PHOENIX group

BEING THERE

ANNUAL REPORT 2017/18

WE DELIVER HEALTH. EACH AND EVERY DAY. ACROSS EUROPE.

The PHOENIX group is a leading pharmaceutical trader in Europe, reliably supplying people with drugs and health products every day. The PHOENIX group originated from the merger of five regional pharmaceutical wholesale businesses in Germany in 1994. Today, with around 34,000 employees, the company offers unique geographical coverage throughout Europe, making a vital contribution to comprehensive healthcare. The PHOENIX group's vision is to be the best integrated healthcare provider – wherever it is active. This means providing each customer group with the best possible products and services along the entire pharmaceutical supply chain.

In pharmaceutical wholesale, the PHOENIX group has 154 distribution centres in 26 European countries from which it supplies drugs and other health products to pharmacies and medical institutions. Numerous other products and services for pharmacy customers complete the portfolio – from assistance in advising patients to modern goods management systems to pharmacy cooperation programmes. The PHOENIX group's pharmacy network, with around 13,000 independent pharmacies in the company's cooperation and partner programmes, is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as a European umbrella for the PHOENIX group's 12 pharmacy cooperation programmes in 15 countries.

In pharmacy retail, the PHOENIX group operates more than 2,200 of its own pharmacies in 13 countries – of which over 1,300 operate under the corporate brand BENU. In addition to Norway the United Kingdom, the Netherlands and Switzerland, the company is also heavily represented in Hungary, the Czech Republic, Slovakia, Serbia, Montenegro, and the Baltic markets. The approximately 17,000 pharmacy employees have around 140 million customer contacts each year. They dispense approximately 315 million drug packages to patients and advise them on issues concerning pharmaceuticals and general health.

Pharma Services provides services along the entire pharmaceutical supply chain. The All-in-One concept stands for a comprehensive range of services that benefits drug manufacturers, pharmacies, and patients. The PHOENIX group takes on the entire distribution process for the pharmaceutical industry as desired, and with its business intelligence solutions provides a first-class basis for decision-making.

BEING THERE

ANNUAL REPORT 2017/18

In Europe, pharmacies are the first port of call for the provision of healthcare. In many countries, healthcare markets are currently in upheaval, and pharmacies face a variety of challenges: more intensive regulation or deregulation of the health system, positioning as an individual pharmacy or in cooperation programmes, increasing digitisation and customer retention. Today, pharmacies have to be well positioned in order to stand their ground. PHOENIX acts as a local partner to pharmacies and offers concrete solutions.

PHOENIX GROUP
IN FIGURES

Key figures of the PHOENIX group		**2016/17**	**2017/18**
Total operating performance [1]	in € m	30,232.8	31,526.2
Revenue	in € m	24,436.7	24,909.8
Total income	in € m	2,567.6	2,667.9
EBITDA	in € m	429.3	468.0
Profit before tax	in € m	247.4	264.2
Equity	in € m	2,639.9	2,646.6
Equity ratio	in %	30.5	31.7
Net debt	in € m	1,643.0	1,783.0
Company rating (Standard & Poor's) [2]		BB +	BB +
Employees (total)		34,145	33,944
Employees (full-time)		26,611	27,638

[1] Total operating performance = revenue + handled volume (handling for service charge).
[2] Company rating for PHOENIX Pharmahandel GmbH & Co KG.

> Total operating performance

€31,526 million

> EBITDA

€468 million

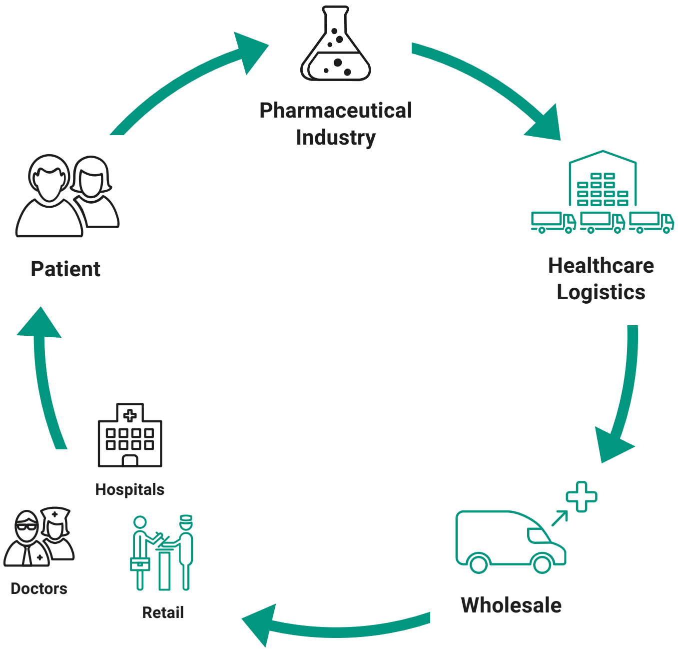
> Increase in total operating performance compared with 2016/17 of

4.3%

> Increase in EBITDA compared with 2016/17 of

9.0%

LINK BETWEEN MANUFACTURER AND PATIENT



WHOLESALE

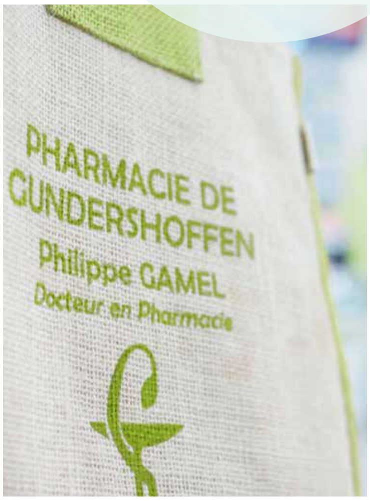
> As a wholesaler, the PHOENIX group ensures that the drugs and health products of pharmaceutical manufacturers are delivered to pharmacies and medical institutions both quickly and reliably. The PHOENIX group also supports independent pharmacies in Europe, offering various services to increase customer retention.

PHARMA SERVICES

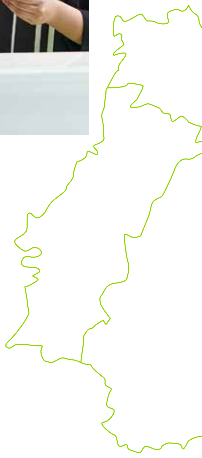
> PHOENIX Pharma Services offers a wide range of services along the entire pharmaceutical supply chain. Our Business Intelligence products also enable pharmaceutical manufacturers to make the right decisions and focus their attention on the development and production of superior drugs. The PHOENIX group takes care of everything else.

RETAIL

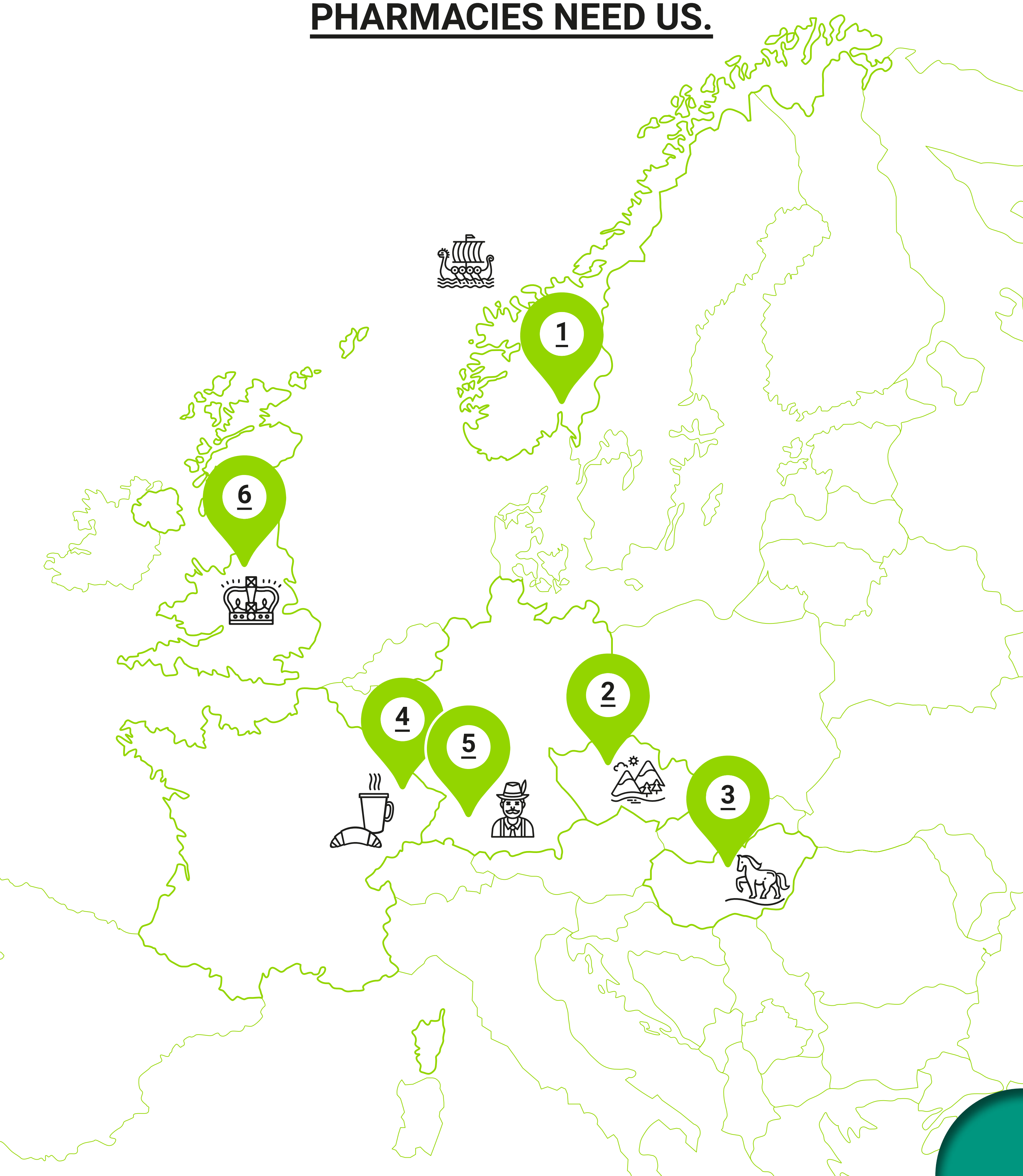
> In pharmacy retail, the PHOENIX group is responsible for directly supplying the general public with pharmaceuticals and health products. The comprehensive and professional advice provided by our pharmacy staff is of the highest quality and accompanied by the best possible customer service.


PHARMACIE DE
GUNDERSHOFFEN
Philippe GAMEL
Docteur en Pharmacie


Marien-Apotheke



AS AN INTEGRATED HEALTHCARE PROVIDER IN 26 EUROPEAN COUNTRIES, WE ARE STRONG, ACTIVE **AND PRESENT WHEREVER PHARMACIES NEED US.**



YEMI AWOYEMI
THE 35-YEAR-OLD
RUNS HER TEAM OF 30
LIKE A BIG FAMILY

NORWAY

OSLO

OFFER CUSTOMERS WHAT OTHERS DO NOT CARRY


APOTEK 1
APOTEKER

THIS PHARMACY IS CERTAINLY THE BIGGEST IN OSLO'S CITY CENTRE – BUT IT IS NOT THE ONLY ONE.

A half-dozen other pharmacies have also set up shop in the area. "The closest one is right across the street," says Yemi Awoyemi. Competing for every customer is a matter of course.

In an attractive old building, the 35-year-old woman manages one of the most modern branches of Apotek 1. The Norwegian pharmacy chain of the PHOENIX group has 333 stores in total and has been a pillar of the group for many years. It makes a key contribution to healthcare in this northernmost country in Europe. With slightly more than five million inhabitants, Norway is sparsely populated.

Though visitors to Oslo would hardly realise it. People hurry along the streets, and no one seems to have any time. Those who need medication go to the first pharmacy they happen to see. The manager smiles. "Most customers are not loyal." Nevertheless, her aim is to convince everyone that her pharmacy is the largest and best in the area. She has therefore turned quality and friendliness into a trademark.

» OFTEN WE FEEL LIKE A FAMILY. «

Working closely with people is what Yemi Awoyemi likes best, and that also applies to her 30-strong team. "Often we feel like a family," she says. Although it is rarely quiet in the branch, which covers 209 square metres. Part of the reason is that this is an emergency pharmacy. It is open for 12 hours Monday to Friday, 10 hours on Saturdays, and 3 hours on Sundays. Shift work is the rule, and good planning is essential. This means Yemi Awoyemi isn't just a pharmacist, she's also a manager. "Although I always try to spend plenty of time with my customers."

For her, the quality of advice of a pharmacy is as important as the supply of medications. Thousands of packs are kept in stock here, with a total value of three million kroner (€310,000). This wide product selection is an advantage. Customers like coming to a pharmacy where they do not have to order their medication in advance. Every month, 35,000 packages pass over the counter.

Offering customers what others do not carry – that is a strategic cornerstone of Apotek 1 and includes services such as the prescription service. Customers leave information about their medication and dosage with the pharmacy. When customers run out of their medicine, they will receive an SMS, and their medicine will be made ready for pick-up or delivery. At Yemi Awoyemi's pharmacy 40 customers use the new service, which is also available for prescription-only medication. In Norway, doctors issue electronic prescriptions, which are stored in a national database that pharmacies can access.

Prescription service is just one of the many services offered by the PHOENIX group in Norway and part of the All-in-One service range, which unites manufacturers, pharmacies and patients. On request, the PHOENIX group can take on the entire goods distribution process for the pharmaceutical industry. Via three European hubs, it transports thousands of pallets to regional supply networks, from which the medication is delivered to pharmacies. The PHOENIX group also supports manufacturers with industry expertise from its pharmacy network.

After all, the pharmacy is the best place to find out about customer preferences. Yemi Awoyemi, for example, specialises in skincare, an area that is important to many Norwegians. Three of her staff have special training in this area, and one of them is always available. You can receive a brief consultation or make an appointment to return at an agreed time – and then perhaps become a loyal customer.

NORWAY

POPULATION

5,305,383

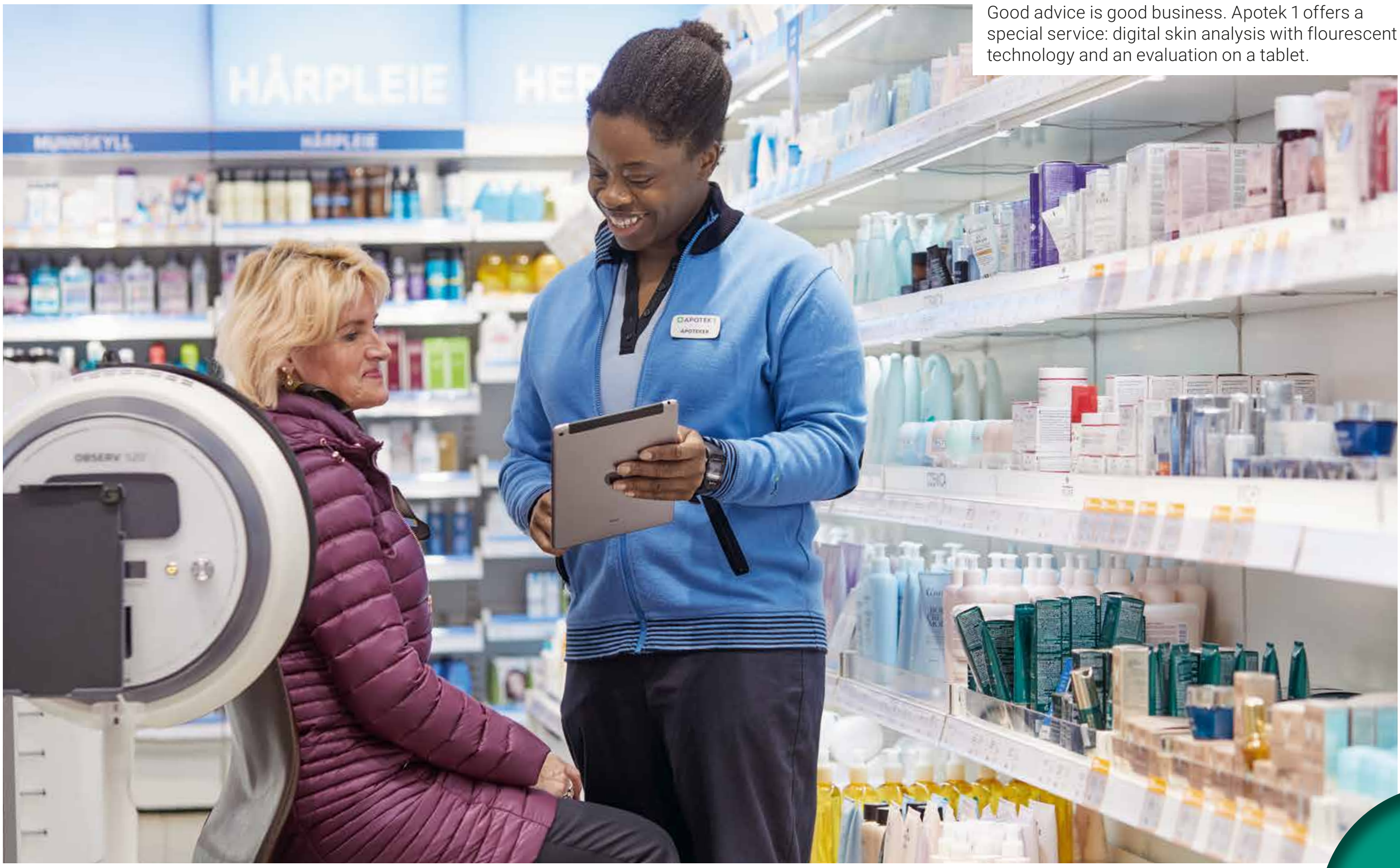
FEATURES OF THE HEALTH SYSTEM

Compared to the rest of Europe, the density of pharmacies is very low.

PHARMACIES OF THE PHOENIX GROUP

333

APOTEK 1



Good advice is good business. Apotek 1 offers a special service: digital skin analysis with flourescent technology and an evaluation on a tablet.


DALI
MUCHA exhibition
WARHOL

JANA FEDOSOVA
WORKING WHERE OTHER
PEOPLE GO ON HOLIDAY

CZECH REPUBLIC

PRAGUE

POPULAR WITH TOURISTS

CROSSING CHARLES BRIDGE, YOU GO THROUGH PRAGUE'S OLD TOWN. BAROQUE HOUSES WITH ORNATE GABLES LINE THE STREETS.

Walking past the historic town hall, you cross spacious squares with picturesque cafés. Trendy fashion boutiques, hip bars and cool clubs have settled here. Jana Fedosova's pharmacy can be found in these lively and often crowded surroundings. For her, the focus is not on sightseeing or celebrating but on serving health. Half of her customers are tourists. "Even tourists feel unwell sometimes and need help," says Jana Fedosova.

Hardly anyone comes to her pharmacy with a prescription. Instead, customers request over-the-counter products. Cold remedies are very popular. But headache tablets are also in demand – perhaps sightseeing was tiring, or the previous evening was longer than expected.

Often, perfectly healthy people come into the pharmacy. They enjoy shopping on their holiday and use the visit to the Czech Republic to buy cosmetics or vitamins. Several brands manufactured here are known internationally. The quality is good and the prices affordable. "Especially international customers like to buy skin creams, peeling products and body lotions," explains Fedosova. Several shelves in the shop are reserved for these items. Recently they added LIVSANE products, the new category brand of the PHOENIX group, which are delivered to Prague from a modern central storage facility in Brno, 200 kilometres away. The LIVSANE range is growing and includes cosmetics, toiletries, nutritional supplements, and over-the-counter medication.

The sale of these types of products has replaced part of the traditional pharmacy business. In particular, the trade in prescription medication is becoming less and less important on the highly regulated Czech market. New laws are cutting into the margins of pharmacies. To meet the specific requests of her customers, Fedosova also sells homoeopathic medicine, which is becoming more and more popular in the Czech Republic. If desired, she can mix individual medicines in her pharmacy.

As the situation in the healthcare market can change quickly, Jana Fedosova tries to economise wherever it makes sense. That is why she joined the PharmaPoint cooperation programme of the PHOENIX group in the Czech Republic. The decisive factor for her was the lower purchase prices for members. She also values the freedom to select products. "I only have to take what my customers ask for," she says. In contrast, other cooperations try to push specific products onto the market.

» ESPECIALLY INTERNATIONAL CUSTOMERS LIKE TO BUY SKIN CREAMS, PEELING PRODUCTS AND BODY LOTIONS. «

PharmaPoint reduces her workload. She uses the advertising material it provides, as well as the customer loyalty programme. PharmaPoint provides the loyalty cards and associated software. In the past, the pharmacy organised its own bonus programme, but the new system offers many advantages including networking with other PharmaPoint pharmacies. This saves time, which benefits customers. Jana Fedosova admits that she hesitated for some time before becoming a PharmaPoint member. Will the benefit be worth it? Will we become dependent? She discussed these questions at length with her staff. Yet, after just a few weeks her doubts disappeared. "I had no idea how useful it would be."

More than just medicine: the LIVSANE category brand is on the shelves, and services like blood pressure checks are on offer. Regular customers benefit from the PharmaPoint loyalty programme.

CZECH REPUBLIC

POPULATION

10,578,820

FEATURES OF THE HEALTH SYSTEM

In the Czech Republic, there is a compulsory premiums-financed health insurance system.

COOPERATING PHARMACIES

237

PharmaPoint

a PHOENIX Pharmacy Partnership member

MÁRIA SZAKVÁRY/GÁBOR LUKÁCS
MOTHER AND SON TURNED
THE BUSINESS AROUND

HUNGARY

BUDAPEST

ALL IN THE FAMILY


MEGFÁZÁS
BENU
BENU
Dr. Lukács Gábor

THE PHARMACY, ON THE EDGE OF BUDAPEST'S CITY CENTRE, HAS BELONGED TO MÁRIA SZAKVÁRY AND HER SON GÁBOR LUKÁCS FOR JUST EIGHT YEARS.

Yet they have already had an eventful time. Fortunately, the proprietors are now happy to tell the story of their pharmacy as revenue has doubled in the past three years, customer traffic is growing steadily and the numbers add up.

This is the happy end to an adventure that started in 2010. That was the year the son, Gábor graduated with a pharmacy degree.Together with his mother Mária, also a pharmacist, he wanted to set up an independent business. As it is virtually impossible to open a new pharmacy in Hungary, they had to buy an existing business. They found a pharmacy in a shopping centre – it was certainly not well managed, but they were confident they could turn it around.

The rude awakening came after they signed the contract. The accounts were inaccurate, the debts were too high and there was no money. The resulting crisis affected them professionally and personally, as relatives had lent them money for the purchase. "It was a real strain on the family," says Mária Szakváry.

They discussed and deliberated and came to the conclusion that failure was not an option. In the restructuring, they focused first on the stock. They wanted to increase the number of products they carried which, in their situation, was a difficult task. Stock ties up money, and money was in short supply.

Together with their wholesaler, they came up with a strategy. Their assigned distribution manager at PHOENIX Pharma Hungary advised them on how to solve their problems. He also managed to alleviate the financial pressure. The effort paid off, and two years later the pharmacy was out of the woods. Mother and son were able to breathe easy. "PHOENIX saved us," says Mária Szakváry. However, it is difficult even for profitable pharmacies to succeed over the long term in the competitive Hungarian market. How do you manage to get customers to come to your pharmacy instead of going to the competition? Perhaps a well-known brand could act as a magnet.

» PHOENIX SAVED US. «

Gábor found the solution in the BENU pharmacy chain, which is also part of the PHOENIX group. Not only does it operate its own branches in Hungary, it also has a franchise system. Independent but able to enjoy the benefits of an international chain with thousands of branches? Not a bad idea. In addition, the colours, styles and design matched up exactly with what his mother and he had envisaged. In 2014, they affiliated themselves with BENU. They became the eighth BENU franchise pharmacy in Hungary; today there are more than 100.

The outdated retail space has been converted into a modern pharmacy with plenty of light and a welcoming atmosphere. BENU experts suggest products that are well received by customers and where they should ideally be placed to maximise sales. During the renovation, they advised on details like accessibility. Strollers can now be easily brought inside, attracting young parents into the pharmacy.

Business is booming. There is much to do. The pharmacy needs more staff. Until the new positions are filled, the owners are benefiting from the flexibility of a family business. At 68 years old, Mária doesn't want to stop. That is absolutely fine with her 40-year-old son. He has two children – a five-year-old and a seven-month-old. Occasionally he has to take time off without notice, so he is grateful that his mother is able to help him out at work.

HUNGARY

POPULATION

9,830,485

FEATURES OF THE HEALTH SYSTEM

The market is becoming increasingly regulated due to new legislation. Opening a new pharmacy is virtually impossible.

PHARMACIES OF THE PHOENIX GROUP

240

BENU

including 101 franchises

Dependable delivery: The PHOENIX courier brings the drugs and health products ordered to the pharmacy on the edge of Budapest's city centre several times a day.

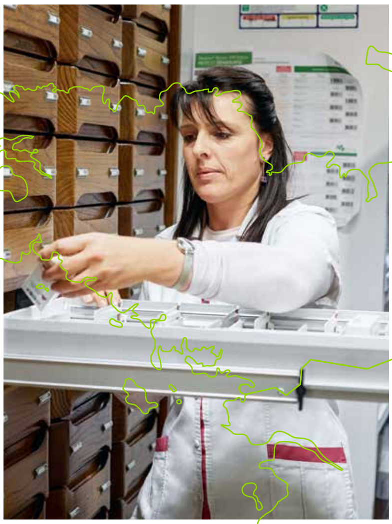

PHARMACIE DE
GUNDERSHOFFEN
Philippe GAMEL
Docteur en Pharmacie

PHILIPPE GAMEL
PHARMACY IN AN IDYLLIC WORLD

FRANCE

GUNDERSHOFFEN

A PARTNER YOU CAN TRUST



ALL IS WELL IN GUNDERSHOFFEN.

And all is well for Philippe Gamel, the 38-year-old local pharmacist. “It’s very nice working here,” he says. His customers trust him, and his pharmacy is usually the next stop after a visit to the doctor. Eight out of ten people come with a prescription.

This Alsatian town of 3,000 inhabitants is a long way from France’s major metropolitan areas. It is surrounded by a few hamlets and a lot of nature. Still, Gundershoffen can boast a shopping centre. The two nearby factories are the biggest employers in the region.

People here are down-to-earth; they treat the pharmacist with respect, addressing him as “doctor.” This is also because he is a key advisor on health matters. Dizziness, skin rash, obesity, palpitations – many make their initial enquiries at the pharmacy before going to see the doctor.

Some complaints can be alleviated with simple remedies. The pharmacy offers a wide range of products – despite its isolated location, it stocks all the common medicines. Twice a day, it receives a delivery from the wholesaler PHOENIX Pharma France. The Gundershoffen pharmacy was one of the first customers in this region. The pharmacy was initially supplied just once a day. Soon, the wholesaler gained other customers in the region, and the frequency of deliveries increased.

Gamel’s first contact with the PHOENIX group was several years ago via pharmacist Jean Haudy, who acts as his business mentor. Gamel worked for Haudy back when he was still studying in Strasbourg. After graduating, Gamel started working as an assistant in one of Haudy’s stores. Haudy supported Gamel when he took over the pharmacy in Gundershoffen. In the PharmaVie network, this is normal. When new pharmacists are getting established, older colleagues support them as shareholders and then gradually sell them back the shares. Since then, Gamel has become the sole owner of the pharmacy. Now he himself owns shares in a business that a younger colleague has recently taken on.

Through Haudy, Gamel learnt of PharmaVie, the PHOENIX group’s cooperation programme with 800 French pharmacies. Haudy represents the interests of pharmacies as the regional president of PharmaVie. As a representative of PharmaVie, he is also a member of the Advisory Board of PHOENIX Pharmacy Partnership. With approximately 13,000 independent pharmacies in the cooperation and partner programmes of the company, the pharmacy network of the PHOENIX group is the biggest of its kind in Europe. The PHOENIX Pharmacy Partnership functions as the Europe-wide umbrella for the twelve pharmacy cooperation programmes in 15 countries.

For Gamel, PharmaVie is a key resource. And not just because he benefits from lower purchase prices. A PharmaVie expert helped him to lay out his pharmacy in a clear way, and he can make use of advertising flyers and posters. “Sharing knowledge with other pharmacists is also really important.” Last year, he travelled to Berlin to attend the first conference of the European PHOENIX network, where over 300 attendees from pharmacies and pharmaceutical manufacturers exchanged experiences. The programme included presentations on health trends, changes in the market and the digitisation of the industry.

Among other things, colleagues there reported that they had a very positive experience with the loyalty cards of PHOENIX pharmacy cooperation programmes. Customers’ purchases are recorded electronically, and a discount is given for specific products based on the number of points they have. Gamel learnt that PharmaVie in France also makes this type of loyalty card and the associated software available to pharmacies. When he returned, he immediately introduced the programme in Gundershoffen – and now has even more loyal customers.

Pharmacies in the countryside are often the first port of call for healthcare – whatever the problem is.

FRANCE

POPULATION

66,991,000

FEATURES OF THE HEALTH SYSTEM

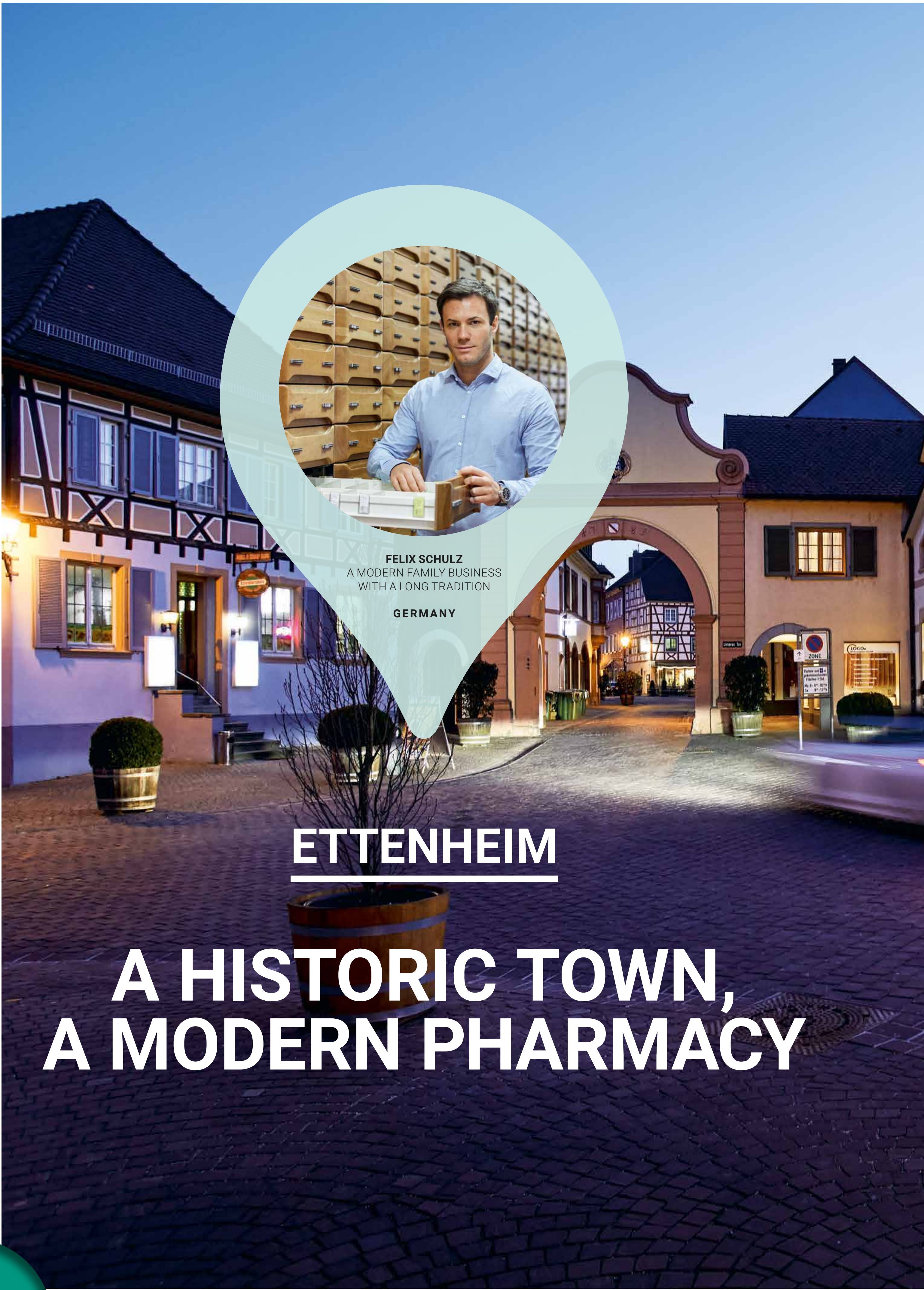
Medical care in France is among the best in the world. However, radical policy reforms are currently being discussed.

