Results of the 1st Half-Year 2013/14

Investor Call
Mannheim, 30th September 2013

Reimund Pohl
CEO

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CFO

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Agenda

PHOENIX group

Overview
1st Half-Year 2013/14

Reimund Pohl
CEO

Group Financials
1st Half-Year 2013/14

Helmut Fischer
CFO

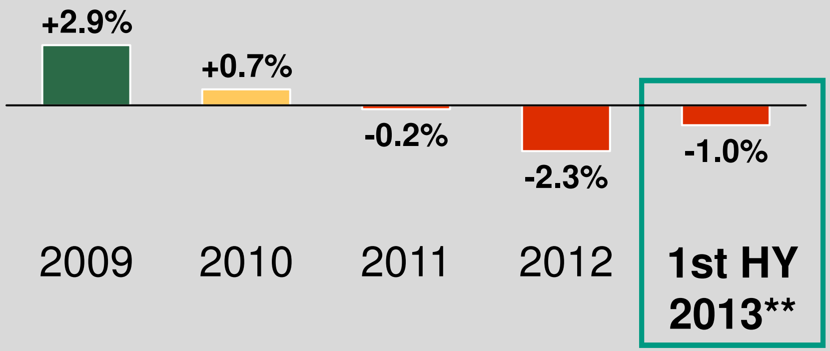
Questions & Answers

Overview 1st half-year 2013/14

PHOENIX group continues to grow in a challenging environment and further improves its capital structure

- Net turnover and total operating performance have increased significantly while the pharma market in Europe has continued to shrink.
- Total income decreases due to intensified competition in several key markets and negative currency influences.
- PHOENIX group has again reduced its net debt compared to previous year.

Negative trend in European pharma market continues*



Market growth in key markets:**

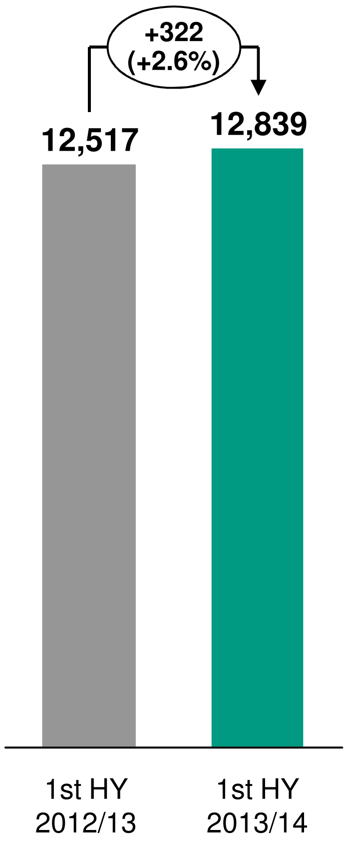
Germany:	+3.0%
France:	-3.0%
Italy:	-1.1%
UK:	-2.4%
Sweden:	-2.5%
Netherlands:	-6.2%

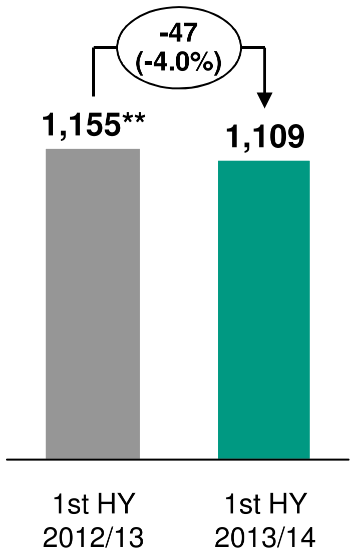
* Source: IMS Health Executive Market Report;
** half-year growth rate compounded from quarterly figures

PHOENIX has differentiated itself from the negative market trend, but experiences pressure on margins

