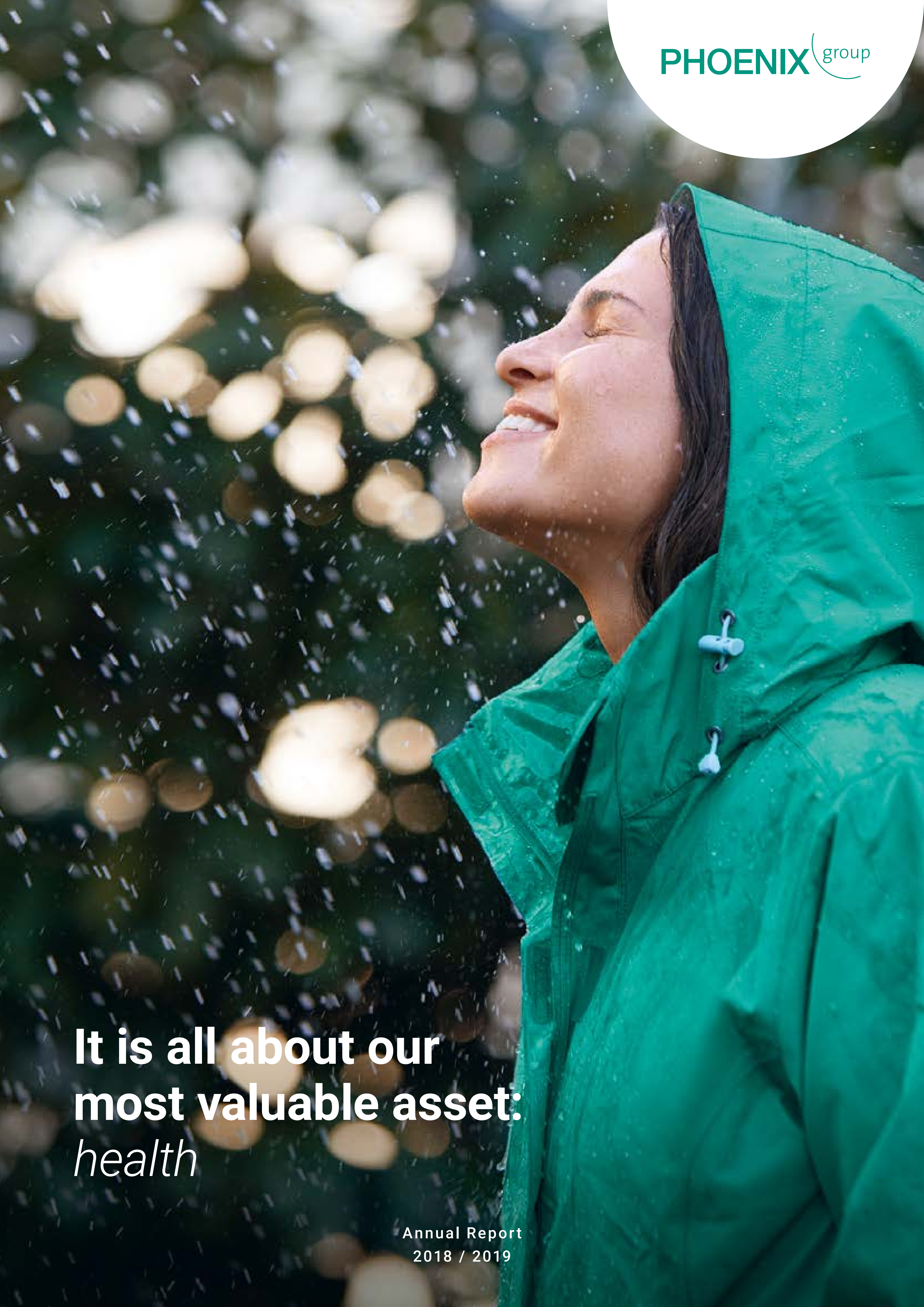


It is all about our most valuable asset: *health*

Annual Report
2018 / 2019

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

The PHOENIX group is a leading healthcare provider 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 more than 37,000 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 163 distribution centres in 27 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 more than 13,500 independent pharmacies in the company's cooperation and partner programmes, is the largest of its kind in Europe. The PHOENIX Pharmacy Partnership acts as the Europe-wide umbrella for the PHOENIX group's 13 pharmacy cooperation programmes in 16 countries.

