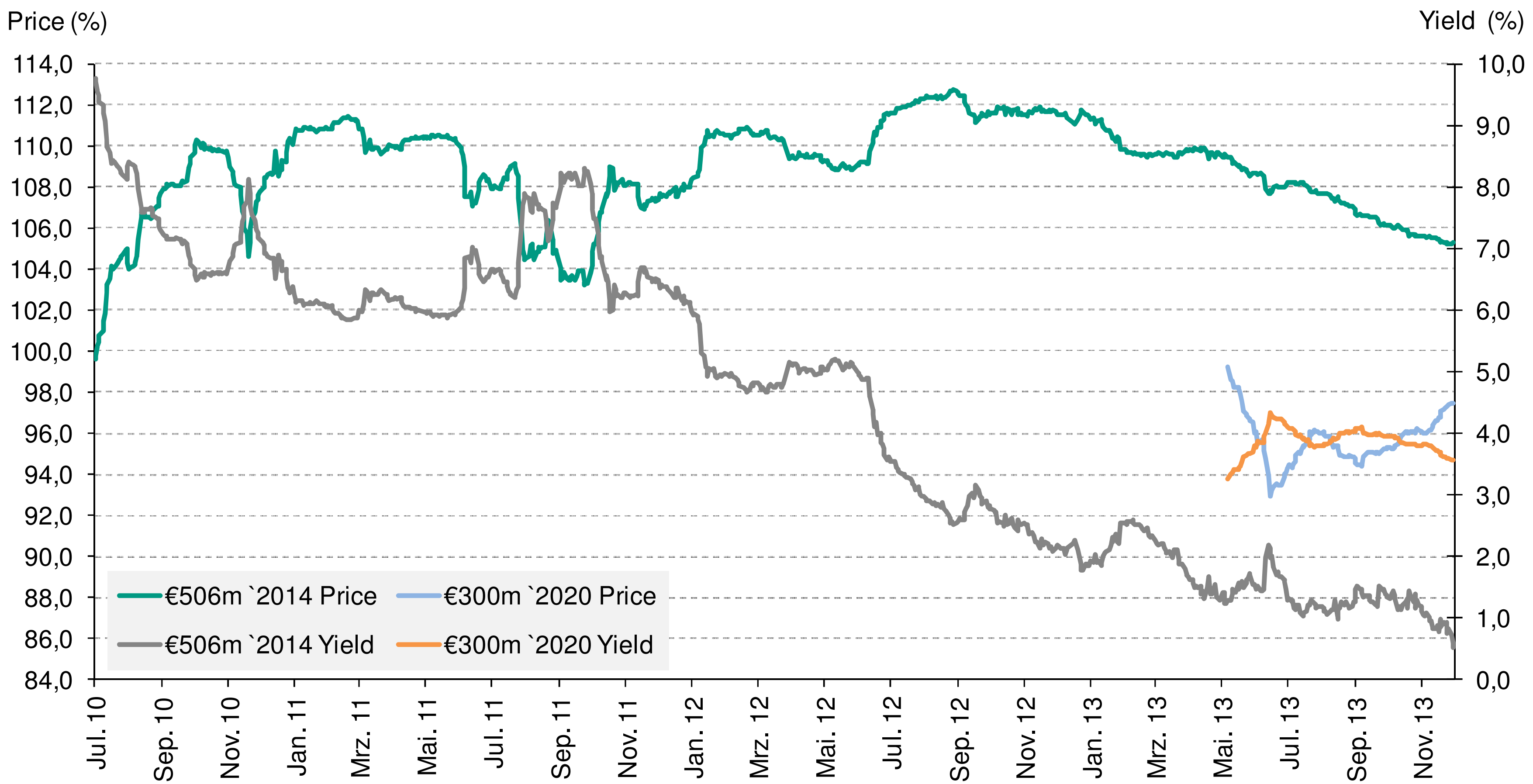
Summary: Development of key credit indicators

	01/31/2013	10/31/2013	Delta
Equity (in m€)	2,103.8	2,200.8	4.6%
Equity ratio	28.7%	29.7%	+1.0pp
Net debt (in m€)	1,611.5	1,794.1	11.3%
Gearing (Net debt/equity)	76.6%	81.5%	+4.9pp
	YTD Q3 2012/13	**YTD Q3 2013/14**	**Delta**
EBITDA (in m€)	408.9	336.0	-17.8%
EBITDA-margin	2.6%	2.1%	-0.5pp
Adjusted EBITDA (in m€)	426.3	351.1	-17.6%
Adj.-EBITDA-margin	2.7%	2.2%	-0.5pp
Net debt / adjusted EBITDA (LTM)	3.46	3.58	3.5%
Interest coverage ratio ** (EBIT / Interest Expenses)*	2.9	2.5	-12.5%
Profit before tax (in m€) **	220.7	176.2	-20.2%
PBT-margin **	1.4%	1.1%	-0.3pp
Profit after tax (in m€) **	158.4	119.4	-24.6%
PAT-margin **	1.0%	0.7%	-0.3pp

* Interest expenses excluding fx-effects and other financial expenses

** PY adjusted for reclassifications and due to the first-time adoption of IAS 19R

Developments of PHOENIX' bonds



Source: Bloomberg, 12/12/2013

The outperformance of the 1st PHOENIX bond is shown by the spread to the iBoxx high-yield index