PHOENIX group

Net turnover	Total operating performance*	Total income



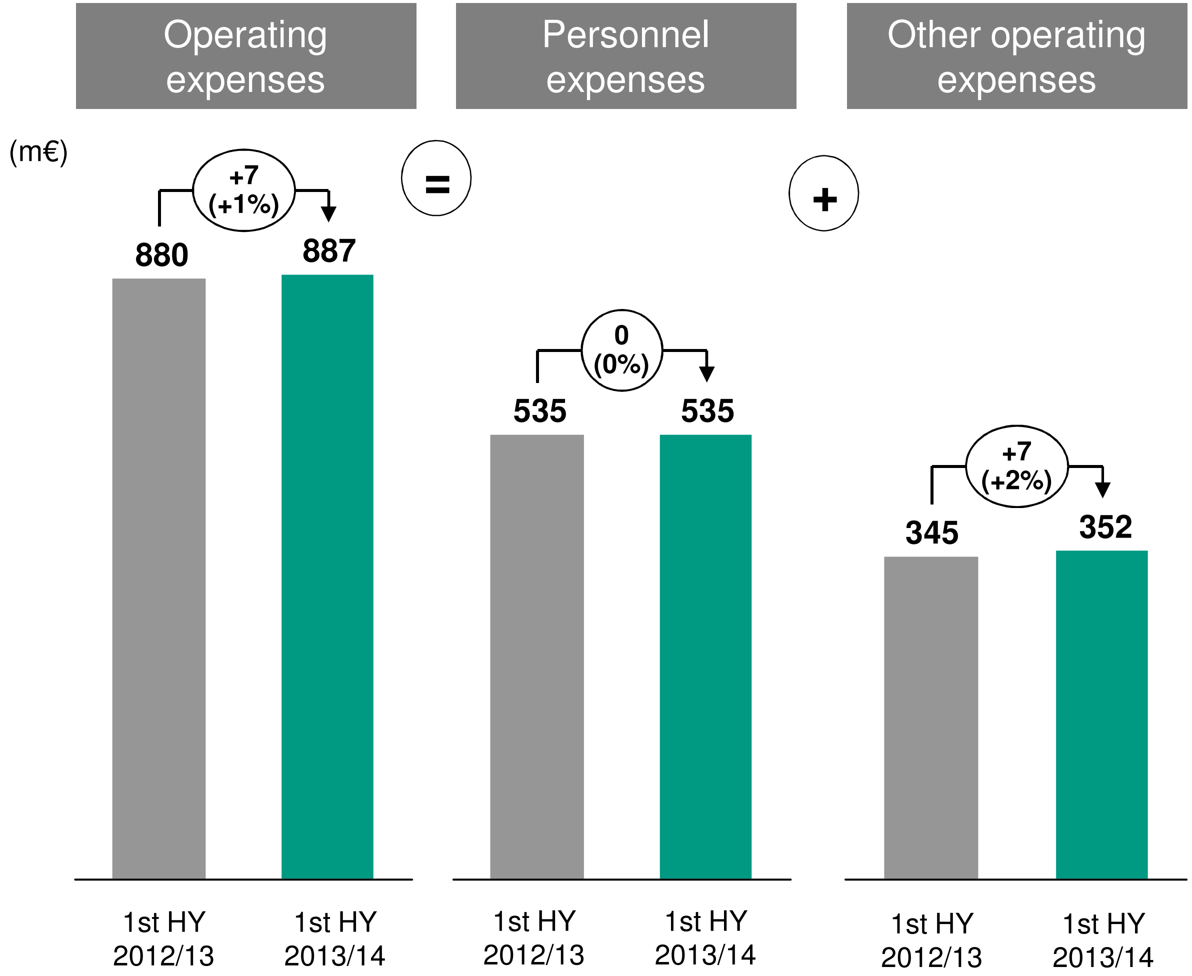


Comments

- **Total operating performance** and **net turnover** increased by more than 2.5%, while the European pharma market declined by 1.0% in the first half of 2013.
- High level of **competitive intensity** in several markets and **negative currency influences** lead to a **decline in gross profit and 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

Despite the higher level of turnover, operating expenses are only slightly above last year

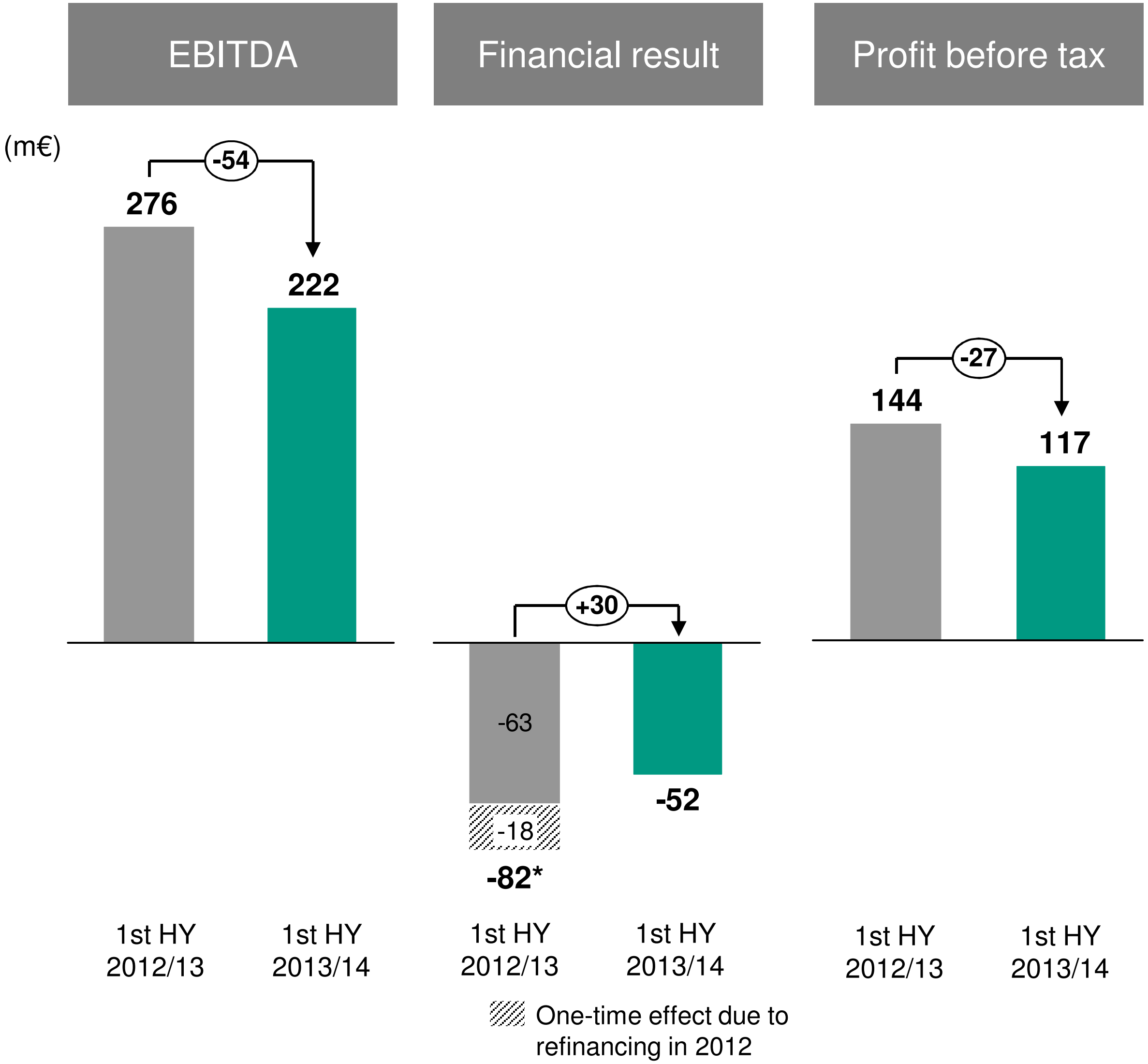


Comments

- **Personnel expenses** are stable compared to last year, as labor cost increases could be compensated by **higher operational productivity**.
- **Other operating expenses** have grown moderately, mainly due to **one-time costs** for the group-wide optimization initiative **PHOENIX *FORWARD*** as well as **higher transport costs** caused by the increased turnover.