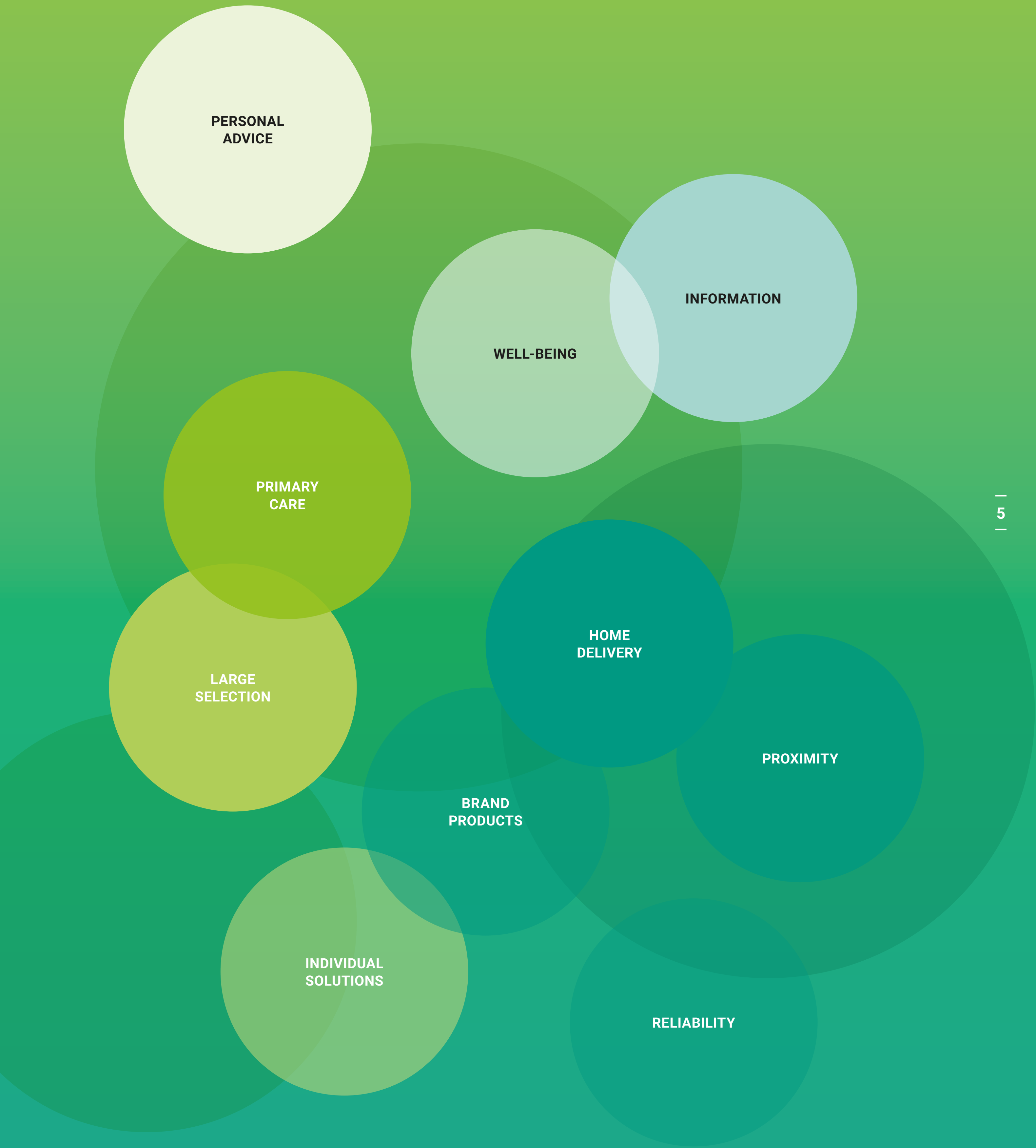
In pharmacy retail, the PHOENIX group operates more than 2,500 of its own pharmacies in 14 countries – of which around 1,400 operate under the corporate brand BENU. In addition to Norway, the United Kingdom, the Netherlands, and Switzerland, the company is also heavily represented in Hungary, the Czech Republic, Slovakia, Serbia, Montenegro, Romania and the Baltic markets. Our more than 19,000 pharmacy employees have around 150 million customer contacts each year. They dispense approximately 338 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 alike. The PHOENIX group takes on the entire distribution process for the pharmaceutical industry as desired and provides a first-class basis for decision-making with its business intelligence solutions.

We have set ourselves a challenging task. There is a great deal at stake. People's health is what it is all about.

Get healthy, stay healthy.

Focus on diverse needs.



Always in motion.

PHOENIX group: close by and efficient

TWO STRONG PILLARS

Romania was one of the PHOENIX group's last blank spots in Europe. However, after the successful acquisition of a pharmacy chain and a wholesaler, it can now provide the entire country with comprehensive health services.

Alexandru Matei is looking forward to the upcoming year with confidence. He manages a branch of the nationwide pharmacy chain in Romania called Help Net located in the Bucharest suburb of Corbeanca, which recently became part of the PHOENIX group. "Our products will be available even more quickly under the new umbrella," says the 33-year-old. The PHOENIX group will help make this possible with its decades of experience and logistical expertise. Many of Matei's customers are happy about the wide selection of over-the-counter products. Customers often come without a prescription, looking for skin creams, wash lotions or painkillers. Matei is confident: "I will be able to significantly increase the appeal of my product portfolio by addressing people's everyday needs." Day after day, he observes the way high product availability can benefit people and their health. With this is mind, he is already enjoying his cooperation with the PHOENIX group.

The pan-European group not only acquired Help Net in 2018 but also the pharmaceutical wholesaler Farmexim. Founded 25 years ago, the PHOENIX group now operates in 27 countries. Romania is one of the last Eastern European markets where the company has gained a foothold. In a country with 20 million inhabitants, sales of health products are increasing. In the first quarter of 2018, 21 per cent more prescription-only items were sold compared with the previous year. Sales of over-the-counter drugs increased by 13 per cent. One-fifth of all the drugs sold are generics.

Thanks to its wide range of products and modern facilities, Help Net pharmacies currently serve 2.7 million customers. But the story doesn't end there: "We want to continue developing our product range," says Marko Grünewald, Head of Corporate Development, Mergers & Acquisitions at the PHOENIX group. Although there are plans to increase the number of pharmacies, new licences are hard to come by. In Romania, there are already 2,500 inhabitants per pharmacy – one-third more than the EU average. Those wanting to expand their network will need to buy existing licences or an entire chain.