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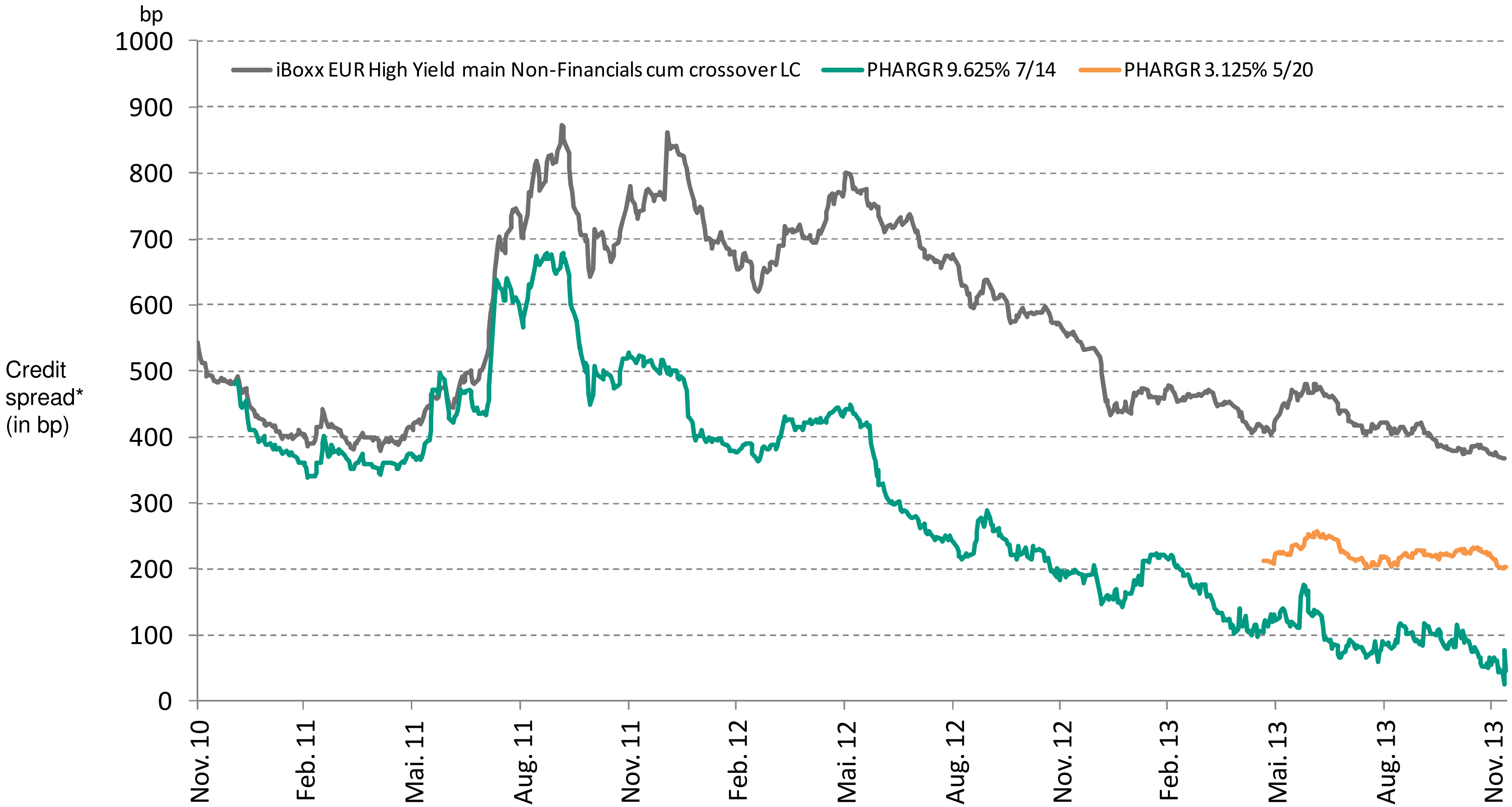

*Yield to maturity minus swap rate
Date 12/12/2013

Conservative and prudent financial policy

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Key messages	▪ Continuously improve the capital structure by reducing the level of indebtedness ▪ Aim to further strengthen the equity ratio ▪ Maintain ratio of Net Debt to Adj. EBITDA of around 3.0x ▪ Long-term safeguarding of liquidity via well-balanced and diversified funding sources
Liquidity & Risk management	▪ Centralized group funding – Financing of subsidiaries through intra-group loans, except for local ABS/Factoring programs and for the total Italian subgroup ▪ Centralized cash pooling structure within PHOENIX group ▪ Well-diversified corporate financing structure ▪ Financial derivatives only used for hedging purposes, not for speculation
Growth strategy	▪ PHOENIX's growth strategy is focused on above market organic growth ▪ Profitable and financially sound add-on acquisitions may also be pursued, but only within a predefined acquisition budget

Our shareholder fully backs our financial policy

Financial outlook of PHOENIX group for the fiscal year 2013/14:

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- 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 nine months of 2013/14.
- We aim to partly compensate the negative external influences by internal measures and a positive development in our East European markets. We expect a noticeable 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 the prior year.
- Larger positive effects from the PHOENIX FORWARD program will most likely arise as of fiscal year 2014/15.

Financial calendar 2014/15

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Reporting Event	Date
Results of the fiscal-year 2013/14	Friday, 05/16/2014
Results of the 1st quarter 2014/15	Tuesday, 06/17/2014
Results of the 1st half-year 2014/15	Friday, 09/26/2014
Results of the 3rd quarter 2014/15	Thursday, 12/18/2014

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