The challenging market situation leads to a reduction in operating profit and profit before tax

PHOENIX group



Comments

- The **financial result** is positively influenced by the continuous **reduction of net debt** and the optimized **financing structure**.
- The negative effect from the income side is **not fully compensated** by the improvement in the financial result and leads to a **lower profit before tax.**

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

Agenda

Group Financials
1st Half-Year 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

PHOENIX group

Profit & Loss	1st HY 2012/13*		1st HY 2013/14		Delta	
	in m€	%	in m€	%	in m€	%
Net turnover	**10,518.8**	**100%**	**10,807.7**	**100%**	**288.9**	**2.7%**
Cost of goods sold	-9,437.8	-89.7%	-9,775.1	-90.4%	-337.4	3.6%
Gross profit	**1,081.1**	10.3%	**1,032.6**	**9.6%**	**-48.5**	**-4.5%**
Other operating income	74.2	0.7%	76.0	0.7%	1.8	2.5%
Personnel expenses	-535.3	-5.1%	-534.9	-4.9%	0.4	-0.1%
Other operative expenses	-345.2	-3.3%	-352.5	-3.3%	-7.2	2.1%
Result from associates and other invest.	1.7	0.0%	0.8	0.0%	-0.8	-50.6%
EBITDA	**276.4**	**2.6%**	**222.2**	**2.1%**	**-54.3**	**-19.6%**
Depreciations	-50.5	-0.5%	-53.3	-0.5%	-2.8	5.5%
Financial result	-81.9	-0.8%	-52.2	-0.5%	29.7	-36.2%
Profit before tax	**144.1**	**1.4%**	**116.7**	**1.1%**	**-27.4**	**-19.0%**
Income taxes total	-42.4	-0.4%	-37.7	-0.3%	4.8	-11.2%
Profit for the period	**101.7**	**1.0%**	**79.0**	**0.7%**	**-22.6**	**-22.3%**

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 approx. +6 m€ thanks to the reduced net debt and better financing conditions and +5 m€ due to the sale of financial assets
- The **profit before tax** is lower than previous year due to the missing gross profit
- The **tax rate** is at 32.3% compared to 29.3% in the previous year, mainly due to volatility of the Estimated Effective Tax Rate (EETR) approach of IAS 34. At the end of the fiscal year a tax rate in the range of the previous year is expected

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

PHOENIX group improves the financial result, once more

PHOENIX group

Financial result (in m€)	1st HY 2012/13**	1st HY 2013/14	Delta
Interest income	14.1	11.3	-2.8
Interest expenses	-78.3	-69.0	9.3
Interest result	**-64.2**	**-57.7**	**6.5**
Dissolution of transaction costs due to premature refinancing	-18.4	0.0	18.4
Other net financial result*	0.7	5.4	4.7
Financial result	**-81.9**	**-52.2**	**29.7**

