SIX-MONTHLY FINANCIAL REPORT FEBRUARY – JULY 2011

PHOENIX group

Wir bringen Gesundheit

- Based on the stable development of business in the first six months of the year, underscored position as a leading pharmaceuticals distributor in Europe
- Growth of European pharmaceuticals markets weakens
- Market position in Northern Italy strengthened with acquisition of Farcopa Distribuzione S.r.l. in the first quarter and Farmaceutici Signorini S.r.l. in the second quarter
- Pharmacy chain Lloyds Nederland BV successfully integrated in the first quarter
- Market position in Eastern Europe expanded further based on organic growth
- Adjusted EBITDA disproportionately increased by 1.7 %
- On 27 July 2011 rating agency Standard & Poor's upgraded the company's rating from B+ to BB- with continuing positive outlook

1st half year

EUR k	2010*	2011
Revenue	10,768,548	10,877,565
Gross profit	943,643	982,681
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	273,390	284,293
Adjusted EBITDA	293,551	298,419
Earnings before interest and taxes (EBIT)	226,088	237,420
Financial result	–109,838	–72,934
Profit before tax	116,250	164,486
Profit for the period	66,452	114,680

in TEUR	31 Jan 2011*	31 Jul 2011
Equity	1,761,143	1,814,442
Equity ratio	23.2 %	24.1 %
Net financial liabilities	2,176,588	2,183,866

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

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INTERIM GROUP MANAGEMENT REPORT

Business and economic environment

Development of the market

In the second quarter of 2011, the economy lost momentum slightly compared to the first quarter of 2011. Germany's real GDP grew only 2.8 % in the second quarter of 2011, which compares to an increase of 5.2 % in the first quarter of 2011. Real GDP also grew in the euro zone just 1.7 % in the second quarter of 2011, compared to an increase of 2.5 % in the first quarter of 2011. The debt situation in several euro zone countries created growing uncertainty in capital markets, as was evident from the higher risk premiums charged on the sovereign bonds of the countries concerned. Conditions in financial markets came to a head when the USA's credit rating was downgraded in August, giving rise to growing concern about the sustainability of the economic recovery.

PHOENIX is only indirectly affected by the European debt crisis in that efforts to consolidate budgets might lead to cuts in healthcare spending. In this regard, PHOENIX benefits from its broad geographical diversification, which reduces its dependence on individual national healthcare markets. In addition, PHOENIX is not active in most of the European countries currently considered critical.

In the period from January to July 2011, Germany's wholesale pharmaceuticals market, our biggest single market, grew by 0.3 % set against the same period of the prior year. The effects of AMNOG ["Gesetz zur Neuordnung des Arzneimittelmarktes in der gesetzlichen Krankenversicherung": German Act for the Restructuring of the Pharmaceutical Market in Statutory Health Insurance] which entered into force on 1 January 2011 were still evident. Owing to the intensity of competition, it was not possible yet for sales measures to fully compensate from an economic perspective for the burdens from the mandatory 0.85 % mark-down by the pharmaceuticals wholesalers on the manufacturer's sales price for prescription pharmaceuticals in the first half of 2011/12. We continue to make every effort to this end, however.

Developments in some other countries were also shaped by weaker market growth. Government healthcare measures in various countries posed a burden.

In this challenging environment, PHOENIX was able to underscore its position as a leading European pharmaceuticals trader. Apart from the supplementary acquisitions executed in Italy, this was primarily driven by organic growth, particularly in Eastern Europe.

Acquisitions, investments and joint ventures

As was the case in the prior year, we pursued a cautious acquisition strategy in the first half of fiscal 2011/12. In total, business combinations in the first six months of the year led to cash outflow of EUR 7.6m (prior year: EUR 5.7m).

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

The other business combinations in the first half of 2011/12 were immaterial and primarily concerned individual pharmacies in various countries as well as a step up of our investment in another regional wholesaler in Italy, from 40 % to 70 %.

In the first quarter, we successfully completed the integration of Lloyds Nederland BV as part of our joint venture in the Netherlands with Celesio, which was established in the prior year.

Results of operations, net assets and financial position

Results of operations

Revenue increased by 1.0 % to EUR 10,877.6m in the first half of 2011/12 (prior year: EUR 10,768.5m).