COOPERATING PHARMACIES

763

pharmaVie

a PHOENIX Pharmacy Partnership member



FELIX SCHULZ
A MODERN FAMILY BUSINESS
WITH A LONG TRADITION

GERMANY

ETTENHEIM

A HISTORIC TOWN, A MODERN PHARMACY


Marien-Apotheke
Marien
Apotheke
Rathaus

FELIX SCHULZ HAS HIS WORK CUT OUT FOR HIM. COLD SEASON HAS STARTED.

Two employees are down, and coughing customers are queuing in the pharmacy. So there is no time to recover from the night shifts of the previous week. Serving customers takes priority.

31-year-old Felix Schulz would not have it any other way. He comes from a family of pharmacists who have worked in the profession for more than a century. His pharmacy, Marien Apotheke, is located in a half-timbered building in the old baroque part of Ettenheim, a small wine-growing town in the southwest of Germany, just across the Rhine from France. He took it over from his parents.

There are several pharmacies in Ettenheim. Felix Schulz has his regular customers, but many also like to shop around. Especially if they do not get what they need from him instantly. “So we have to do our best to keep a stock of everything people might be likely to ask for,” says Schulz.

> » ALMOST EVERY DAY, CUSTOMERS COME IN AND ASK FOR A PRODUCT WITH A NAME EVEN A PHARMACIST HASN’T HEARD YET. «

Luckily he can rely on PHOENIX Pharmahandel. The wholesaler and its predecessor companies have supplied the family’s pharmacies for generations. “Always punctual and very reliable,” stresses Schulz. He receives deliveries three times a day. At night, the courier comes once again and places the ordered medication in a locked deposit box. This is vital for customers with chronic diseases or serious illnesses when they need to collect their medications the next morning. The frequent deliveries are also vital for the pharmacy’s business.

This is because customers no longer rely solely on the advice of the doctor or pharmacist when choosing a medicine. An increasing number of people also get information from friends, neighbours or the Internet, where they sometimes come across exotic remedies. “Almost every day, customers come in and ask for a product with a name even a pharmacist has not heard yet,” says Schulz.

When that happens, he just calls PHOENIX. His sales representative then identifies the product. “And it can usually be delivered a few hours later”, though it is naturally better if the customer can walk out of the store with the desired product immediately. With the resulting large number of products he stocks, the storeroom is a crowded place, and stock management is important. The three pharmacies owned by the family use systems by PHOENIX group’s subsidiary ADG to purchase, list and invoice products efficiently.

ADG provides pharmacy software and till systems. Schulz is particularly impressed by the “storage coach.” This software not only shows him what is available but also keeps track of the expiry dates. The system tells him when there is a package that is close to expiry.

Outside, the sun is shining, and the thermometer reads six degrees. Cold season will be over soon. Then Schulz will again have time for his hobby, skydiving. “It is the best way to clear my head.” And that is important – also when developing new sales channels. For example, he recently set up WhatsApp ordering for his customers. Originally planned as a test, it was a big hit. “The new service has been surprisingly well received.”

GERMANY

POPULATION

82,521,653

FEATURES OF THE HEALTH SYSTEM

The increasing regulation of the market is resulting in lower revenues for many pharmacies.

SUPPLIED PHARMACIES

9,069

PHOENIX Pharmahandel GmbH & Co KG

a PHOENIX company

A family business with a strong tradition: PHOENIX Pharmahandel has supplied the Marien-Apotheke for decades.

WAQQASS SHEIKH
HIS PHARMACY AIMS TO BE THE BEST –
THAT'S WHY IT'S CALLED EVEREST

UNITED KINGDOM

MANCHESTER/LIVERPOOL

TOP PERFORMANCE, TOGETHER


Hayfever Relief

HERE, CUSTOMERS SPEND 10 POUNDS FOR A HEALTH CHECK-UP, EVEN THOUGH IT WOULD BE FREE AT OTHER PHARMACIES.

His standards are high – especially when it comes to health. So Waqqass Sheikh named his pharmacy after the highest mountain in the world. "Everest" is written in white letters on the shop front. "My father also had a company with this name," says the 35-year-old Waqqass. "He always wanted to be the best."

Waqqass took his father's attitude to heart. Today he owns four pharmacies in the Manchester region and has 65 employees. 12 of them work in his most profitable branch in Whalley Range, a suburb of this industrial city in the north-west of England.

» I OFFER MY CUSTOMERS MORE THAN THEY EXPECT FROM A PHARMACY. «

Those who enter Everest Pharmacy immediately see the wide range of healthcare services and advice on offer, as well as everyday OTC products. On closer inspection, you discover preparations for colds and sore throats. "I offer my customers more than they expect from a pharmacy," says Sheikh. By following this formula, he has quadrupled his revenue.

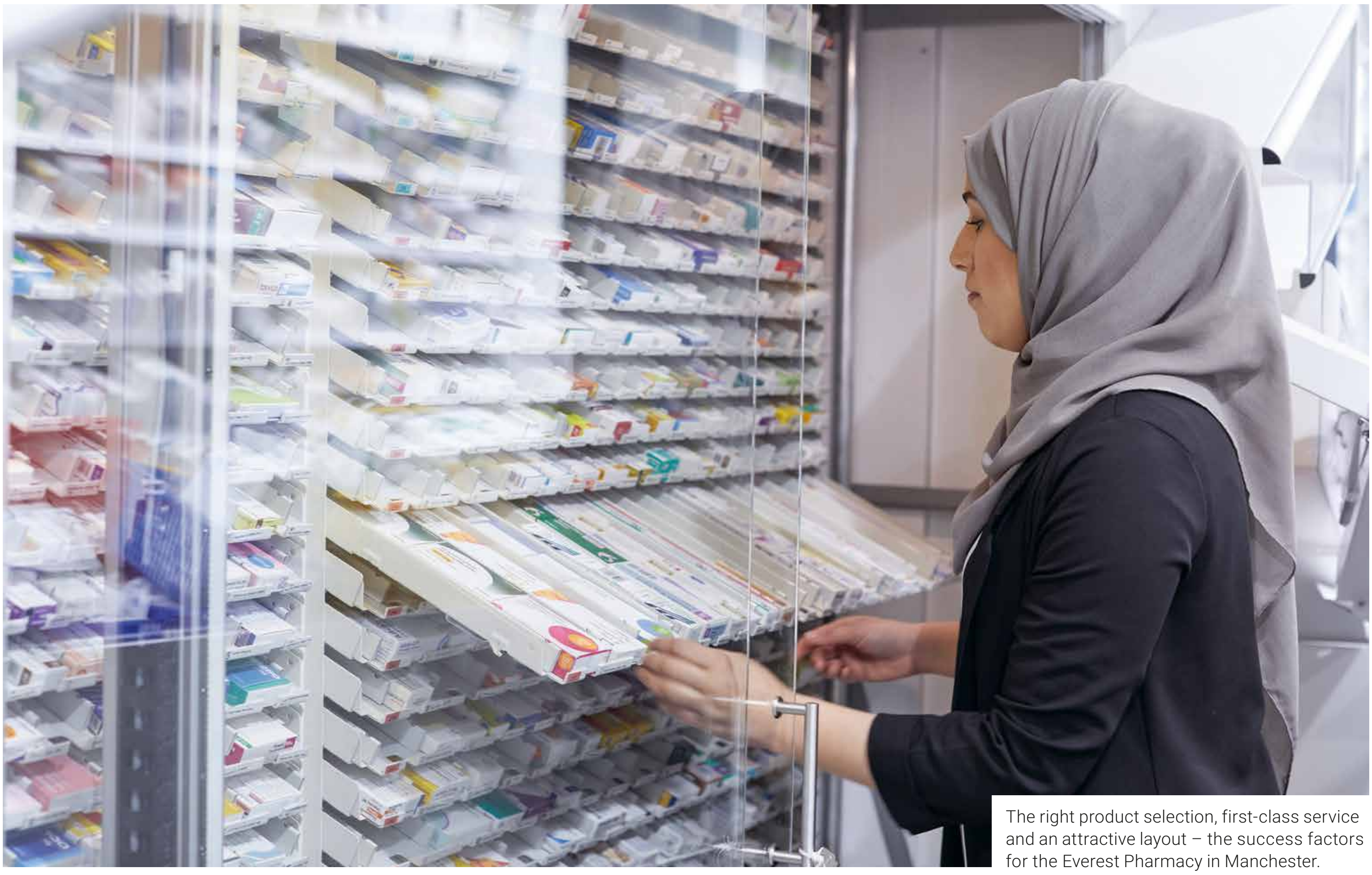
So that his customers enjoy their visit, he had the pharmacy redesigned three years ago. The spaces are maintained in green and white. A Numark consultant gave him valuable advice about the presentation of goods. The PHOENIX group's cooperation programme has been running in the United Kingdom for 52 years. In the last fiscal year, it grew strongly, adding some 400 cooperation pharmacies to today's total of now 3,630.

Selection and presentation are one reason for its success. "But the service also needs to be right," says Sheikh. His courier service collects prescriptions from doctors' surgeries and then delivers the medicine to patients at home. A robot helps with stock management in the pharmacy using a grabber arm to sort and disperse medicine, giving the staff more time for customers.

People also come in to get their health checked. Blood pressure, diabetes, cholesterol and weight. "We give our customers the results in a folder to take home," says Sheikh. Numark provides helpful templates for this. Sheikh's customers are willing to pay just under 10 pounds for the service, even though it may be free at some other pharmacies nearby.

When Sheikh advises his customers, he relies on his expertise and knowledge of human nature. But he also uses the information, customer engagement material and advice that Numark provides to its members in the monthly delivered marketing package called "One Pack Promise".

Further information is provided by Rowlands Pharmacy, the PHOENIX group's community pharmacy chain in the United Kingdom. Just like Numark cooperation pharmacies, Rowlands Pharmacy offers its customers a wide range of non-prescription drugs under its category brand "Numark".



The right product selection, first-class service and an attractive layout – the success factors for the Everest Pharmacy in Manchester.

UNITED KINGDOM

POPULATION

65,110,000

FEATURES OF THE HEALTH SYSTEM

The National Health Service, or NHS, offers treatment to everyone free of charge.

No health insurance is required.

COOPERATING PHARMACIES

3,630

NUMARK

a PHOENIX Pharmacy Partnership member

PHARMACIES OF THE PHOENIX GROUP

528

rowlands pharmacy

One of these Rowlands Pharmacies is managed by Alison Moss on the outskirts of Liverpool. She takes a deep breath before starting to talk. “The pharmacy is always busy”, she says. “But we manage to deliver an efficient, high quality service to all our patients.” The 48-year-old is not a pharmacist, but she is still fully responsible for managing the branch. This is legally possible in the United Kingdom. She supervises 11 employees, including a pharmacist.

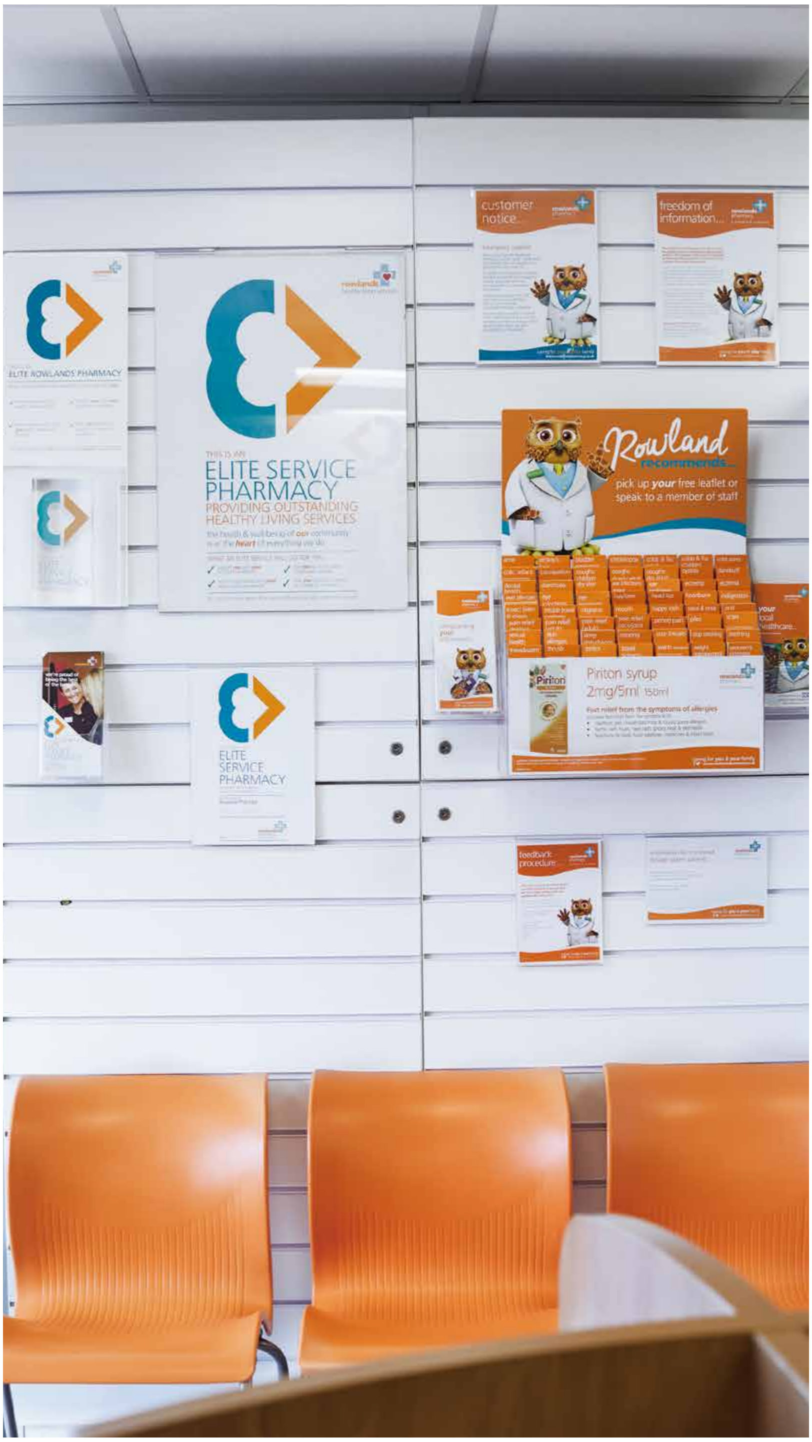
The success of her branch is based on an expansion a few years ago, and the good customer service has seen prescription items growth to 16,000 a month, averaging more than one a minute. Virtually all customers come in with a prescription because her store is located in the same building as several doctors’ surgeries that are part of the National Health Service, or the NHS.

> » ALONGSIDE PRESCRIPTION DRUGS, WE ALSO OFFER A WIDE RANGE OF SERVICES. «

“Different types of people come into the pharmacy”, Alison Moss explains. “However, we do not just provide prescriptions, we offer a range of services such as medicine reviews, blood pressure measuring and flu vaccinations, and there are also two clinics next door for addicts taking part in methadone programmes.” It is a working class area, and few people have a lot of money. Those who have to pay for medicines themselves look at the price. “Therefore, it is a benefit that we have Numark products in our range.” These products offer value for money and are a more affordable option than comparable pharmacy brands should a customer wish to purchase them. Alison Moss smiles. “That is how we can support the patient and the Numark brand at the same time.”

Good location: the Rowlands Pharmacy in Liverpool is located in the same building as the NHS health centre, keeping the team led by Alison Moss (bottom right) with its hands full.


96 tablets
Ibuprofen
200mg Coated Tablets
£4.49


customer notice
freedom of information...
ELITE ROWLANDS PHARMACY
THIS IS AN
ELITE SERVICE PHARMACY
PROVIDING OUTSTANDING HEALTHY LIVING SERVICES
Rowland recommends...
pick up your free leaflet or speak to a member of staff
Piriton syrup
2mg/5ml 150ml
ELITE SERVICE PHARMACY
feedback procedure


rowlands pharmacy

PHOENIX GROUP. BEING THERE.

WHOLESALE

The pharmaceutical wholesale business is the core activity of the PHOENIX group. Every day, ten million packages of pharmaceutical products are sent to wherever they are needed. Our logistics network is modern and functions reliably – in 26 European countries.

PHOENIX / ALBANIA, AUSTRIA, BOSNIA AND HERZEGOVINA, BULGARIA, CROATIA, CZECH REPUBLIC, FRANCE, GERMANY, HUNGARY, KOSOVO, MACEDONIA, MONTENEGRO, POLAND, SERBIA, SLOVAKIA, UNITED KINGDOM

AMEDIS / SWITZERLAND

APOTEK 1 / NORWAY

BROCACEF / NETHERLANDS

COMIFAR / ITALY

NOMECO / DENMARK

TAMRO / ESTONIA, FINLAND, LATVIA, LITHUANIA, SWEDEN

MORE THAN

53,000

PHARMACY CUSTOMERS IN WHOLESALE

RETAIL

Every year, our pharmacies in Europe have around 140 million customer contacts and dispense around 315 million drug packages.

APOTEK 1 / NORWAY

BENU / CZECH REPUBLIC, ESTONIA, HUNGARY, LATVIA, LITHUANIA, MONTENEGRO, NETHERLANDS, SERBIA, SLOVAKIA, SWITZERLAND

ROWLANDS PHARMACY / UNITED KINGDOM

2,237

OWN PHARMACIES

PHARMACY COOPERATION PROGRAMMES

Individual pharmacies can forge closer links with us and thus benefit from programmes tailored to the specific features of their healthcare markets. These programmes include low purchase prices and assistance with marketing and sales.

ADIVA / CROATIA

APTEEK1 / ESTONIA

APTIEKA1 / LATVIA

BETTY / BOSNIA AND HERZEGOVINA, BULGARIA, MACEDONIA, SERBIA

LIVPLUS / GERMANY

NUMARK / UNITED KINGDOM

PARTNER / SLOVAKIA

PHARMAPOINT / CZECH REPUBLIC

PHARMAVIE / FRANCE

SZIMPATIKA / HUNGARY

TOPAS / AUSTRIA

VALORE SALUTE / ITALY

12,712

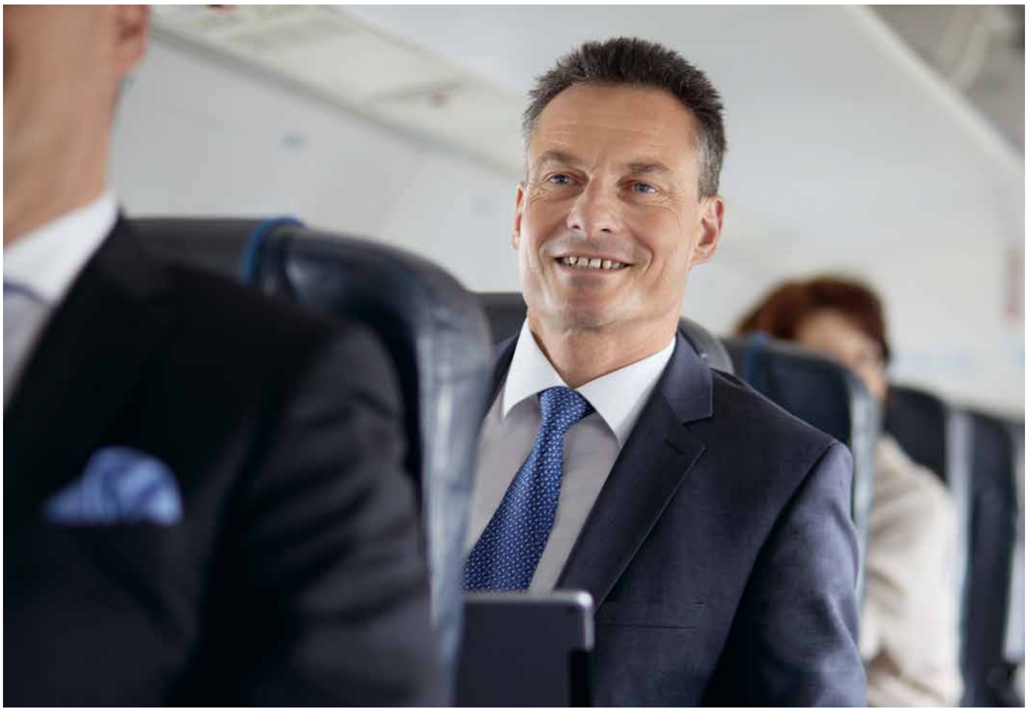
INDIVIDUAL PHARMACIES IN COOPERATION AND PARTNER PROGRAMMES

We brought the fiscal year 2017/18 to a successful close: the PHOENIX group noticeably increased its total operating performance, revenue and result over the previous year. For eight years running, we have grown stronger than the market. A remarkable accomplishment in our industry.

Thanks to our strategy of organic, acquisition-led growth and additional efficiency improvements, we expect further positive development during the coming fiscal year.

FINANCIAL REPORT
2017/18

LETTER FROM THE CHIEF EXECUTIVE OFFICER OF THE PHOENIX GROUP



OLIVER WINDHOLZ
CHIEF EXECUTIVE OFFICER

Dear Ladies and Gentlemen,

In a market environment that remains fiercely competitive, the PHOENIX group was able to develop strongly once again, with an increase of more than 4 per cent in total operating performance. For eight years we have grown stronger than the market. A remarkable accomplishment in our industry. We have been able to continuously expand our position as a leading healthcare provider in 26 European countries.

“Being there,” the motto of this year’s annual report, is an integral part of what we have achieved. In Europe today, pharmacies are the first port of call for the provision of healthcare. The legal and regulatory requirements vary markedly from country to country. Online shopping is also increasing competitive pressure. The PHOENIX group plays an important role in helping the individual pharmacies remain sustainable. We support local pharmacies in all areas and at every stage with modern, digital solutions. We are there – for the pharmaceutical industry, for the many different types of pharmacies and for the patients, day and night, in cities and in the countryside.

One of the PHOENIX group’s strengths is its stable shareholder structure as a family business. In the past fiscal year, this was underpinned once again by the founding of the new umbrella company PHOENIX Pharma SE. The SE (Societas Europaea) legal form also aligns with our corporate self-image as a European group.

> » One of the PHOENIX group's strengths is its stable shareholder structure as a family business. «

All major financial ratios improved

In the fiscal year 2017/18, we increased all major key figures: Revenue rose by 1.9 per cent to €24.9 billion. Total operating performance, the figure relevant for pharmaceutical wholesalers, rose by 4.3 per cent to €31.5 billion, the highest value in the company's history. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) improved by 9.0 per cent to €468.0 million.

This positive development is due to the fact that the companies acquired in the previous fiscal year 2016/17 have now, for the most part, been successfully integrated and are making an important contribution to the result. In particular, the takeover of Mediq in the Netherlands has resulted in considerable positive effects on revenue and result. The group's business development was especially positive in Norway, Finland, Italy, Germany and Hungary.

With the "JUMP" initiative, launched during the reporting year, we are pursuing the aim of further optimising our operational processes. Through targeted investments, we are making a significant contribution to ensuring the future viability of our logistics network. With this aim in mind, we carry out benchmarking among our distribution centres and exchange best practices between different countries.

Strategic milestones achieved in the fiscal year 2017/18

With "Fit for the Future" and "Fit4Two," which we launched in Germany and the United Kingdom, we will generate effects that increase our result and position the organisation effectively for the future. This will allow us to meet the challenges in our various markets from a position of strength.

In the past year, we achieved important operational milestones in the group's expansion. One of these was the development of our pharmacy portfolio, particularly in relation to our successful retail brand BENU. We expanded our leading position in pharmacy retail in a targeted way via acquisitions as well as newly established pharmacies. In Serbia, we took over the Goodwill Apoteka pharmacy chain.

With the acquisition of DeclaCare, a Dutch service provider for modern wound care, we ideally complement our range for local pharmacies. This also strengthens our position as the best integrated healthcare provider in the Netherlands.

In addition, we launched our first Europe-wide category brand, LIVSANE, which is now available in 11 countries and benefits both our own pharmacies and the individual pharmacies. We also strengthened the PHOENIX Pharmacy Partnership, the largest network of individual pharmacies in Europe. Around 13,000 independent pharmacies in our cooperation and partner programmes, as well as a large number of pharmaceutical manufacturers, benefit from the increasing sharing of best practices. One of the highlights of the past year was the first European Conference of the PHOENIX Pharmacy Partnership in Berlin, where around 300 partners from 18 countries discussed the challenges currently facing the industry.

> »For companies like PHOENIX, digitisation is both a challenge and an opportunity.«

For companies like PHOENIX, digitisation is both a challenge and an opportunity. With this in mind, we took a number of important steps during fiscal year 2017/18. To drive innovation, we created the new Business Innovation division. Its focus is on digital change and the development of new business models – for the future viability of our company. The acquisition of the research and consultancy firm Medaffcon in Finland will play an important role in future-oriented business areas.

Our high level of investment places our company on a solid foundation for the future. For example, as part of our extensive Europe-wide investment programme, we are specifically driving forward the use of state-of-the-art warehouse logistics and thereby generating considerable increases in productivity. We continued the ONE project in Denmark with an ultra-modern warehouse and distribution centre set to open in autumn 2018. This will be one of the largest logistics centres in Northern Europe. The Skårer project in Norway for the automation of logistics processes was successfully implemented during the reporting year. With the construction of the new Gotha distribution centre, we also completed our largest single investment in Germany in record time.

Looking positively to the future

We are in a good position, and although conditions remain challenging, we can look to the future with optimism. We plan to continue on our profitable growth path with our strategy of organic growth and targeted acquisitions as well as our focus on proximity to the customer, cost efficiency, and market leadership. In addition, we will integrate the companies we acquire into the PHOENIX group on a sustainable basis and use this to generate further positive effects on our revenue and result. Our market entry in Romania will also contribute to this. In April 2018, we have signed a purchase agreement for the takeover of the Rumanian pharmaceutical wholesaler Farmexim S.A. and the national pharmacy chain Help Net Farma S.A. The acquisition is subject to antitrust approval.

> »Our successes are only possible with highly qualified and motivated employees; they are crucial to the successful ongoing growth of the PHOENIX group.«

All these successes are only possible with highly qualified and motivated employees; they are crucial to the successful ongoing growth of the PHOENIX group. So, on behalf of the whole Managing Board, I would like to thank our employees across Europe for their outstanding performance and high level of commitment to our company, particularly in view of the changes that are increasingly shaping our day-to-day working lives. We will continue to make every effort to be an attractive employer and underpin this with our extensive training and development initiatives for all personnel levels in the individual countries.

I would also like to thank our management in the subsidiaries and central administrative functions. With their strong loyalty and motivation, they make a decisive contribution to the success of the company. Thanks must also go to our business partners, the Supervisory Board and the shareholders for the successful cooperation and confidence.

We will continue to do everything in our power to actively shape the successful future of the PHOENIX group!

Mannheim, May 2018
Sincerely,

Oliver Windholz
Chief Executive Officer

EXECUTIVE BOARD OF THE PHOENIX GROUP

STEFAN HERFELD MEMBER OF THE EXECUTIVE BOARD RETAIL	**HELMUT FISCHER** MEMBER OF THE EXECUTIVE BOARD FINANCE	**OLIVER WINDHOLZ** CHIEF EXECUTIVE OFFICER	**FRANK GROSSE-NATROP** MEMBER OF THE EXECUTIVE BOARD OPERATIONS AND LOGISTICS

» We are present in 26 European countries to support pharmacists and patients. We develop solutions that meet their needs.«

THE PHOENIX GROUP AT A GLANCE

TOTAL OPERATING PERFORMANCE

31,526

€ MILLION

SERVICES FOR MORE THAN

200

PHARMACEUTICAL MANUFACTURERS

154

DISTRIBUTION CENTRES

WE ARE ALREADY OPERATING IN

26

COUNTRIES

AROUND

34,000

EMPLOYEES

TOP 1

PHARMACEUTICAL WHOLESALER IN 13 COUNTRIES

31.7%

EQUITY RATIO

AROUND

315,000,000

DRUG PACKAGES SUPPLIED TO PATIENTS EACH YEAR

AROUND

140,000,000

PATIENT CONTACTS PER YEAR IN THE PHARMACIES

As of 31/01/2018

REPORT OF THE SUPERVISORY BOARD

Dr Bernd Scheifele
Chairman of the Supervisory Board

Dear Ladies and Gentlemen,

The fiscal year 2017/18 was once again very successful for the PHOENIX group. The company achieved another record figure in terms of revenue, and the earnings before interest, taxes, depreciation, and amortisation (EBITDA) were considerably higher than in the previous year. The PHOENIX group has thus clearly strengthened its market position across Europe in an intensely competitive environment. The sustainable growth strategy is continuing to pay off.

Together with the stable shareholder structure, the company has a high degree of planning security for the future. The Merckle family, the sole owner, considers PHOENIX an important mainstay of its group of companies. By setting up a European company during the fiscal year 2017/18, the shareholders are setting the course for a successful future as a family business. Since 18 October 2017, the PHOENIX group has had a new holding company in PHOENIX Pharma SE (Societas Europaea, "SE"), with no change in the ownership structure. PHOENIX Pharmahandel GmbH & Co KG, which has been the parent company of the PHOENIX group to date, remains unchanged. When PHOENIX Pharma SE was founded, a supervisory board and an executive board were set up for the new company. The Supervisory Board of PHOENIX Pharma SE is composed of the five Advisory Board members of PHOENIX Pharmahandel GmbH & Co KG. The four managing directors of PHOENIX Pharmahandel GmbH & Co KG are simultaneously members of the Executive Board of PHOENIX Pharma SE. This annual report relates to the business activities of PHOENIX Pharma SE. Therefore, the terms "Supervisory Board" and "Executive Board" are used in the following.

Trusting cooperation with the Executive Board

In the fiscal year 2017/18, the Supervisory Board of PHOENIX Pharma SE fulfilled the duties incumbent upon it in accordance with the Articles of Association and Rules of Procedure. It regularly advised the Executive Board in its management of the company and supervised its activity. The Executive Board informed the Supervisory Board in writing and orally promptly, continually, and in detail about the development of all relevant key figures relating to the company's economic position. In addition, the Supervisory Board was continually briefed within the reporting period on all relevant issues relating to corporate planning, including revenue, finance, investment, and personnel planning. The Executive Board also coordinated with the Supervisory Board on significant business processes, as well as topics relating to profitability, risk management, and the future strategic orientation of the company.