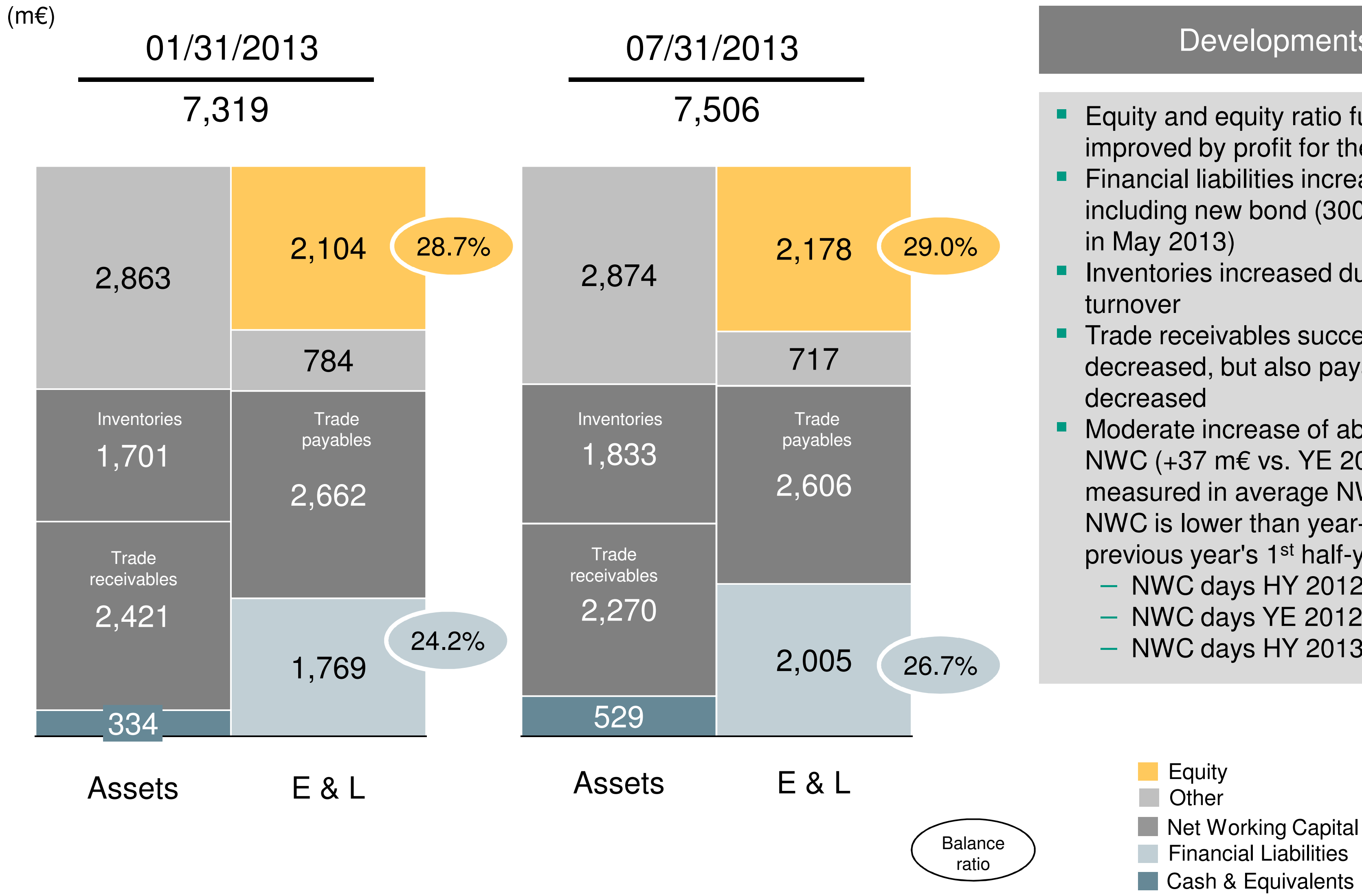
Developments

- Slight reduction of interest income
- Lower interest expenses are mainly driven by reduced debt and 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" as well as
- "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



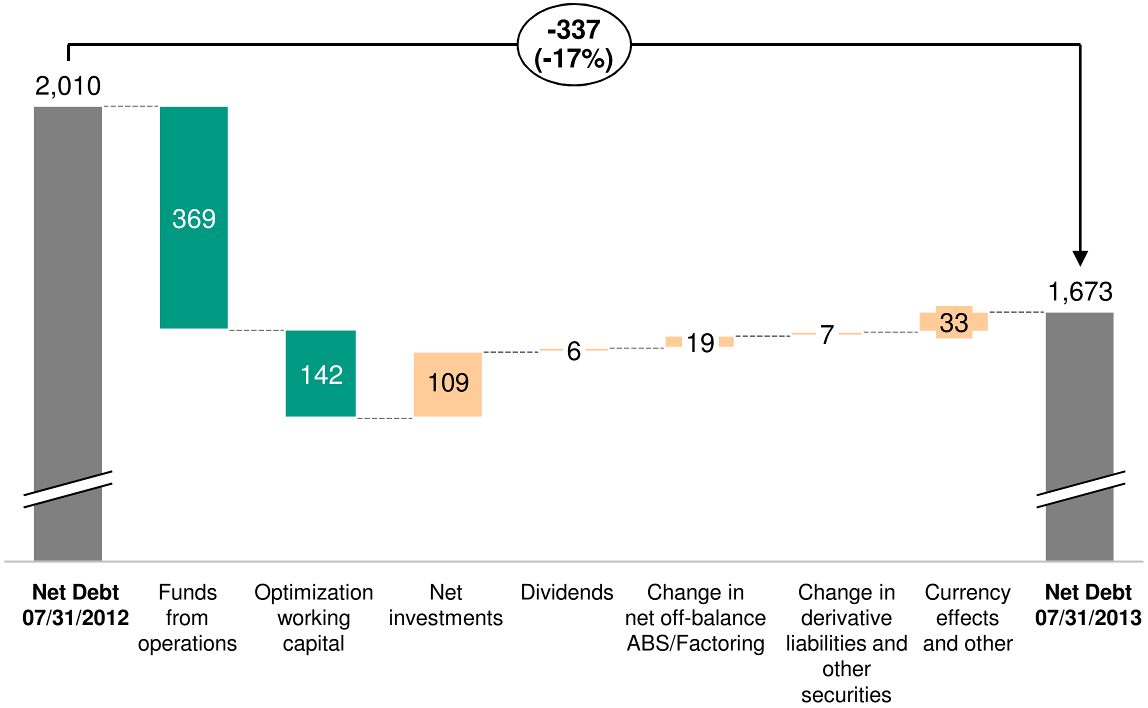
Developments

- Equity and equity ratio further improved by profit for the period
- Financial liabilities increased, including new bond (300 m€ placed in May 2013)
- Inventories increased due to higher turnover
- Trade receivables successfully decreased, but also payables decreased
- Moderate increase of absolute NWC (+37 m€ vs. YE 2012/13), measured in average NWC days, NWC is lower than year-end and previous year's 1st half-year:
  - NWC days HY 2012/13: 38.1
  - NWC days YE 2012/13: 37.5
  - NWC days HY 2013/14: 36.5

Significant net debt improvement from the 1st HY 2012/13 to the 1st HY 2013/14

PHOENIX group

(m€)



Developments

- Net debt reduction of 337 m€ achieved by significant funds from operations (cash flow before changes in working capital) and net working capital improvements
- Investments (mainly capex and pharmacy acquisitions) on a comparable level as in the previous year
- Slight increase in off-balance ABS/Factoring