Gross profit increased by EUR 39.0m to EUR 982.7m. The gross profit margin also improved from 8.76 % to 9.03 %. This development was buoyed by the sales policy, which is still margin-oriented, an increase in higher-margin revenue in the service fees segment and an overall increase in the proportion of retail revenue – in particular due to the inclusion of the Lloyds group.

Other operating income remained practically unchanged.

Personnel expenses rose by EUR 32.2m to EUR 501.4m. At 4.61 %, the ratio of personnel expenses in relation to total operating performance exceeds the level in the comparative period for the prior year (4.36 %). The increase is mainly attributable to the inclusion of the Lloyds group in the Netherlands in the first half of 2011/12, which was not included in the prior-year period.

Other expenses decreased by EUR 8.1m to EUR 274.0m. The decrease is mainly attributable to lower additions to bad debt allowances. In addition, special expenses of EUR 7.8m were recorded in the first half of the prior year in connection with the successfully negotiated financial restructuring since August 2010.

Compared to the same period in the prior year, the investment result was down EUR 3.4m to EUR 0.4m. In the prior-year period, this contained a dividend payment from an investment that was sold in the course of fiscal year 2010/11.

Overall, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by EUR 10.9m to EUR 284.3m.

Adjusted EBITDA as defined in the bond issued in July 2010 increased by EUR 4.9m to EUR 298.4m and breaks down as follows:

EUR k	1st half year 2010	**1st half year 2011**
EBITDA	273,390	284,293
Interest from customers	9,868	12,018
Cost of financial restructuring	7,776	0
Factoring fees	2,517	2,108
Adjusted EBITDA	**293,551**	**298,419**

Amortisation and depreciation remained virtually unchanged.

Earnings before interest and taxes (EBIT) rose by 5.0 % to EUR 237.4m accordingly.

The financial result improved by EUR 36.9m to EUR -72.9m. The improvement is chiefly a consequence of the expiry of the standstill agreement. Special expenses of EUR 37.0m were recorded in the first half of the prior year in connection with the standstill agreement.

In the prior year, profit before tax was affected by the special expenses in connection with the financial restructuring, successfully negotiated in the prior fiscal year. Adjusted for these special effects, profit before tax breaks down as follows:

EUR k	1st half year 2010	**1st half year 2011**
Profit before tax	116,250	164,486
Cost of financial restructuring	45,828	0
Profit before tax (adjusted)	**162,078**	**164,486**

Adjusted profit before tax increased by EUR 2.4m to EUR 164.5m.

It was possible to reduce the effective tax rate for the Group by 12.5 percentage points to 30.3 %. In the prior year, it was not possible to fully deduct interest expenses from taxes owing to the interest limitation rule.

The profit for the period increased by EUR 48.2m to EUR 114.7m. Of this amount, EUR 105.9m (prior year: EUR 64.2m) is attributable to the partners of the parent company and EUR 8.8m (prior year: EUR 2.3m) to non-controlling interests.

Net assets

The Group's total assets decreased by EUR 62.8m to EUR 7,519.4m compared to 31 January 2011. The material decrease in total assets was attributable to reduction of cash regarding the settlement of non-current liabilities.

Non-current liabilities increased by EUR 60.8m to EUR 2,490.9m compared to 31 January 2011. The increase is mainly attributable to the rise in property, plant and equipment in connection with a finance lease contract and the rise in deferred tax assets. Intangible assets contain goodwill of EUR 1,218.5m (31 January 2011: EUR 1,201.9m).

Inventories rose by 14.5 % to EUR 1,804.0m in response to seasonal fluctuations and changes made to the consolidated group.

Trade receivables rose by 1.5 % to EUR 2,636.2m. The increase is primarily attributable to changes in the consolidated group. The amount of receivables sold under ABS and factoring programmes and reported as off-balance-sheet items or accounted for to the extent of the continuing involvement came to EUR 435.9m (31 January 2011: EUR 477.6m).

Other current receivables and financial assets decreased from EUR 212.0m as of 31 January 2011 to EUR 167.7m. This mainly results from a change in the consolidated group as well as lower collateral pledges in connection with ABS and factoring programmes.

Other current assets increased from EUR 72.0m as of 31 January 2011 to EUR 99.3m, due to higher demands towards suppliers and higher prepayments.

The decrease in cash and cash equivalents from EUR 575.0m to EUR 215.0m is related to the decrease in non-current liabilities.