The Supervisory Board was involved, directly and at an early stage, in all decisions that were of strategic importance to the company. After close examination of the submitted documentation and the oral report, the Supervisory Board adopted its resolutions. Furthermore, the Chairman of the Supervisory Board and the Chief Executive Officer visited various subsidiaries of the PHOENIX group, including those in Bulgaria, Italy, Germany, and France, over the course of the fiscal year 2017/18. During these visits, discussions focused on strategic activities in the wholesale and retail sectors as well as Pharma Services.

Significant business developments

In the fiscal year 2017/18 the PHOENIX group continuously developed its services along the entire pharmaceutical supply chain and consolidated its leading position in retail with the expansion of its portfolio of pharmacies. The strategy of organic growth as well as through targeted acquisitions has proven sustainable in the long term.

In the reporting year, particular focus was placed on the following business activities:

- PHOENIX increased its portfolio of pharmacies during the reporting year to more than 2,200 pharmacies.

- The takeovers of the pharmacy chain Goodwill Apoteka in Serbia and the research and consultancy firm Medaffcon in Finland also strengthen the PHOENIX group with regard to market leadership, an integrated supply chain and digitisation. With the acquisition of DeclaCare, a Dutch service provider for modern wound care, the company has expanded its range as an integrated healthcare provider.

- The PHOENIX Pharmacy Partnership, Europe's largest network of independent pharmacies, held its first summit. More than 300 pharmacists, industry representatives and managers from 18 countries took part in the three-day conference.

- With the ONE project, the company is investing in a state-of-the-art logistics centre for Northern Europe in the Danish town of Køge. In Gotha, Germany, a newly constructed distribution and logistics centre has been operational since October 2017. Other modernisations in the area of wholesale will continue to sustainably strengthen the PHOENIX group's highly-modern logistics infrastructure.

- To drive forward innovation, the company created the new Business Innovation division. This division is primarily concerned with digital change and the development of new business opportunities.

Overall, the company is in an excellent position and is therefore able to play an active role, both now and in the future, in shaping the changes anticipated in its markets.

Key areas of advisory and monitoring activity in 2017/18

In the fiscal year 2017/18, in three meetings and one telephone conference, the Supervisory Board discussed the reports of the Executive Board on the business development of the PHOENIX group, important individual transactions and transactions requiring approval. In addition to the current development of revenue and result as well as the financial and asset situation, discussions focused especially on the challenges in the respective individual markets as well as on personnel decisions at the top management level.

In the past fiscal year, the following items, in particular, were monitored and discussed:

- In its meeting in May 2017 in Mannheim, Germany, the Board dealt primarily with the company's annual financial statements, which were subsequently audited and approved. The Board again discussed the current business development during a telephone conference in July 2017.
- In October 2017, the Board met for two days in Runcorn, Great Britain, where it discussed the company's strategic orientation in detail. Important agenda items included strategic areas of growth, the evaluation of acquisition options and the general business development.
- The meeting in January 2018 in Mannheim focused on the corporate plan as well as on the budgets for the countries and the Central Service Departments for the fiscal year 2018/19, which were also adopted at this meeting.

Audit and approval of the annual financial statements 2017/18

The Supervisory Board appointed the auditing firm Ernst & Young GmbH, Stuttgart, Germany, as the auditor for the fiscal year 2017/18 and, together with the auditor, defined the key areas to be reviewed. The Executive Board presented the provisional, unaudited key figures for the fiscal year and the status of preparations for the final report to the Supervisory Board in advance. The auditing firm audited the annual financial statements as well as the company and consolidated management report. These were certified without qualification. All documentation relating to the financial statements was issued to the Supervisory Board on time and was reviewed in detail in the presence of the auditor. There were no objections. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The Supervisory Board consented to the Executive Board's proposal regarding the appropriation of retained earnings.

Cooperation between Supervisory Board and Executive Board

In the fiscal year 2017/18, the Supervisory Board and Executive Board cooperated in a trusting, effective, and efficient manner. Communication was always open and thorough.

Together with the company management, the Supervisory Board is endeavouring to strengthen the PHOENIX group's leading position in the market and expand it in the long term. The Supervisory Board would like to thank the members of the Executive Board, as well as all employees, for their active commitment and performance during fiscal year 2017/18.

On behalf of the Supervisory Board,
Mannheim, May 2018

Bernd Scheifele

Dr Bernd Scheifele
Supervisory Board Chairman

MEMBERS OF THE SUPERVISORY BOARD

Dr Bernd Scheifele
Chairman of the Supervisory Board,
Chairman of the Managing Board of HeidelbergCement AG,
Heidelberg, Germany

Dr Wolfram Freudenberg
Former Chairman of the Board of Partners
of Freudenberg & Co. KG,
Weinheim, Germany

Dr Peter Maag
President & CEO, CareDx Inc.,
USA

Ludwig Merckle
Company Shareholder,
Director of Merckle Service GmbH,
Ulm, Germany

Dr Lorenz Näger
Member of the Managing Board of HeidelbergCement AG,
Heidelberg, Germany

HIGHLIGHTS 2017/18

DIGITAL EXPERTISE

Completion In the future we will be better able to serve our customers in Finland. The PHOENIX subsidiary Tamro purchased Medaffcon, a consultancy firm specialising in healthcare data. This represents yet another step toward making the PHOENIX group the best integrated healthcare provider in Finland and Europe. Find out more at www.medaffcon.fi/en

A strong community In June 2017, the PHOENIX group launched the new pharmacy cooperation programme LIVPLUS in Germany. The primary goal is to strengthen the independent pharmacies at a local level. They benefit from a wide product range at special rates and have preferential access to products from the PHOENIX category brand LIVSANE. Find out more at www.phoenix-online.de/livplus

Exclusive quality In summer 2017 the PHOENIX group introduced its first Europe-wide own brand, LIVSANE, step by step in 11 countries. The consistent brand image reduces the costs of manufacture and distribution. As a result, independent pharmacies within PHOENIX cooperation programmes, individual pharmacies supplied by the company as pharmaceutical wholesale customers, and the group's own BENU pharmacies are able to offer high quality at attractive prices.

BENU TURNS 5

Birthday The network of the PHOENIX pharmacy brand BENU has been growing for more than five years. More than 1,300 pharmacies in ten European countries belong to the chain. BENU is very well represented in Eastern Europe. The first BENU pharmacy opened in 2012, and the chain is now the market leader in the Netherlands, Hungary, Serbia, and Montenegro. Find out more at www.benu.eu

Dialogue Around 13,000 independent pharmacies from 15 countries work together in PHOENIX cooperation and partner programmes. The PHOENIX Pharmacy Partnership is the European umbrella organisation for the 12 cooperation programmes. In October the cooperation reached a new level. More than 300 participants from pharmacies and manufacturers gathered for the first time at a conference in Berlin to exchange ideas about the pharmacy of the future. Find out more at www.phoenix-pharmacy-partnership.eu

Congratulations How does the brain know when we have a fever? Why does St. John's wort have a positive effect on mood? Questions like these were explored by the experts who received the PHOENIX Pharmaceutics Science Award in October 2017. The €40,000 award is one of the most prestigious prizes for pharmaceutical researchers in the German-speaking world. Find out more at www.phoenixgroup.eu/en/company/science-award

More than 100,000 drugs and health products can be prepared for shipping almost automatically by our new distribution centre in Gotha, Germany, thanks to a state-of-the-art goods management system. From it, PHOENIX supplies thousands of pharmacies in the German states of Thuringia, Saxony, and Saxony-Anhalt with drugs quickly and reliably. The facility commenced operations in October 2017.

Expansion

in Serbia

Pole position The PHOENIX group is hitting top form in Serbia. In November 2017, it purchased the Goodwill Apoteka chain. Its 138 branches are to become part of the BENU brand, which has now grown to more than 300 pharmacies in Serbia. PHOENIX also operates pharmaceutical wholesale, an international logistics centre, and the cooperation programme BETTY in Serbia. Find out more at www.benuapoteka.rs and www.betty.rs

A FAMILY BUSINESS

Outstanding The INTES Family Business Academy honoured the entrepreneur Ludwig Merckle, naming him “Family Business Entrepreneur of the Year” for 2017. In their comments, the jury noted that at a challenging time, the shareholder of the PHOENIX group had set a course to ensure its continuation. When he succeeded his father in 2009, Merckle became the sole heir and initiated a successful consolidation strategy.

TV ADVERTISEMENT WITH PARTNER

New avenues A new era has begun for the pharmacies of the Slovakian cooperation programme PARTNER. PHOENIX is advertising on television in Slovakia for the first time. The aim is to increase awareness of the PARTNER brand. Examples can be found at https://goo.gl/NnX26y and https://goo.gl/Er8gf3

Nobel Peace Prize Concert Our Norwegian pharmacy chain Apotek 1 has awarded a number of special prices. In December, it honoured 1,000 people, including 650 employees. Internal comparisons have shown that these employees provide outstanding service to customers. Business partners who are making a commitment to society also received awards. The winners attended the Nobel Peace Prize Concert, which is held annually in Oslo the day after the Nobel Peace Prize is presented.

STRONG BRAND

Award-winning image In Hungary the BENU brand has won a respected award. The pharmacy chain, which belongs to the PHOENIX group, was presented with the Superbrands award for the fourth time. BENU Hungary achieved a high points total in the category “Image and Branding.” Superbrands is an independent organisation that recognises the strongest corporate brands in more than 88 countries.

SUSTAINABILITY

Acting responsibly in all divisions of the company, in all of the countries in which we operate and along our entire supply chain safeguards the sustainable growth of the PHOENIX group. Our strategy is built on four primary areas of responsibility:

- Value creation for customers and the company
- Environmental protection
- Supporting employees
- Commitment to society

Progress with our sustainability goals

In the past fiscal year, the PHOENIX group worked consistently on achieving its group-wide sustainability goals and has made considerable progress. One of the successes was a reduction in the costs connected with pharmaceutical waste. In this way, PHOENIX is conserving natural resources and reducing the financial burden on the company. The PHOENIX group is well on the way to achieving the goal of a 10 per cent cost reduction for pharmaceutical waste by 2018/19, in comparison with the reference year 2014/15.

With regard to our target of reducing the illness rate by 1 per cent by 2018/19, some improvements have been made thanks to our occupational health management, although significant effort is still needed in this area. We have already fully achieved the goal of training all relevant employees on the issue of compliance by the end of the fiscal year 2016/17.

The supplier code we established for purchasing indirect and trade goods is gradually being integrated into our procurement processes across Europe as a core element, ensuring compliance with sustainability standards in our supply chain.

Focus on data protection

Data protection is an issue to which the PHOENIX group has been giving increased attention for a number of years. As planned, we introduced group-wide data protection guidelines in May 2018 and trained all employees on the data protection guidelines in Germany by the end of fiscal year 2017/18. The PHOENIX group has included another data protection target in its goal achievement programme: by 2018/19, all employees across the group should be trained in data protection, particularly in the new European General Data Protection Regulation.

The company also plans to introduce an international stakeholder survey on the sustainability performance of the PHOENIX group and the identification of other important CSR topics.

www.phoenixgroup.eu/en/responsibility/csr-report

Sustainability report in accordance with established standards

Each year, PHOENIX reports on targets and measures in an independent sustainability report, which meets the guidelines of and is audited by the Global Reporting Initiative (GRI). It contains the key performance indicators (KPIs) of all subsidiaries of the PHOENIX group and shows a three-year comparison of the figures. The CSR report for the current reporting period will be published at the end of the second quarter of 2018.

VALUE CREATION

SUSTAINABLE GROWTH STRATEGY SUPPORTS OUR GOAL OF BECOMING THE BEST INTEGRATED HEALTHCARE PROVIDER

- Strong customer focus and quality provide the foundation
- Quality management system aims for a high level of drug safety
- Greater focus on data protection

ENVIRONMENT

COMMITTED TO CONSERVING NATURAL RESOURCES

- Progress in reducing the costs of pharmaceutical waste
- Energy monitoring indicates potential for efficiency improvements
- Transparent reporting of CO_2 emissions

EMPLOYEES

CORPORATE CULTURE BASED ON DIALOGUE AND TRUST

- Forward-looking system of education and further training
- Talent management programme substantially expanded
- Signs of success in reducing the illness rate

SOCIETY

INTERNATIONAL COMMITMENT TO THE COMMON GOOD

- Wide variety of activities relating to our mission “We deliver health across Europe”
- Promotion of pharmaceutical research through the PHOENIX Pharmaceutics Science Award and Health Award
- Group-wide guidelines for donations and sponsorship

PHOENIX GROUP IN THE CAPITAL MARKET

- Company rating and bond rating confirmed as “BB+” by Standard & Poor’s
- Outstanding PHOENIX group bonds developed in line with the market
- Successful repurchase of the €100 million nominal volume of one bond

PHOENIX group represented on the capital market with two bonds and promissory notes

Although unlisted, the PHOENIX group considers itself to be closely linked to the capital market. In the past fiscal year, the PHOENIX group was represented on the capital market with two bonds outstanding and the promissory notes placed during the fiscal year 2016/17. One important objective of using capital market financing is to diversify the sources of financing in order to guarantee the liquidity supply at any time and in the long term. Financing via the capital market is – in addition to the availability of a long-term credit facility through an international bank consortium and a wide portfolio of ABS and factoring programmes – an integral part of our refinancing measures and thus contributes to our good, balanced maturity structure. Since our inaugural bond was launched in 2010, we have been guided by the requirements of the capital market with regard to transparency and publicity. This includes accounting that promotes transparency and is in line with the International Financial Reporting Standards (IFRS).

Transparent creditor relations

With our creditor relations activities, we aim to strengthen confidence in the PHOENIX group and, at the same time, foster a better understanding of our business. We plan to achieve this through the provision of transparent, consistent and timely information about developments in our company and in our market environment, as well as through the clear definition and communication of our goals. Our capital market communication is oriented towards the long term and considered part of the group’s sustainable strategy for value enhancement. We regularly make relevant information available to capital market participants in the Investor Relations section of the PHOENIX group website. Since the debut bond was issued in 2010, the PHOENIX group has been publishing quarterly reports on its business performance in addition to its annual reports. Personal conversations and quarterly teleconferences with members of the Executive Board also serve as important measures for ensuring the continuous and active communication with existing and potential investors.

Successful repurchase of the €100 million nominal volume of the 3.625 per cent bond maturing in 2021

In November 2017, the PHOENIX group successfully repurchased the €100 million nominal volume of the 3.625 per cent bond, which matures in July 2021, from the bondholders via a public takeover bid. This measure serves to optimise the financing structure and reduce the gross debt of the PHOENIX group. It also reduces the group’s future interest expense.

Brief overview of the currently outstanding bonds of the PHOENIX group

Issuer	PHOENIX PIB Dutch Finance B.V.	PHOENIX PIB Dutch Finance B.V.
Guarantors	PHOENIX Pharmahandel GmbH & Co KG PHOENIX PIB Finance B.V. PHOENIX International Beteiligungs GmbH	PHOENIX Pharmahandel GmbH & Co KG PHOENIX PIB Finance B.V. PHOENIX International Beteiligungs GmbH
Bond type	Unsecured eurobond	Unsecured eurobond
Issue volume	€300,000,000	€300,000,000
Coupon	3.1250%	3.6250%
Interest payment dates	Annually on 27 May	Annually on 30 July
Denomination	€100,000	€100,000
Due date	27 May 2020	30 July 2021
Stock exchange listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange
ISIN	XS0935786789	XS1091770161
Bond rating at reporting date	Standard & Poor's: BB+	Standard & Poor's: BB+
Company rating at reporting date	Standard & Poor's: BB+, Outlook stable	Standard & Poor's: BB+, Outlook stable

Bonds develop positively

The two outstanding bonds issued by PHOENIX PIB Dutch Finance B.V. are unsecured and guaranteed by PHOENIX Pharmahandel GmbH & Co KG, PHOENIX International Beteiligungs GmbH and PHOENIX PIB Finance B.V. During the reporting period, the bonds developed in line with the market for comparable bonds in terms of maturity and rating. As at the reporting date of 31 January 2018, the bonds were listed at 105.287 per cent (€300 million, due in May 2020) and 109.318 per cent (€200 million, due in July 2021), respectively.

Ratings confirm successful development of the PHOENIX group

The PHOENIX group is the only leading independent pan-European pharmaceutical trader to have its creditworthiness assessed and published by an external rating agency. In this context, the agencies issue both a company rating that gives an independent opinion on the company's general financial power and a bond rating that primarily values the respective bond. In the fiscal year 2017/18, the rating agency Standard & Poor's confirmed the creditworthiness of the PHOENIX group and the two outstanding corporate bonds at "BB+". The outlook was changed from positive to stable. The main reason for the confirmation of the "BB+" rating is the leading position of the PHOENIX group in the pharmaceutical wholesale sector of numerous European markets and the growing presence of the company in the higher-margin pharmaceutical retail sector. In December 2017, the rating agency Fitch withdrew its ratings for commercial reasons.

GROUP MANAGEMENT REPORT

2017/18

FUNDAMENTAL INFORMATION ABOUT THE GROUP

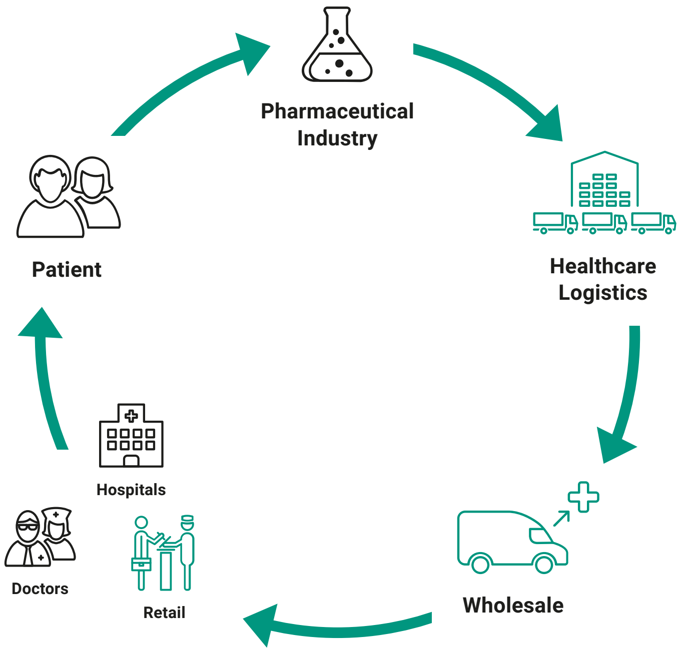
- Leader in European pharmaceutical trade
- Strategic focus on customer-oriented corporate culture, strict cost management and profit-oriented growth
- Focus on innovation
- Continuous optimisation of processes and implementation of best practices across Europe

THE PHOENIX GROUP

Family business with leading market position in European pharmaceutical trade

The PHOENIX group, with headquarters in Mannheim, Germany, is a leading company in European pharmaceutical trade and one of the largest family businesses in both Germany and Europe. Its core business is pharmaceutical wholesale and pharmacy retail. Subsidiaries also operate in related business areas, whose activities round off its offering by adding services for the pharmaceutical industry, IT systems for pharmacies and logistics solutions. The PHOENIX group aims to be the best integrated health services provider wherever it is active.

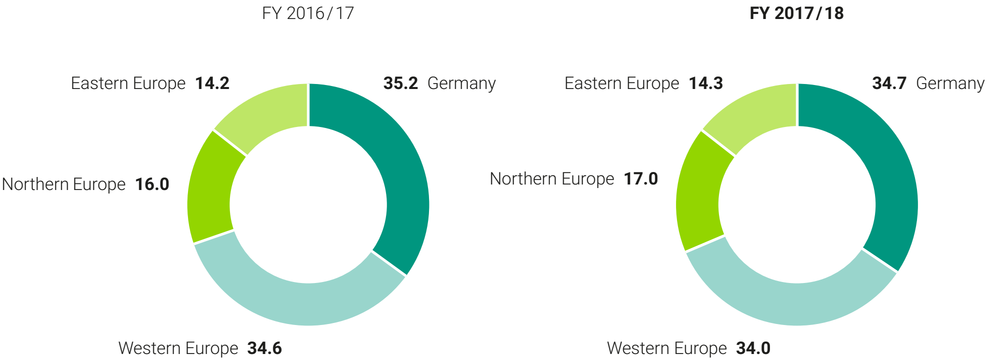
PHOENIX GROUP: LINK BETWEEN MANUFACTURER AND PATIENT



The PHOENIX group is active in 26 countries in Europe. In its core business, the Company was operating 154 distribution centres and a total of 2,099 pharmacies as of the end of the reporting year. This makes its geographic portfolio highly diversified.

NET TURNOVER PER REGION

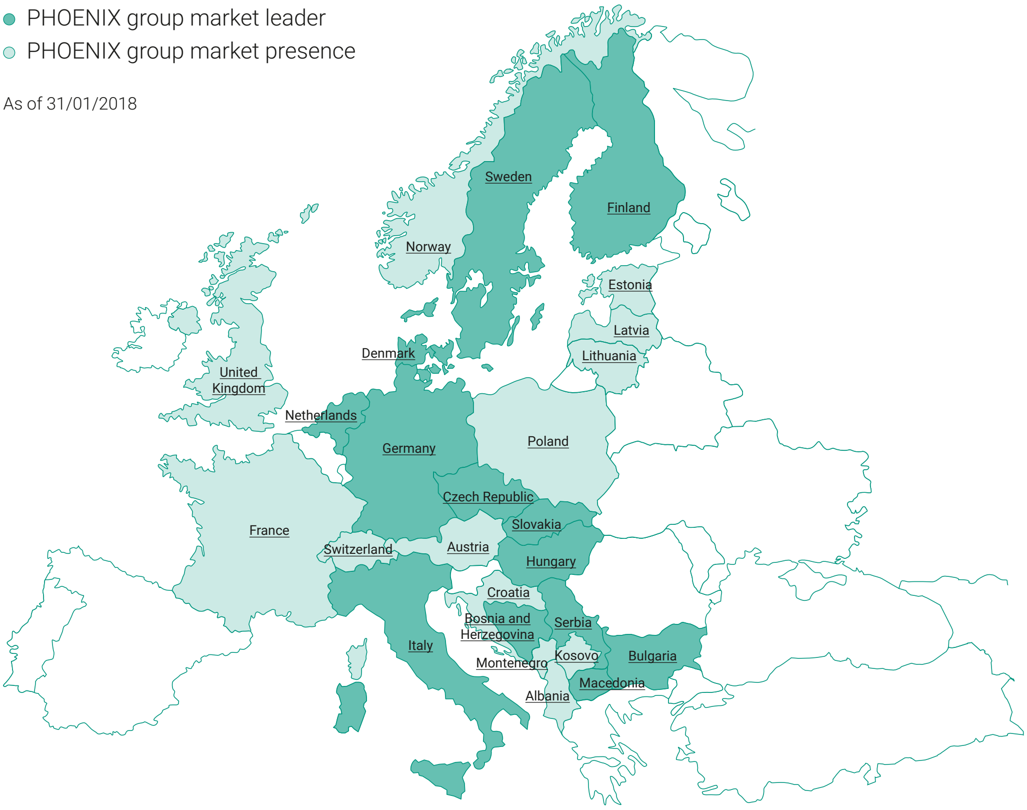
in %



Number one in pharmaceutical wholesale in 13 countries.

In pharmaceutical wholesale, the PHOENIX group is number one in 13 countries. It operates the retail pharmacy business mainly in the United Kingdom, Norway, the Netherlands, Switzerland, Hungary, the Czech Republic, Slovakia, Serbia, Montenegro and the Baltic countries and is the market leader in continental Europe. It also offers companies in the pharmaceutical industry its services along the entire pharmaceutical supply chain.

PHOENIX GROUP AS THE LEADING PHARMACEUTICAL WHOLESALER IN 13 EUROPEAN COUNTRIES



As of 31/01/2018

New parent company PHOENIX Pharma SE

The PHOENIX group has had a new parent company since 18 October 2017 in the form of PHOENIX Pharma SE. By establishing a European entity (Societas Europaea, “SE”), the Merckle family has underscored the PHOENIX group’s status as a family-run company. The shareholding structure has been simplified while the ownership relationships have remained unchanged. The legal structure of an SE reflects PHOENIX’s image of itself as a European group.

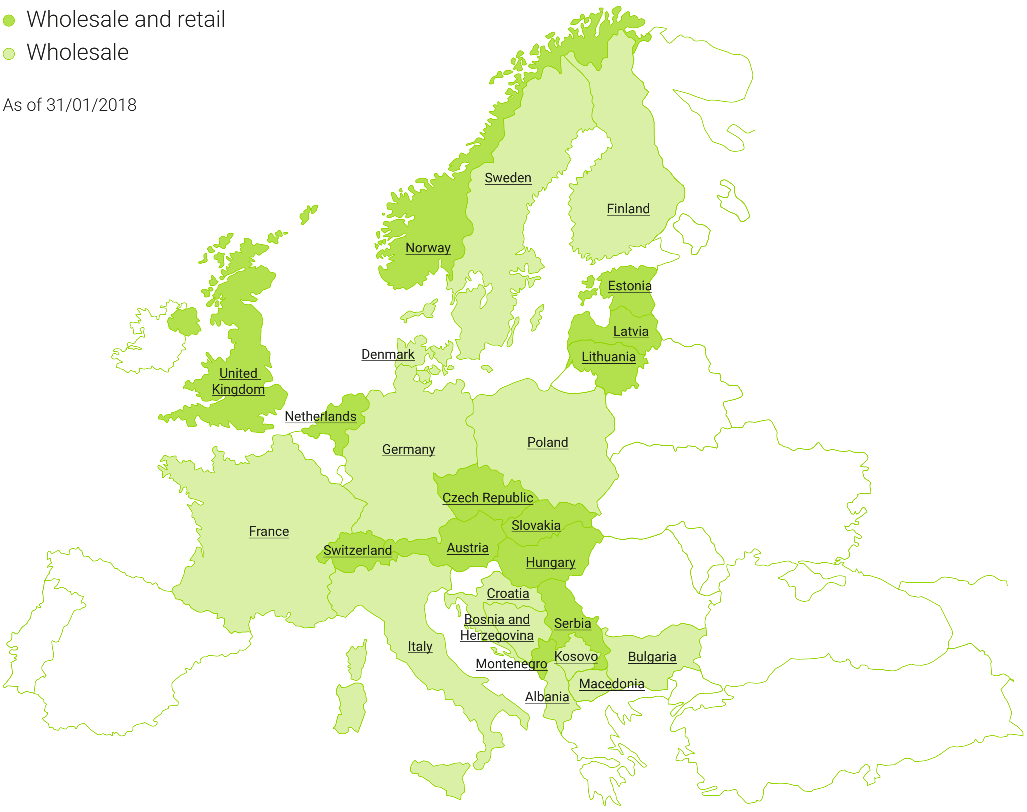
PHOENIX Pharmahandel GmbH & Co KG, the former parent company of the PHOENIX group, continues to operate as before. It still comprises the Group’s business operations in Germany and holds its German and non-German subsidiaries both directly and indirectly.

Our corporate mission statement defines our values

Our corporate mission statement plays a key role in our day-to-day business. This provides clarity regarding our corporate philosophy, our vision and our values. As a family business, we make our own decisions and pursue a long-term strategy. Our vision of being the best integrated healthcare provider – wherever we are, can only be achieved with competent, motivated and loyal employees. Their day-to-day activities contribute to the overall success of the PHOENIX group. This is how we fulfil our responsibilities today and in the future.

Status as a family business ensures long-term stability and independence.

PHOENIX GROUP WITH A PRESENCE IN WHOLESALE AND RETAIL IN 13 EUROPEAN COUNTRIES



● Wholesale and retail

○ Wholesale

As of 31/01/2018

Setting ourselves apart from the competition through cooperation across Europe

We have many unique selling points thanks to our broad positioning. The PHOENIX group's competitive advantages include, but are not limited to:

- Unique geographical coverage across Europe thanks to our presence in 26 European countries
- Creating value added for pharmacies, hospitals and doctors with our integrated and comprehensive portfolio of services
- Our well-positioned pharmacy brands across Europe: Apotek 1, BENU and Rowlands Pharmacy
- The network of pharmacies with around 13,000 pharmacies in the PHOENIX group's cooperation and partnership programmes. The PHOENIX Pharmacy Partnership functions as a Europe-wide umbrella for the twelve cooperation programmes
- Our integrated services in the Pharma Services business, which we offer under the All-in-One service brand

STRATEGY AND GROUP MANAGEMENT

Our strategy aims for growth and cost efficiency

The PHOENIX group aims to make targeted use of the opportunities offered by digitisation.

The activities of the PHOENIX group are geared to achieving sustainable values through a customer-focused corporate culture, strict cost management and profit-oriented growth. Market leadership and efficiency are top priorities for us. Another focus for us is on innovation, which we are addressing in a targeted manner with the creation of the new "Business Innovation" division. We hope that this will allow us to take advantage of the opportunities presented by digitisation and actively pursue the development of new business ideas as well as trends and innovations in the healthcare sector. Having local expertise at hand within the Group means that the national and regional differences prevailing in the European pharmaceutical markets are always addressed.

An important part of our strategy is to grow organically and through targeted acquisitions and continually expand our position in the areas of pharmacies and pharmaceutical wholesale. The prior-year acquisition of Mediq in the Netherlands in particular, with activities along the entire pharmaceutical supply chain, was an important step towards integrating our business activities.

In pharmaceutical wholesale, the PHOENIX group has long-established partnerships with around 53,000 pharmacy customers. Many of them are part of our pharmacy cooperation programmes. We also offer franchise systems for independent pharmacies in some countries. Regular customer surveys help to maintain a strong customer focus and, in turn, high levels of customer satisfaction.

We want to focus on strengthening, expanding and further professionalising the pharmacy retail market. We have laid the ideal foundation for this purpose in past years with our BENU, Rowlands Pharmacy and Apotek 1 pharmacy brands. Strategic measures include introducing our Europe-wide category brand LIVSANE and further increasing brand awareness in all countries. We are also further expanding the Pharma Services business, and we offer the pharmaceutical industry comprehensive services along the entire pharmaceutical supply chain with our All-in-One service brand.

The PHOENIX group continuously implements best practices across Europe in all its business units. In addition to group-wide initiatives, we mainly benefit in this regard from locally successful process optimisation measures, which serve as a starting point for improvement measures in other countries. We also make targeted investments in technology and automation wherever it appears logical to us, thereby increasing efficiency and productivity.

Using key financial indicators in management

The Company is largely managed using the financial indicators of the income statement and the statement of financial position. The key figures in the income statement are revenue and EBITDA; in the statement of financial position, it is the equity ratio.

PROCESSES AND ORGANISATION

Ongoing optimisation increases efficiency and flexibility

We continuously review and improve our processes and structures to ensure a high level of efficiency and to provide flexibility. This enables us to respond rapidly to changes in the market and to achieve sustainable growth.

In the past fiscal year, we initiated two ambitious topics for this purpose, among other things. With the “JUMP” initiative we are pursuing the goal of optimising our operating processes and taking a significant step towards making our logistics network fit for the future using innovative approaches. We are also doing this by pushing the benchmarking of our distribution centres and sharing best practices across national boundaries. The “SAFE” focus topic is aimed at reducing negative differences throughout the Group, including losses due to breakage and exceeded expiry dates. Our Warehouse Excellence initiative plays an important role in this regard when it comes to identifying the causes of damage and implementing ideas for improvement that are aimed at avoiding risks. We have also incorporated the topic into our procurement strategy.