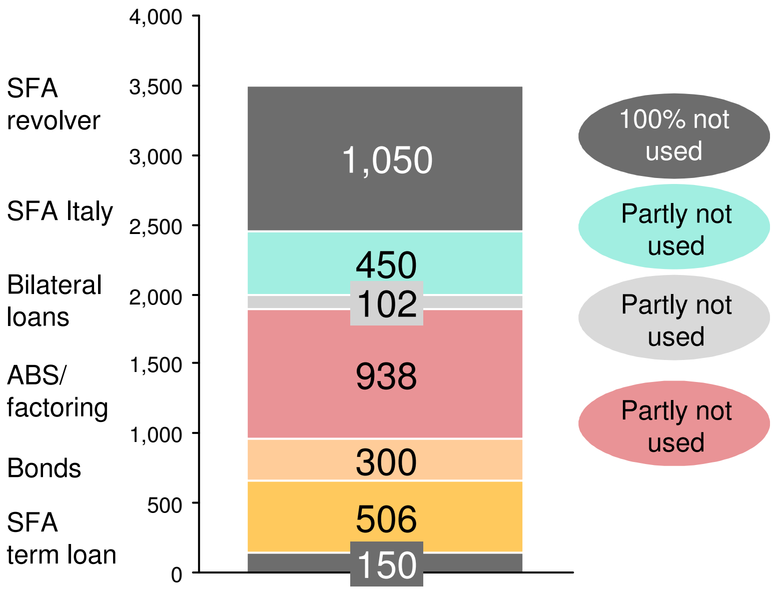
The new bond and the refinancing in Italy improve the maturity profile

PHOENIX group

Financial facilities and headroom

(m€)

09/15/2013

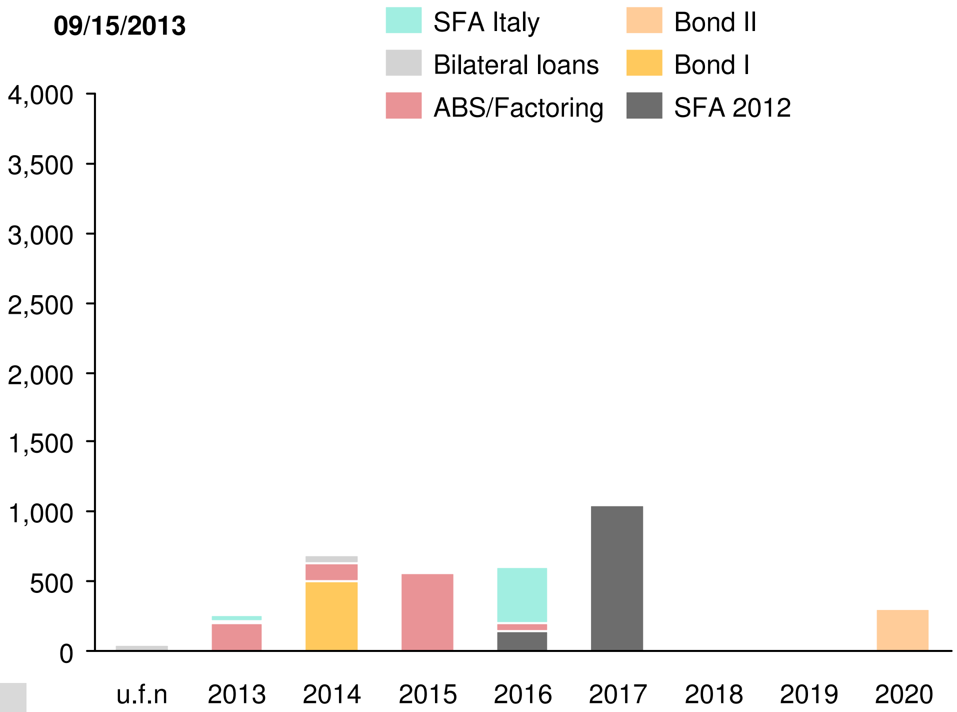


- Diversified financing structure and significant financial headroom
- Reduced financing requirements allows reduction of credit lines: Reduction of the SFA term loan by 150 m€ and new SFA in Italy (400 m€ in place since 08/2013; 50 m€ of old SFA in place till 12/31/2013)

Debt maturity profile

(m€)

09/15/2013



- The new bond (300 m€ till May 2020) and the new SFA Italy (400 m€ till 2016) significantly improve the maturity profile
- ABS/factoring extended to some parts

Refinancing Italy – new SFA

Targets	▪ Refinancing the existing SFA in Italy with a volume of 750 m€, expiring 12/31/2013 ▪ Securing the traditional low level of interest in Italy ▪ Adjustment of the credit volume to the optimized net working capital in Italy ▪ Continuing the good relationship with Italian banks in one of PHOENIX's largest markets
Key Facts	▪ Volume: 400 m€ ▪ Term: 3 years (08/2013 – 12/2016) ▪ Lenders: Syndicate of Italian banks