Financial position

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

Cash flow from operating activities came to EUR 69.2m (31 July 2010: cash outflow of EUR 5.8m); the improvement is primarily due to the higher profit for the period as well as due to reduced increase in working capital.

Cash flow used in investing activities came to EUR 40.4m. In the comparative period, cash flow used in investing activities came to EUR 36.8m. The increase is mainly attributable to the higher payments made for items of property, plant and equipment.

At EUR 28.8m, free cash flow is thus up EUR 71.4m on the prior year.

Non-current financial liabilities came to EUR 1,342.5m, down EUR 291.4m compared to 31 January 2011. In the first half of 2011/12 EUR 115m of the syndicated loan obtained in the prior year were repaid after the repayment of EUR 200m in January 2011. In addition, a partial amount of EUR 200m was converted into a line of credit in January 2011 that had not been drawn as of 31 July 2011. Due to a finance lease agreement, non-current lease liabilities increased by EUR 22.5m. Non-current financial liabilities include a bond amounting to EUR 480.0m (31 January 2011: EUR 487.8m) and supplementary contributions of EUR 135.0m (31 January 2011: EUR 135.0m) additionally.

Current financial liabilities decreased by EUR 22.6m to EUR 840.3m. This is due to a decrease in current loans.

Current financial liabilities include among other things liabilities to banks of EUR 326.6m (31 January 2011: EUR 289.7m), liabilities from ABS and factoring agreements of EUR 267.2m (31 January 2011: EUR 262.6m) and other loans amounting to EUR 101.3m (31 January 2011: EUR 167.5m).

Trade payables increased by EUR 186.8m to EUR 2,763.5m owing to an increase in inventories.

Other liabilities fell from EUR 251.6m as of 31 January 2011 to EUR 215.0m. This decrease is mainly attributable to the lower amount of taxes withheld.

The objective of financial management is to continuously improve the capital structure by reducing the gearing ratio. 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 was able to underscore its position in the first half of the fiscal year 2011/12 as one of the leading pharmaceuticals traders in Europe and reported a stable business performance.

Subsequent events

On 1 August 2011 rating agency Moody's upgraded the company's outlook from "stable" to "positive".

On 5 August 2011, we sold Imgroma BV, a marketing and sales company for OTC products in the Netherlands, in the course of consolidating our investment portfolio. The company is not of material importance for the Group.

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 year 2010/11.

The risks presented there are still essentially relevant.

Forecast

In view of the growing efforts to consolidate budgets in several European countries, further cost cutting can be expected in the healthcare sector, which can burden growth in pharmaceuticals markets. We therefore do not anticipate a short-term acceleration in market growth. The fierceness of competition in various countries, especially in Germany as a result of AMNOG and in France, also poses a challenge for the further development in fiscal year 2011/12.

We still expect our revenue growth to slightly outpace the market in the fiscal year 2011/12. At the level of adjusted EBITDA, we still expect to exceed the 2010/11 level in the fiscal year 2011/2012 despite the modest growth of European pharmaceuticals markets at present. The development of market conditions in Germany going forward together with the competitive situation in France and the remuneration rules for pharmacies in the UK will be of key significance here.

For 2011/12, we plan to invest more in property, plant and equipment than in the prior year, especially due to the expansion of a wholesale branch office in Northern Europe.

Following the significant reduction in fiscal year 2010/11, we still expect to cut our net financial liabilities further in fiscal year 2011/12.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement for the first half of 2011/12