Advice with substance: Employees at Help Net take part in routine training at company academies so they can provide their customers with expert advice.

ON SITE IN ROMANIA

Romania is the twenty-seventh country where the PHOENIX group operates. There are 8,200 pharmacies; 80 per cent of which are in urban areas. One-quarter of all pharmacies belong to a chain. Generic medicines account for a market share of 20 per cent.

Overview: Thanks to the carefully considered presentation of products in the Help Net pharmacies, customers can quickly find what they are looking for.

A promising market in motion

Acquisitions, however, are not the only way to achieve growth in Romania. The Benefica cooperation programme, developed by Farmexim, offers independent pharmacies the option to enter into a partnership. Participating pharmacies can benefit from customised services and training opportunities. It is also important to determine customers' unspoken needs, says Gabriela Boghiu, Quality Manager at Farmexim. "This helps us to continuously improve our service and product range."

Not only the retail market is in flux in Romania. Wholesalers are also reorganising. They are building modern warehouses and improving their goods management systems. The new Farmexim subsidiary benefits from this by making use of the integrated healthcare provider's logistical expertise – giving it a competitive edge.

Over the past few years, the PHOENIX group has built up a logistics network in Eastern Europe. This network is underpinned by the hubs in Warsaw, Prague, and Belgrade, where thousands of drugs are stored on behalf of pharmaceutical manufacturers. Logistics experts then pack these drugs into smaller units and transport them to regional distribution centres.

The ten regional distribution centres operated by Farmexim in Romania have recently been added. These additions are making the PHOENIX group more attractive to pharmaceutical manufacturers as a logistics service provider in the region. This, in turn, translates into faster deliveries – drawing more people into pharmacies like Alexandru Matei's.

Focus on needs: For pharmacist Alexandru Matei, the diversity of the product range is particularly important.

"I can significantly increase the appeal of my product portfolio by addressing people's everyday needs."

ALEXANDRU MATEI, PHARMACIST

10

Farmexim operates ten distribution centres throughout Romania

Carefully considered: The PHOENIX group's logistics network across Europe helps deliver supplies to pharmacies in Romania.

SOUTHEASTERN EUROPE

9 countries
+
More than 48 million inhabitants
+
More than 5,500 employees
+
32 distribution centres
+
More than 35 million products sold and 13.5 million customer contacts each year
+
Around 600 own pharmacies and more than 2,000 pharmacy cooperation partners
+
More than 8,000 pharmacy customers in wholesale

With our fast and reliable logistics, we deliver health products to every location in Southeastern Europe.

In the more than 30 distribution centres, transport containers are filled system-controlled with the pharmacy orders and are delivered shortly thereafter.


BENU
PHOENIX

FROM MARKET FOLLOWER TO MARKET LEADER

BENU has more than 300 pharmacies in Serbia, making it the market leader in this country.

The PHOENIX group offers Serbia's seven million inhabitants high-quality health products in an attractive environment. The company has significantly expanded its local pharmacy network by purchasing 138 Goodwill branches in 2017, which are now all part of the BENU brand.

Since this acquisition, the PHOENIX group's pharmacy chain has grown to over 300 pharmacies in Serbia, making it the country's new market leader. But that is not the end of the story. There are plans to further increase the number of BENU pharmacies in Serbia. Together with the independent pharmacies in the BETTY pharmacy cooperation programme, the integrated healthcare provider offers a large community-based pharmacy network, providing an alternative to online shopping for pharmaceuticals.

BENU is the largest of the PHOENIX group's pharmacy chains. Its branches are all up to the latest standards, which include an attractive shop design and goods that are displayed so that patients can find the products they want immediately. A warm, friendly welcome completes the picture.

Every single Goodwill pharmacy has been integrated into the organisation with the latest product range management system, among other things. The goal is to make sure that whatever the patient is looking for is always in stock. This applies just as much to seasonal items as to products that are in demand throughout the year.

In addition, the performance of the individual branches in Serbia should be comparable. The former Goodwill pharmacies have now also been given an identical system of key operating indicators, making it possible to track how well a branch is meeting its customers' expectations. Prices have been standardised throughout the branch network, and identical computer systems and software have been implemented. In addition, PHOENIX offers its category brand, called LIVSANE, in all of its own pharmacies. All 1,400 BENU employees in Serbia attend ongoing training provided by BENU to ensure that they maintain the same qualifications. After all, providing good advice is another way to significantly strengthen BENU's market position in Serbia.

A dense pharmacy network and good advice are key to further expanding the market position in Serbia.

With more than 300 pharmacies and 1,400 employees, we provide healthcare to one million customers in Serbia.

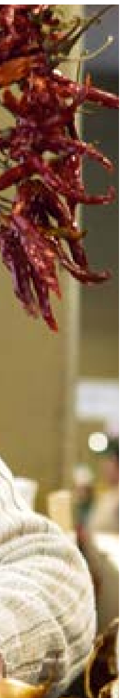
Family / Our pharmacies have a wide range of products, which is of particular benefit to families' diverse needs.

Tradition / The range includes many conventional medicines that older patients know how to get.

In the country / The BENU network in Serbia aims to grow considerably in the years ahead. This will improve the provision of healthcare outside of towns too.