The active management of net working capital shows significant improvements

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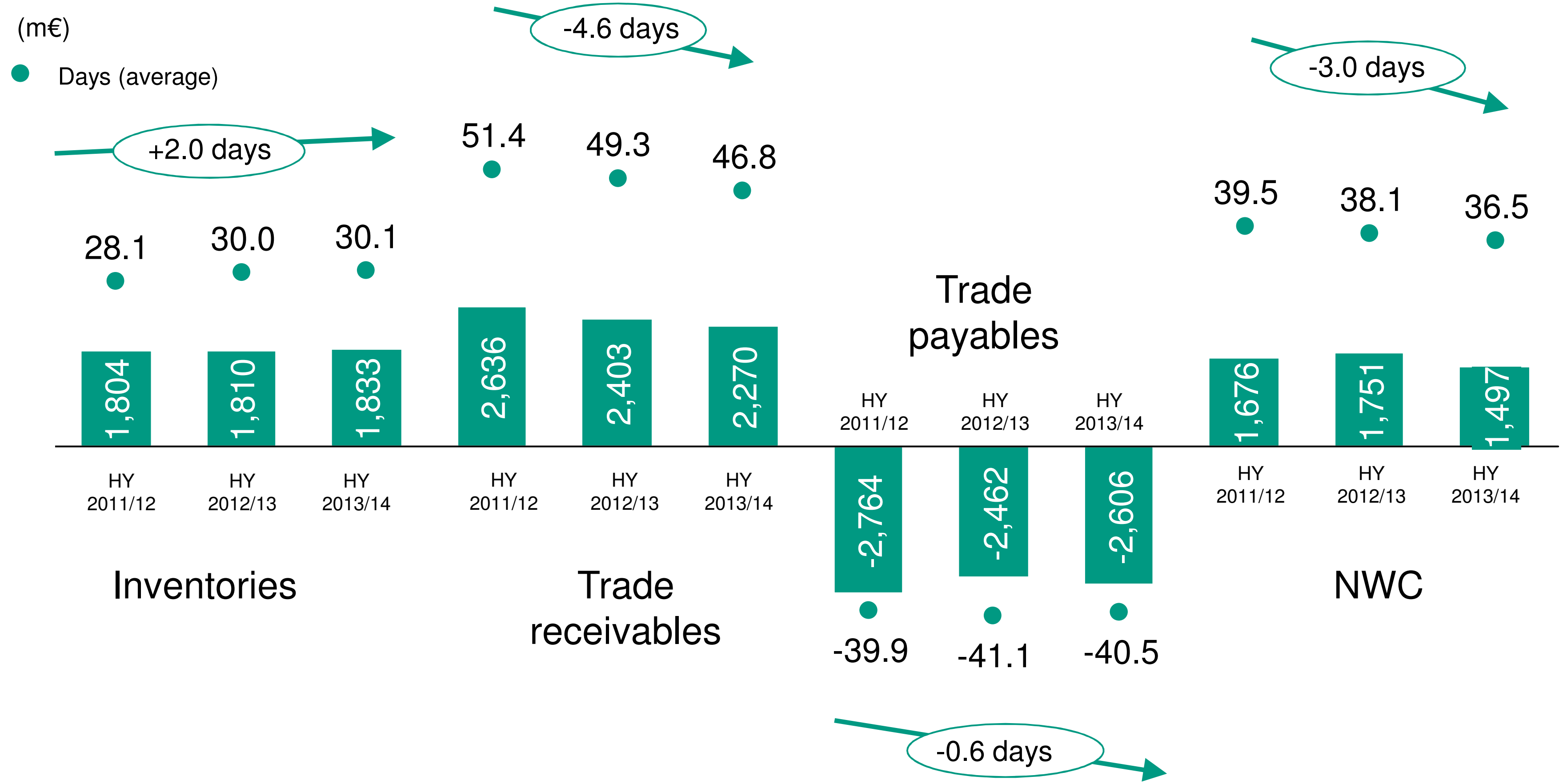
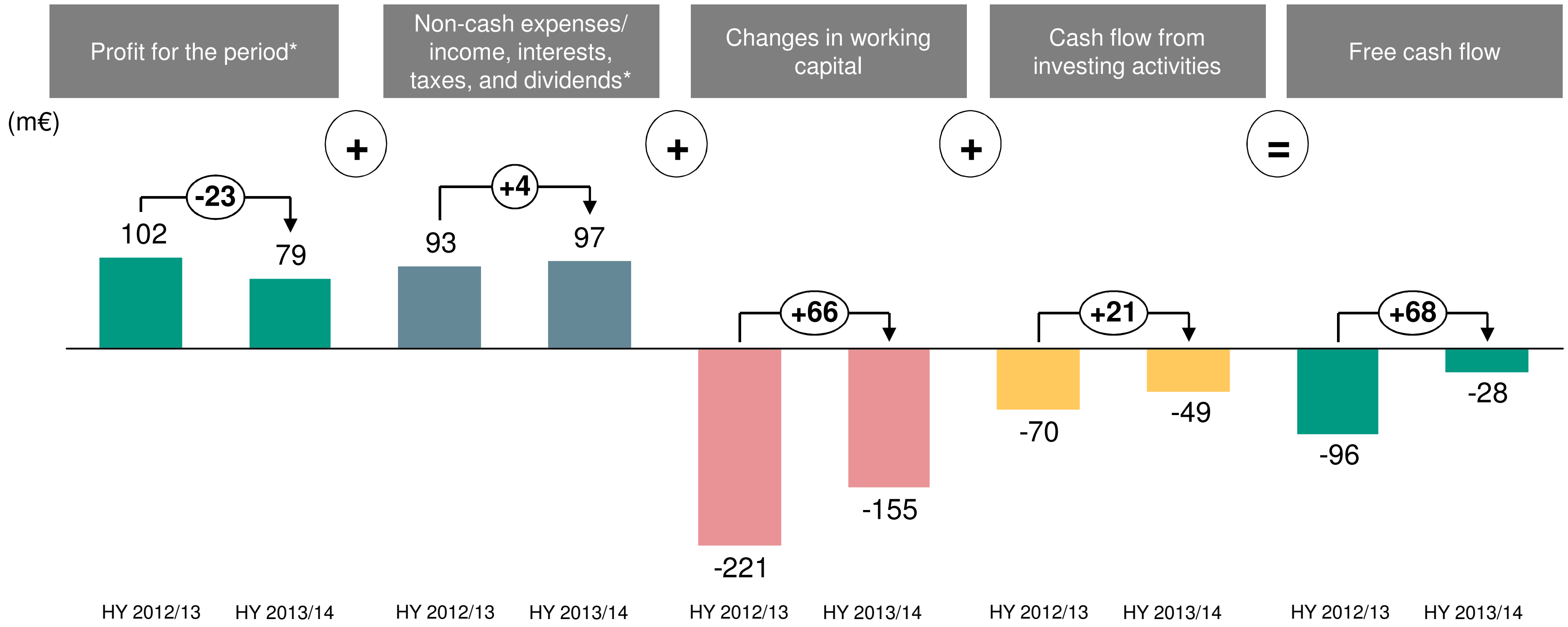