In Germany, we have also initiated the “Fit für die Zukunft” (“Fit for the Future”) project in order to safeguard our position as market leader. This involves optimising and harmonising processes and structures in order to achieve further gains in efficiency. The project includes abolishing the existing regional structure in Germany and replacing it with distribution and operations directors, standardising processes, centralising certain activities and reinforcing the importance of procurement. In the UK, we have introduced a similar project called “Fit4Two”, which also involves consolidating and optimising structures and centralising services for pharmacies, hospitals and doctors. The latter is also one of the priorities of the “Centralised Business Model” in Norway. Pharmacy services are provided centrally.

Various projects in different countries contribute to increasing our efficiency.

EU Directive 2011/62/EU (EU Falsified Medicine Directive, "FMD") aimed at combating the falsification of medicines entered into force on 9 February 2019. In the future, all prescription-only medicines must bear unique identifiers in the form of a two-dimensional bar code. Medicine packaging will also need to include features aimed at preventing tampering in the future. The securPharm falsification prevention system allows each individual package of prescription-only medicine to be verified. The PHOENIX group is heavily involved in this joint project between the manufacturers of medicines, wholesalers and pharmacies. Our solution hinges on the PHOENIX FMD Cloud, which is a flexible, reliable and cost-effective method for our partners. It acts as an interface between the PHOENIX systems and the various national verification systems, and also as a link to our partners' cloud-based systems.

IT processes optimised

Following the successful completion of efforts to consolidate its IT infrastructure at the central data processing centre in Nuremberg, the PHOENIX group has taken extra steps to optimise its IT procedures and processes. In so doing, the Company is meeting the stricter requirements with respect to security while also improving the stability and quality of IT operations. We have achieved this through a number of individual initiatives such as consistently separating the organisation into the fields of planning, implementation and operations, intensively recruiting talented people, and outsourcing services.

IT supports innovation and digitisation within the PHOENIX group.

The PHOENIX group's IT function has also implemented other innovation and digitisation projects. One focus was on introducing fully automated product warehousing at the German distribution centres Hanover, Leipzig and Gotha, as well as automated high-rack storage in Gothenburg, Sweden, and Tampere, Finland. In the past fiscal year, we launched new business models based on our improved IT systems, such as the strategic partnership with Sweden's biggest chain of pharmacies and supplying hospitals. We have also expanded our advisory services for the pharmaceutical industry in the field of business intelligence solutions, for example, in connection with product launches.

We have created and introduced the necessary IT solutions with respect to past and future amendments to the law, such as the European General Data Protection Regulation, which comes into force in May 2018, as well as the EU falsification directive scheduled for 2019. We have also improved our standardised "BRIDGE" interface to give manufacturers a central connection to the PHOENIX group's various national merchandise management systems.

REPORT ON ECONOMIC POSITION

- Main financial indicators improved
- Market conditions still characterised by strong competition
- Solid growth in Europe and Germany
- Qualified employees making a crucial contribution to the success of the PHOENIX group

ECONOMIC ENVIRONMENT

Positive overall economic development

The European economy experienced tangible growth in 2017, with gross domestic product (GDP) in the eurozone up 2.5% compared to the prior year. The German economy was also in good shape, with GDP (adjusted for price and calendar effects) also up 2.5%.

There were differences in the development of the European pharmaceutical markets. The German pharmaceutical wholesale market experienced moderate growth in 2017, increasing by 2.0% in comparison with the prior year. This was primarily attributable to a noticeable increase in revenue from prescription-only drugs. The German market was also shaped by the continuation of strong competition.

BUSINESS DEVELOPMENT AT A GLANCE

Leading position in the European pharmaceutical wholesale sector

The healthcare sector continues to grow, especially on account of demographic changes. Europe's pharmaceutical wholesale sector is also experiencing increasing consolidation. The PHOENIX group stands to benefit from this thanks to its integrated position.

Growing pressure on prices with Europe's healthcare systems, on the other hand, is an increasingly important factor for the pharmaceutical wholesale business in particular. The PHOENIX group is countering this effect in all countries with numerous measures to improve earnings and efficiency such as the Warehouse Excellence initiative. The Company has also initiated the "Fit für die Zukunft" and "Fit4Two" projects in Germany and the UK, respectively.

See „Processes and organisation" (S. 57)

At the same time, it is working to develop new and innovative business models with its new Business Innovation department. In this way, the PHOENIX group is hoping to remain fit for the future in order to become even less sensitive to fluctuations in individual areas.

The PHOENIX group continued to focus on expanding its services in fiscal year 2017/18. This includes the ongoing development of its various pharmacy cooperation programmes.

The PHOENIX group's network of around 13,000 independent pharmacies in its cooperation and partner programmes is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as a Europe-wide umbrella for the PHOENIX group's twelve pharmacy cooperation programmes in 15 different countries. This partnership is part of the services provided by PHOENIX' All-in-One service brand. The first PHOENIX Pharmacy Partnership summit was held in Berlin in October 2017. Around 300 pharmacists, industry representatives and PHOENIX group managers from a total of 18 different countries spent several days discussing the current challenges, including the digitisation of the healthcare sector in particular.

Significant growth in pharmacy retail business

See acquisitions section (p. 61)

The PHOENIX group's pharmacy retail business experienced strong growth in the past year. At the end of fiscal year 2017/18, the Company had 2,099 pharmacies and was the market leader in numerous countries. The acquisition of the Goodwill chain of pharmacies increased the number of pharmacies in Serbia in particular. The acquisition of Goodwill's owner, Inter Pharma d.o.o, was subject to the approval of Serbia's antitrust authorities, which was granted at the start of fiscal year 2018/19. The PHOENIX group's retail activities also grew significantly in Norway, the Czech Republic and Slovakia thanks to acquisitions and the opening of new pharmacies.

In July 2017, the Company successfully launched "LIVSANE", the PHOENIX group's first Europe-wide category brand for all pharmacies, onto the market. The healthcare products have since been introduced gradually in eleven European countries. The product portfolio is aimed at independent pharmacies in the PHOENIX cooperation programmes as well as individual pharmacies that the Company supplies as part of its pharmaceutical wholesale business. The PHOENIX group also sells LIVSANE products through its own roughly 1,200 BENU pharmacies. This concept is to be expanded even more in the years ahead.

The Company is also working on tapping into additional distribution channels and digital solutions. The PHOENIX group has expanded its online shop in the Czech Republic, for example, which now ranks among the country's top 3 online shops. In Norway, the PHOENIX group has established an online pharmacy through which it plans to generate around 10% of its revenue in the future. There are also plans to further expand the existing online shops in the Netherlands and the UK. The Company also plans to introduce an online shop in Slovakia based on the Czech model.

Pharma Services creates added value for the pharmaceutical industry

Pharma Services combines the services for the pharmaceutical industry throughout Europe under the "All-in-One" service brand. The focus for Pharma Services in fiscal year 2017/18 was on the targeted and customer-oriented development of services. In the field of "Business Intelligence", new products provided customers with insight into the market and information on patient behaviour based on a sample of 12,000 pharmacies in Europe. The "Healthcare Logistics" network with the CEE (Central Eastern Europe) BRIDGE solution currently has three hubs in Belgrade, Prague and Warsaw. The PHOENIX group constructed new, modern logistics centres in Køge, Denmark and Brno, Czech Republic, in order to reinforce its position in the European pharmaceutical logistics sector. In the "Patient Services" division, the PHOENIX group carried out campaigns in pharmacies in partnership with the pharmaceutical industry. The aim of the measures was to raise awareness of dangerous illnesses and prompt treatment among patients throughout Europe. In the field of "Clinical Trial Supply Services", the Company expanded its services, for example in connection with the procurement of means of comparison and advisory services.

Acquisition strategy contributes to profitable growth

Targeted acquisitions in the core wholesale and pharmacy retail business as well as in the field of services are helping the PHOENIX group to grow sustainably. Business combinations in fiscal year 2017/18 led to a cash outflow of EUR 38.8m (prior year: EUR 328.6m). Cash received from divestitures amounted to EUR 12.2m (prior year: EUR 33.4m). The focus was on three acquisitions in the reporting year: the takeover of Medaffcon by Tamro in Finland, the proposed acquisition of Goodwill in Serbia and the purchase of DeclaCare in the Netherlands.

Three acquisitions in focus.

Tamro, the PHOENIX group's national entity in Finland, acquired Medaffcon Oy in May 2017. The company operates in the fields of research and advisory services for the pharmaceutical industry and healthcare sector. The transaction significantly reinforces Tamro's portfolio of services as one of Finland's leading healthcare services providers. In October 2017, the PHOENIX group signed an agreement to acquire the Goodwill Apoteka chain of pharmacies in Serbia. The purchase of the company, which operates 138 pharmacies throughout the country, reinforces the PHOENIX group's leadership in the Serbian pharmacy market. After being renamed, more than 300 Serbian pharmacies will operate under the BENU brand. The acquisition of Goodwill's owner, Inter Pharma d.o.o, was subject to the approval of Serbia's antitrust authorities, which was granted at the start of fiscal year 2018/19. In December 2017, BENU Nederland B.V., which belongs to the PHOENIX group, acquired the service provider DeclaCare B.V. DeclaCare brings medical products for modern wound treatment and compression therapy to the existing portfolio of the PHOENIX group's Dutch subsidiary "BENU Direct", which mainly sells products for incontinence and diabetes. The acquisition makes BENU Direct the market leader in this segment. All of these measures represent another step along the PHOENIX group's journey to becoming Europe's best integrated healthcare services provider.

The corporate acquisitions of the prior fiscal year have now largely been completed. The acquisition of Mediq Apotheken Nederland B.V. by Brocacef Groep N.V. in the Netherlands, in particular, is on track and having a significant positive effect on revenue and profit.

Substantial investment putting the Company in a good position for the future

In addition to acquisitions, investment is an important part of the PHOENIX group's corporate strategy. That is why the PHOENIX group invests a substantial and steadily rising share of its profit in new distribution centres, automation technology, services for the pharmaceutical industry and the modernisation of pharmacies. Last year the Company invested EUR 207.4m as part of a major, Europe-wide investment programme. The PHOENIX group's ONE project involves building a ground-breaking logistics centre in the Danish town of Køge. The modern high-rack warehouse will offer space for 60,000 palettes, including for anaesthetics and products requiring a controlled ambient temperature. The project is due to be completed in the summer of 2018. The associated volume of investment amounts to more than EUR 70m. We successfully completed the Skårer investment project in Norway in the reporting year. This involved implementing new automation technology, which we will use to achieve a high degree of volume utilisation and increase productivity significantly. In Gotha, the Company built a new distribution and logistics centre in a record-breaking time of eleven months, with operations commencing in October 2017. Since then, the facility, which covers more than 10,000 square metres, has handled deliveries to pharmacies in the German federal states of Thuringia, Saxony and Saxony-Anhalt. The PHOENIX group completed the conversion and modernisation of the UK's largest distribution centre in Runcorn in the spring of 2017.

Executive Board's overall assessment of the situation

The PHOENIX group was again able to successfully further strengthen its market position in fiscal year 2017/18 as a leading pharmaceutical trader in Europe and expand its wholesale and retail activities. Despite challenging conditions, the PHOENIX group has managed to grow at a higher rate than the overall market and increase its total operating performance and revenue once again. Earnings have also improved significantly in comparison to the prior year.

RESULTS OF OPERATIONS

	FY 2016/17 in EUR m	FY 2017/18 in EUR m	Change in EUR m	Change %
Total operating performance	30,232.8	31,526.2	1,293.4	4.3
Revenue	24,436.7	24,909.8	473.1	1.9
EBITDA	429.3	468.0	38.7	9.0
EBIT after goodwill impairment	301.2	319.5	18.3	6.1
EBIT before goodwill impairment	301.2	333.5	32.3	10.7
Financial result	– 53.8	– 55.3	– 1.5	2.8
Profit before tax	247.4	264.2	16.8	6.8
Profit or loss for the period after goodwill impairment	147.6	186.7	39.1	26.5
Profit or loss for the period before goodwill impairment	147.6	200.7	53.1	36.0
Equity	2,639.9	2,646.6	6.7	0.3
Equity ratio (%)	30.5	31.7	1.2	3.9
Net debt	1,643.0	1,783.0	140.0	8.5

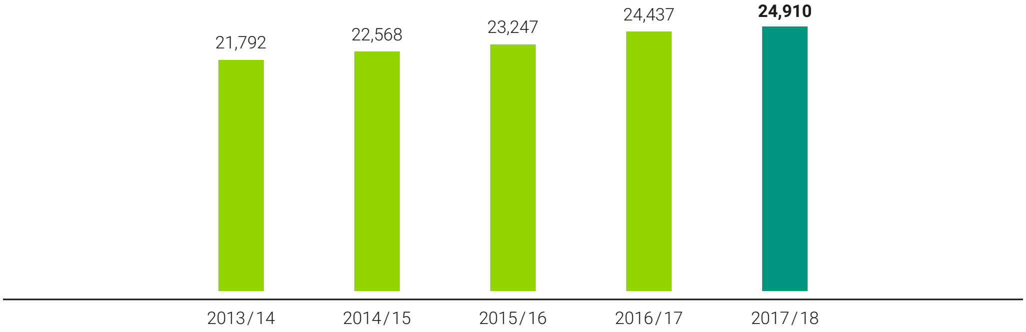
Total operating performance, which comprises revenue and changes in merchandise volumes, increased by 4.3% to EUR 31,526.2m in fiscal year 2017/18. Adjusted for foreign exchange rate effects, the growth amounts to 4.7%.

Significant increase in total operating performance and revenue, each adjusted for foreign exchange rate effects.

Revenue increased by 1.9% to EUR 24,909.8m in fiscal year 2017/18 (prior year: EUR 24,436.7m). We achieved growth in all regions. Adjusted for foreign exchange rate effects, the increase in revenue came to 2.4%. A total of 0.1% stemmed from changes in the basis of consolidation.

DEVELOPMENT OF SALES

EUR m



Revenue by region (before consolidation) breaks down as follows:

	FY 2016/17 in EUR m	FY 2017/18 in EUR m	Change in EUR m	Change %
Germany	8,623.8	8,666.4	42.6	0.5
Western Europe	8,458.3	8,492.7	34.4	0.4
Eastern Europe	3,474.4	3,576.0	101.6	2.9
Northern Europe	3,927.3	4,236.6	309.3	7.9

Gross profit margin increases further

Gross income increased by EUR 83.0m to EUR 2,508.4m. The gross profit margin, calculated as gross profit in relation to revenue, increased from 9.93% to 10.07%. This can mainly be attributed to an improved cost-of-sales ratio. Pressure on margins in the United Kingdom caused by market conditions had a contrasting effect.

Gross profit margin improved despite sustained pressure on margins.

Personnel costs rose from EUR 1,289.2m to EUR 1,342.4m. Adjusted for currency effects, personnel expenses increased by 5.2% compared to the prior year. This is primarily attributable to acquisitions, collectively bargained wage increases and an increase in headcount due to the expansion of business.

Other expenses increased by EUR 9.0m to EUR 862.2m. This was mainly due to higher transportation costs and rental expenses. In relation to revenue, other expenses came to 3.5% (prior year: 3.5%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from EUR 429.3m to EUR 468.0m. This is an increase of 9.0%. There was a disproportionately strong increase in total income this year compared to total expenses.

Amortisation and depreciation came to EUR 148.5m, which is EUR 20.4m more than in the prior year. This was largely due to goodwill impairment amounting to EUR 14.0m (prior year: EUR 0.0m) as well as acquisition effects and investment.

The effects described resulted in earnings before interest and taxes (EBIT) of EUR 319.5m overall (prior year: EUR 301.2m). The return on sales based on EBIT amounted to 1.28% (prior year: 1.23%). EBIT before goodwill impairment rose by EUR 32.3m in comparison to the prior year.

Financial result slightly lower

Despite a negative effect amounting to EUR 12.2m as a result of buying back bonds with a nominal value of EUR 100.0m, the financial result fell just slightly from EUR – 53.8m to EUR – 55.3m (a fall of EUR 1.5m).

Earnings before taxes rise to €264.2 million.

Earnings before taxes amounted to EUR 264.2m (prior year: EUR 247.4m).

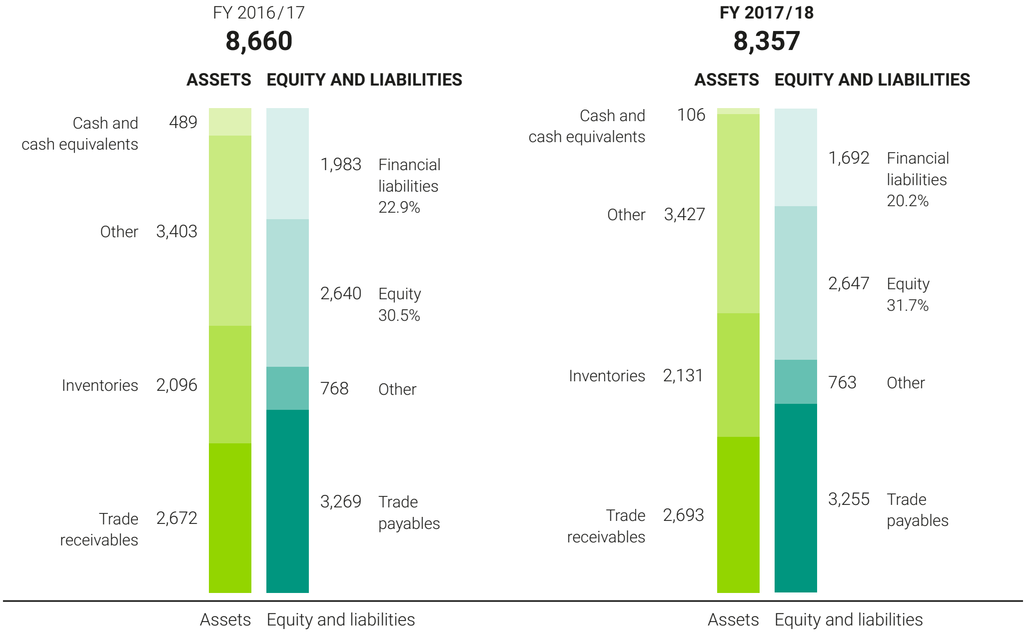
Income tax amounted to EUR 77.5m (prior year: EUR 99.8m) and contain expenses from current taxes of EUR 65.6m (prior year: EUR 90.4m) as well as deferred tax expenses of EUR 11.9m (prior year: EUR 9.4m). The tax ratio came to 29.3% (prior year: 40.4%). The reduction in the tax ratio can above all be attributed to non-recurring effects in the prior year relating to taxable gains on sale, the exhaustion of tax loss carryforwards and tax reimbursements for previous years in the fiscal year in progress.

Profit for the period came to EUR 186.7m (prior year: EUR 147.6m), of which EUR 25.0m (prior year: EUR 14.8m) was attributable to non-controlling interests. The profit for the year before goodwill impairment rose by EUR 53.1m in comparison to the prior year.

The profit attributable to the equity holders of the parent in fiscal year 2017/18 amounted to EUR 161.7m (prior year: EUR 132.8m).

STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION

EUR m



NET ASSETS

The Group's total assets decreased by 3.5% to EUR 8,357.1m. The currency translation difference on total assets amounted to EUR – 98.6m (prior year: EUR – 94.8m).

Intangible assets increased by EUR 17.3m to EUR 1,975.6m. This is mainly due to the rise in goodwill due to acquisitions. As of 31 January 2018, intangible assets essentially comprised goodwill (EUR 1,600.0m; prior year: EUR 1,577.4m) and pharmacy licences (EUR 295.1m; prior year: EUR 302.1m).

Inventories rose slightly in comparison to the prior year by 1.7% to EUR 2,130.7m. The average number of days sales of inventory rose slightly from 31.5 to 32.0 days.

Trade receivables increased slightly from EUR 2,672.2m in the prior year to EUR 2,693.3m. The average number of days of sales outstanding continued to fall from 41.8 to 41.1.

Receivables amounting to EUR 61.2m had been sold as of 31 January 2018 (prior year: EUR 24.0m) under ABS and factoring programmes that are not accounted for in the statement of financial position. Receivables of EUR 177.1m had been sold as of 31 January 2018 (prior year: EUR 175.6m) under ABS and factoring programmes that are accounted for only to the extent of the continuing involvement. The Group's continuing involvement came to EUR 8.2m (prior year: EUR 7.9m).

Other receivables and other current financial assets fell by EUR 48.3m to EUR 167.2m. This was mainly due to a reduction in receivables from associates.

FINANCIAL POSITION

The objective of financial management is to ensure a sound capital structure to finance operating business.

Further increase in equity

Equity increased from EUR 2,639.9m as of 31 January 2017 to EUR 2,646.6m as of 31 January 2018. The equity ratio rose from 30.5% in the prior year to 31.7%. This increase is mainly due to the net profit for the year of EUR 186.7m. This was mainly offset by a EUR 156.5m capital reduction at consolidated companies and the distribution of the same to shareholders of PHOENIX Pharma SE.

Increase of equity ratio to 31.7 per cent, due to growth of net profit.

	FY 2016/17 in EUR m	FY 2017/18 in EUR m	Change in EUR m	Change %
Profit or loss for the period	147.6	186.7	39.1	26.5
Non-cash expenses/income, non-cash payments	258.4	195.1	– 63.3	– 24.5
Change in working capital	– 27.3	– 173.1	– 145.8	534.1
Cash flow from operating activities	**378.7**	**208.7**	**– 170.0**	**– 44.9**
Cash flow from investing activities	**– 451.3**	**– 181.0**	**270.3**	**– 59.9**
Free cash flow	**– 72.6**	**27.7**	**100.3**	**– 138.2**

Cash flow from operating activities came to EUR 208.7m (prior year: EUR 378.7m), which was largely affected by a higher increase of EUR 145.8m in working capital compared to the prior year. The cash flow from investing activities came to EUR – 181.0m (prior year: EUR – 451.3m). The figure for the prior year was influenced, above all, by the acquisition of Mediq Apotheken Nederland B.V.

Free cash flow improved to €27.7 million.

Free cash flow improved from EUR – 72.6m in the prior year to EUR 27.7m. For the change in free cash flow and cash and cash equivalents, please refer to the statement of cash flows.

See consolidated statement of cash flows (p.78)

Provisions for pensions fell – largely due to currency translation effects – from EUR 260.6m in the prior year to EUR 242.7m in the reporting year.

Non-current financial liabilities came to EUR 655.8m (prior year: EUR 753.5m). This includes loans of EUR 496.3m (prior year: EUR 594.1m) as well as a promissory note issued in October 2016 for a nominal value of EUR 150.0m, term to maturity of up to seven years and a carrying amount of EUR 149.6m (prior year: EUR 149.3m). In fiscal year 2017/18, the PHOENIX group bought back bonds with a nominal value of EUR 100.0m.

Current financial liabilities fell by a total of EUR 192.6m to EUR 1,036.7m in particular due to a fall in liabilities from ABS and factoring agreements.

Current financial liabilities include liabilities to banks of EUR 179.3m (31 January 2017: EUR 182.2m), liabilities from ABS and factoring agreements of EUR 415.0m (31 January 2017: EUR 533.9m), loans from associates amounting to EUR 264.5m (31 January 2017: EUR 315.9m) and other loans of EUR 116.0m (31 January 2017: EUR 134.1m).

Trade payables decreased by EUR 13.9m compared to the prior year to EUR 3,255.0m.

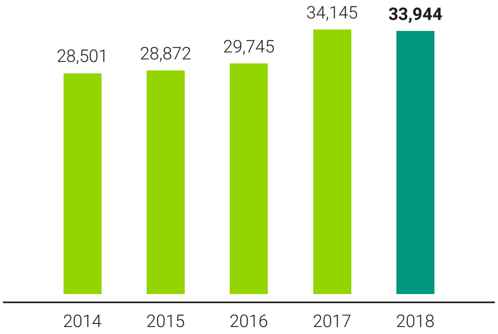
See Financial liabilities (p. 91) and other notes (p. 130)

For further information on the PHOENIX group's financial liabilities, please refer to the sections on "Financial liabilities" and "Other notes" in the notes to the consolidated financial statements.

EMPLOYEES

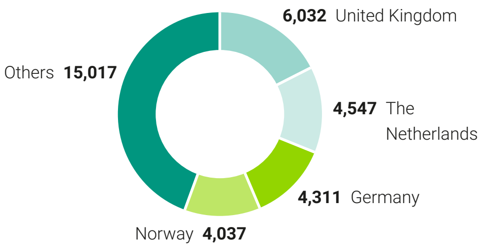
DEVELOPMENT OF EMPLOYEES

Number as of 31/01/



EMPLOYEES BY COUNTRY

Number as of 31/01/2018



At the end of fiscal year 2017/18, the PHOENIX group employed 33,944 employees within 26 countries in Europe. This meant that the headcount remained almost unchanged in relation to the comparison period. The number of full-time equivalents rose to 27,638, which is an increase of 3.9% relative to the prior year.

In-depth dialogue with employees

The PHOENIX group's corporate culture is characterised by values that are enshrined in the Company's mission statement, group-wide management guidelines and a trust-based dialogue between managers and employees.

Numerous follow-up measures derived from the employee survey have been implemented.

As part of the follow-up process to the employee survey carried out throughout the Group at the end of 2015, the managers developed action areas for their divisions and worked with their employees to develop measures. A total of more than 140 improvement measures were drawn up, most of which had been implemented by the end of 2017. The majority of these related to the fields of communications, sharing information and creating a healthy, motivating and appreciative work environment.

The PHOENIX group's Executive Board and the management of the national entities are closely monitoring the implementation of the measures and the achievement of objectives. The Company is planning to conduct another international employee survey in the second half of 2018 in order to monitor the development of employee satisfaction and motivation and to be able to identify additional potential for improvement. The PHOENIX group also receives important feedback in this regard from annual talks with employees.

Expertise through training

It is especially important to the PHOENIX group to acknowledge the potential of its employees and to systematically foster their capabilities, which is why the Company has set up an efficient training system that allows employees to build up their expertise and gain valuable input for their personal development. All employees participate in targeted on-boarding programmes and training according to their field of work. The mandatory elements include training on the subjects of Good Distribution Practice (GDP), Code of Conduct, the Anti-Corruption Policy and the Competition Compliance Policy.

At the same time at a European level, the PHOENIX group exchanges best practices when implementing training steps in pharmacy retail. In addition to face-to-face instruction, the Company mainly uses e-learning systems to provide employees efficient training on a variety of different subjects.

Broad roll-out of talent management

The PHOENIX group endeavours to fill management positions from within its own ranks, if possible. To this end, there is cross-border succession planning for top positions that offer international career opportunities for management and strengthen their connection with the Company. To this end, a talent management system has been developed that defines the key positions within the Company, identifies high performers and opens up ideal opportunities for progression. In 2017, there were a total of 270 managers in the talent management system.

The PHOENIX group uses a number of different development programmes to foster talented managers:

- The Junior Development Programme (JDP) for younger employees with management potential in Germany
- The Management Development Programme (MDP) for experienced employees in Germany
- The "European Management Development Programme" (EMDP) as a group-wide measure to develop personnel to take on managerial positions in all countries of the PHOENIX group
- The Top Management Education Programme (TMP) for the PHOENIX group's senior management

The talent management system was used at a national level for the first time to identify senior managers with potential and nominate them for a group-wide development programme. In 2018, the participants for this new Senior Management Education Programme (SMP) for managers at the PHOENIX group's second-highest level are being selected centrally by means of an online assessment. This ensures a high level of performance and learning. The EMDP is also being completely overhauled as a Middle Management Education Programme (MMP) starting in 2018.

Appealing opportunities for trainees and students

The PHOENIX group trains and promotes young people.

The PHOENIX group offers young and motivated people a wide range of opportunities to join, such as internships, apprenticeships and combined courses of study. The Company is involved in various different careers and degree information events as well as training markets in order to make interested applicants aware of the appealing opportunities offered by the PHOENIX group.

As of 1 October 2017, the PHOENIX group employed 123 trainees and 17 combined degree students at its German sub-group. The Company provides a career start with a traineeship as a management assistant in wholesale, a warehouse logistics specialist, an IT specialist or as a Bachelor's student of commerce or information systems. The PHOENIX group promotes group-wide communications that transcend national boundaries by means of time spent abroad during combined degrees. In fiscal year 2017/18, participants in the degree courses were able to gain experience in Finland, Italy, Latvia and Lithuania.

RISK AND OPPORTUNITY REPORT

- Risk management system allows action to be taken swiftly
- Quality and stability of operating processes as a foundation
- Opportunities are identified and exploited

RISK MANAGEMENT

The risk management system within the PHOENIX group consists of comprehensive planning, approval and reporting structures and an early warning system. The internal audit department examines this system regularly for adequacy, operability and efficiency. Findings made by the internal audit department are reported to the Executive Board on a regular basis.

RISKS

The PHOENIX group is subject to various risks.

The PHOENIX group is subject to market risks. As a rule, the pharmaceutical market is less affected by cyclical swings than other industries, but the loss of purchasing power and cost-saving measures in government spending on healthcare can have a negative impact on the market and our business activities.

The earnings situation in the pharmaceutical wholesale business is also influenced by the terms and conditions granted to customers and by suppliers. These depend in particular on the level of competition in the individual countries, which is why they are continually monitored on the sales and purchasing side.

In the operating business, the quality and stability of the operating processes are decisive. In many areas, there are contingency plans for maintaining operations even in the event of unforeseen interruptions. The standardisation of the IT systems also helps ensure the stability of the operating processes.

Credit risk and accounts receivable management

The credit risk at the PHOENIX group, measured as total receivables, is comparatively low. Regardless of this, payment terms in the public healthcare system tend to vary from one country to another, with longer payment terms customary in southern and eastern Europe. In our experience, the risk is also distributed over a large number of customer relationships. In the course of liberalisation of the pharmacy markets in Europe, however, pharmacy chains and new sales channels are increasingly emerging, creating a large number of major customers with a higher level of receivables outstanding.

A group-wide guideline for accounts receivable management aims to systematically monitor receivables risks.

Acquisition projects

The PHOENIX group's strategy is to acquire pharmacies and wholesale companies to expand its market position. As a result, the Group is exposed to legal, fiscal, financial and operational risks from acquisitions. Acquisition projects are therefore analysed and reviewed by the central mergers & acquisitions department before they are approved by the Executive Board. It may, however, happen that developments anticipated at the date of acquisition do not eventuate. This can, in turn, lead to an impairment loss being recognised on goodwill in the course of impairment testing.

Legal risks

The PHOENIX group is active in 26 countries in Europe. In light of its strong market position, there is a risk that competition authorities will occasionally rule in a way that is unfavourable for us. Trade with pharmaceutical products requires compliance with certain legal requirements in the different countries. Infringements of these requirements may result in corresponding penalties by the authorities.

Financial risks

In a financing context, the PHOENIX group is exposed to various risks.

In the course of the refinancing measures concluded in June 2012, certain financial covenants were agreed, the breach of which presents a risk to financing. The development of liabilities and covenants is monitored regularly as a result. In fiscal year 2017/18, the agreed covenants were complied with comfortably.

Derivatives are used to hedge against interest rate and currency risks. Their use is monitored intensively on a timely basis. Derivative financial instruments are only used for hedging purposes; counterparty risks are minimised by the careful selection of trading partners.