EUR k	2nd quarter 2010*	**2nd quarter 2011**	1st half year 2010*	**1st half year 2011**
Revenue	**5,387,688**	**5,480,272**	**10,768,548**	**10,877,565**
Cost of purchased goods and services	–4,906,155	–4,982,796	–9,824,905	–9,894,884
Gross profit	**481,533**	**497,476**	**943,643**	**982,681**
Other operating income	32,253	38,550	75,683	75,335
Personnel expenses	–239,942	–250,690	–469,211	–501,439
Other operating expenses	–131,875	–138,562	–282,060	–273,999
Results from associates	1,070	1,076	1,560	1,300
Result from other investments	–61	167	3,775	415
Earnings before interest, taxes depreciation and amortisation (EBITDA)	**142,978**	**148,017**	**273,390**	**284,293**
Amortisation of intangible assets and depreciation of property, plant and equipment	–24,950	–23,494	–47,302	–46,873
Earnings before interest and taxes (EBIT)	**118,028**	**124,523**	**226,088**	**237,420**
Interest and similar income	31,375	59,590	58,014	113,120
Interest and similar expenses	–100,370	–96,602	–167,806	–184,380
Other financial result	87	–204	–46	–1,674
Financial result	**–68,908**	**–37,216**	**–109,838**	**–72,934**
Profit before tax	**49,120**	**87,307**	**116,250**	**164,486**
Income taxes	–26,428	–26,282	–49,798	–49,806
Profit for the period	**22,692**	**61,025**	**66,452**	**114,680**
thereof attributable to non-controlling interests	2,116	4,846	2,296	8,787
thereof attributable to partners of the parent company	**20,576**	**56,179**	**64,156**	**105,893**

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

Statement of comprehensive income for the first half of 2011/12

EUR k	2nd quarter 2010*	**2nd quarter 2011**	1st half year 2010*	**1st half year 2011**
Profit for the period	**22,692**	**61,025**	**66,452**	**114,680**
Actuarial gains and losses from pension obligations	–2,518	–41,450	–1,373	–50,348
thereof income tax	919	15,122	501	18,368
Gains/losses from changes in the fair value of available-for-sale financial assets	–5,543	–1,484	–5,755	–1,718
Currency translation differences	11,975	722	26,098	–7,079
Other comprehensive income, net of taxes	**3,914**	**–42,212**	**18,970**	**–59,145**
Total comprehensive income	**26,606**	**18,813**	**85,422**	**55,535**
thereof attributable to non-controlling interests	2,160	–1,897	2,690	2,808
thereof attributable to partners of the parent company	**24,446**	**20,710**	**82,732**	**52,727**

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

Consolidated statement of financial position as of 31 July 2011

EUR k	31 Jan 2011*	31 Jul 2011
Non-current assets		
Intangible assets	1,540,719	1,551,197
Property, plant and equipment	734,628	761,656
Investment property	0	5,428
Investments in associates	23,741	25,319
Other financial assets	70,031	66,947
Deferred tax assets	56,609	76,289
Other non-current assets	282	0
Income tax receivables	4,052	4,052
	2,430,062	**2,490,888**
Current assets		
Inventories	1,575,963	1,804,047
Trade receivables	2,596,177	2,636,157
Income tax receivables	16,071	12,465
Other receivables and other current financial assets	212,048	167,740
Other assets	71,952	99,272
Cash and cash equivalents	575,001	214,953
	5,047,212	**4,934,634**
Non-current assets classified as held for sale	104,903	93,850
Total assets	**7,582,177**	**7,519,372**

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

Consolidated statement of financial position as of 31 July 2011

EUR k	31 Jan 2011*	31 Jul 2011
Equity		
Unlimited and limited partners' capital	1,050,000	1,050,000
Reserves	663,574	768,753
Other comprehensive income	–137,432	–190,598
Non-controlling interests	185,001	186,287
	1,761,143	**1,814,442**
Non-current liabilities		
Financial liabilities	1,633,905	1,342,526
Provisions for pensions and similar obligations	194,511	259,517
Deferred tax liabilities	125,974	121,180
Other non-current liabilities	435	480
	1,954,825	**1,723,703**
Current liabilities		
Financial liabilities	862,921	840,340
Trade payables	2,576,711	2,763,506
Other provisions	32,816	26,560
Income tax liabilities	89,973	91,442
Other liabilities	251,554	215,000
	3,813,975	**3,936,848**
Liabilities directly associated with assets classified as held for sale	52,234	44,379
Total equity and liabilities	**7,582,177**	**7,519,372**

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

Statement of changes in equity for the first half of 2011/12

Statement of changes in equity	Unlimited and limited partners' capital	Reserves
1 February 2010	**500,000**	**567,428**
Applying the OCI approach for pension obligations		12,729
Restated as of 1 February 2010	**500,000**	**580,157**
Profit for the period		64,156
Other comprehensive income		0
Total comprehensive income, net of tax	**0**	**64,156**
Changes in consolidation group		–1,776
Dividends		0
31 July 2010	**500,000**	**642,537**
1 February 2011	**1,050,000**	**653,987**
Applying the OCI approach for pension obligations		9,587
Restated as of 1 February 2011	**1,050,000**	**663,574**
Profit for the period		105,893
Other comprehensive income		0
Total comprehensive income, net of tax	**0**	**105,893**
Changes in consolidation group		–714
Dividends		0
31 July 2011	**1,050,000**	**768,753**