Key Achievements

- Slight increase in stock due to higher turnover
- Trade receivables decreased despite higher turnover
- Payables absolutely increased vs. previous year, day-wise slightly decreased
- 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 lower due to the lower level of EBITDA
- Smaller negative swing in working capital compared to previous year, due to a better level of payables. Overall, normal seasonal development in working capital, with increase of working capital in the 1st half-year and decrease in the 2nd half-year
- 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 1st half-year, the level of free cash flow has improved

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

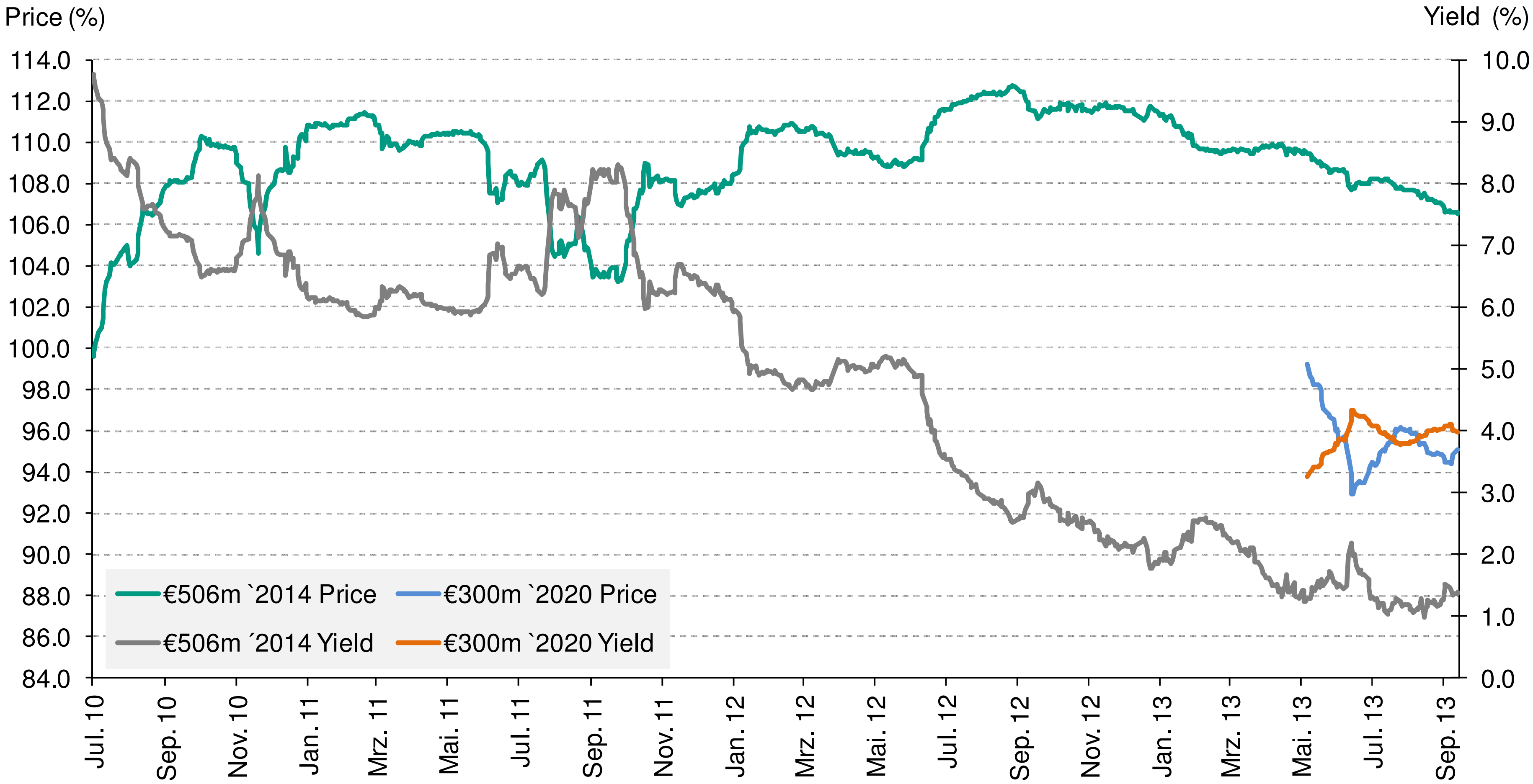
Summary: Development of key credit indicators

	01/31/2013	07/31/2013	Delta
Equity (in m€)	2,103.8	2,177.9	3.5%
Equity ratio	28.7%	29.0%	+0.3pp
Net debt (in m€)	1,611.5	1,673.3	3.8%
Gearing (Net debt/equity)	76.6%	76.8%	+0.2pp