The agreements underlying our corporate bonds contain restrictions and obligations for the PHOENIX group, as an issuer, that are customary for the market. Failure to comply with these restrictions and obligations could result in the amount of the bond plus the interest accrued falling due.

As regards the currency translation risk, the exchange rates of the pound sterling and the Norwegian krone are of relevance for the PHOENIX group. Currency transaction risks are relevant in some eastern European countries where deliveries by the pharmaceutical manufacturers are sometimes invoiced in euro and sometimes in US dollar. For the Group, however, these risks are not material. Fluctuations on the financial markets may also lead to shortfalls in the pension funds and the inherent risk of an unplanned increase in personnel expenses.

Tax risks

The companies of the PHOENIX group based in Germany are subject to tax field audits. Foreign subsidiaries are subject to the audit requirements of their local tax authorities. Tax backpayments cannot be ruled out as a result of tax audits performed at German and foreign companies.

See consolidated financial statements (p. 82)

Please also refer to the comments in the notes to the consolidated financial statements.

OPPORTUNITIES

Demographic trends and medical progress are key growth drivers for the pharmaceutical markets. The broad geographic diversification of the PHOENIX group reduces the impact of changes in healthcare policy in individual markets and provides a strong basis for successfully developing our business activities further. Thanks to its broad geographical coverage, for instance, the PHOENIX group can offer the pharmaceutical industry services across Europe.

Strong market position in wholesale

The PHOENIX group holds a leading market position in pharmaceutical wholesale in almost all countries in which it operates. It is the market leader in a large number of countries and has a particularly strong position in northern and eastern Europe and in Germany. No competitor has comparable geographic coverage or market position in these regions.

See graphics p. 54 and p. 55 (Fundamental information about the Group)

In addition, the PHOENIX group can fall back on long-established partnerships with pharmacy customers. Many customers take part in cooperation programmes. In some countries, the PHOENIX group also offers franchise systems for independent pharmacies.

Well positioned in a stable market

The integration of the wholesale and retail pharmaceutical business offers opportunities to further improve the supply of pharmaceuticals and save on costs.

In the logistics area, the PHOENIX group continuously implements best practices across Europe. Process optimisation measures that are successful in one country serve as a starting point for improvement measures in other countries and can help to reduce costs there.

The sound financing structure has established the financial prerequisites for the future growth of the PHOENIX group. This applies as regards both organic growth and appropriate acquisitions.

EXECUTIVE BOARD’S OVERALL ASSESSMENT OF THE RISKS AND OPPORTUNITIES

The PHOENIX group is well positioned.

Generally speaking, the PHOENIX group enjoys a strong position in a stable market. This allows it to successfully take advantage of any opportunities that present themselves in order to build on its strong market position in the future. The risks and opportunities in the pharmaceutical retail business are not subject to any major changes over time. There are currently no discernible risks to jeopardise the Company’s ability to continue as a going concern.

FORECAST

- Moderate growth predicted in the eurozone and Germany
- Revenue growth expected in nearly all markets
- Prerequisites in place for the positive long-term business development of the PHOENIX group

FUTURE ECONOMIC ENVIRONMENT

We anticipate a stable economic environment in 2018, with GDP in Germany and the eurozone expected to grow by around 2%.

We expect the pharmaceutical markets in Europe to record market growth of around 2.2% overall in 2018. In Germany, our largest market, we anticipate market growth of approximately 2.9%.

FUTURE DEVELOPMENT OF THE PHOENIX GROUP

For the fiscal year 2018/19, the PHOENIX group expects to further expand its market position in Europe through organic growth and acquisitions and thereby increase revenue slightly above the level of growth on the European pharmaceutical markets. We expect revenue growth in nearly all markets in which we are present.

We expect EBITDA in 2018/19 to be slightly lower than in 2017/18 due to extraordinary expenses relating to optimisation programmes.

We expect a mostly stable development for the equity ratio.

EXECUTIVE BOARD'S ASSESSMENT OF THE GROUP'S FUTURE POSITION

Ongoing positive development of the company forecasted.

The Executive Board is convinced that the PHOENIX group is well positioned to achieve a positive business development in the medium and long term. In addition to organic and acquisition-related growth, increasing efficiency will also be an important contributing factor.

Mannheim, 6 April 2018

The Executive Board

Oliver Windholz (Chair)   Helmut Fischer   Frank Große-Natrop   Stefan Herfeld

CONSOLIDATED FINANCIAL STATEMENTS

2017/18

CONSOLIDATED INCOME STATEMENT

for fiscal year 2017/18

EUR k	Note	FY 2016/17	FY 2017/18
Revenue	1	**24,436,695**	**24,909,833**
Cost of purchased goods and services		–22,011,309	–22,401,432
Gross income		**2,425,386**	**2,508,401**
Other operating income	2	142,184	159,466
Personnel expenses	3	–1,289,195	–1,342,434
Other operating expenses	4	–853,223	–862,172
Result from associates and joint ventures	5	1,671	2,543
Result from other investments	5	2,494	2,190
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**429,317**	**467,994**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	–128,115	–148,512
Earnings before interest and taxes (EBIT)		**301,202**	**319,482**
Interest income		14,038	15,433
Interest expense		–65,197	–55,559
Other financial result		–2,643	–15,145
Financial result	7	**–53,802**	**–55,271**
Profit before income tax		**247,400**	**264,211**
Income tax	8	–99,835	–77,527
Profit for the period		**147,565**	**186,684**
thereof attributable to non-controlling interests		14,753	24,974
thereof attributable to equity holders of the parent		132,812	161,710

		Note	FY 2016/17	FY 2017/18
Profit for the period attributable to equity holders of PHOENIX Pharma SE	in EUR k		132,812	161,710
Number of shares			2,515,200	2,515,200
Earnings per share	in EUR	9	52.80	64.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for fiscal year 2017/18

EUR k	FY 2016/17	FY 2017/18
Earnings after taxes	**147,565**	**186,684**
Items not reclassified to profit or loss		
Remeasurement of defined benefit plans	– 30,448	788
Items that may be subsequently reclassified to profit or loss as a result		
Gains/losses from changes in the fair value of available-for-sale financial assets	1,657	2,805
Reclassification adjustments	– 270	–
Currency translation differences	– 45,429	– 3,773
Components of other comprehensive income, net of tax	**– 74,490**	**– 180**
Total comprehensive income	**73,075**	**186,504**
thereof attributable to non-controlling interests	16,361	24,967
thereof attributable to equity holders of the parent	56,714	161,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 January 2018

ASSETS

EUR k	Note	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Non-current assets				
Intangible assets	10	1,568,886	1,958,319	1,975,561
Property, plant and equipment	11	831,268	880,325	934,816
Investment property	12	7,902	11,794	10,596
Investments in associates and joint ventures	13	15,757	14,134	14,726
Trade receivables		35	153	16
Other financial assets	14	73,121	91,648	95,008
Other assets		0	236	0
Deferred tax assets	8	90,094	83,658	79,689
Income tax receivables		4,046	0	0
		2,591,109	**3,040,267**	**3,110,412**
Current assets				
Inventories	15	1,981,327	2,096,010	2,130,706
Trade receivables	16	2,539,905	2,672,065	2,693,262
Income tax receivables		41,075	33,391	31,609
Other financial assets	16	202,338	215,580	167,236
Other assets	17	109,381	105,161	112,185
Cash and cash equivalents	18	369,957	489,337	106,223
		5,243,983	**5,611,544**	**5,241,221**
Non-current assets held for sale	25	655	8,285	5,507
Total assets		**7,835,747**	**8,660,096**	**8,357,140**

EQUITY AND LIABILITIES

EUR k	Note	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Equity				
Issued capital	19			2,515
Capital reserves	19			626,375
Revenue reserves	19			2,002,650
Net assets of group entities before contribution to PHOENIX Pharma SE	19	2,509,409	2,637,145	0
Accumulated other comprehensive income	19	– 151,731	– 227,829	– 228,002
Equity attributable to the shareholders of the parent		**2,357,678**	**2,409,316**	**2,403,538**
Non-controlling interests	19	161,755	230,568	243,029
		2,519,433	**2,639,884**	**2,646,567**
Non-current liabilities				
Financial liabilities	22	604,262	753,516	655,783
Trade payables		1,243	220	2
Provisions for pensions and similar obligations	20	220,465	260,624	242,686
Other non-current provisions	21	2,681	1,311	1,401
Deferred tax liabilities	8	121,128	120,311	122,482
Other non-current liabilities	24	2,552	2,534	2,115
		952,331	**1,138,516**	**1,024,469**
Current liabilities				
Financial liabilities	22	999,936	1,229,279	1,036,655
Trade payables	23	3,041,469	3,268,703	3,255,025
Other provisions	21	29,012	50,826	51,729
Income tax liabilities		34,918	45,938	36,769
Other liabilities	24	258,648	286,479	305,926
		4,363,983	**4,881,225**	**4,686,104**
Liabilities directly associated with assets held for sale	25	0	471	0
Total equity and liabilities		**7,835,747**	**8,660,096**	**8,357,140**

CONSOLIDATED STATEMENT OF CASH FLOWS

for fiscal year 2017/18

EUR k	31 Jan. 2017	31 Jan. 2018
Earnings after income taxes	**147,565**	**186,684**
Income taxes	99,835	77,527
Earnings before income taxes	**247,400**	**264,211**
Adjustments for:		
Interest expenses and interest income	51,159	40,126
Amortisation, depreciation and write-ups of intangible assets, property, plant and equipment and investment property	128,115	148,512
Result from associates and other investments	– 4,165	– 4,733
Result from the disposal of assets allocated to investing activities	1,540	– 7,171
Other non-cash expenses and income	108,797	77,954
	532,846	**518,899**
Interest paid	– 43,797	– 45,670
Interest received	12,853	14,339
Income tax paid	– 69,868	– 75,669
Dividends received	3,096	2,556
Earnings before changes in assets and equity and liabilities	**435,130**	**414,455**
Changes in assets and equity and liabilities, adjusted for effects from changes in the basis of consolidation and other non-cash changes:		
Changes in non-current provisions	– 29,150	– 32,651
Earnings before changes in operating assets and equity and liabilities	**405,980**	**381,804**
Changes in inventories	– 73,076	– 44,519
Changes in trade receivables	– 88,411	– 87,705
Changes in trade payables	141,344	– 5,947
	– 20,143	**– 138,171**
Changes in other assets and equity and liabilities not allocated to investing or financing activities	– 7,147	– 34,937
Changes in operating assets and equity and liabilities	**– 27,290**	**– 173,108**
Cash outflow from operating activities	**378,690**	**208,696**
Acquisition of consolidated entities and business units less any cash and cash equivalents acquired	– 328,572	– 38,844
Investments in intangible assets, property, plant and equipment and investment property	– 163,235	– 208,083
Investments in other financial assets and non-current assets	– 1,974	– 1,221
Investments	**– 493,781**	**– 248,148**

EUR k	31 Jan. 2017	31 Jan. 2018
Cash received from the sale of consolidated entities and business units less any cash and cash equivalents transferred	33,366	12,192
Cash received from the sale of intangible assets, property, plant and equipment and investment property	2,598	16,908
Proceeds from other financial assets and non-current assets	6,469	38,017
Proceeds from investments and divestitures	**42,433**	**67,117**
Cash outflow from investing activities	**– 451,348**	**– 181,031**
Cash available for financing activities	**– 72,658**	**27,665**
Capital increase/repayment	67,108	– 156,494
Capital contribution from/capital repayment to non-controlling interest(s)	0	– 159
Acquisition of additional shares in already consolidated entities	– 12,137	– 5,131
Proceeds from the sale of consolidated entities that do not result in a loss of control	79	54
Dividend payments to equity holders of the parent company	– 7,756	0
Dividend payments to non-controlling interests	– 8,329	– 10,371
Issue of bonds and loans from banks	222,391	49,485
Repayment of bonds and loans to banks	– 213,217	– 219,655
Changes in bank loans with a term of up to three months	– 3	47,992
Issue of loans from partners of the parent company	0	217,600
Repayment of loans to partners of the parent company	0	– 138,356
Issue of loans from related parties	150,000	316,900
Repayment of loans to related parties	– 151,654	– 446,230
Changes in ABS/factoring liabilities	145,584	– 63,002
Changes in finance lease liabilities	– 665	– 544
Changes in other financial liabilities	0	– 1,146
Cash inflow from financing activities	**191,401**	**– 409,057**
Change in cash and cash equivalents	**118,743**	**– 381,392**
Effect of exchange rate changes on cash and cash equivalents	637	– 1,722
Cash and cash equivalents at the beginning of the period	369,957	489,337
Cash and cash equivalents at the end of the period	489,337	106,223
Less cash and cash equivalents of assets held for sale	0	0
Cash and cash equivalents disclosed at the end of the period	**489,337**	**106,223**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for fiscal year 2017/18

EUR k	Issued capital	Capital reserves	Revenue reserves	Net assets of group entities before contribution to PHOENIX Pharma SE
1 February 2016				**2,509,409**
Earnings after taxes				132,812
Accumulated other comprehensive income				
Total comprehensive income after taxes				**132,812**
Capital increase/reduction				
Changes relating to the basis of consolidation				
Changes in interests for subsidiaries				651
Dividends				
Other transactions with owners				– 7,756
Other changes in equity				2,029
31 January 2017	**0**	**0**	**0**	**2,637,145**
1 February 2017	**0**	**0**	**0**	**2,637,145**
Transfer of net assets to PHOENIX Pharma SE on 30 April 2017 [1]	2,515	626,375	2,008,255	– 2,637,145
Earnings after taxes			161,710	
Accumulated other comprehensive income				
Total comprehensive income after taxes			**161,710**	
Changes in interests for subsidiaries			– 2,183	
Dividends				
Other transactions with owners			– 164,526	
Other changes in equity			– 606	
31 January 2018	**2,515**	**626,375**	**2,002,650**	**0**

[1] In order to continue the PHOENIX Pharmahandel GmbH & Co KG group under the ultimate parent company that was newly formed, PHOENIX Pharma SE, the former partners under common control of PHOENIX Pharmahandel GmbH & Co KG contributed their shares in the KG and special operating assets to PHOENIX Pharma SE on 30 April 2017. Further information can be found in the notes to the consolidated financial statements under General — Formation of the Group and first-time adoption of IFRSs.

Currency translation differences	IAS 39 available-for-sale financial assets	Remeasurement of defined benefit plans	Equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
–49,528	**8,682**	**–110,885**	**2,357,678**	**161,755**	**2,519,433**
			132,812	14,753	147,565
–45,275	1,322	–32,145	–76,098	1,608	–74,490
–45,275	**1,322**	**–32,145**	**56,714**	**16,361**	**73,075**
				67,624	67,624
				2,240	2,240
			651	–9,304	–8,653
				–8,231	–8,231
			–7,756		–7,756
			2,029	123	2,152
–94,803	**10,004**	**–143,030**	**2,409,316**	**230,568**	**2,639,884**
–94,803	**10,004**	**–143,030**	**2,409,316**	**230,568**	**2,639,884**
			161,710	24,974	186,684
–3,766	2,805	788	–173	–7	–180
–3,766	**2,805**	**788**	**161,537**	**24,967**	**186,504**
			–2,183	–2,380	–4,563
				–10,225	–10,225
			–164,526		–164,526
			–606	99	–507
–98,569	**12,809**	**–142,242**	**2,403,538**	**243,029**	**2,646,567**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for fiscal year 2017/18

GENERAL

The Company

The Group of PHOENIX Pharma SE, Mannheim (“PHOENIX group”), is a European pharmaceuticals distribution group. The PHOENIX group has business activities in 26 European countries. In several countries, the PHOENIX group also operates pharmacy chains of its own. The Company is entered in the commercial register in Mannheim under HRB 727494 and has its registered office at Pfingstweidstrasse 10 – 12 in 68199 Mannheim, Germany.

Formation of the Group and first-time adoption of IFRSs

The PHOENIX group essentially constitutes the continuation of the PHOENIX Pharmahandel GmbH & Co. KG group under the ultimate parent company that was newly formed in August 2016, PHOENIX Pharma SE. In connection with this, the former partners under common control of PHOENIX Pharmahandel GmbH & Co KG contributed their shares in the KG to PHOENIX Pharma SE in August 2017 and, in return, received shares in the SE. PHOENIX Pharma SE also took on loan liabilities of EUR 283,692k. These relate to loans granted by related parties to finance the limited partners’ interests in PHOENIX Pharmahandel GmbH & Co KG.

In addition, the former partners of PHOENIX Pharmahandel GmbH & Co KG contributed a lower amount of special operating assets to PHOENIX Pharma SE. The special operating assets were contributed either by transferring the actual leased businesses and business premises or by transferring the shares in the entities that hold the leased businesses and business premises.

These measures did not change the ultimate partners’ shareholdings.

These consolidated financial statements as of 31 January 2018 represent the first consolidated financial statements of PHOENIX Pharma SE.

The fact that the PHOENIX group mainly stems from a continuation of the PHOENIX Pharmahandel GmbH & Co KG group under the new ultimate parent company as well as the first-time adoption of IFRSs resulted in the following consequences for the financial statements:

a) The PHOENIX group rolled forward the carrying amounts from the consolidated financial statements of PHOENIX Pharmahandel GmbH & Co KG as of 31 January 2018.
b) Any additional assets and liabilities were accounted for and measured as though they had been held by the PHOENIX Pharmahandel GmbH & Co KG group since they arose. In this respect, the prior-year comparative figures and the figures for the current period until the transfer were presented in combined financial statements including all group entities. All intragroup balances were eliminated. Any payments made to the former limited partners of PHOENIX Pharmahandel GmbH & Co KG before 30 April 2017 (transfer date) were recognised as "Other transactions with owners" in the consolidated statement of changes in equity.
c) Adjustments stemmed from consolidation measures and the change in the legal form of the group parent company. The latter mainly affected the breakdown of equity and the recognition of deferred taxes.
d) An additional statement of financial position has been prepared as of the beginning of the comparative period on account of the first-time adoption of IFRSs.

The difference between calculating equity and total comprehensive income in accordance with German commercial law and IFRSs is not presented in a reconciliation statement because PHOENIX Pharma SE did not have any notable assets before the continuation of the PHOENIX Pharmahandel GmbH & Co KG group.

Basis of presentation

The consolidated financial statements of the PHOENIX group have been prepared in accordance with the version of the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), London, that is valid on the reporting date and endorsed by the European Union, the interpretations of the IFRS Interpretations Committee (IFRS IC) and the additional requirements of German commercial law pursuant to Sec. 315e HGB ["Handelsgesetzbuch": German Commercial Code].

The consolidated financial statements are presented in euros (EUR), and all values are rounded to the nearest thousand (EUR k), except when otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis. This does not apply to available-for-sale financial assets, derivative financial instruments and hedged items in fair value hedges, which are measured at fair value. The income statement was prepared using the nature of expense method. The statement of financial position has been classified into current and non-current items in line with IAS 1. For the sake of clarity, certain items in the statement of financial position and the income statement are summarised. Details of these items are presented in the notes to the financial statements.

The consolidated financial statements of the PHOENIX group for the fiscal year as of 31 January 2018 were authorised for issue by the executive board of PHOENIX Pharma SE on 6 April 2018.

Standards, interpretations and amendments issued, but not yet adopted

The IASB and IFRS IC have adopted the standards and interpretations listed below, whose application is not yet mandatory for fiscal year 2017/18 or have not yet been endorsed by the European Commission in some cases as of the reporting date. There are no plans for early adoption.

Standard/interpretation		**Effective as of the fiscal year**	**Endorsed by the EU**
IFRS 9	Financial Instruments: Classification and Measurement	2018/19	Yes
Amendments to IFRS 9	Prepayment Features with Negative Compensation	2019/20	Yes
IFRS 15	Revenue from Contracts with Customers	2018/19	Yes
Clarifications to IFRS 15	Revenue from Contracts with Customers	2018/19	Yes
IFRS 16	Leases	2019/20	Yes
IFRS 17	Insurance Contracts	2021/22	No
Amendments to IFRS 4	Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts	2018/19	Yes
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	2018/19	No
Amendments to IAS 19	Plan Curtailment or Settlement	2019/20	No
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	2019/20	No
Amendments to IAS 40	Investment Property	2018/19	Yes
Annual IFRS Improvements	2014 – 2016 cycle	2017/18 or 2018/19	Yes
Annual IFRS Improvements	2015 – 2017 cycle	2019/20	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018/19	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	2019/20	No
Amendments to the Conceptual Framework	Conceptual Framework	2020/21	No

IFRS 9, which will in future replace IAS 39, sets out the requirements for the classification, recognition and measurement (including impairment) of financial instruments. IFRS 9 also contains rules on hedge accounting. IFRS 9 results in additional disclosures in the notes. Apart from extended disclosures in the notes, the first-time and continued application of IFRS 9 is not currently expected to have a significant impact on the consolidated financial statements of the PHOENIX group.

The amendments to IFRS 9 intend to make it possible to also measure financial assets with negative compensation that are repaid ahead of schedule at amortised cost or at fair value through other comprehensive income.

IFRS 15, which will replace IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 in the future, sets an extensive framework for determining whether, in what amount and at what point in time revenue is recognised. IFRS 15 provides for a uniform, five-level revenue recognition model that is generally applicable to all contracts with customers. Apart from extended disclosures in the notes, we do not expect a significant impact on the financial position and performance of the PHOENIX group. The clarifications to IFRS 15 are not expected to have any further effects.

The amendments resulting from IFRS 16 mainly concern the lessee. Under IFRS 16, which will replace IAS 17, IFRIC 4, SIC-15 and SIC-27 in the future, all leases as well as the associated contractual rights and obligations must be recognised in the statement of financial position of the lessee. At the time of first application, we expect the balance sheet total to increase significantly on account of the increase in lease liabilities and fixed assets due to the right of use that will be capitalised. The increase in lease liabilities results in a corresponding increase in net debt. In the future, write-downs and interest expenses will be recognised in the income statement instead of lease expenses. This will lead to a significant improvement in the EBITDA and an increase in the cash flow from operating activities in the statement of cash flows. The overall effects on the consolidated financial statements of the PHOENIX group will be examined in a group-wide project to implement IFRS 16.

The application of IFRS 17 is not expected to have an impact on the financial position and performance of the PHOENIX group.

The amendments to IFRS 4 do not affect the financial position and performance of the PHOENIX group.

The amendments to IFRS 2 have no effect on the financial position and performance of the PHOENIX group.

The amendments to IAS 19 stipulate how to calculate the current service cost and the net interest expenses of a plan curtailment or settlement (“intervention”) for the period between the intervention and the end of the reporting period. From a current perspective, we do not expect a significant impact on the financial position and performance of the PHOENIX group.

The amendments to IAS 28 clarify that the impairment requirements pursuant to IFRS 9 apply to long-term interests in associates and joint ventures accounted for using the equity method. From a current perspective, we do not expect a significant impact on the financial position and performance of the PHOENIX group.

The amendments to IAS 40 relate to clarifications in respect of the requirements to reclassify to the category “Investment Property”. From a current perspective, we do not expect a significant impact on the financial position and performance of the PHOENIX group.

The annual improvements to IFRSs, 2014 – 2016 and 2015 – 2017 cycles, contain clarifications of individual standards. There will be no significant impact on the financial position or performance of the PHOENIX group.

IFRIC 22 regulates the translation of foreign currency transactions in the event of prepayments made or received. We do not expect a significant impact on the financial position and performance of the PHOENIX group.

IFRIC 23 specifies the recognition and measurement policies for uncertain tax items. We do not expect a significant impact on the financial position and performance of the PHOENIX group.

The amendments to the conceptual framework are not expected to affect the consolidated financial statements of the PHOENIX group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of PHOENIX Pharma SE and its subsidiaries for the fiscal year as of 31 January 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control by the parent ceases.

The PHOENIX group obtains control over another company when it can exercise power over the investee, is exposed, or has rights to variable returns on its involvement with the investee and has the ability to affect the amount of those returns through its power over the investee.

The financial statements of most of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Only the entities in Norway, Luxembourg, Bulgaria, Serbia, Bosnia, Macedonia, Kosovo, Montenegro and Albania as well as the entities in Hungary, the Netherlands, Germany and Switzerland have 31 December as their reporting date. In general, there is no material impact on the financial statements; this notwithstanding, any material impact is taken into account.

All intragroup balances, income and expenses and unrealised gains and losses resulting from intragroup transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets that is not attributable to the Group. The portion of profit or loss attributable to non-controlling interests was consequently disclosed separately in the income statement from the portion attributable to the owners of the parent company. They are reported directly in equity in the statement of financial position, separately from the equity attributable to the owners of the parent company. Acquisitions of non-controlling interests and changes in the interests attributable to the parent company that do not lead to a loss of control are accounted for as equity transactions.

The entire basis of consolidation comprises 442 (31 January 2017: 446; 1 February 2016: 375) fully consolidated German and foreign companies, of which one (31 January 2017: one; 1 February 2016: one) is a structured entity. 25 entities (31 January 2017: 29; 1 February 2016: 23) were accounted for using the equity method. The complete list of shareholdings is an integral component of the notes to the consolidated financial statements and will be published in the electronic version of the German Federal Gazette.

137 (31 January 2017: 137; 1 February 2016: 12) entities are fully consolidated although the PHOENIX group holds less than 50% of the voting rights. Contractual arrangements mean that the PHOENIX group is able to direct the relevant activities of these entities.

As of the reporting date, there were relationships in place with a total of five (31 January 2017: five; 1 February 2016: four) structured entities, of which one (31 January 2017: one; 1 February 2016: one) was fully consolidated. The structured entities are asset-backed securities (ABS) entities. The ABS entities are mainly used to refinance the Group. The non-consolidated structured entities are immaterial for the financial position and performance of the PHOENIX group.

The table below presents changes in interests without loss of control in the current fiscal year.

in %	31 Jan. 2017	31 Jan. 2018
Pharmac Finland Oy	43.00	44.30
Apotheek Straver BV	51.00	100.00
Vadsoe Apotek AS	51.00	100.00
PLUS PHARMACIE SA	77.07	78.28
PHOENIX Zdravotnícke zásobovanie a.s.	96.00	96.04

PHOENIX Pharmahandel GmbH & Co KG, Mannheim, exercised the exemption provision of Sec. 264b HGB.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred and assumed as of the date of exchange. It also includes the fair value of any recognised asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. On initial recognition of an acquisition, all identifiable assets, liabilities and contingent liabilities are measured at acquisition-date fair value. For each business combination, the Group decides on a case-by-case basis whether the non-controlling interests in the acquiree are measured at fair value or the proportionate share in the recognised amounts of the acquiree's net identifiable assets.

Any difference between (i) the aggregate of cost of the business combination, any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interests; and (ii) the fair value of the net identifiable assets acquired is recognised under goodwill. Following initial recognition, goodwill is measured at cost less cumulative impairment charges and not amortised. Goodwill is subjected to an impairment test at least once annually at the reporting date or whenever there is any indication of impairment.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired as of the acquisition date, the difference is recognised directly in the income statement.

Currency translation

The consolidated financial statements are presented in euros, which is also the parent company's functional currency. This is the currency of the primary economic environment in which the PHOENIX group operates.

Transactions in foreign currency are translated to the functional currency at the rate prevailing on the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange prevailing at the reporting date. All exchange differences are recognised in the income statement, provided they are not allocable to monetary items denominated in foreign currency that are part of a net investment in a foreign operation, in which case the exchange differences are recorded in other comprehensive income.

The assets and liabilities of group entities whose functional currency is not the euro are translated into euro at the rate of exchange prevailing as of the reporting date, and their income statements are translated at average rates. The exchange differences arising upon the translation are recorded in other comprehensive income until the subsidiaries are disposed of.

Changes in exchange rates compared to the prior year are as follows:

Country	Currency	Closing rate			Average rate	
		1 Feb. 2016	31 Jan. 2017	31 Jan. 2018	FY 2016/17	FY 2017/18
Albania	ALL	138.6800	136.3900	133.4400	136.3900	133.4400
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558	1.9558
Bosnia and Herzegovina	BAM	1.9558	1.9558	1.9558	1.9558	1.9558
Czech Republic	CZK	27.0260	27.0210	25.2720	27.0338	26.1904
Croatia	HRK	7.6600	7.4790	7.4325	7.5234	7.4556
Denmark	DKK	7.4628	7.4373	7.4419	7.4431	7.4395
United Kingdom	GBP	0.7641	0.8611	0.8791	0.8280	0.8786
Hungary	HUF	312.0300	310.6400	310.6500	310.9794	309.2176
Macedonia	MKD	61.6950	61.6985	61.5388	61.5997	61.5901
Norway	NOK	9.4845	8.8880	9.5620	9.2427	9.3829
Poland	PLN	4.4398	4.3239	4.1503	4.3601	4.2394
Serbia	RSD	123.2485	123.9595	118.7428	123.2504	120.7874
Sweden	SEK	9.3483	9.4505	9.7645	9.4869	9.6618
Switzerland	CHF	1.1144	1.0668	1.1631	1.0883	1.1204

Summary of significant accounting policies

Intangible assets

Purchased intangible assets are measured on initial recognition at acquisition cost plus any incidental costs of acquisition and less any trade discounts or rebates. Internally generated intangible assets are stated at cost.

Following initial recognition, intangible assets are carried at historical cost less any accumulated amortisation and any accumulated impairment losses. For the purposes of amortisation, the useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually either individually or at the cash-generating unit level. These intangible assets are not subject to amortisation. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Pharmacy licences with indefinite useful lives grant open-ended protection for the sale of drugs and other pharmaceuticals products in the related territory under public law.

The useful lives of the main types of intangible assets are as follows:

Pharmacy licences	indefinite
Software	3 to 5 years
Trademarks	indefinite or 18 years

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses. Maintenance and repair costs are expensed as incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

With the exception of land, property, plant and equipment are depreciated over the expected useful life. Items of property, plant and equipment are depreciated pro rata in the year of acquisition. The residual values, useful lives and the depreciation method are reviewed at least at the end of each reporting period.

The useful lives of the main types of tangible assets are as follows:

Buildings	25 to 50 years
Technical equipment and machinery	5 to 14 years
Other equipment, fixtures and fittings	3 to 13 years

Investment property

Investment property is property held to earn rentals and/or for capital appreciation. It is recognised at cost less depreciation and any impairment losses using the cost method as for property, plant and equipment.

Investments in associates

An associate is an entity over which the Group can exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, where there is neither control nor joint control over the entity in decision-making processes. Investments in associates are reported using the equity method and initially measured at cost. Goodwill relating to associates is included in the carrying amount of the investment and is not amortised or tested for impairment separately.

The income statement reflects the Group's share of the associates' profit or loss for the period. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Any unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying amount and recognises the difference in the income statement.

Non-current assets held for sale
Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a very likely sale transaction. They are measured at the lower of their carrying amount or fair value less cost to sell.

Impairment of non-financial assets
Property, plant and equipment and intangible assets with finite useful lives are reviewed at each reporting date to determine whether there is any indication that they may be impaired. If this is the case, the recoverable amount of the asset is determined. The recoverable amount is the higher of fair value less costs to sell and value in use. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in profit or loss for the difference between the carrying amount and the recoverable amount. For the purpose of impairment testing, assets are allocated to the smallest identifiable group of assets that generates cash inflows. If the cash flows are not separately identifiable for an asset, the impairment test is performed on the basis of the cash-generating unit to which the asset belongs.

If the reasons for an impairment loss no longer apply, it is reversed up to the new recoverable amount. The upper limit for the reversal of impairment losses is the amortised cost that would have been determined if no impairment losses had been charged.