No matter where you are, a BENU pharmacy is always nearby.

Colourful / The modern design of BENU pharmacies in the city centres particularly appeals to young customers.



PHOENIX group: personal and fast

NO UNNECESSARY DETOURS

I. Registration
The customer registers with the pharmacy by scanning a QR code.

II. Scanning
The customer scans the prescription in at home or while out and about and sends it to the pharmacy via the app.

III. Notification
The pharmacy notifies the customer when the medicine is ready for collection.

IV. Collection
The customer goes to the pharmacy and collects the drug or arranges to have it delivered.

Although pharmacies generally stock a wide range of drugs, sometimes a medicine may be unavailable. This is particularly frustrating for customers because it means they need to go back to the pharmacy a few hours later or even the next day. PHOENIX wants to make visits to the pharmacy more efficient and save customers a second trip. Its new app for smartphones and tablets called “deine Apotheke” (your pharmacy) allows customers to take photos of prescriptions and send them to their pharmacy or order over-the-counter health products in advance. As soon as the drug is available, the customer receives a chat message from the pharmacy to let them know they can pick it up. If the pharmacy offers a delivery service, the customer can also arrange for the items to be sent to their home.

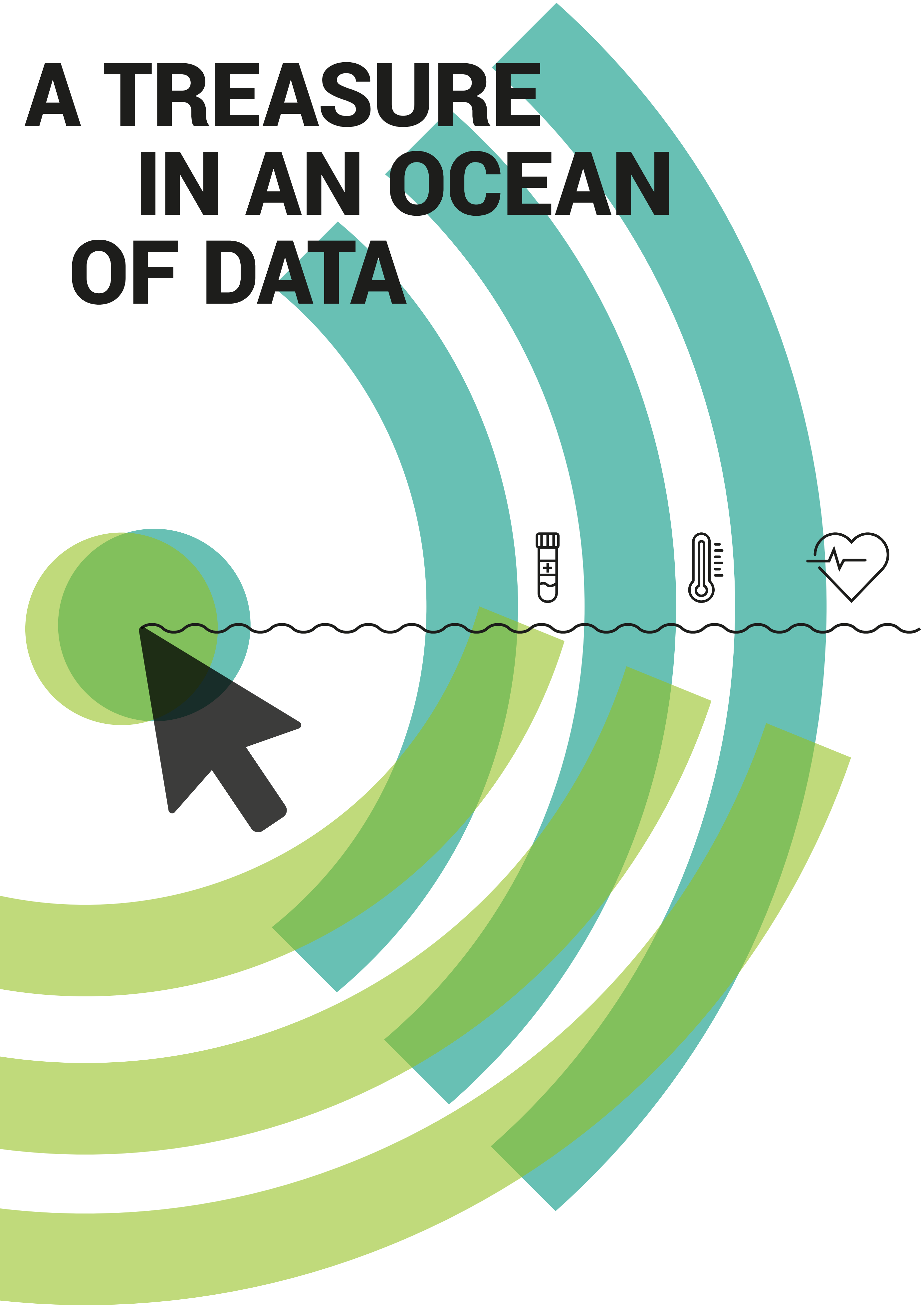
Once customers have downloaded the app, they can use the “pharmacy finder” feature to identify the nearest pharmacy offering the app service. The customer can connect to the pharmacy either via this search function or by entering a pharmacy-specific QR code. All data sent or received are encrypted.