Currency translation differences	IAS 39 Available-for-sale financial assets	Actuarial gains and losses	**Equity attributable to partners**	**Non-controlling interests**	**Total equity**
–103,261	**37,120**	**0**	**1,001,287**	**111,210**	**1,112,497**
661		–43,715	–30,325	–826	–31,151
–102,600	**37,120**	**–43,715**	**970,962**	**110,384**	**1,081,346**
			64,156	2,296	66,452
25,537	–5,620	–1,341	18,576	394	18,970
25,537	**–5,620**	**–1,341**	**82,732**	**2,690**	**85,422**
			–1,776	–465	–2,241
			0	–1,659	–1,659
–77,063	**31,500**	**–45,056**	**1,051,918**	**110,950**	**1,162,868**
–82,077	**12,304**	**0**	**1,634,214**	**187,536**	**1,821,750**
–1,853		–65,806	–58,072	–2,535	–60,607
–83,930	**12,304**	**–65,806**	**1,576,142**	**185,001**	**1,761,143**
			105,893	8,787	114,680
–7,269	–1,678	–44,219	–53,166	–5,979	–59,145
–7,269	**–1,678**	**–44,219**	**52,727**	**2,808**	**55,535**
			–714	430	–284
			0	–1,952	–1,952
–91,199	**10,626**	**–110,025**	**1,628,155**	**186,287**	**1,814,442**

Consolidated statement of cash flows for the first half of 2011/12

	EUR k	31 Jul 2010*	31 Jul 2011
Profit for the period*		**66,452**	**114,680**
+/-	Write-downs/write-ups of non-current assets	47,302	46,873
-/+	Gain/loss from the disposal of non-current assets	–2,079	–4,362
+/-	Increase/decrease in non-current provisions	493	1,446
+/-	Other non-cash expenses/income *	30,029	12,987
+	Interest result	69,193	70,179
+	Taxes	49,798	49,806
-	Interest paid	–72,060	–88,818
+	Interest received	14,342	16,499
-	Income taxes paid	–55,223	–50,450
+	Dividends received	7,917	219
Result before change in working capital		**156,164**	**169,059**
Changes in working capital **		**–161,949**	**–99,895**
Cash inflow (+)/outflow (-) from operating activities		**–5,785**	**69,164**
-	Cash paid for the purchase of consolidated companies and business units	–5,735	–7,614
+	Cash received from the sale of consolidated companies and business units	711	3,516
+	Cash received from disposals of non-current assets	8,299	15,975
-	Cash paid for investments in non-current assets	–41,535	–52,241
+	Cash received from securities and financial assets	1,474	0
Cash inflow (+)/outflow (-) from investing activities		**–36,786**	**–40,364**
Cash available for financing activities		**–42,571**	**28,800**
-	Payments to non-controlling interests (dividends)	–1,318	–1,582
+/-	Increase/decrease in ABS/factoring liabilities	96,961	4,184
+/-	Increase/decrease in loans to partners in the parent company	–62,976	0
+	Cash received from the issue of bonds and loans	571,949	71,325
-	Cash repayments of bonds and loans	–166,192	–464,375
+/-	Increase/decrease in finance lease liabilities **	–1,813	–1,478
Cash inflow (+)/outflow (-) from financing activities		**436,611**	**–391,926**
Change in cash and cash equivalents		**394,040**	**–363,126**
Cash and cash equivalents at the beginning of the period		**396,716**	**578,713**
Exchange rate effect on cash and cash equivalents		3,839	180
Cash and cash equivalents at the end of the period		**794,595**	**215,767**

* Prior-year figures were restated due to first-time adoption of IAS 19.93A.
** The reporting item „increase/decrease in finance lease liabilities“ was added in the fiscal year. The prior-year figures were restated accordingly.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The company

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, (“PHOENIX” or the “Group”) is a European pharmaceuticals trading group. PHOENIX operates wholesale distribution centres in 23 European countries. In several countries, PHOENIX also operates pharmacy chains of its own. The registered office is located in Mannheim, Germany.