For impairment testing, goodwill is assigned to the cash-generating units. Impairment testing of cash-generating units is performed at least once a year or whenever there is any indication that the carrying amount of a cash-generating unit may exceed the recoverable amount. Where the recoverable amount of the cash-generating unit falls short of the carrying amount of its net assets, an impairment loss is recognised in accordance with the requirements of IAS 36. Impairment losses recognised on goodwill may not be reversed in subsequent periods.

The recoverable amount of the cash-generating units (or groups of cash-generating units) is determined on the basis of value in use. Free cash flows are discounted using the weighted average cost of capital. The free cash flows are based on financial budgets approved by management covering a detailed planning period of five years.

Impairment losses are recognised on intangible assets with indefinite useful lives according to the same principles. If the reasons for an impairment loss no longer apply, it is reversed up to the new recoverable amount.

Financial assets and financial liabilities (financial instruments)

Measurement and recognition of financial assets and financial liabilities

Financial instruments are recognised when the PHOENIX group becomes a party to the contractual provisions of the instrument. Regular way purchases are recognised on the settlement date.

Financial assets and **financial liabilities** are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

At initial recognition, **financial assets** are classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets or financial assets at fair value through profit or loss. The subsequent measurement and recognition of financial assets depends on their classification.

Other financial assets classified as available-for-sale financial assets in accordance with IAS 39 are measured at fair value with unrealised gains or losses recognised in other comprehensive income. Financial assets for which no quoted market price is available, and whose fair value cannot be reliably measured, are carried at cost. When the asset is derecognised, the cumulative gain or loss recorded in equity is recognised in the income statement. If the asset is determined to be impaired, the cumulative loss recorded in equity is recognised in the income statement. Non-derivative other financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Group has the positive intention and ability to hold it to maturity. They are measured at amortised cost.

Trade receivables are classified as loans and receivables and are measured at amortised cost, where appropriate, applying the effective interest method. All discernible specific risks and impairment losses are accounted for through the use of an allowance account. Reversals are carried out if the reasons for the impairment no longer apply. Default leads to the immediate derecognition of the receivables.

Other receivables are categorised as loans and receivables and are measured at amortised cost. Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. Gains and losses are recognised when the loans are derecognised or impaired, as well as through the amortisation process due to the effective interest method. All discernible specific risks and impairment losses related to customer loans are accounted for through the use of an allowance account.

At initial recognition, **financial liabilities** are classified as financial liabilities at amortised cost or as financial liabilities at fair value through profit or loss.

Financial liabilities and **trade payables** are carried at amortised cost using the effective interest method, if appropriate. Gains and losses are recognised when the liabilities are derecognised. The gain or loss on the hedged item in a fair value hedge under IAS 39 attributable to the hedged risk leads to an adjustment of the carrying amount of the hedged item.

The Group has not designated any non-derivative financial assets or financial liabilities at fair value through profit or loss.

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date, and the amount recognised less cumulative amortisation.

The Group has not issued any financial guarantees for a consideration.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of assets is impaired. Financial assets that are not measured at fair value through profit or loss are deemed to be impaired if there is objective evidence of impairment (e.g., debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults). The PHOENIX group assesses individually whether objective evidence of impairment exists for financial assets. Furthermore, assets are included in a group of financial assets with similar credit risk characteristics and are assessed collectively for impairment. Any impairment loss is recognised in profit or loss.

Financial assets measured at amortised cost are impaired when the present value of estimated future cash flows is lower than the carrying amount. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. In case of a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Impairment losses of available-for-sale financial assets are measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement. Any impairment loss is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Impairment losses charged on equity instruments are not reversed through the income statement but are recognised in other comprehensive income.

Derecognition of financial instruments

A financial asset is derecognised if the contractual rights to receive cash flows from this financial asset have expired. Derecognition also applies if the rights to receive cash flows are transferred from the asset to third parties or an obligation to pay the received cash flows is assumed in full without material delay to a third party under a 'pass-through' arrangement; and either substantially all the risks and rewards of ownership of the asset have been transferred, or substantially all the risks and rewards of ownership of the asset have been neither transferred nor retained, but control of the asset has been transferred.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The PHOENIX group sells significant volumes of receivables through securitisation programmes and factoring transactions. When the receivables sold do not meet IAS 39 derecognition requirements, the receivables are recognised in the consolidated financial statements even though they have been legally sold. A corresponding financial liability is recorded in the consolidated statement of financial position. Gains and losses related to the sale of such assets are not recognised until the assets are removed from the consolidated statement of financial position. Within certain securitisation programmes, the PHOENIX group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset. These transactions are recognised to the extent of the Group's continuing involvement.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign currency risks. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

In the case of derivatives with quoted market prices, fair value is the positive or negative fair value, if necessary after any reduction for counterparty risk. If no quoted market prices are available, fair value is estimated on the basis of the conditions obtained at the end of the reporting period, such as interest rates or exchange rates, and by using recognised valuation techniques, such as discounted cash flow models or option pricing models.

The PHOENIX group applies the provisions governing hedge accounting for hedging off-balance sheet firm commitments (pending agreements). With these transactions, which are classified as fair value hedges, changes to the fair value of the derivative designated as a hedging instrument and changes to the fair value of the hedged item are recognised through profit or loss. The initial carrying value of the asset, which serves to settle the pending agreement, is adjusted by the accumulated changes in fair value of the financial asset or obligation that had previously been recognised separately.

Inventories

Inventories are initially recognised at cost based on the first in, first out (FIFO) method. Costs incurred in bringing each product to its present location and condition are included in cost at initial recognition.

At each reporting date, inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

The item “Cash and cash equivalents” comprises cash on hand, bank balances and short-term deposits, which have a maximum term of three months from the date of acquisition. Cash and cash equivalents are measured at cost.

Pensions and other post-employment benefits

Obligations for defined benefit plans are determined using the projected unit credit method in accordance with IAS 19, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future wage and salary increases. The interest rate used to determine the net obligation was set on the basis of high-quality, fixed-interest securities with a term to maturity corresponding to the duration of the pension plans in the relevant country. Plan assets are recognised at fair value. All actuarial gains and losses are recognised in other comprehensive income. Past service cost is expensed immediately.

Provisions

A provision is recognised when there is a present (legal or constructive) obligation towards a third party on the basis of a past event, and the obligation can be reliably estimated. Provisions are stated at the amount needed to settle the obligation and are not netted against positive contributions to earnings. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Current and deferred taxes

The tax expense of the period comprises current and deferred taxes. Taxes are recognised in the income statement unless they relate to items recognised directly in equity or in other comprehensive income, in which case the taxes are also recognised in equity or in other comprehensive income.

Current income tax charge

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax

Deferred taxes are recognised for all temporary differences between the tax base of the assets/liabilities and their carrying amounts pursuant to the IFRS financial statements (liability method). Deferred tax assets are also recognised on unused tax losses and tax credits. Deferred taxes are measured using the tax rates and tax provisions enacted or substantively enacted by the reporting date and that are expected to apply to the period when the asset is realised, or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries and associates are recognised unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Leases
Leases are classified either as finance leases or as operating leases. Leases where the Group as lessee retains substantially all the risks and rewards of ownership of the asset are classified as finance leases. In this case, the Group recognises the leased asset at the lower of fair value or present value of the minimum lease payments and depreciates the leased asset over the estimated useful life of the asset or the shorter contract term. A corresponding liability is recognised at the same time, which is repaid and reduced in subsequent periods using the effective interest method. All other leases where the Group is the lessee are classified as operating leases. In this case, the lease payments are recognised as an expense on a straight-line basis.

Leases where the Group as lessor transfers substantially all the risks and rewards of ownership of the asset to the lessee are classified as finance leases. In this case, the Group recognised a receivable from finance lease arrangements for the amount of the net investment in the lease. Lease payments are thus split into interest payments and repayments of the lease receivable so as to achieve a constant rate of interest on the receivable. All other leases where the Group is the lessor are classified as operating leases. Initial direct costs incurred in negotiating and concluding an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Revenue recognition
The PHOENIX group mainly generates revenue from the sale of pharmaceuticals and related goods and – to a lesser extent – from the rendering of services.

In cases where the PHOENIX group acts as principal, i.e. has the exposure to the significant risks and rewards associated with the sale of goods, (gross) revenue from the sale of pharmaceuticals and related goods is recorded. Indicators for this case are contract situations in which the Group has the primary responsibility to meet the obligations towards the customer, carries the significant risks and rewards attributable to inventory, has latitude over product pricing and bears the credit risk of the sales transaction.

In cases where the Group acts as an agent, revenue is recorded in the amount of the commission. This is the case where, on aggregate, the above indicators are not satisfied. This situation occurs when the PHOENIX group does not bear substantially all the risks and rewards of ownership of merchandise.

Revenue from the sale of pharmaceuticals and related goods is recognised when the PHOENIX group has transferred to the buyer the significant risks and rewards of ownership of the goods when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duties.

Revenue from services is recognised upon performance of the related services.

Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions. Estimates are made primarily for the measurement of assets, liabilities and contingent liabilities acquired through business combinations, impairment tests according to IAS 36, measurement of provisions for pensions, other provisions as well as income tax, particularly related to deferred tax assets on the carryforward of unused tax losses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions and estimates concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of non-financial assets

The Group's impairment test for goodwill is principally based on value in use calculations that use a discounted cash flow model (weighted average cost of capital approach). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is most sensitive to the perpetual capital expenditures and the discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The impairment test for intangible assets with indefinite useful lives is based on fair value less costs to sell calculations that use a relief from royalty approach or an EBITDA multiple.

Further details on impairment are disclosed in Note 10.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 8.

Bad debt allowance for trade receivables and other assets

Recording a bad debt allowance or derecognising receivables and other assets is to a large extent based on judgement, taking into account the ability of the debtor to pay outstanding balances.

Further details on bad debt allowances are disclosed in Note 16.

Pension benefits

The cost of defined benefit plans and the present value of the pension obligation are determined using actuarial valuations. Actuarial valuation involves making various assumptions. The actuarial valuation involves making assumptions about interest rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of high-quality fixed-interest securities with a duration corresponding to the pension plans in the related country. The mortality rate is based on publicly available mortality tables for the specific country.

Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used are given in Note 20.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details on financial instruments can be found in the Note “Additional information on financial instruments”.

Revenue recognition

Under IAS 18, the gross versus net sales presentation of distribution agreements with pharmaceuticals suppliers depends on whether the Group acts as a principal or an agent. This judgement requires among others an estimation of the risks and rewards related to inventories and trade receivables incurred by the PHOENIX group in the context of these distribution agreements.

Further details on revenue are disclosed in Note 1.

Business combinations

The business combinations carried out in fiscal year 2017/18 and fiscal year 2016/17 are explained below. Business combinations are initially accounted for using the acquisition method pursuant to IFRS 3 “Business Combinations”.

In fiscal year 2017/18, the cumulative profit for the period of the Group's acquirees came to EUR – 794k and revenue to EUR 22,770k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 46,582k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 1,187k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Other
Cash and cash equivalents	40,529
Equity instruments	0
Acquisition-date fair value of previously held equity interests	159
Total cost	**40,688**
Intangible assets	1
Other non-current assets	2,368
Inventories	2,889
Trade receivables	1,553
Cash and cash equivalents	1,245
Other current assets	773
Non-current liabilities	1,859
Current liabilities	5,820
Net assets	**1,150**
Non-controlling interests	71
Net assets acquired	**1,079**
Bargain purchase	**0**
Goodwill	**39,609**

Other business combinations

In fiscal year 2017/18, the Group acquired a research and consulting entity as well as additional pharmacies in business combinations that are individually immaterial.

The goodwill arising from those acquisitions, which mainly results from expected synergies or location advantages, was allocated to the cash-generating units Netherlands (EUR 22,304k), Norway (EUR 5,303k), Finland (EUR 5,221k), Slovakia (EUR 2,690k), Baltics (EUR 1,452k), Switzerland (EUR 1,726k) and Czech Republic (EUR 913k) and is carried in the local functional currencies (EUR, NOK, CHF and CZK).

Non-controlling interests were recognised at the proportionate identifiable net assets in the acquirees.

EUR 13,375k of the recognised goodwill from business combinations is expected to be tax deductible.

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

Business combinations in fiscal year 2016/17

In fiscal year 2016/17, the cumulative profit for the period of the Group's acquirees came to EUR 11,614k and revenue to EUR 703,615k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, cumulative revenue for the period would have come to EUR 1,051,520k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative profit for the period would have come to EUR 17,920k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Mediq Apotheken Nederland B.V.	Other	Total
Cash and cash equivalents	363,215	41,648	404,863
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interests	0	0	0
Total cost	**363,215**	**41,648**	**404,863**
Intangible assets	16,448	6,458	22,906
Other non-current assets	40,066	2,804	42,870
Inventories	45,447	6,447	51,894
Trade receivables	71,457	13,455	84,912
Cash and cash equivalents	66,261	7,973	74,234
Other current assets	15,304	3,080	18,384
Disposal groups classified as held for sale	39,529	0	39,529
Non-current liabilities	10,297	2,344	12,641
Current liabilities	302,291	24,324	326,615
Liabilities directly associated with assets as held for sale	2,840	0	2,840
Net assets	**−20,916**	**13,549**	**−7,367**
Non-controlling interests	2,245	0	2,245
Net assets acquired	**−23,161**	**13,549**	**−9,612**
Bargain purchase	**0**	**0**	**0**
Goodwill	**386,376**	**28,099**	**414,475**

Mediq Apotheken Nederland B.V.

On 16 June 2016, the Brocacef Groep acquired 100% of the voting shares in Mediq Apotheken Nederland B.V., which, in addition to pharmacies and pharmaceutical wholesale, also includes pre-wholesale. It is expected that the PHOENIX group will decisively strengthen its market position in the region through the acquisition.

The goodwill arising from this business combination was assigned to the Netherlands cash-generating unit and mainly results from expected synergies and location advantages. EUR 6,150k of the recognised goodwill is expected to be tax deductible.

Non-controlling interests were recognised at the proportionate identifiable net assets in the acquirees.

The fair value of current receivables contains trade receivables with a fair value of EUR 71,457k. The gross amount of the trade receivables past due amounts to EUR 72,277k, of which EUR 820k is expected to be uncollectible.

Other business combinations

In fiscal year 2016/17, the Group acquired a number of individual pharmacies, a chain of pharmacies and service companies in business combinations that are individually immaterial.

The goodwill arising from these business combinations mainly results from expected synergies or location advantages and was allocated to the cash-generating units Serbia (EUR 9,889k), United Kingdom (EUR 5,286k), Germany (EUR 4,262k), Norway (EUR 3,663k), Macedonia (EUR 1,470k), Switzerland (EUR 1,081k), Slovakia (EUR 973k), Czech Republic (EUR 897k), Hungary (EUR 414k) and Baltics (EUR 164k) and is recorded in the local functional currencies (RSD, GBP, NOK, MKD, CHF, CZK, HUF and EUR).

The fair value of current receivables contains trade receivables with a fair value of EUR 13,455k. The gross amount of the trade receivables past due amounts to EUR 13,474k, of which EUR 19k is expected to be uncollectible.

Other business combinations include contingent consideration of EUR 2,666k. The contingent consideration is largely based on the EBITDA to be generated over the next few years by the acquired businesses. The potential future payments are between EUR 2,659k and EUR 2,855k.

Divestitures

There was an overall gain from deconsolidation of EUR 3,259k (prior year: EUR 3,081k) resulting from the sale of business operations, which was recognised in other operating income. Pharmacies, mostly those in the Netherlands, with an asset value of EUR 7,619k (prior year: EUR 21,931k) had to be sold off in the reporting year and in the prior year in connection with the acquisition of Mediq Apotheken Nederland B.V. mainly because of antitrust requirements.

NOTES TO THE INCOME STATEMENT

1 Revenue

The Group's revenue mainly consists of the sale of pharmaceuticals and related goods (EUR 24,467,975k in fiscal year 2017/18 and EUR 24,004,326k in fiscal year 2016/17). The smaller portion of revenue is attributable to distribution fees and consignment warehouse fees, the sale of pharmacy IT systems, transport services and other services.

2 Other operating income

EUR k	FY 2016/17	FY 2017/18
Net gain on disposal of fixed assets	981	5,502
Income from services	23,432	20,323
Rental income	11,722	11,294
Marketing and other services	49,066	56,447
Allocation of freight costs	11,863	13,799
Other	45,120	52,101
Other operating income	**142,184**	**159,466**

The item "Other" contains a number of individual items, such as energy cost mark-ups and own work capitalised. It also contains income from the deconsolidation of business operations EUR 3,259k (prior year: EUR 3,081k).

3 Personnel expenses

EUR k	FY 2016/17	FY 2017/18
Wages and salaries	965,992	1,009,233
Social security contributions, retirement benefits and similar expenses	219,541	230,547
Other personnel expenses	103,662	102,654
	1,289,195	**1,342,434**

The average headcount measured in full-time equivalents (FTEs) increased by 1,027 to a total of 27,638. Other personnel expenses mainly include training expenses and costs for temporary personnel.

The average headcount (FTEs) breaks down as follows by region:

	FY 2016/17	FY 2017/18
Western Europe	14,577	14,953
Eastern Europe	6,482	6,981
Northern Europe	5,552	5,704
	26,611	**27,638**

The line item “Wages and salaries” includes an amount of EUR 17,042k (prior year: EUR 12,345k) for severance payments and similar costs.

4 Other operating expenses

EUR k	**FY 2016/17**	**FY 2017/18**
Transport costs	295,174	306,138
Lease and rental costs	137,026	147,922
Exchange rate gains/losses	– 76	– 50
Net impairment of receivables	7,782	6,304
Other building and equipment costs	60,623	64,593
Marketing and advertising expenses	59,129	63,281
Communication and IT expenses	73,366	74,998
Legal and consulting fees	58,632	61,565
Repair and maintenance costs	35,862	35,536
Net loss on the disposal of fixed assets	2,521	1,789
Other taxes	27,722	14,410
Office supplies	9,884	10,159
Insurance costs	8,555	8,785
Expenses related to ABS and factoring programmes	1,998	2,309
Other	75,025	64,433
Other operating expenses	**853,223**	**862,172**

The development of bad debt allowances is presented in Note 16.

In fiscal year 2017/18, the auditor of the financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, received audit fees of EUR 805k (prior year: EUR 644k), of which for the prior year EUR 94k (prior year: EUR 45k), other attestation fees of EUR 0k (prior year: EUR 10k), tax advisory fees of EUR 247k (prior year: EUR 182k) and EUR 21k (prior year: EUR 56k) for other services.

The item “Other” contains various individual items, such as consignment fees, contributions to professional associations and administrative expenses.

5 Result from associates and other investments

The result from associates mainly includes the profit from several associates, chiefly non-controlling interests in pharmacies.

6 Amortisation of intangible assets and depreciation of property, plant and equipment

EUR k	FY 2016/17	FY 2017/18
Amortisation of intangible assets and depreciation of property, plant and equipment	126,564	133,345
Impairment of pharmacy licences	1,540	778
Reversal of impairment loss	– 58	0
Impairment of goodwill	0	14,000
Other impairments	69	389
	128,115	**148,512**

7 Financial result

EUR k	FY 2016/17	FY 2017/18
Interest income	14,038	15,433
Interest expenses	– 65,197	– 55,559
Other financial result	– 2,643	– 15,145
Financial result	**– 53,802**	**– 55,271**

Interest income includes interest income from customers of EUR 10,127k (prior year: EUR 10,614k).

The other financial result contains exchange rate gains of EUR 45,646k (prior year: EUR 27,002k) as well as exchange rate losses of EUR 42,663k (prior year: EUR 56,272k), income of EUR 65,341k (prior year: EUR 92,336k) and expenses of EUR 68,644k (prior year: EUR 64,723k) from changes in the fair values of derivatives, earnings from the disposal of financial assets classified as available-for-sales of EUR 199k (prior year: EUR 27k), impairment of financial assets of EUR 3,206k (prior year: EUR 1,640k), losses from the redemption of bonds of EUR 12,223k (prior year: EUR 0k) as well as other financial income of EUR 1,128k (prior year: EUR 1,258k) and other financial expenses of EUR 723k (prior year: EUR 631k).

The financial result includes interest income and interest expenses of EUR – 36,725k on financial assets and liabilities that are not classified as “at fair value through profit or loss” (prior year: EUR – 41,895k).

8 Income tax

The major components of tax expense are summarised in the following table:

EUR k	FY 2016/17	FY 2017/18
Current taxes	90,439	65,560
Deferred taxes	9,396	11,967
	99,835	**77,527**

The current income tax includes income for prior periods of EUR 16,787k (prior year: EUR 952k) and expenses of EUR 2,928k (prior year: EUR 14k).

In fiscal year 2017/18, net tax income (after non-controlling interests) of EUR 5,748k was recognised outside profit or loss (prior year: tax expense of EUR – 20k). This amount results from actuarial gains and losses from pension obligations (EUR – 1,077k; prior year: EUR 7,147k), net investments in foreign operations (EUR 7,760k; prior year: EUR – 6,716k) as well as changes in the fair value of financial assets classified as available-for-sale (EUR – 935k; prior year: EUR – 451k), which are recognised in other comprehensive income.

The deferred taxes at year-end were calculated using the tax rates applicable for the respective entities in their respective countries at the time of realisation.

In the current fiscal year, the tax rate applicable in Italy decreased by 3.5 percentage points, in Luxembourg by 3.2 percentage points, in Croatia by 2.0 percentage points, in Norway by 1.0 percentage points, in Slovakia by 1.0 percentage points and in the United Kingdom by 0.8 percentage points.

A reconciliation of the expected income tax expense to the actual income tax expense using the average tax rate of the Group is presented in the table below:

	FY 2016/17		FY 2017/18	
	EUR k	in %	EUR k	in %
Profit before tax	**247,400**	**100.0**	**264,211**	**100.0**
Expected income tax expense	**62,592**	**25.3**	**62,618**	**23.7**
Impact of changes to tax rates on deferred taxes	– 2	0.0	480	0.2
Tax effect of non-deductible expenses and tax-exempt income	7,992	3.2	12,873	4.9
Effect of taxes relating to prior years recognised in the fiscal year	– 351	– 0.1	– 14,972	– 5.7
Effect of differing national tax rates	– 2,725	– 1.1	– 853	– 0.3
Effect of impairments/adjustments to carrying amounts	25,943	10.5	24,799	9.4
Effects of impairments on goodwill	0	0.0	2,100	0.8
Other effects	6,386	2.6	– 9,518	– 3.7
Income taxes	**99,835**	**40.4**	**77,527**	**29.3**

Other effects include a deferred tax expense of EUR 1,548k (prior year: EUR 1,687k) relating to temporary differences associated with investments in subsidiaries.

The deferred tax assets and the deferred tax liabilities are summarised in the following table:

	1 February 2016		31 January 2017		31 January 2018	
EUR k	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	5,307	81,694	5,393	80,335	6,783	82,907
Property, plant and equipment	4,014	36,621	3,813	35,047	3,863	34,103
Financial and other assets	6,782	14,391	6,111	14,496	4,620	14,320
Inventories	4,690	4,349	4,395	4,281	4,320	2,805
Assets classified as held for sale	0	5	0	5	0	0
Provisions	39,590	1,577	46,250	1,695	42,817	2,151
Liabilities	10,768	8,278	9,151	8,084	8,364	5,496
Deferred taxes on temporary differences	**71,151**	**146,915**	**75,113**	**143,943**	**70,767**	**141,782**
Deferred taxes on unused tax losses	44,730	0	32,177	0	28,222	0
Netting	– 25,787	– 25,787	– 23,632	– 23,632	– 19,300	– 19,300
Total deferred taxes	**90,094**	**121,128**	**83,658**	**120,311**	**79,689**	**122,482**

Deferred tax assets are recognised on unused tax losses at the amount at which the associated tax benefits are likely to be realised through future taxable profit. The Group has not recognised deferred tax assets on unused tax losses and future interest benefits of EUR 232,479k (31 January 2017: EUR 458,529k; 1 February 2016: EUR 315,384k). Deferred taxes includes expenses from a reversal of used tax losses of EUR 2,509k (prior year: EUR 6,136k) and income from previously unused tax losses of EUR 2,352k (prior year: EUR 71k). The unused tax losses and interest carryforwards expire as follows:

EUR k	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**
Within one year	45	0	2,180
After one year, but within two years	0	1,522	407
After two years, but within three years	825	0	1,493
After three years, but within four years	0	0	649
After four years, but within five years	0	3,474	0
After five years	0	63	0
Loss carry forwards and interest carryforwards that do not expire	314,514	453,470	227,750
	315,384	**458,529**	**232,479**

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 3,630,403k (31 January 2017: EUR 3,227,902k; 1 February 2016: EUR 3,180,853k) because these reserves are intended to be indefinitely reinvested in the operations of subsidiaries.

9 Earnings per share

The basic earnings per share is calculated by dividing the consolidated earnings attributable to the equity holders of PHOENIX Pharma SE by the weighted average of outstanding shares during the period. There were no outstanding options on shares as of 31 January 2018 or 31 January 2017 that diluted the gain per share. This means that there was no deviating diluted earnings per share to report in fiscal year 2017/18 or the prior year.

		FY 2016/17	FY 2017/18
Profit for the period attributable to equity holders of PHOENIX Pharma SE	in EUR k	132,812	161,710
Number of shares		2,515,200	2,515,200
Earnings per share	**in EUR**	**52.80**	**64.29**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

10 Intangible assets

EUR k	Rights and licences	Goodwill	Prepayments
Acquisition or production costs			
1 February 2016	**487,997**	**1,410,801**	**6,406**
Currency translation	– 38,967	– 9,169	0
Changes in the basis of consolidation	16,158	0	151
Additions	26,382	417,757	1,992
Disposals	– 1,599	0	– 64
Reclassifications from non-current assets held for sale	– 148	– 7,637	0
Reclassifications	14,446	0	– 1,973
31 January 2017	**504,269**	**1,811,752**	**6,512**
Currency translation	– 8,215	– 15,309	– 16
Changes in the basis of consolidation	10	0	0
Additions	17,981	41,058	5,430
Disposals	– 3,203	– 1,362	– 5
Reclassifications from non-current assets held for sale	– 135	0	0
Reclassifications	2,621	0	– 1,776
31 January 2018	**513,328**	**1,836,139**	**10,145**

EUR k	Rights and licences	Goodwill	Prepayments
Accumulated amortisation and impairment			
1 February 2016	**109,693**	**226,598**	**27**
Currency translation	– 1,545	5,850	0
Changes in the basis of consolidation	– 1,437	0	0
Additions	15,259	0	0
Impairment losses	1,544	0	0
Reversal of impairment losses	0	0	0
Disposals	– 300	0	0
Reclassifications from non-current assets held for sale	– 112	0	0
Reclassifications	8,637	0	0
31 January 2017	**131,739**	**232,448**	**27**
Currency translation	– 1,365	– 10,300	1
Changes in the basis of consolidation	– 877	0	0
Additions	19,835	0	0
Impairment losses	778	14,000	0
Reversal of impairment losses	0	0	0
Disposals	– 2,146	0	0
Reclassifications from non-current assets held for sale	– 89	0	0
Reclassifications	0	0	0
31 January 2018	**147,875**	**236,148**	**28**
Net carrying amount 31 January 2017	**372,530**	**1,579,304**	**6,485**
Net carrying amount 31 January 2018	**365,453**	**1,599,991**	**10,117**

The item “Rights and licences” mainly contains pharmacy licences with indefinite useful lives in the United Kingdom totalling EUR 294,471k (31 January 2017: EUR 301,418k; 1 February 2016: EUR 334,145k). The useful life for such licenses has been assessed as indefinite due to the fact that such licences are granted for an unlimited time period.

Goodwill

Goodwill carrying amounts in EUR k Country	Currency	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Germany	EUR	43,687	49,344	50,656
United Kingdom	GBP	316,873	302,042	298,684
Netherlands	EUR	148,531	529,205	550,137
Switzerland	CHF	140,906	145,304	140,511
Hungary	HUF	75,041	75,626	75,626
Czech Republic	CZK	41,176	41,941	48,947
Baltics	EUR	64,817	64,978	66,431
Denmark	DKK	44,797	44,797	44,797
Sweden	SEK	40,639	40,639	40,639
Norway	NOK	190,570	196,063	199,068
Other		77,166	89,365	84,495
Total		**1,184,203**	**1,579,304**	**1,599,991**

Impairment testing of goodwill

The impairment test involves comparing the carrying amount of a cash-generating unit with its recoverable amount.

The calculations of the recoverable amounts for the cash-generating units are most sensitive to the following assumptions:

- Future free cash flows
  The main components of these free cash flows are EBITDA and the growth rate after the planning period, the cash flow from the change in working capital and the cash flow from investing activities.
- Discount rates

The terminal growth rate of 0.5% (31 January 2017: 0.5%; 1 February 2016: 0.5%) is used to extrapolate the EBITDA and cash flow of the last planning period.

The perpetual cash flow from investing activities is calculated using historical data. This averages 0.6% of revenue (31 January 2017: 0.6%; 1 February 2016: 0.6%).

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates are derived on the basis of the capital asset pricing model. The discount rates are generally adjusted to reflect the market assessment of country-specific risks for which future estimates of cash flows have not been adjusted.

The discount rate is determined using a two-phase approach. The phase one discount rate is used to discount the future cash flows in the planning period, and the second phase discount rate is used to calculate the terminal value. The difference between the discount rates used in phases one and two corresponds to a growth mark-down and stands at 0.5% (31 January 2017: 0.5%; 1 February 2016: 0.5%).

The following table shows the phase one pre-tax discount rates (WACC) for material cash-generating units:

in %	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Discount rate (WACC before tax)			
Germany	8.97	8.51	8.72
United Kingdom	8.04	8.27	8.34
Netherlands	8.36	7.90	8.11
Switzerland	6.60	6.39	6.23
Hungary	11.18	9.52	8.79
Czech Republic	8.79	8.47	8.73
Baltics	8.73	8.00	8.86
Denmark	8.30	7.65	7.61
Sweden	8.69	8.16	8.21
Norway	9.43	8.43	8.39
Other	7.97 – 13.43	8.15 – 13.77	8.34 – 11.61

As of 31 January 2018, there was an impairment loss for the cash-generating unit BMS (Bosnia/Macedonia/Serbia):

EUR k	31 Jan. 2017	31 Jan. 2018
Impairment of goodwill		
BMS (Bosnia/Macedonia/Serbia)	0	14,000

For the cash-generating unit BMS (Bosnia/Macedonia/Serbia), the recoverable amount is lower than the carrying amount of EUR 141,037k primarily because of the reduced medium-term earnings forecast due to the difficult market environment. The impairment loss is based on the value in use. There is no indication that the fair value less costs to sell would lead to a higher recoverable amount than the value in use.

The impairment loss is allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit. The reduction in the carrying amount is treated as an impairment loss and recognised in the line item “Amortisation of intangible assets and depreciation of property, plant and equipment” in the income statement.

A marginal change in the future cash flows, discount rate or long-term investments of the cash-generating units Germany, Switzerland, Slovakia and Denmark would lead to the carrying amounts exceeding the value in use.

The value in use of the cash-generating unit Germany exceeded its carrying amount by EUR 54,769k. An increase in the discount rate by 0.8 percentage points or an increase in long-term investments of 8.4% would fully utilise this excess amount.

The value in use of the cash-generating unit Switzerland exceeded its carrying amount by EUR 37,348k. A rise in the discount rate of 1.1 percentage points would fully utilise this excess amount.