The app is available to all pharmacies in Germany and allows them to offer their customers a digital service. Pharmacies can also use the app to attract new customers who they would not be able to reach otherwise or to strengthen their ties with existing customers. More than 3,000 pharmacies are already successfully using the app – and the number is growing.

The app’s ease of use is a good reason to adopt the digital service and accounts for the high level of acceptance. Smartphones have long been a constant feature of everyday life, with more than 80 per cent of all Germans mobilly connected and pulling out their smartphones 33 times a day on average.

Thanks to a partnership with the PAYBACK loyalty programme, users of the app can enjoy even more benefits. Starting in summer 2019, PAYBACK services will gradually be integrated into the “deine Apotheke” app. Customers will be able to collect points or enjoy discounts, for example, when they purchase over-the-counter medicines or health products. In cooperation with Germany’s most popular loyalty programme, PHOENIX aims to make as many customers as possible aware of the advantages of “deine Apotheke”. The loyalty programme will also help pharmacies strengthen their ties with customers and increase their average revenue per purchase. More than 30 million people in Germany collect PAYBACK points.

A TREASURE IN AN OCEAN OF DATA



Health data can tell a very personal story by revealing ordeals as well as healing processes.

At the same time, these data conceal an invaluable treasure. When experts analyse these data on a large scale, they are able to draw conclusions about rare diseases, assess risks, and address the health needs of a large population.

How is it possible to analyse large volumes of health data? This question is being explored by 27 experts at Medaffcon, a subsidiary of the PHOENIX group based in Finland. Medaffcon offers help to researchers, pharmaceutical manufacturers, and health services by providing them with tools to make data-driven decisions possible so that they can provide more effective personalised treatment and care to individual patients.

Finland offers the ideal environment for analysing health data thanks to its progressive legislation and the high quality of available data. Not only is health-related information from millions of inhabitants stored in registries, but there are also hospital data lakes and biobanks that collect tissue samples and body fluids. This information is then evaluated by comparing it with data from the national registry. The first biobanks were established in Finland in 2014. Since that time, Medaffcon has conducted more than 20 studies based on this type of data. Further studies are in progress and involve participants from the private and public sectors.

A key focus of Medaffcon is its work with real world evidence (RWE). This information, such as medical reports, is obtained from everyday health practices. The data gathered needs to be converted into a structured format so that it can be processed by computer systems. The question is how to evaluate this text electronically. Which data is important? Which key terms should text mining tools search for? Do they need to recognise laboratory values or data about weight, height, and lifestyle?

In one of the current projects, biostatistician Iiro Toppila is trying to determine how to improve the systems used by patients who monitor their own health, for example, by measuring their temperature, blood sugar or blood pressure. In the future, these systems are expected to be smart enough to detect a patient's risk of complications when certain measured values change. This type of artificial intelligence is trained using the data from biobanks, clinics and, the Finnish central registry.

Maija Wolf, Head of Development, explains that this method of analysis can also be used to help identify people with rare diseases whose symptoms may change or indicate other illnesses. By analysing large volumes of data, key symptoms can be detected, arguing the case for a specific diagnosis. Maija Wolf believes data-driven decisions are one of the most important healthcare instruments of the future. "We need this type of resource to ensure that we can provide more effective and sustainable healthcare that is tailored to the needs of the individual." This is how Medaffcon intends to continue helping customers in the future.

"We need this type of resource to ensure that we can provide more effective and sustainable healthcare that is tailored to the needs of the individual."

MAIJA WOLF, MEDAFFCON EXPERT

“Ana is now five years old and is able to lead a normal life.”

**IVANA BADNJAREVIC,
ANA’S MOTHER**

ANA'S NEW LIFE

What do you do when urgently needed medicines are not permitted in the home country of a patient? Two PHOENIX group subsidiaries lend a helping hand with their pharmaceutical and legal expertise.

Ana was already very ill at the age of 14 months – she was constantly tired and her movements were severely restricted. In her Serbian home town of Novi Sad, the doctors were puzzled about the cause. It turned out that Ana was suffering from a rare neurotransmitter disease (tyrosine hydroxylase) in which the brain does not produce enough of the hormone dopamine. "We were relieved when we finally found the cause," says her mother, Ivana Badnjarevic. She was happy when she heard that her daughter would be able to lead a normal life by regularly taking a drug called l-dopa. There was, however, a problem: the disease is extremely rare with less than 100 known cases worldwide, and the required medicine was unobtainable in Serbia.

But then the pharmacist at Ana's clinic came to the rescue with a brilliant idea. He contacted INO-Pharm, the Serbian subsidiary of the PHOENIX group specialised in obtaining drugs that are not available or even permitted on the domestic market. The little girl has been taking the preparation in Serbia for two and a half years, her mother reports. "Ana is now five years old and is able to lead a normal life."

Tracking down rare drugs is laborious work, requiring extensive knowledge and experience. Of the 20 employees at INO-Pharm, 10 are highly specialised in obtaining drugs as the regulations tied to the importation of unlicensed medicines is strict. These experts not only know the manufacturers of rare medicines but are also well-versed in the regulatory environment. They understand how drugs are imported and are familiar with the procedures of the regulatory authorities. Every year, they track down between 140 and 170 different products and have them sent to patients seeking help in Serbia, Montenegro, Bosnia and Herzegovina and North Macedonia.