Basis of presentation

The interim condensed consolidated financial statements of PHOENIX as of 31 July 2011 are prepared on the basis of IAS 34 “Interim Financial Reporting” observing all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, and mandatory as of 31 July 2011, as well as all mandatory interpretations of the International Financial Reporting Standards Interpretation Committee (IFRS IC).

The interim condensed consolidated financial statements as of 31 July 2011 of PHOENIX were released for publication by the management of PHOENIX Pharmahandel GmbH & Co KG on 30 August 2011.

Significant accounting policies

The accounting policies used to prepare the interim condensed consolidated financial statements are essentially consistent with those used in the consolidated financial statements as of 31 January 2011. Any differences are explained below.

Pension provisions

Beginning in fiscal 2011/12, PHOENIX changed the accounting policy for pension provisions by electing to exercise the option in IAS 19.93A. Accordingly, actuarial gains and losses are immediately recognised in other comprehensive income in the period in which they occur. PHOENIX is of the opinion that the immediate recognition of all actuarial gains and losses provides a better view of net assets in that hidden reserves or burdens are disclosed such that the financial statements convey more relevant information. The comparative figures were restated accordingly.

The change in accounting policy had the following effects on the profit for the period, the Group’s equity and the pension provisions of the comparative period:

- Profit for the period
  Personnel expenses in the first half of 2010/11 decreased by EUR 1,930k the amount previously expensed for the amortisation of actuarial gains and losses and reductions pursuant to IAS 19.58(b). Income tax expenses of EUR 492k are allocable to this, resulting in a total effect of EUR 1,438k on the profit for the period.

- Group equity and pension provisions
  Offsetting actuarial gains and losses led to a EUR 82,536k increase in pension provisions as of 31 January 2011. Taxes of EUR 21,929k are allocable to this, resulting in a EUR 60,607k decrease in the Group's equity.

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

IAS 24 Related Party Disclosures

The amended version of IAS 24 contains a revised definition of related parties and an exemption from some disclosures on transaction with related parties for government-related entities. The revised definition of related parties has no significant effects on PHOENIX's disclosure requirements.

Improvements to IFRSs (April 2009)

The Improvements to International Financial Reporting Standards issued by the IASB in May 2010 mainly contain clarifications and exemptions. First-time adoption did not result in any significant effects for the interim consolidated financial statements.

None of the following IASB pronouncements or changes to the pronouncements mandatory for fiscal years beginning on 1 February 2011 had a significant effect on the consolidated financial statements of PHOENIX:

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

Business combinations in the first six months of 2011/12

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

In fiscal year 2011/12, the cumulative profit for the period of the acquirees came to EUR –232k. 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 107,294k. Assuming that the acquisition date coincides with the beginning of the reporting period for all business combinations, the accumulated loss for the period came to EUR 1,867k.

With the exception of one acquisition in Italy, the business combinations performed in the first half of 2011/12 were individually immaterial and mainly related to certain pharmacies in the northern and western European regions and to a wholesaler in Italy.

The table on the next page shows a summary of their fair values.

Fair value recognised on acquisition

EUR k	Farcopa Distribuzione Srl	Other	Total
Cash	1,200	8,286	9,486
Equity instruments	1,110	0	1,110
Total aquisition costs	**2,310**	**8,286**	**10,596**
Intangible assets	131	8,496	8,627
Property, plant and equipment	135	574	709
Financial assets	659	3,607	4,266
Deferred tax assets	0	269	269
Inventories	14,452	4,850	19,302
Current receivables	34,016	9,745	43,761
Other assets	2,163	3,556	5,719
Cash and bank balances	182	1,205	1,387
Assets	**51,738**	**32,302**	**84,040**
Non-current provisions	1,150	7	1,157
Non-current liabilities	0	948	948
Deferred tax liabilities	0	478	478
Current provisions	1	150	151
Current liabilities	57,989	31,935	89,924
Liabilities	**59,140**	**33,518**	**92,658**
Net assets	–7,402	–1,216	–8,618
Non-controlling interests	–2,961	–932	–3,893
Net assets acquired	**–4,441**	**–284**	**–4,725**
Bargain purchase	**0**	**–34**	**–34**
Goodwill	**6,751**	**8,604**	**15,355**

Cash outflow owing to business combination

EUR k	Farcopa Distribuzione Srl	Other	Total
Cash aquired with the subsidiary	182	1,205	1,387
Cash paid	–1,200	–7,374	–8,574
Actual cash inflow/outflow	**–1,018**	**–6,169**	**–7,187**

Farcopa Distribuzione Srl

On 15 April 2011, Comifar SpA acquired 60 % of the voting shares in Farcopa Distribuzione Srl, which has wholesale activities in Italy. It is expected that PHOENIX will decisively strengthen its market position in the region through the acquisition.