The value in use of the cash-generating unit Slovakia exceeded its carrying amount by EUR 2,198k. A decrease in the future cash flows of 2.8% or an increase in the discount rate by 0.2 percentage points or an increase in long-term investments of 3.7% would fully utilise this excess amount.

The value in use of the cash-generating unit Denmark exceeded its carrying amount by EUR 22,881k. A decrease in the future cash flows of 8.1% or an increase in the discount rate by 0.6 percentage points would fully utilise this excess amount.

Impairment testing of intangible assets with indefinite useful lives

The trademarks “Numark” and “PharmaVie” were tested for impairment as of 1 February 2016, 31 January 2017 and 2018. The fair value of the trademarks is determined based on a relief from royalty approach using the recent business plans as of the testing date and an appropriate royalty rate of between 0.1% and 2.0% (31 January 2017: between 0.1% and 2.0%; 1 February 2016: between 0.1% and 2.0%) (level 3). Costs to sell have been deducted in order to derive the fair value less costs to sell. It was not necessary to recognise any impairment losses on the trademarks as of 1 February 2016, 31 January 2017 and 2018.

The pharmacy licences of L Rowland & Co. (Retail) Ltd., United Kingdom, were tested for impairment as of 1 February 2016, 31 January 2017 and 2018. The recoverable amount of the licences was based on the fair value (level 3) less costs to sell, which was determined using a market price model. The pre-tax discount rate is 7.9% (31 January 2017: 7.5%; 1 February 2016: 8.7%). The terminal growth rate used to extrapolate the income of the last planning period is 0.5% (31 January 2017: 0.5%; 1 February 2016: 0.5%).

The impairment tests resulted in the recognition of an impairment loss on the licences in the United Kingdom:

EUR k	31 Jan. 2017	31 Jan. 2018
Impairment of licences		
Pharmacy licences, United Kingdom	1,540	778

11 Property, plant and equipment

EUR k	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures	Assets under construction	Investment property
Cost					
1 February 2016	**968,071**	**282,167**	**607,464**	**19,374**	**10,076**
Currency translation	2,601	485	–4,101	49	–42
Changes in the basis of consolidation	17,013	4,210	9,506	2,442	1,215
Additions	27,298	23,437	60,045	36,134	133
Disposals	–6,743	–3,179	–20,272	–105	–364
Reclassifications from non-current assets held for sale	–533	–336	–3,469	–3	0
Reclassifications	2,339	4,676	–7,286	–15,396	3,653
31 January 2017	**1,010,046**	**311,460**	**641,887**	**42,495**	**14,671**
Currency translation	–7,008	867	–15,791	–177	–22
Changes in the basis of consolidation	96	16	216	1,064	0
Additions	46,179	17,478	53,680	73,451	0
Disposals	–20,236	–3,289	–24,352	–2,769	–573
Reclassifications from non-current assets held for sale	–10,623	–2,570	–54	–3	1,856
Reclassifications	11,379	4,550	3,700	–19,828	–661
31 January 2018	**1,029,833**	**328,512**	**659,286**	**94,233**	**15,271**
Accumulated depreciation and impairment					
1 February 2016	**417,475**	**202,317**	**426,013**	**0**	**2,174**
Currency translation	3,070	80	–650	0	–14
Changes in the basis of consolidation	0	0	0	0	0
Additions	36,219	18,999	55,694	0	335
Impairment losses	65	0	0	0	0
Disposals	–4,210	–2,281	–15,611	0	0
Reclassifications from non-current assets held for sale	–60	–283	–2,617	0	0
Reclassifications	654	–929	–8,324	0	382
Reversal of impairment loss	–55	–3	0	0	0
31 January 2017	**453,158**	**217,900**	**454,505**	**0**	**2,877**
Currency translation	–4,868	1,378	–12,551	0	–7
Changes in the basis of consolidation	0	0	0	0	0
Additions	37,302	20,187	55,572	0	449
Impairment losses	389	0	0	0	0
Disposals	–13,906	–3,091	–20,638	0	–223
Reclassifications from non-current assets held for sale	–6,639	–1,562	–33	0	1,576
Reclassifications	216	–1,080	809	0	3
Reversal of impairment loss	0	0	0	0	0
31 January 2018	**465,652**	**233,732**	**477,664**	**0**	**4,675**
Net carrying amount 31 January 2017	**556,888**	**93,560**	**187,382**	**42,495**	**11,794**
Net carrying amount 31 January 2018	**564,181**	**94,780**	**181,622**	**94,233**	**10,596**

Items of property, plant and equipment with a carrying amount of EUR 5,282k (31 January 2017: EUR 5,403k; 1 February 2016: EUR 5,728k) have been pledged as collateral for liabilities. The collateral mainly relates to charges on land and buildings in Germany.

There are contractual commitments to acquire property, plant and equipment of EUR 4,697k (31 January 2017: EUR 5,398k; 1 February 2016: EUR 3,879k).

Finance leases

The assets held under finance lease agreements are as follows:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Land and land rights and buildings, including buildings on third-party land	7,136	6,513	5,985
Technical equipment and machinery	525	126	84
Other equipment, furniture and fixtures	691	1,056	717
Carrying amount	**8,352**	**7,695**	**6,786**

Assets held under finance lease agreements primarily represent buildings held in France and Italy.

The reconciliation of the future minimum lease payments and their present value is disclosed in the following table:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Minimum lease payments			
due within one year	2,409	1,445	6,655
due in between two and five years	8,453	9,205	2,656
due in more than five years	1,395	651	468
Interest	– 2,321	– 1,887	– 941
Present value of minimum lease payments	**9,936**	**9,414**	**8,838**

Operating leases

The PHOENIX group holds numerous assets under operating lease agreements. Such agreements primarily relate to real estate, technical equipment and company cars. The future minimum lease payments under non-cancellable operating leases are summarised by due date below:

EUR k	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**
Minimum lease payments			
due within one year	97,284	117,362	114,347
due in between two and five years	249,186	293,656	296,074
due in more than five years	168,278	173,081	178,740
Total minimum lease payments	**514,748**	**584,099**	**589,161**

The expected income from sublet properties amounts to EUR 2,108k (prior year: EUR 2,078k). The lease expense from operating leases breaks down as follows:

EUR k	**31 Jan. 2017**	**31 Jan. 2018**
Lease expense		
Minimum lease payments	132,746	143,941
Contingent rents	3,274	3,147
Sublease payments received	1,006	834
Total lease expense	**137,026**	**147,922**

Leases where the Group acts as lessor

The PHOENIX group acts as lessor in several countries of operation. The lease agreements represent finance and operating leases.

Finance leases

The finance lease arrangements in which the Group acts as lessor are held by the German subsidiary transmed Transport GmbH. This entity acts as lessor for cash systems.

The reconciliation of the future minimum lease payments and their present value is disclosed in the following table:

EUR k	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**
Minimum lease payments			
due within one year	0	0	1,266
due in between two and five years	0	0	4,772
due in more than five years	0	0	0
Interest	0	0	– 501
Present value of minimum lease payments	**0**	**0**	**5,537**

Operating leases

The most significant operating lease arrangements in which the Group acts as lessor are held by the Netherlands and the German subsidiaries transmed Transport GmbH and Apotheken Dienstleistungs GmbH. Buildings are mainly leased in the Netherlands. transmed Transport GmbH leases transport vehicles, and Apotheken Dienstleistungs GmbH leases software and cash systems.

The future minimum lease payments are as follows:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Minimum lease payments			
due within one year	14,679	16,324	18,703
due in between two and five years	14,601	22,356	26,106
due in more than five years	1,096	4,203	4,255
Total minimum lease payments	**30,376**	**42,883**	**49,064**

12 Investment property

One building in the Netherlands no longer meets the criteria of IFRS 5 and is now classified as “Investment property”.

The fair value of the investment property held as of 31 January 2018 determined by expert appraisers using market data (level 2) for comparable properties came to EUR 10,601k (31 January 2017: EUR 11,993k; 1 February 2016: EUR 7,982k). Rental income in fiscal year 2017/18 came to EUR 479k (prior year: EUR 448k), while expenses totalled EUR 510k (prior year: EUR 614k).

13 Interests in other entities

Significant non-controlling interests are held in the following entities. The complete list of shareholdings is an integral component of the notes to the consolidated financial statements and will be published in the electronic version of the German Federal Gazette.

	FY 2015/16		FY 2016/17		FY 2017/18	
EUR k	**Brocacef Group**	**Comifar Group**	**Brocacef Group**	**Comifar Group**	**Brocacef Group**	**Comifar Group**
Current assets	228,713	707,948	381,651	777,132	356,482	756,290
Non-current assets	221,075	121,246	654,236	114,279	657,826	119,517
Current liabilities	169,484	499,484	326,105	566,667	277,672	540,392
Non-current liabilities	31,991	26,963	299,564	24,972	303,760	23,186
Revenue	n/a	n/a	1,959,301	2,283,394	2,043,025	2,334,085
Gain/loss from continuing operations	n/a	n/a	18,399	6,741	35,439	12,624
Gain/loss after taxes from discontinued operations	n/a	n/a	0	0	0	0
Total comprehensive income	n/a	n/a	18,399	6,741	35,439	12,624
Cash inflow/outflow from:						
– operating activities	n/a	n/a	63,585	7,023	45,378	22,049
– investing activities	n/a	n/a	– 277,221	– 5,376	– 22,987	– 15,519
– financing activities	n/a	n/a	213,470	– 1,562	– 22,888	– 6,852
Gain/loss attributable to non-controlling interests	n/a	n/a	9,379	461	17,570	807
Accumulated non-controlling interests at the end of the reporting period	n/a	n/a	182,664	32,652	192,413	33,340
Dividends paid to non-controlling interests	n/a	n/a	4,102	409	5,928	120

The non-controlling interests disclosed in the consolidated financial statements are as follows:

EUR k	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**
Brocacef Group	107,764	182,664	192,413
Comifar Group	33,074	32,652	33,340
Other	20,917	15,269	17,276
	161,755	**230,585**	**243,029**

The PHOENIX group holds investments in 25 associates (31 January 2017: 29; 1 February 2016: 23). The aggregate amounts are presented below:

EUR k	FY 2015/16	FY 2016/17	FY 2017/18
Net carrying amount	15,757	14,134	14,726
Group share in gain/loss from continuing operations	n/a	1,671	2,543
Group share in total comprehensive income	n/a	1,671	2,543

Most associates have diverging fiscal years from the PHOENIX group, typically the calendar year.

14 Other financial assets

The following table presents the composition of non-current other financial assets:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Trade receivables, non-current	35	153	16
Other financial assets			
Available-for-sale financial assets	34,656	36,699	40,787
Loans to and receivables from associates	5,022	2,827	2,086
Other loans	32,380	44,391	47,482
Other non-current financial assets	1,063	7,731	4,653
	73,121	**91,648**	**95,008**

15 Inventories

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Raw materials and supplies	14,620	13,340	17,030
Finished goods and merchandise	1,953,835	2,063,224	2,099,805
Prepayments	12,872	19,446	13,871
	1,981,327	**2,096,010**	**2,130,706**

During the fiscal year, inventories were written down by EUR 11,206k (prior year: EUR 10,780k). Impairment losses of EUR 6,130k (prior year: EUR 4,570k) were reversed during the period mainly due to the unexpected sale of written-down inventories. Inventories with a carrying amount of EUR 155,575k (31 January 2017: EUR 164,412k; 1 February 2016: EUR 139,103k) are measured at net realisable value at the reporting date.

16 Trade receivables and other current financial assets

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Trade receivables	2,539,905	2,672,065	2,693,262
Other financial assets			
Loans to and receivables from associates or related parties	40,665	44,348	6,926
Other loans	28,702	28,990	32,544
Derivative financial instruments	8,128	3,323	1,648
Other financial assets (current)	124,843	138,919	126,118
	202,338	**215,580**	**167,236**

Trade receivables and other assets with a carrying amount of EUR 91,648k (31 January 2017: EUR 96,948k; 1 February 2016: EUR 86,780k) have been pledged as a guarantee for a loan agreement.

The trade receivables transferred under factoring and ABS transactions as of 31 January 2018 are presented below:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Transferred but only partly derecognised receivables			
Receivables not derecognised in accordance with IAS 39			
Volume of receivables	415,163	587,485	456,747
Financial liability	380,500	525,971	405,924
Continuing involvement			
Volume of receivables	164,233	175,577	177,119
Continuing involvement	7,292	7,866	8,232
Financial liability	7,340	7,911	9,030
Transferred and fully derecognised receivables			
Volume of receivables	24,831	23,953	61,224
Retentions of title	30,620	40,262	30,834

The carrying amounts of receivables and liabilities correspond to their fair values.

In the case of the transferred but only partly derecognised receivables, the PHOENIX group has either fully or partly retained the risk of default as well as the risk of late payment attaching to the transferred receivables. The transferred receivables serve as collateral for the purchase price received for them. The amount received for selling these receivables is recognised as a liability. Cash receipts from these receivables have to be transferred to the factor, thus settling the liability.

Other current financial assets mainly include receivables from bonuses, ABS and factoring programmes and other current receivables.

The valuation allowances on trade receivables and customer loans, which are included in other loans, have developed as follows:

EUR k	Trade receivables	Other loans
Allowances as of 1 February 2016	**63,492**	**11,754**
Additions	9,390	1,187
Utilisation	– 15,562	– 2,009
Reversal	– 4,491	– 377
Currency and other changes	702	4,069
Allowances as of 31 January 2017	**53,531**	**14,624**
Additions	12,262	2,452
Utilisation	– 13,397	– 1,505
Reversal	– 6,628	– 600
Currency and other changes	4,205	234
Allowances as of 31 January 2018	**49,973**	**15,205**

As of 31 January 2018, 31 January 2017 and 1 February 2016 the ageing analysis of trade receivables and customer loans that are past due but not impaired is as follows:

		thereof								
				Past due but not impaired						
EUR k	Total carrying amount	Neither past due nor impaired	Impaired	< 30 days	31 - 60 days	61 - 90 days	91 - 150 days	151 - 240 days	241 - 330 days	> 330 days
1 February 2016										
Trade receivables	**2,539,940**	2,277,111	42,556	139,075	21,702	10,670	14,307	15,022	6,993	12,504
Other loans	**61,082**	58,427	2,646	9	0	0	0	0	0	0
31 January 2017										
Trade receivables	**2,672,218**	2,331,431	48,850	200,589	25,318	16,497	15,919	16,271	7,909	9,434
Other loans	**73,381**	68,028	5,349	4	0	0	0	0	0	0
31 January 2018										
Trade receivables	**2,693,278**	2,311,261	36,339	213,625	68,975	15,330	15,071	14,073	5,160	13,444
Other loans	**80,026**	73,131	6,895	0	0	0	0	0	0	0

As of the reporting date, there were no indications that the debtors of the receivables shown as "past due but not impaired" would not meet their payment obligations. The majority of trade receivables past due > 330 days relates to Serbia, Bosnia, Macedonia and Italy. In some cases, the PHOENIX group holds promissory notes, pledged assets of pharmacies, mortgages, land and buildings, inventories, cash and cash equivalents and other personal guarantees as collateral for trade receivables as well as for other loans.

17 Other non-financial assets

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Prepayments	60,463	63,118	62,675
Tax claims – VAT and other taxes	24,052	22,205	32,724
Sundry other assets	24,866	19,838	16,786
Other non-financial assets	**109,381**	**105,161**	**112,185**

The item "Other assets" contains a number of individual items, such as prepayments and claims in connection with employee benefits.

18 Cash and cash equivalents

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Bank balances	366,410	484,796	101,480
Cash on hand	3,489	4,528	4,729
Cash equivalents	58	13	14
	369,957	**489,337**	**106,223**

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

19 Equity

Issued capital

As of 31 January 2018, the issued capital (share capital) amounted to EUR 2,515,200. It is divided into 2,515,200 non-par value registered shares. A proportionate amount of EUR 1.00 in the share capital is deducted from each share.

Capital reserves

Capital reserves stem from the difference between the amount of assets contributed and the imputed value of the shares issued caused by the capital increases.

Reserves

Reserves primarily comprise retained earnings.

Accumulated other comprehensive income

Accumulated other comprehensive income includes exchange differences, changes in the fair value of available-for-sale financial assets and actuarial gains and losses from pension obligations.

Non-controlling interests

The profit for the period attributable to non-controlling interests came to EUR 24,974k (prior year: EUR 14,753k).

Capital management

The objective of capital management at the PHOENIX group is to ensure a solid financial profile and to secure business operations. In this connection, the aim is also to further strengthen the equity ratio by retaining profits.

Owing to the PHOENIX group's business model, capital expenditures are relatively low. Capital expenditures are determined in the annual budgeting process. The focus is on their impact on the consolidated statement of financial position and the consolidated income statement.

The capital structure is monitored based on the equity ratio and net debt. EBITDA is also an important KPI for corporate management purposes.

		1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Equity	in EUR k	2,519,433	2,639,884	2,646,567
Total equity and liabilities	in EUR k	7,835,747	8,660,096	8,357,140
Equity ratio	**in %**	**32.2**	**30.5**	**31.7**

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
+ Financial liabilities (non-current)	604,262	753,516	655,783
– Derivative financial instruments (non-current)	– 370	– 216	– 229
+ Financial liabilities (current)	999,936	1,228,779	1,036,655
– Derivative financial instruments (current)	– 398	– 1,172	– 2,292
– Cash and cash equivalents	– 369,957	– 489,337	– 106,223
+ Receivables sold in the course of factoring and ABS transactions	181,772	191,664	230,111
– Factoring receivables	– 26,461	– 24,941	– 25,245
– Receivables from ABS programmes	– 4,159	– 15,321	– 5,589
Net debt	**1,384,625**	**1,642,972**	**1,782,971**

Under the loan agreements in Germany and Italy, a commitment was undertaken to comply with various financial covenants, all of which were comfortably complied with in the reporting year. These include, for instance, the ratio of net debt to EBITDA or the interest cover. Failure to comply with the financial covenants poses a financing risk to the extent that the lenders could demand immediate repayment of the loans.

The agreements underlying our corporate bonds contain restrictions and obligations for the PHOENIX group, as an issuer, that are customary for the market. Failure to comply with these restrictions and obligations could result in the amount of the bond plus the interest accrued falling due.

Compliance with the agreed covenants is strictly monitored as part of corporate planning and reported to the lenders on a quarterly basis.

20 Provisions for pensions and similar obligations

Depending on the economic, legal and tax framework in each country, the employees of the PHOENIX group have different old-age pension systems in place, which are structured as defined contribution or benefit plans.

Obligations from defined benefit plans are financed by external pension funds and provisions. In accordance with IAS 19, these obligations are calculated using the projected unit credit method. To reduce an investment risk, investments in plan assets are made in various asset classes. Furthermore, the investment strategy is designed such that the age structure of the asset is matched with the expected time the pension will be paid out.

The majority of pension obligations relate to the countries Norway, Switzerland and the United Kingdom. These primarily relate to pension plans on a final salary basis, for which the pension payments to beneficiaries are adjusted annually in line with the inflation rate.

The obligations in Norway mainly relate to a pension plan set out especially for the pharmaceuticals segment, which is based on the regulations of public sector pension plans. The pension plan is managed by the Norwegian Public Service Pension Fund and, in accordance with the provisions of the pension fund, the plan assets must be sufficient to cover at least two-thirds of future pension payments.

The obligation in Switzerland is largely invested in insurance assets. The pension fund is thus outsourced to an external insurer that ensures the agreed minimum coverage is secured in the event of a shortfall in pension assets.

The pension plans in the United Kingdom are also financed by external pension funds. The trustees decide on the minimum coverage of the obligations in consultation with the Company. Measurements are performed regularly to ensure the minimum coverage is secured as well as to determine the amount of the contributions.

The sum of all pension expenses in connection with defined contribution plans amounted to EUR 64,655k (prior year: EUR 63,627k). This amount includes the contributions the Group made to statutory pension insurance funds that fall under the definition of defined contribution plans.

The following table shows the financing status of the pension plans and the calculation of the net defined benefit liability:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Calculation of net defined benefit liability			
Present value of funded obligations	– 508,893	– 600,879	– 607,283
Plan assets at fair value	385,816	441,570	466,692
Defined benefit obligations in excess of plan assets	**– 123,077**	**– 159,309**	**– 140,591**
Present value of non-funded obligations	– 97,388	– 101,315	– 102,095
Net defined benefit liability	**– 220,465**	**– 260,624**	**– 242,686**

The defined benefit obligations contain the following amounts included in the consolidated financial statements:

	Defined benefit obligation			**Fair value of plan assets**			**Net carrying amount from defined benefit plans**		
EUR k	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**
Norway	378,610	449,464	468,102	279,007	330,393	355,423	–99,603	–119,071	–112,679
Switzerland	77,499	87,554	77,848	61,109	67,224	63,916	–16,390	–20,330	–13,932
United Kingdom	51,579	62,306	60,005	44,737	42,891	46,427	–6,842	–19,415	–13,578
Other	98,593	102,870	103,423	963	1,062	926	–97,630	–101,808	–102,497
Total	**606,281**	**702,194**	**709,378**	**385,816**	**441,570**	**466,692**	**–220,465**	**–260,624**	**–242,686**

The net defined benefit liability developed as follows:

EUR k	**Present value of the defined benefit obligation**	**Fair value of plan assets**	**Total**
1 February 2016	**606,281**	**–385,816**	**220,465**
Service cost	20,502		20,502
Interest expenses/income	14,554	–9,758	4,796
Other	37	0	37
	35,093	**–9,758**	**25,335**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		–11,361	–11,361
Gain/loss from changes in demographic assumptions	18,024		18,024
Gain/loss from changes in financial assumptions	32,844		32,844
	50,868	**–11,361**	**39,507**
Employer contributions		–27,657	–27,657
Employee contributions	2,357	–2,357	0
Benefits paid	–16,314	12,973	–3,341
Plan settlements	–126	11	–115
Exchange differences	24,035	–17,605	6,430
31 January 2017	**702,194**	**–441,570**	**260,624**

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total
1 February 2017	**702,194**	**– 441,570**	**260,624**
Service cost	22,127		22,127
Past service cost	– 544		– 544
Interest expenses/income	14,829	– 10,027	4,802
Other	133		133
	36,545	**– 10,027**	**26,518**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		– 27,737	– 27,737
Gain/loss from changes in demographic assumptions	9,774		9,774
Gain/loss from changes in financial assumptions	16,013		16,013
	25,787	**– 27,737**	**– 1,950**
Effects from business combinations	4,610	– 3,504	1,106
Employer contributions		– 29,107	– 29,107
Employee contributions	2,236	– 2,236	0
Benefits paid	– 19,977	16,745	– 3,232
Plan settlements	– 209		– 209
Exchange differences	– 41,808	30,744	– 11,064
31 January 2018	**709,378**	**– 466,692**	**242,686**

Net interest expenses are recognised within the financial result.

Plan assets break down as follows:

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Plan assets with underlying active market			
Cash and cash equivalents	2,913	5,397	6,337
Equity instruments	47,989	41,960	37,466
Debt instruments	177,379	222,329	258,655
Property	32,923	39,647	41,412
Investment funds	60,243	63,405	50,838
Insurance assets	56,153	62,486	63,915
Structured debt instruments	7,254	5,286	7,140
Other	962	1,060	929
	385,816	**441,570**	**466,692**

The plan assets do not contain any of the PHOENIX group's own financial instruments or assets used by the Group.

The Group expects to contribute EUR 33,808k to its defined benefit plans in fiscal year 2018/19.

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

in %	**1 Feb. 2016**	**31 Jan. 2017**	**31 Jan. 2018**
Discount rate by currency region			
NOK	2.7	2.6	2.4
GBP	3.8	3.0	2.7
EUR	1.5 – 2.4	0.2 – 2.0	1.2 – 1.95
CHF	0.9	0.6	0.7
SEK	3.0	2.7	2.6
Future salary increases	1.2 – 4.3	0.8 – 4.8	1.2 – 4.6
Future pension increases	1.5 – 3.3	1.5 – 3.8	1.5 – 3.6

The mortality tables used for the individual countries are based on publicly available data.

The table below shows the effect of each isolated change in the key actuarial assumptions on the present value:

31 January 2018	**Change in actuarial assumptions in %**	**Increase in assumption EUR k**	**Decrease in assumption EUR k**
Interest rate	0.5	62,286	– 72,121
Future salary increases	0.5	– 23,653	21,248
Future pension increases	0.5	– 45,077	35,503
Life expectancy	10.0	7,153	6,834

31 January 2017	**Change in actuarial assumptions in %**	**Increase in assumption EUR k**	**Decrease in assumption EUR k**
Interest rate	0.5	61,535	– 71,168
Future salary increases	0.5	– 24,071	21,611
Future pension increases	0.5	– 36,057	27,875
Life expectancy	10.0	– 7,337	6,934

1 February 2016	Change in actuarial assumptions in %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	56,354	– 65,043
Future salary increases	0.5	– 28,120	25,246
Future pension increases	0.5	– 32,856	25,014
Life expectancy	10.0	– 7,797	7,679

The average duration of the defined benefit plans was 15 years (prior year: 15) in the reporting year.

In Norway and the Netherlands, the PHOENIX group has pension plans that are operated together with non-affiliated companies (multi-employer plans). In principle, these are both defined benefit and defined contribution plans. If the required information is available in connection with jointly operated defined benefit plans, these plans are accounted for like any other defined benefit plan; otherwise, they are accounted for as defined contribution plans. In the Netherlands, there are jointly operated defined benefit plans that are accounted for as defined contribution plans, as it is not possible to allocate the pension obligations and plan assets to the participating entities on account of the lack of information available. For these plans, the PHOENIX group expects contribution payments of EUR 10,550k for fiscal year 2018/19. The coverage ratio of these plans (ratio of plan assets to obligation) is between 101.0% and 103.0% (31 January 2017: between 90.8% and 94.1%; 1 February 2016: between 97.0% and 101.3%). In Norway, there is a jointly operated government plan that qualifies as a defined benefit plan and is also accounted for as such. Furthermore, as of 31 January 2018, the PHOENIX group does not expect any major burdens to arise from the multi-employer plans; there is no intention to exit any of these plans.

The PHOENIX group is not aware of any likely significant risks from the multi-employer defined benefit plans accounted for as defined contribution plans.

21 Other provisions

EUR k	Restructuring	Personnel	Other	Total
1 February 2017	**106**	**18,541**	**33,490**	**52,137**
Currency translation	0	– 79	– 19	– 98
Addition	7,851	2,599	13,593	24,043
Utilisation	– 2,750	– 6,390	– 6,171	– 15,311
Reversal	– 106	– 505	– 7,148	– 7,759
Interest	0	118	0	118
31 January 2018	**5,101**	**14,284**	**33,745**	**53,130**

The cash outflows for the restructuring provision are expected for the next fiscal year.

Personnel-related provisions mainly contain provisions for long-service awards. The corresponding cash outflow is expected within the next year(s) and depends on the occurrence of the respective events. The PHOENIX group does not expect reimbursements.

Other provisions include, among other things, litigation provisions of EUR 14,358k (31 January 2017: EUR 8,030k). The outflow of these funds is expected within the coming year(s) depending on the occurrence of the respective events or the end of court proceedings. The PHOENIX group does not expect reimbursements.

22 Financial liabilities

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

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Financial liabilities (non-current)			
Liabilities to banks	1,179	150,243	149,635
Bonds	592,696	594,116	496,319
Loans	65	100	356
Other financial liabilities	10,322	9,057	9,473
	604,262	**753,516**	**655,783**

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
Financial liabilities (current)			
Liabilities to banks	115,050	182,155	179,251
Loans	126,247	134,131	115,981
Liabilities to associates and related parties	314,574	316,313	264,903
Liabilities for customer rebates and bonuses	35,766	35,244	33,119
ABS and factoring liabilities	387,840	533,882	414,954
Other financial liabilities	20,459	27,554	28,447
	999,936	**1,229,279**	**1,036,655**

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

At the end of July 2014, the PHOENIX group issued a corporate bond with a volume of EUR 300m, a term of seven years and an interest coupon of 3.625%. In November 2017, the PHOENIX group redeemed bonds with a nominal value of EUR 100m.

In June 2012, the PHOENIX group concluded a syndicated loan agreement for EUR 1.35b, of which EUR 1.05b was available after repayments as a revolving credit facility with an original term until June 2017. In April 2014, the PHOENIX group negotiated improvements to the loan conditions and at the same time extended the term to a new residual term of five years. The revolving credit facility was increased by EUR 200m in December 2015. In November 2016, the PHOENIX group made use of the option to extend the agreement by one year. In October 2017, the PHOENIX group made use of the option to extend the agreement by one year.

In October 2016, the PHOENIX group issued promissory notes with a total volume of EUR 150m. The loan comprises four tranches:

- Tranche 1 has a volume of EUR 22.5m, a fixed term of 5 years and an interest coupon of 0.8%
- Tranche 2 has a volume of EUR 53m, a term of up to 5 years and a variable interest coupon
- Tranche 3 has a volume of EUR 23.5m, a fixed term of 7 years and an interest coupon of 1.2%
- Tranche 4 has a volume of EUR 51m, a term of up to 7 years and a variable interest coupon

23 Trade payables

Trade payables are non-interest bearing and are normally settled on usual business terms.

24 Other liabilities

EUR k	1 Feb. 2016	31 Jan. 2017	31 Jan. 2018
VAT and other tax liabilities	85,507	87,160	111,265
Personnel liabilities	120,897	143,136	140,225
Liabilities relating to social security/similar charges	25,280	27,421	27,763
Prepayments	11,516	13,571	14,864
Sundry other liabilities	15,448	15,191	11,809
Other liabilities	**258,648**	**286,479**	**305,926**

25 Non-current assets held for sale

The non-current assets held for sale of EUR 5,113k relate to an idle distribution centre in the Netherlands. In the prior year, this item included pharmacies in the Netherlands that had to be sold off in connection with the acquisition of Mediq Apotheken Nederland B.V. because of antitrust requirements (EUR 7,619k). The item also contains a property in Bulgaria of EUR 394k (31 January 2017: EUR 605k; 1 February 2016: EUR 605k).

OTHER NOTES

26 Contingent liabilities

Contingent liabilities of EUR 76,674k (31 January 2017: EUR 67,679k: 1 February 2016: EUR 70,651k) relate exclusively to financial guarantees.

Guarantees are potential future obligations to third parties, the existence of which depends on the occurrence of at least one uncertain future event outside the control of the PHOENIX group. The guarantees mainly relate to pharmacy customers in the wholesale business and were primarily issued by subsidiaries of the subgroups in the United Kingdom and Austria. The guarantees include obligations for which the probability of outflow is remote.