It is not unusual for certain drugs to be unavailable, particularly in smaller countries where high registration fees for medicines often make it unprofitable for pharmaceutical manufacturers. For this very reason, Specific Pharma, a PHOENIX group subsidiary in Denmark, handles the importation of pharmaceuticals for which approval has not yet been applied for in the respective countries. This subsidiary has approximately 1,000 drugs permanently in stock. In 2018, Specific Pharma provided 2,500 urgently needed medicines to patients.

Specific Pharma's services are also in demand in other countries. Over the past few years, the company has gradually extended its coverage to other markets, including all of the Nordic countries, the Baltics and the Netherlands. Last year, a request came in from a patient in Lithuania who needed a specific medicine that affects the functionality of the nerve cells in the brain. Although the drug was permitted in Lithuania, there was a shortage of supply throughout Europe. The patient was scheduled to start an important treatment in two weeks' time. The experts from Specific Pharma set about their work, made the necessary enquiries within their global supplier network, and delivered the drug in less than one week.

PHOENIX group: smart and together

DIGITAL DETECTIVES

Thanks to standardised marking, manipulated medicines can be easily detected throughout Europe.

Falsified drugs are increasingly appearing in European pharmacies – putting patients at risk. In its Falsified Medicines Directive, the EU therefore prescribes a system for the identification of counterfeit drugs. As the leading European healthcare provider, the PHOENIX group was intensively involved in the development of the industry-wide process and implemented the requirements promptly on 9 February 2019. After all, patient safety is always our top priority.

Every package must now feature a tamper-proof seal and be marked with several sequences of numbers. These include the serial number, product code, batch designation, and expiry date. All details are printed legibly on the package and incorporated into a QR code. Prior to sale, pharmacists must scan the code so that a networked system can compare the markings with data held in a central register.

If the comparison shows that a medicine with the markings has already been sold, the system raises an alarm and the incident is investigated. In the same way, wholesalers like PHOENIX carry out spot checks on their product range to prevent falsified medicines from reaching pharmacies in the first place.

Every package must feature a tamper-proof seal and be marked with an individual numeric code.

PILLS FROM A PRINTER

Advances in today's healthcare sector are paving the way for some exciting possibilities. Will computers one day replace doctors? Will tablets be produced by 3D printers? How can the PHOENIX group build on these concepts? To address these questions, Dr Tobias Bucher and Florian Eder from Corporate Business Innovation are keeping a keen eye on precisely these areas.

BUCHER Although our work centres on the key trends in the healthcare industry, other social and technological developments are having an ever-growing impact on our business. People today are concerned more now than ever about their well-being while, at the same time, are living longer. As the demand for medical services grows, doctors' surgeries and hospitals in many places are disappearing. We need to start thinking about how digital resources can benefit these regions. Ideas abound. For example, one day there may be intelligent programmes that can diagnose illnesses with great accuracy and then follow up by recommending the most effective drugs for treatment.

EDER Despite this, we are convinced that patients will still want to have direct contact with health experts in the future. The question is whether these experts will always need to be doctors. Pharmacists, for example, could use digital technology to provide a range of more complex medical services than they offer today.

BUCHER Pharmacists in the past have often limited themselves to simple services, such as taking a patient's blood pressure when requested. It is conceivable that in the future they will also perform ECGs, give vaccinations, take blood samples or provide allergy tests – and maybe even offer more advanced procedures. Digital assistants could support them by guiding and monitoring their work at every step.

EDER These possibilities will open up new fields of services for pharmacists. Patients themselves are also playing an increasingly pivotal role in the changes occurring in the healthcare sector. They are no longer reliant solely on doctors for medical advice and are instead accessing more and more health information from the Internet. They are also collecting their own health data using apps and wearable technology – a trend that is set to continue. When these data are analysed, they can provide important information about the health of the owner.