	1st HY 2012/13	1st HY 2013/14	Delta
EBITDA (in m€)	276.4	222.2	-19.6%
EBITDA-margin	2.6%	2.1%	-0.5pp
Adjusted EBITDA (in m€)	288.2	232.2	-19.5%
Adj.-EBITDA-margin	2.7%	2.1%	-0.6pp
Net debt / adjusted EBITDA (LTM)	3.46	3.21	-7.2%
Interest coverage ratio ** (EBIT / Interest Expenses*)	2.9	2.4	-15.1%
Profit before tax (in m€) **	144.1	116.7	-19.0%
PBT-margin **	1.4%	1.1%	-0.3pp
Profit after tax (in m€) **	101.7	79.0	-22.3%
PAT-margin **	1.0%	0.7%	-0.3pp

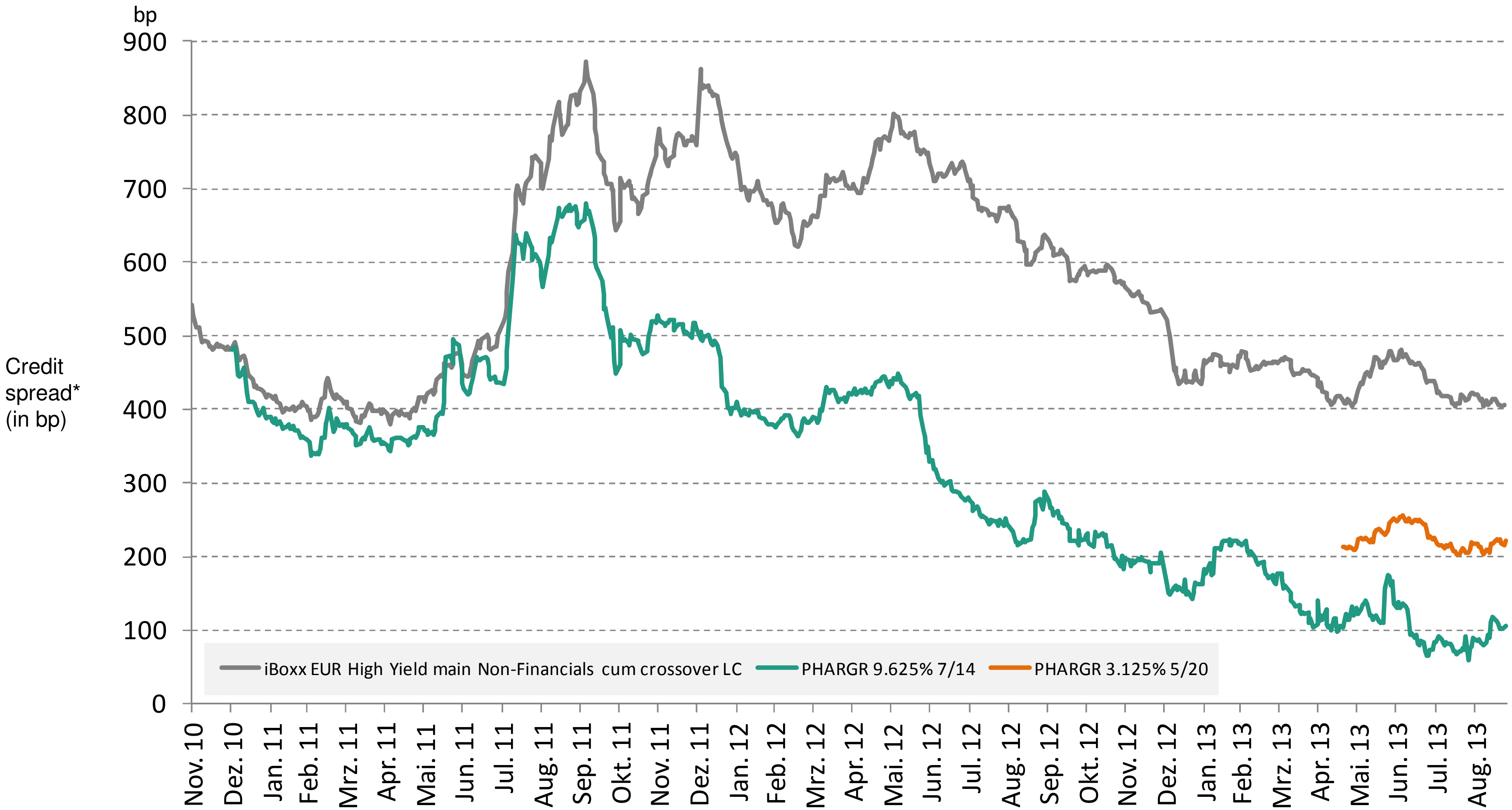
* Interest expenses excluding fx-effects and other financial expenses
** Prior year restated due to the first-time adoption of IAS 19R

Developments of PHOENIX' bonds



Source: Bloomberg, 09/24/2013

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



*Yield to maturity minus swap rate
Date 09/24/2013

Conservative and prudent financial policy

PHOENIX group

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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- Generally, we do not expect the pharmaceutical markets in Europe to record any growth in the fiscal year 2013/14
- Despite this current period of market weakness, we expect revenue to increase in 2013/14, especially due to Germany, where we anticipate a tangible increase in revenue in 2013/14 after reporting a decline in 2012/13
- With regard to EBITDA, we expect a decline in 2013/14 compared to 2012/13, which cannot be compensated by the improved financial result
- Significant positive effects from the PHOENIX FORWARD program will most likely arise as of fiscal year 2014/15

Financial calendar 2013/14

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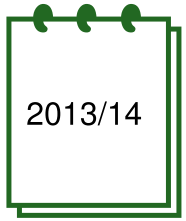
Reporting Event	Date
Results of the 3rd quarter 2013/14	Thursday, 12/19/2013



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