27 Additional 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 and the fair values for each class are presented in the following table for fiscal year 2017/18:

31 January 2018	Category pursuant to IAS 39						
EUR k	Loans and receivables	Available-for-sale financial assets	Held-for-trading financial assets	No category according to IAS 39.9	Not within the scope of IFRS 7	Carrying amount	Fair value
Assets							
Available-for-sale financial assets	0	38,070	0	0	0	38,070	38,070
Available-for-sale financial assets at acquisition cost	0	2,717	0	0	0	2,717	n/a
Trade receivables	2,693,278	0	0	0	0	2,693,278	2,693,278
Loans to and receivables from associates or related parties	9,012	0	0	0	0	9,012	8,951
Other loans	80,026	0	0	0	0	80,026	81,705
Derivative financial assets without hedge accounting	0	0	1,648	0	0	1,648	1,648
Other financial assets	125,234	0	0	0	0	125,234	125,234
Lease receivables	0	0	0	5,537	0	5,537	n/a
Cash and cash equivalents	106,223	0	0	0	0	106,223	106,223

The carrying amounts for each category and class and the fair values for each class are presented in the following table for fiscal year 2016/17:

31 January 2017	Category pursuant to IAS 39						
EUR k	Loans and receivables	Available-for-sale financial assets	Held-for-trading financial assets	No category according to IAS 39.9	Not within the scope of IFRS 7	Carrying amount	Fair value
Assets							
Available-for-sale financial assets	0	34,042	0	0	0	34,042	34,042
Available-for-sale financial assets at acquisition cost	0	2,657	0	0	0	2,657	n/a
Trade receivables	2,672,218	0	0	0	0	2,672,218	2,672,218
Loans to and receivables from associates or related parties	47,175	0	0	0	0	47,175	47,095
Other loans	73,381	0	0	0	0	73,381	73,422
Derivative financial assets without hedge accounting	0	0	3,323	0	0	3,323	3,323
Other financial assets	146,594	0	0	0	0	146,594	147,625
Lease receivables	0	0	0	56	0	56	n/a
Cash and cash equivalents	489,337	0	0	0	0	489,337	489,337

The carrying amounts for each category and class and the fair values for each class are presented in the following table for 1 February 2016:

1 February 2016	**Category pursuant to IAS 39**						
EUR k	**Loans and receivables**	**Available-for-sale financial assets**	**Held-for-trading financial assets**	**No category according to IAS 39.9**	**Not within the scope of IFRS 7**	**Carrying amount**	**Fair value**
Assets							
Available-for-sale financial assets	0	31,165	0	0	0	31,165	31,165
Available-for-sale financial assets at acquisition cost		3,491				3,491	n/a
Trade receivables	2,539,940	0	0	0	0	2,539,940	2,539,940
Loans to and receivables from associates or related parties	45,687	0	0	0	0	45,687	45,561
Other loans	61,082	0	0	0	0	61,082	61,118
Derivative financial assets without hedge accounting	0	0	8,128	0	0	8,128	8,128
Other financial assets	125,906	0	0	0	0	125,906	125,978
Lease receivables	0	0	0	0	0	0	0
Cash and cash equivalents	369,957	0	0	0	0	369,957	369,957

Available-for-sale financial assets primarily contain shares in unlisted entities. Where no fair value can be determined, they are recorded at acquisition cost. For other available-for-sale financial assets, the fair value is determined using a multiplier method (revenue multiple, level 3). This uses individually derived multipliers between 0.54 and 1.39 (31 January 2017: between 0.64 and 1.34; 1 February 2016: between 0.62 and 1.2). A 10% increase in the multipliers would increase the value by EUR 5,010k (31 January 2017: EUR 4,703k; 1 February 2016: EUR 4,234k); a 10% decrease in the multipliers would decrease the value by EUR 5,006k (31 January 2017: EUR 4,708k; 1 February 2016: EUR 4,227k).

Derivatives are carried at fair value.

Due to the short-term maturities of cash and cash equivalents (level 1), receivables and other current financial assets (level 2), their carrying amounts generally approximate the fair values at the reporting date.

The fair values 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 (level 2).

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for fiscal year 2017/18:

31 January 2018	**Category pursuant to IAS 39**					
EUR k	**Other financial liabilities**	**Financial liabilities held for trading**	**No category according to IAS 39.9**	**Not within the scope of IFRS 7**	**Carrying amount**	**Fair value**
Financial liabilities						
Liabilities to banks	328,886	0	0	0	328,886	329,344
Bonds	496,319	0	0	0	496,319	534,497
Loans	116,337	0	0	0	116,337	116,337
Trade payables	3,255,027	0	0	0	3,255,027	3,255,027
Liabilities to associates and related parties	264,903	0	0	0	264,903	264,903
Liabilities and provisions for customer rebates and bonuses	33,119	0	0	0	33,119	33,119
ABS and factoring liabilities	414,954	0	0	0	414,954	414,954
Other financial liabilities at amortised cost	18,488	0	0	0	18,488	18,488
Other financial liabilities at fair value	8,073	0	0	0	8,073	8,073
Lease liabilities	0	0	8,838	0	8,838	n/a
Derivative financial liabilities without hedge accounting	0	2,521	0	0	2,521	2,521

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for fiscal year 2016/17:

31 January 2017	Category pursuant to IAS 39					
EUR k	Other financial liabilities	Financial liabilities held for trading	No category according to IAS 39.9	Not within the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	332,398	0	0	0	332,398	333,106
Bonds	594,116	0	0	0	594,116	658,863
Loans	134,231	0	0	0	134,231	134,231
Trade payables	3,273,532	0	0	0	3,273,532	3,273,532
Liabilities to associates and related parties	316,313	0	0	0	316,313	316,313
Liabilities and provisions for customer rebates and bonuses	35,244	0	0	0	35,244	35,244
ABS and factoring liabilities	533,882	0	0	0	533,882	533,882
Other financial liabilities at amortised cost	16,461	0	0	0	16,461	16,461
Other financial liabilities at fair value	9,348	0	0	0	9,348	9,348
Lease liabilities	0	0	9,414	0	9,414	n/a
Derivative financial liabilities without hedge accounting	0	1,388	0	0	1,388	1,388

The carrying amounts for each category and class of financial liabilities and the fair values for each class are presented in the following table for 1 February 2016:

1 February 2016	**Category pursuant to IAS 39**					
EUR k	**Other financial liabilities**	**Financial liabilities held for trading**	**No category according to IAS 39.9**	**Not within the scope of IFRS 7**	**Carrying amount**	**Fair value**
Financial liabilities						
Liabilities to banks	116,229	0	0	0	116,229	116,229
Bonds	592,696	0	0	0	592,696	617,120
Loans	126,312	0	0	0	126,312	126,312
Trade payables	3,047,380	0	0	0	3,047,380	3,047,380
Liabilities to associates and related parties	314,574	0	0	0	314,574	314,574
Liabilities and provisions for customer rebates and bonuses	35,766	0	0	0	35,766	35,766
ABS and factoring liabilities	387,840	0	0	0	387,840	387,840
Other financial liabilities at amortised cost	14,426	0	0	0	14,426	14,426
Other financial liabilities at fair value	5,651	0	0	0	5,651	5,651
Lease liabilities	0	0	9,936	0	9,936	n/a
Derivative financial liabilities without hedge accounting	0	768	0	0	768	768

The fair value of the bonds is the nominal value multiplied by the quoted price as of the reporting date (level 1).

Derivatives are carried at fair value (level 2).

The fair value of liabilities to banks corresponds to the present value of the payments associated with the liabilities (level 2).

The fair value of liabilities to associates and related parties corresponds the present value of payments to be made calculated using a customary market discount rate (level 2).

Due to the short-term maturities of trade payables, liabilities for customer rebates and bonuses, ABS and factoring liabilities, loans and other current financial liabilities, their carrying amounts generally approximate the fair values at the reporting date (level 2).

The fair value of other financial liabilities measured at fair value (contingent consideration from business combinations) is determined using the purchase price formula agreed in the purchase agreements (level 3).

Fair value hierarchy of financial instruments

The PHOENIX group 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 January 2018				
Available-for-sale financial assets	0	0	38,070	38,070
Derivative financial assets without hedge accounting	0	1,648	0	1,648
Derivative financial liabilities without hedge accounting	0	2,521	0	2,521
Other financial liabilities	0	0	8,073	8,073
31 January 2017				
Available-for-sale financial assets	0	0	34,042	34,042
Derivative financial assets without hedge accounting	0	3,323	0	3,323
Derivative financial liabilities without hedge accounting	0	1,388	0	1,388
Other financial liabilities	0	0	9,348	9,348
1 February 2016				
Available-for-sale financial assets	0	0	31,165	31,165
Derivative financial assets without hedge accounting	0	8,128	0	8,128
Derivative financial liabilities without hedge accounting	0	768	0	768
Other financial liabilities	0	0	5,651	5,651

The fair value of available-for-sale assets measured at cost of EUR 2,717k (31 January: EUR 2,657k; 1 February 2016: EUR 3,491k) has not been disclosed because the fair value cannot be measured reliably. A sale is not currently planned.

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

EUR k	Available-for-sale assets	Other financial liabilities
1 February 2016	**31,165**	**5,651**
Total gains and losses recognised in accumulated other comprehensive income	2,118	0
Purchase	1,862	0
Sale of shares	– 1,103	0
thereof recognised through profit or loss	27	0
Acquisitions	0	3,166
Payments due to acquisitions	0	– 863
Other	0	1,394
31 January 2017	**34,042**	**9,348**
Total gains and losses recognised in accumulated other comprehensive income	3,841	0
Purchase	611	0
Sale of shares	– 424	0
thereof recognised through profit or loss	199	0
Acquisitions	0	0
Remeasurement of contingent purchase price obligations (through profit or loss)	0	– 406
Payments due to acquisitions	0	– 1,039
Other	0	170
31 January 2018	**38,070**	**8,073**

Net gains or losses on each category of financial instruments

EUR k	FY 2016/17	FY 2017/18
Loans and receivables	– 39,344	– 6,911
Available-for-sale financial assets	4,643	5,786
thereof recognised in accumulated other comprehensive income	2,118	3,841
thereof recognised through profit or loss	2,525	1,945
Financial liabilities measured at amortised cost	296	– 106
Financial instruments held for trading	27,379	– 3,373
	– 7,026	**– 4,604**

The presentation of net gains or losses does not include interest income and expenses on the respective financial instruments.

Interest from financial instruments is recognised in interest income and expenses. Foreign exchange effects and fair value changes of derivatives are recognised in the other financial result from derivatives. Impairment losses were recognised as follows in the period:

EUR k	FY 2016/17	FY 2017/18
Trade receivables	11,339	14,953
Loans to and receivables from associates	1,034	300
Other loans	3,631	2,616
Other financial assets	55	7
	16,059	**17,876**

Offsetting within financial assets breaks down as follows:

EUR k	Gross amount of financial assets	Gross amount of financial liabilities	Net amount of financial assets reported in the statement of financial position
31 January 2018			
Trade receivables (current)	2,697,582	– 4,320	2,693,262
Other financial assets (current)	319,464	– 152,228	167,236
31 January 2017			
Other financial assets (current)	367,802	– 152,222	215,580
1 February 2016			
Other financial assets (current)	0	0	0

Offsetting within financial liabilities breaks down as follows:

EUR k	Gross amount of financial assets	Gross amount of financial liabilities	Net amount of financial assets reported in the statement of financial position
31 January 2018			
Trade payables (current)	3,293,830	– 38,805	3,255,025
31 January 2017			
Trade payables (current)	3,294,786	– 26,083	3,268,703
1 February 2016			
Trade payables (current)	3,065,582	– 24,113	3,041,469
Financial liabilities (current)	1,135,343	– 135,407	999,936

The following table presents the nominal and market values of the derivative financial instruments:

EUR k	1 February 2016 Nominal amount	1 February 2016 Market value	31 January 2017 Nominal amount	31 January 2017 Market value	31 January 2018 Nominal amount	31 January 2018 Market value
Assets						
Derivatives held for trading						
Foreign currency contracts	337,182	8,128	394,753	3,323	420,350	1,648
Liabilities						
Derivatives held for trading						
Foreign currency contracts	114,359	398	212,910	1,172	371,381	2,292
Interest rate transactions	3,146	370	2,813	216	2,471	229

28 Financial risk management and derivative financial instruments

Objectives and principles of the financial risk management

Due to its multinational business activities, the PHOENIX group is exposed to financial risks. In particular, these include market risk (changes in foreign exchange rates, interest rates and prices) and credit risk. In addition, liquidity risks may arise due to the operating business, due to the financial risks named above and because of unexpected fluctuations in the financial markets.

These risks are monitored using comprehensive planning, approval and reporting structures and an early warning system, which together make up the risk management system of the PHOENIX group. Binding guidelines with regard to financial risks are prepared by the central service areas group finance and accounts receivables management. These guidelines and requirements must be approved by the Executive Board specifying how financial risks are to be controlled. The Executive Board is informed on an ongoing basis about the current risk exposure and the development on the global financial markets.

Derivatives are used by the PHOENIX group in specific cases to hedge against interest rate and currency risks. They are concluded only with banks with a high credit standing. These derivatives are regularly measured and their value in use continually and diligently monitored. Although the derivatives are contracted for hedging purposes, they are classified as held-for-trading under IAS 39.

Only a small number of persons are authorised to trade with derivatives. The trading, control and reporting functions are separate and independent from each other. This control is employed strictly according to binding internal guidelines that utilise a two-person principle. The conclusion or disposal of derivatives is only allowed in accordance with the internal treasury guidelines of the PHOENIX group.

Under the financing arrangement, the PHOENIX group has undertaken a commitment to comply with covenants. These were complied with in fiscal year 2017/18.

Market risk

Currency risk

Currency risk arises through fluctuations of the exchange rate of foreign currencies and their impact on the items of the statement of financial position which are not denominated in the functional currency. The currency risks for the PHOENIX group originate primarily from internal financing activities and investments in foreign entities. As the Group entities largely settle their operating business in their respective functional currency, the operative currency risks are small.

Currency risks arise in the course of intragroup financing whenever loans are extended to group entities in currencies other than the euro. These currency risks are hedged by concluding forward exchange contracts with banks.

In the calculation of the currency exposure for the sensitivity analysis, those items of the statement of financial position are taken into account which are not in the functional currency of the respective reporting company. Those items of the statement of financial position are aggregated for the whole Group. Also the internal loans which are not in the functional currency of the reporting unit are taken into account and the amounts aggregated. The currency effects for a 10% increase (decrease) of the euro against the respective currency are then measured. In the next step, the market value changes of derivative financial instruments (currency swap transactions and forwards), which were entered into to hedge these exposures, were calculated under the assumption of a 10% increase (decrease) of the spot exchange rates as of the closing date.

Finally, the hypothetical effect on profit or accumulated other comprehensive income of the sensitivity analysis was calculated by netting the effects of the assumed 10% increase (decrease) in the value of the euro against all other currencies as per 31 January 2018 for both the underlying and derivative financial instruments. The material results of the sensitivity analysis are as follows:

If the EUR depreciates (appreciates) by 10% against the HRK, profit before tax would be EUR 2,893k (prior year: EUR 2,673k) higher (lower). This is primarily due to trade payables.

If the EUR depreciates (appreciates) by 10% against the MKD, profit before tax would be EUR 1,641k (prior year: EUR 1,716k) higher (lower). This effect results from internal loans.

If the EUR depreciates (appreciates) by 10% against the NOK, accumulated other comprehensive income would be EUR 44,740k (prior year: EUR 44,740k) higher (lower). This effect stems from internal loans classified as a net investment in a foreign operation.

If the EUR depreciates (appreciates) by 10% against the RSD, profit before tax would be EUR 2,153k (prior year: EUR 2,046k) and accumulated other comprehensive income would be EUR 7,722k (prior year: EUR 5,719k) higher (lower). This results from the trade payables and the internal loans that are classified as a net investment in a foreign operation.

If the DKK depreciates (appreciates) by 10% against the NOK, profit before tax would be EUR 1,231k (prior year: EUR 189k) higher (lower). This is primarily due to trade receivables.

If the DKK depreciates (appreciates) by 10% against the SEK, profit before tax would be EUR 1,396k (prior year: EUR 849k) higher (lower). This is primarily due to trade receivables.

If the SEK had depreciated (appreciated) by 10% against the EUR in the prior year, accumulated other comprehensive income would have been EUR 11,093k lower (higher). This effect resulted from an internally issued hybrid loan that was repaid in fiscal year 2017/18.

Interest rate risk

Interest rate risks exist as a result of potential changes in the market interest rate and may lead to a change in fair value in the case of fixed interest bearing financial instruments and to fluctuations in interest payments in the case of variable interest-bearing financial instruments. As of 31 January 2018, there was only one interest option (collar) to hedge against increasing reference interest rates at an agreed minimum interest rate from 2010/11. This was accounted for as a derivative held for trading.

For financial instruments with fixed interest that are measured at amortised cost, changes in market interest rates have no impact on the earnings and equity. With regard to variable interest-bearing financial instruments, changes in market risk rates impact the earnings and are thus considered in the sensitivity analysis.

The interest sensitivity analysis presented below shows the hypothetical effects which a change in the market interest rate at the reporting date would have had on the pre-tax result. It assumes that the exposure at the reporting date is representative of the year as a whole.

The PHOENIX group’s fixed-interest period is primarily of a long-term nature. A positive parallel shift in the EUR market yield curve by 50 basis points as of the reporting date (prior year: 50 basis points) would impact net debt subject to floating interest rates, leading to a negative impact of EUR 3,983k (prior year: EUR 2,777k) on the profit before tax. Because the reference interest rate (Euribor) was negative on the reporting date, a further negative shift in the market interest curve by 50 basis points would have had to no material effect on net debt subject to floating interest rates.

A positive (negative) parallel shift of 50 basis points for the EUR interest rate curves, assuming other interest rate curves and exchange rates remain constant, would have a negative (positive) effect of EUR 544k (EUR 546k) on profit before tax on account of the interest derivatives in the portfolio as of the reporting date. In the prior year, the positive (negative) shift for the EUR yield curve by 50 basis points would have resulted in a negative (positive) effect of EUR 255k (EUR 256k).

For the interest rate collar in the portfolio, a positive (negative) parallel shift of 50 basis points (prior year: 50 basis points) for the EUR interest rate curves would have a positive (negative) effect of EUR 43k (EUR 44k) on profit before tax. In the prior year, the positive (negative) shift for the EUR yield curve would have resulted in a positive (negative) effect of EUR 57k (EUR 60k).

Credit risk

From the Group's perspective, credit risk describes the risk that a party to a financial instrument will fail to meet its contractual obligations and thus cause a financial loss for the Group. Credit risk comprises both the direct default risk and the risk that the creditworthiness of the counterparty will deteriorate, as well as the concentration of risks. The Group is exposed to credit risk from its operating activities, from certain financial transactions and from the granting of financial guarantees for bank loans for pharmacy customers, mainly in Austria and the United Kingdom.

The maximum exposure of financial assets to credit risk is equal to the carrying amount of each class of financial assets plus the nominal volume of financial guarantee contracts issued.

The level of credit risk from operating activities is monitored and kept in check by an accounts receivable management system. Due to the structure of our customers, the risk of default is assessed to be rather low in the Group. This is because our customers, in the wholesale segment mostly pharmacies, generally have a high credit standing. Despite some bigger customers, our customer base is widely diversified with small amounts of receivables allocable to each individual customer. In the course of liberalisation of the pharmacy markets in Europe, however, pharmacy chains and new sales channels are increasingly emerging, creating a large number of major customers with a higher level of receivables outstanding. In addition, the Group holds in some cases promissory notes from customers, pledged assets of pharmacies, mortgages and other personal guarantees as collateral for loans to pharmacies in the form of goods supplied. Collateral was utilised to an immaterial extent in the fiscal year.

The cash investments are spread between various banks with a high credit standing in order to avoid any concentration of risk. The PHOENIX group has a policy of only entering into derivatives with banks with a high credit standing and thus limits the default risk for derivatives with a positive market value. As the PHOENIX group spreads the derivatives between more than ten of our core banks, there is no concentration of risks of default with a single bank. Additionally, the PHOENIX group monitors very closely the financial news and markets and has therefore an early warning system to detect possible difficulties on the part of a bank.

Liquidity risk

Liquidity risk describes the risk that a company cannot fulfil its financial obligations when they become due. To monitor the Group's liquidity, the PHOENIX group has implemented a daily rolling liquidity planning system. Additionally, regular discussions are held for special liquidity issues and developments as part of a rolling 12-month liquidity plan. Subsidiaries are integrated into the Group's central financing system.

The following table shows the contractually agreed undiscounted interest payments and repayments of non-derivative financial liabilities and derivative financial assets and liabilities as of 31 January 2018.

EUR k	Cash flows 2018/19	Cash flows 2019/20	Cash flows 2020/21 – 2022/23	Cash flows 2023/24 – 2027/28	Cash flows > 2028/29
Liabilities to banks	187,183	7,705	97,212	75,403	
Bonds	16,625	16,625	523,890		
Loans	118,916				
Trade payables	3,255,025	2			
Liabilities to associates and related parties	265,059				
Liabilities and provisions for customer rebates and bonuses	33,119				
ABS and factoring liabilities	415,366				
Other financial liabilities	20,057	639	5,617		
Finance lease liabilities	6,649	745	1,908	502	
Financial guarantee contracts	76,674				
Derivative financial liabilities without hedge accounting					
Cash outflow	373,842	71	109	17	
Cash inflow	– 371,304				
Total derivatives	**2,538**	**71**	**109**	**17**	

The table presented includes financial liabilities under the liabilities item of the statement of financial position in conjunction with assets held for sale.

The contractually agreed undiscounted payments as of 31 January 2017 are presented in the following table:

EUR k	Cash flows 2017/18	Cash flows 2018/19	Cash flows 2019/20 – 2021/22	Cash flows 2022/23 – 2026/27	Cash flows > 2027/28
Liabilities to banks	191,974	7,718	97,898	76,305	
Bonds	20,222	20,250	651,390		
Loans	138,130	12			
Trade payables	3,273,547				
Liabilities to associates and related parties	321,848				
Liabilities and provisions for customer rebates and bonuses	35,244				
ABS and factoring liabilities	534,792				
Other financial liabilities	8,932	229	725	4,384	
Finance lease liabilities	1,445	8,113	1,743		
Financial guarantee contracts	67,679				
Derivative financial liabilities without hedge accounting					
Cash outflow	214,099	74	126	25	
Cash inflow	– 212,862				
Total	**1,237**	**74**	**126**	**25**	

The contractually agreed undiscounted payments as of 1 February 2016 are presented in the following table:

EUR k	Cash flows 2016/17	Cash flows 2017/18	Cash flows 2018/19 – 2020/21	Cash flows 2021/22 – 2025/26	Cash flows > 2026/27
Liabilities to banks	121,729	4,266	10,553		
Bonds	20,278	20,222	360,778	310,862	
Loans	130,209	27	13		
Trade payables	3,046,137	1,243			
Liabilities to associates and related parties	314,574				
Liabilities and provisions for customer rebates and bonuses	35,766				
ABS and factoring liabilities	391,455				
Other financial liabilities	4,016		1,500	3,157	
Finance lease liabilities	2,409	2,113	6,340	1,395	
Financial guarantee contracts	70,651				
Derivative financial liabilities without hedge accounting					
Cash outflow	114,481	90	163	51	
Cash inflow	– 113,944				
Total	**537**	**90**	**163**	**51**	

Liabilities with early termination rights have been classified according to the first call date. For variable interest payments, the current floating interest rate is taken as a basis. Payments in foreign currency are translated using the exchange rate at year-end.

Fair value hedges

The PHOENIX group uses forward exchange contracts to hedge against changes in fair value that stem from exchange rate movements in firm commitments not recognised in the statement of financial position. If the hedge is considered effective, the cumulative change in the fair value of the unrecognised firm commitments is capitalised as a separate financial asset or a separate financial liability.

The following table shows the changes in hedged items and hedging instruments in fair value hedge relationships that are recognised through profit or loss:

EUR k	FY 2016/17	FY 2017/18
From hedged items	385	0
From hedging instruments	– 385	0
Ineffective portion	0	0

There were no hedge relationships as of either reporting date.

29 Notes to the cash flow statement

Cash and cash equivalents amounted to EUR 106,223k at the end of the reporting period (31 January 2017: EUR 489,337k; 1 February 2016: EUR 369,957k) and comprised cash of EUR 106,209k (31 January 2017: EUR 489,324k; 1 February 2016: EUR 369,899k) as well as cash equivalents of EUR 14k (31 January 2017: EUR 13k; 1 February 2016: EUR 58k). Restricted cash at the end of the period amounts to EUR 12,368k (31 January 2017: EUR 16,058k; 1 February 2016: EUR 8,229k) and corresponds to security deposits for revolving credit lines (e.g., ABS and factoring). There are also restrictions on cash and cash equivalents of EUR 15,162k (31 January 2017: EUR 11,751k; 1 February 2016: EUR 11,812k) of foreign subsidiaries at the end of the period, since local covenants or other agreements do not allow the subgroups to transfer those amounts directly or indirectly via other subsidiaries to the parent company.

Payments made for acquisitions of consolidated entities and business units of EUR 40,106k (31 January 2017: EUR 403,558k; 1 February 2016: EUR 53,629k) correspond with the payments of the purchase price less any cash and cash equivalents acquired of EUR 1,262k (31 January 2017: EUR 74,986k; 1 February 2016: EUR 1,327k). Cash received from the sale of consolidated entities and business units corresponds to the gains on sale received of EUR 12,192k (31 January 2017: EUR 33,373k; 1 February 2016: EUR 27,052k) less cash and cash equivalents disposed of EUR 0k (31 January 2017: EUR 0k; 1 February 2016: EUR 16,102k).

The reconciliation of finance lease liabilities is as follows:

EUR k	As of 1 February 2016	Thereof recognised in cash flow from operating activities	Changes in cash	Change in the basis of consolidation	Exchange rate changes	Fair value	Other	As of 31 January 2017
Bonds/loans from banks	708,925	708,925	9,171	196,514	351		11,553	926,514
Loans from associates and related parties	314,149	314,149	–1,654				3,415	315,910
ABS/factoring liabilities	387,840							533,882
ABS/factoring receivables	–30,620							–40,262
ABS/factoring net liabilities	357,220	357,220	145,584		–9,182		–2	493,620
Lease liabilities	9,936	9,936	–665		–8		151	9,414
Other liabilities	183,348	183,348					13,727	197,075

EUR k	As of 1 February 2017	Thereof recognised in cash flow from operating activities	Changes in cash	Change in the basis of consolidation	Exchange rate changes	Fair value	Other	As of 31 January 2018
Bonds/loans from banks	926,514	926,514	–122,178		1,232		19,637	825,205
Loans from associates and related parties	315,910	314,586	–50,086					264,500
ABS/factoring liabilities	533,882							414,954
ABS/factoring receivables	–40,262							–30,834
ABS/factoring net liabilities	493,620	493,620	–63,002		–5,691	493	–41,300	384,120
Lease liabilities	9,414	9,414	–544		–17		–15	8,838
Other liabilities	197,075	179,675	–1,146	215	166		31	178,941

30 Related party disclosures

General

In accordance with IAS 24, entities or persons, which are in control of or controlled by the PHOENIX group must be disclosed. Members of the Merckle family and entities controlled by them are considered as related parties. The ultimate controlling party of the PHOENIX group is Mr Merckle. In addition, the disclosure requirements of IAS 24 comprise persons and entities over which the PHOENIX group has significant influence or joint control.

Transaction volume

The goods and services sold as well as other income from transactions with related parties and goods and services received as well as other expenses from such transactions break down as follows:

	Goods and services sold as well as other income in the fiscal year		Goods and services received as well as other expenses in the fiscal year	
EUR k	2016/17	2017/18	2016/17	2017/18
Partners	**46**	**0**	**771**	**718**
from financing	33	0	771	718
from leases, other services	13	0	0	0
Associates	**38,962**	**16,797**	**9,862**	**9,696**
from financing	136	105	0	0
from leases, other services	89	64	8,535	9,696
from goods sold	38,737	16,628	1,327	0
Other related parties	**1,446**	**703**	**7,204**	**5,586**
from financing	1,405	0	5,629	3,901
from leases, other services	41	703	1,575	1,685
from goods sold	0	0	0	0

The goods and services sold mainly consist of goods supplied and other services.

The goods and services received relate primarily to goods, leases and financing transactions.

Outstanding balances

	Receivables as of 31 January			Liabilities as of 31 January		
EUR k	2016	2017	2018	2016	2017	2018
Partners	**707**	**1,961**	**0**	**46,110**	**44,821**	**119,600**
from financing	579	1,936	0	46,110	44,821	119,600
from leases, other services	128	25	0	0	0	0
Associates	**8,942**	**5,716**	**4,001**	**1,058**	**107**	**88**
from financing	5,213	3,095	2,296	0	0	0
from leases, other services	7	2	18	1,029	107	88
from goods sold	3,722	2,619	1,687	29	0	0
Other related parties	**33,604**	**33,590**	**0**	**269,154**	**271,256**	**144,924**
from financing	33,588	33,538	0	268,040	271,089	144,900
from leases, other services	16	52	0	1,114	167	24
from goods sold	0	0	0	0	0	0
Impairments	**–151**	**–775**	**–225**	**0**	**0**	**0**

For the most part, the outstanding balances are not secured nor have guarantees been issued on them. The receivables were settled by payment or by netting them against accounts payable. In connection with the bond issued in July 2014, related parties hold bond certificates with a nominal volume of EUR 112,400k. In connection with the bond issued in 2013, related parties hold bond certificates with a nominal volume of EUR 30,200k. To the extent that these bond certificates are still held, interest was paid at the prevailing terms and conditions.

Real estate acquisition tax of EUR 8,032k (prior year: EUR 0k) was incurred in fiscal year 2017/18 following restructuring measures initiated by the partners. This was recognised as a withdrawal by the partners.

Terms and conditions

Unless terms and conditions of related party transactions have been commented on specifically above, they were made on an arm’s length basis. Outstanding balances at year-end are unsecured and settled by payment.

31 Remuneration of the Executive Board

The total expense for remuneration of the Executive Board in the reporting period was EUR 7,117k (prior year: EUR 5,869k) and is classified as short-term employee benefits, of which EUR 293k relate to the prior year (prior year: EUR 409k).

The current service cost for benefits earned by the Executive Board in the reporting period was EUR 408k (prior year: EUR 262k).

Former members of management of PHOENIX Pharmahandel GmbH & Co KG received remuneration (prior year: including severance payments and non-competition payments) of EUR 356k in the reporting year (prior year: EUR 654k). Pension provisions of EUR 28,303k (prior year: EUR 27,676k) were recognised.

32 Remuneration of the Supervisory Board

The Supervisory Board remuneration amounted to EUR 350k in the fiscal year (prior year: EUR 350k).

33 Subsequent events

At the end of February 2018, the competition authorities in Serbia approved the acquisition of all shares in Goodwill Apoteka, which operates 138 pharmacies with 540 employees. The final purchase price is not yet available.

In early April 2018, the PHOENIX group has signed a purchase agreement for the pharmaceutical wholesaler Farmexim S.A. and the pharmacy chain Help Net Farma S.A. in Romania. The acquisition is subject to antitrust approval.

Mannheim, 6 April 2018

The Executive Board

Oliver Windholz (Chair)　　Helmut Fischer　　Frank Große-Natrop　　Stefan Herfeld

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German.

INDEPENDENT AUDITOR'S REPORT

To PHOENIX Pharma SE, Mannheim

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of PHOENIX Pharma SE, Mannheim, and its subsidiaries (the Group) which comprise the consolidated statement of financial position as of 31 January 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 February 2017 to 31 January 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of PHOENIX Pharma SE for the fiscal year from 11 February 2017 to 31 January 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 January 2018, and of its financial performance for the financial year from 1 February 2017 to 31 January 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The supervisory board is responsible for the disclosures made in the "Report of the supervisory board", which is published in the annual report. In all other respects, the executive directors are responsible for the other information. The other information comprises the remaining parts of the annual report expected to be provided to us after the date of the auditor's report, with the exception of the audited consolidated financial statements and group management report as well as our independent auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 6 April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert Wirtschaftsprüfer [German Public Auditor]	Somes Wirtschaftsprüferin [German Public Auditor]

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FINANCIAL CALENDAR 2018

Please consult our calendar for the most important announcement dates:

26 June	Quarterly report February to April 2018
21 September	Half-year report February to July 2018
18 December	Quarterly report February to October 2018

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