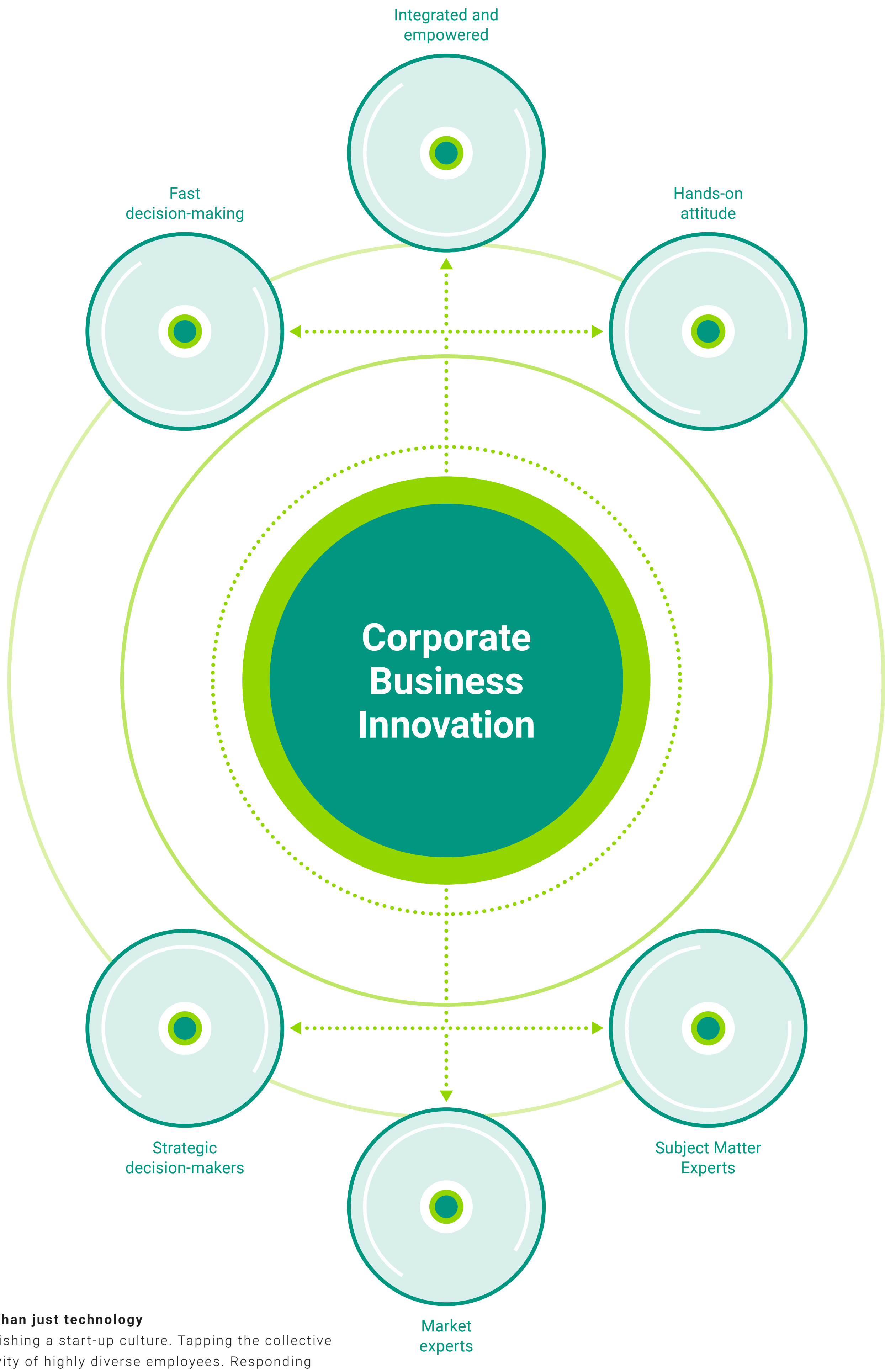
BUCHER It takes a qualified person, however, to monitor this type of analysis, and a pharmacy would be an ideal place to do this. These kinds of diagnoses based on a comprehensive pool of data could provide a useful addition to the traditional doctor visit, given the rising cost pressures in the healthcare system.

EDER This is also true when you take into account patients' higher expectations and desire for more advice and care that is tailored to their needs. This trend towards personalisation is also evident in the healthcare sector.

BUCHER For example, this is the reason we are taking a careful look at 3D printing. For some time now, 3D printers have been able to custom-print not only plastic and metal components but also food – and even pharmaceuticals! This possibility opens up an interesting area of activity for pharmacies.

EDER Pharmacists already learn how to custom-manufacture pharmaceuticals when they are in training. 3D printing, which offers patients more convenience and safety along with a higher degree of personalisation, may even be able to turn around the long-term trend of mass production of standard products.

BUCHER 3D printing may also benefit people with chronic conditions who need varying doses of drugs. The elderly, for example, could order tablets that are formed to make swallowing easier, and children would be much more willing to take a drug that looked, and maybe even tasted, like a jelly baby.



More than just technology
Establishing a start-up culture. Tapping the collective creativity of highly diverse employees. Responding to sudden changes: The Corporate Business Innovation division explores innovative approaches to actively shape the future of healthcare.

THE BLACKBOARD OF TODAY

The timely and convenient exchange of information is becoming ever more important in today's work environment. The exchange between co-workers helps expand the existing knowledge base, develop and disseminate best practice ideas, simplify work processes, and create transparency. Not all of PHOENIX's 37,000 employees have access to a computer – but most do have access to a smartphone. To make internal communication more interactive, transparent, and up-to-date from now on, PHOENIX is introducing a group-wide employee app. This new app aims not only to improve and simplify the exchange of information that is available to all but also to draw employees closer together across divisions, hierarchical levels, and national borders. Keeping employees informed, giving them a say, saving time, and helping them to stay in contact and find solutions together quickly are just some of the benefits the PHOENIX group's international project team had in mind while designing the app. To see whether it met these requirements, pilot users from Finland, the Netherlands, and Switzerland began testing the app in October 2018 for a period of several months. Their experiences and feedback contributed to the employee app's further development.