The fair value of the issued equity interest was determined using market pricing models.

Anticipated synergies essentially account for the goodwill.

The goodwill from this business combination was allocated to the Italian cash-generating unit.

The fair value of current receivables contains trade receivables with a fair value of EUR 34,016k. The gross amount of the trade receivables past due amounts to EUR 34,638k, of which EUR 622k is expected to be uncollectible.

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

Other business combinations

In the first half of 2011/12, the Group acquired further pharmacies in business combinations and additional shares in a wholesaler that are individually immaterial.

The goodwill arising on those acquisitions was allocated to the cash-generating units Czech Republic (EUR 597k), Switzerland (EUR 700k), United Kingdom (EUR 1,443k), the Netherlands (EUR 1,823k), Norway (EUR 1,971k) and Italy (EUR 2,070k) and is managed in the local functional currencies (CZK, CHF, GBP, EUR and NOK).

EUR 701k of the goodwill recognised from business combinations is expected to be tax deductible.

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

Because of preliminary data, some assets and liabilities couldn't be finally valued at balance sheet date.

Other operating expenses

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

Other operating expenses contain expenses in connection with ABS and factoring programmes of EUR 2,108k (comparative period: EUR 2,517k).

Contrary to the first half of 2011/12, in the first half of prior year expenses in connection with the financial restructuring of the PHOENIX Group of EUR 7,776k were recognised.

Financial result

EUR k	1st half year 2010	**1st half year 2011**
Interest and similar income		
Interest income	28,107	16,879
Exchange gains	11,310	57,423
Other financial income	2,353	573
Income from changes in value of derivatives	16,249	38,245
	58,019	**113,120**
Interest and similar expenses		
Interest expenses	–97,300	–87,058
Exchange losses	–22,307	–59,284
Other financial expenses	–42,295	–2,715
Expenses from changes in value of derivatives	–5,909	–35,323
	–167,811	**–184,380**
Other financial result	**–46**	**–1,674**
Financial result	**–109,838**	**–72,934**

Interest income contains interest from customers of EUR 12,018k (comparative period: EUR 9,868k). Furthermore interest income contained interest from a related party of EUR 13,372k in the first half of 2010/11.

In the first half of the prior year, other financial expenses contained non-recurring effects of EUR 1,044k in connection with the refinancing. In the first half of the prior year, this item also contained expenses of EUR 37,008k relating to the financing covered by the standstill agreement. Of this, a total of EUR 17,313k pertained to the premature termination of this financing.

Set against the prior year comparative period, exchange gains and losses increased in the first half of the current fiscal year owing to the changes made to intercompany financing in the second half of fiscal 2010/11 which was almost set off by the effects from derivates.

Other financial income and financial expenses 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.

Other assets and other liabilities

EUR k	31 Jan 2011	**31 Jul 2011**
Prepayments	37,073	44,447
Tax claims - VAT and other taxes	7,771	14,293
Sundry assets	27,108	40,532
Other assets	**71,952**	**99,272**

EUR k	31 Jan 2011	**31 Jul 2011**
VAT and other tax liabilities	65,627	49,352
Wages and salaries	62,552	60,547
Personnel-related provisions	46,686	33,229
Liabilities relating to social security/similar charges	15,927	16,221
Prepayments received	4,853	4,527
Sundry liabilities	55,909	51,124
Other liabilities	**251,554**	**215,000**

Other financial assets and other liabilities

non-current financial assets

EUR k	31 Jan 2011	**31 Jul 2011**
Available-for-sale financial assets	43,156	44,670
Loans to and receivables from associates	11,361	10,321
Other loans	14,160	10,745
Other non-current financial assets	1,354	1,211
	70,031	**66,947**

current financial assets

EUR k	31 Jan 2011	**31 Jul 2011**
Trade receivables	2,596,177	2,636,157
Other financial assets		
Held-to-maturity financial assets	60	58
Zur Veräußerung verfügbare finanzielle Vermögenswerte	0	37
Loans to and receivables from associates or related parties	21,227	2,263
Other loans	48,923	41,466
Derivative financial instruments	6,720	2,499
Other current financial assets	135,118	121,417
	212,048	**167,740**

As of 31 July 2011, trade receivables include receivables sold in the course of factoring and ABS transactions which do not meet the criteria for derecognition set forth in IAS 39. These receivables are recognised at their original carrying amount of EUR 282,688k (31 January 2011: EUR 283,961k); the associated financial liabilities come to EUR 249,897k (31 January 2011: EUR 246,575k). Receivables sold in the course of factoring and ABS transactions and which meet the criteria for derecognition under IAS 39 and are therefore not included in the statement of financial position amount to EUR 129,304k (31 January 2011: EUR 139,346k). The carrying amount of trade receivables recognised at the amount of the obligation arising from continuing involvement came to EUR 306,568k, with the continuing involvement accounting for EUR 16,455k (31 January 2011: EUR 338,227k with a continuing involvement of EUR 15,094k). The corresponding financial liabilities come to EUR 17,298k (31 January 2011: EUR 15,984k) and are also recognised as securitised loans. Retained collateral of EUR 53,610k (31 January 2011: EUR 66,508k) under securitisation and factoring transactions is subject to the same risks as unsold receivables, i.e., default risk and risk of late payment.

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

Financial liabilities (non-current)

EUR k	31 Jan 2011	**31 Jul 2011**
Liabilities to banks	1,007,917	700,578
Bonds	487,793	479,989
Loans	623	598
Supplementary partner contribution	135,032	135,032
Other financial liabilities	2,540	26,329
	1,633,905	**1,342,526**

Financial liabilities (current)

EUR k	31 Jan 2011	**31 Jul 2011**
Liabilities to banks	289,729	326,590
Loans	167,464	101,250
Liabilities to associates and related parties	46,010	40,563
Liabilities and provisions for customer rebates and bonuses	28,505	28,928
ABS and factoring liabilities and payables	262,559	267,195
Other financial liabilities	68,654	75,814
	862,921	**840,340**

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

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

Shares in significant group entities and certain German bank accounts in a total of EUR 32,564k (31 January 2011: EUR 150,109k) have been pledged as collateral.

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

Liabilities to associates and related parties include current loan liabilities to partners of EUR 33,078k (31 January 2011: EUR 37,740k).

Other financial liabilities (current) comprise current derivative financial instruments of EUR 14,727k (31 January 2011: EUR 5,628k).

Non-current assets held for sale

Non-current assets held for sale essentially contain the assets and liabilities of PHOENIX Pharma Polska. The sale is expected to be concluded in the course of fiscal 2011/12.

A building classified as held for sale as of 31 January 2011 was reclassified to investment property.

Exchange differences of EUR -430k are recorded directly in equity (31 January 2011: EUR -1,944k); these relate to assets classified as held for sale.

Commitments and contingent liabilities

Compared to 31 January 2011, commitments fell by EUR 20,278k to EUR 452,359k. This mainly reflects the changes in volumes of goods ordered.

PHOENIX recorded contingent liabilities for warranties of EUR 114,083k as of 31 July 2011 (31 January 2011: EUR 115,805k).

Notes to the statement of cash flows

Restricted cash

EUR k	31 Jan 2011	**31 Jul 2011**
Cash and cash equivalents at the end of the period	**578,713**	**215,767**
thereof restricted		
due to security deposits	36,138	15,534
due to restrictions on disposal of foreign subsidiaries	4,682	5,125

A partial amount of EUR 814k (31 January 2011: EUR 3,712k) of the cash and cash equivalents was allocated to a disposal group and disclosed under non-current assets held for sale.

Related party disclosures

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

Mannheim, 30 August 2011
Management of the unlimited partner
PHOENIX Verwaltungs GmbH

Financial calendar 2011/12

29st September 2011	Six-Monthly Report February to July 2011
21st December 2011	Quarterly Report February to October 2011

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The text of the annual report applies equally to both women and men. Any exclusive use of the female or male form encompasses both forms.

PHOENIX group

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