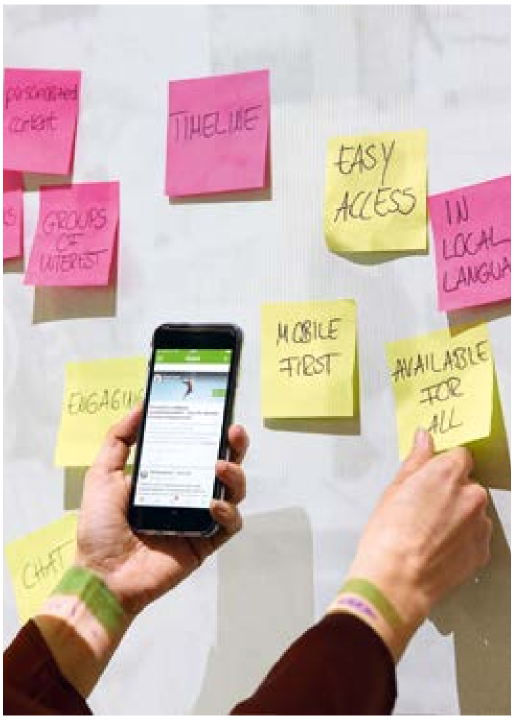
With this offer, PHOENIX provides fast and efficient access to up-to-date company information in the local language. It also contains user-generated content, user profiles, and an instant messaging feature. Colleagues working in shifts, for example, can use the app to swap shifts with one another or get the latest information about projects. It is also possible to upload videos and photos. Managers can make targeted use of this function to explain issues to their team in a simple and straightforward manner. Anyone can create a group and invite people to join from anywhere in the company – making the app an easy way to network internationally.

The use of the employee app is voluntary. Push notifications can be set individually, so employees do not need to worry about being disturbed after hours or weekends. After all, communication is meant to be fun and should be. PHOENIX plans to successively launch this app in Europe in 2019.

The employee app is intended to be used at the PHOENIX group's regional entities in all

27

countries.



Crossing borders
An international project team from the PHOENIX group defined what features should be included in the app and how it should be used. As the members of the team work in various countries, they ensured that the platform meets the needs of all employees throughout the group.

FINANCIAL REPORT
2018/19

PHOENIX GROUP IN FIGURES

Key figures of the PHOENIX group
Total operating performance [1]
Revenue
Total income
EBITDA
Profit before tax
Equity
Equity ratio
Net debt
Company rating (Standard & Poor's) [2]
Employees (total)
Employees (full-time)

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

Fiscal year 2018/19 was a suc
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We are also optimistic about c
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successful strategy of organ
and our continuous optimisa
positive development. In add
our innovative approaches an
integration of the companies

> Total operating performance

€33,045

million

> Increase in total operating performance compared with 2017/18 of

4.8 %

> Revenue

€25,812

million

> Increase in total revenue compared with 2017/18 of

3.6 %

> EBITDA

€471.1

million

FINANCIAL REPORT
2018/19

PHOENIX GROUP IN FIGURES

Key figures of the PHOENIX group		2017/18	2018/19
Total operating performance[1]	in € m	31,526.2	33,045.1
Revenue	in € m	24,909.8	25,812.2
Total income	in € m	2,667.9	2,781.2
EBITDA	in € m	468.0	471.1
Profit before tax	in € m	264.2	−30.8
Equity	in € m	2,646.6	2,806.6
Equity ratio	in %	31.7	33.5
Net debt	in € m	1,783.0	1,432.6
Company rating (Standard & Poor's)[2]		BB +	BB +
Employees (total)		33,944	37,140
Employees (full-time)		27,638	29,631

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

Fiscal year 2018/19 was a successful year for the PHOENIX group. We improved all key operating figures compared to the prior year and reached important strategic milestones. For the ninth consecutive year, we recorded stronger growth than the market as a whole.

We are also optimistic about our future. The PHOENIX group is well-positioned to continue developing profitably. Our successful strategy of organic and acquisition-led growth and our continuous optimisations will contribute to this positive development. In addition, we will further intensify our innovative approaches and drive forward the sustainable integration of the companies we acquire.

LETTER FROM THE CHIEF EXECUTIVE OFFICER OF THE PHOENIX GROUP

OLIVER WINDHOLZ
CHIEF EXECUTIVE OFFICER

Dear Ladies and Gentlemen,

For the past nine years, we have grown more strongly than the market as a whole. Given the challenging conditions in Europe, this is an achievement we are proud of. The healthcare markets in Europe are in a state of upheaval, and regulatory requirements are increasing. Digitalisation is advancing, and customers are demanding increasingly more from their healthcare. We view these trends as opportunities because, as a leading healthcare provider in 27 European countries, the PHOENIX group is well-positioned.

The PHOENIX group consistently focuses on the needs of an increasingly health-conscious society. To meet these needs, we are seizing the opportunities presented by digitalisation. We are strengthening our performance while maintaining a high level of reliability and quality. It is all about our most valuable asset: health, which is also the title of this year's annual report.

Successful operating development in fiscal year 2018/19

Fiscal year 2018/19 was another successful year for the PHOENIX group. We increased all major key figures. Revenue rose by almost 4 per cent to around €26 billion. Total operating performance, the figure relevant for pharmaceutical wholesalers, rose by almost 5 per cent to €33 billion, the highest value in the company's history. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) improved by around 1 per cent to €471 million.

» Our strategy is based on the three aspects of depth, breadth and digitalisation.«

Acquisitions carried out over the past few years are now successfully integrated and contributed to our positive operating development. We have also significantly expanded our pharmacy network and cooperation programmes. The PHOENIX group is built upon a broad geographic portfolio. In the majority of countries, we recorded positive business development. The “Fit for the Future” project in Germany is now complete and is delivering the expected positive contribution to earnings. We have already reached major milestones in the “Fit4Two” optimisation programme in the United Kingdom and are working consistently on its continued implementation. In Romania, we launched the “Stronger Together” project to drive forward the integration process in a targeted way.

We work continuously on developing our processes further in order to grow profitably, increase our efficiency, and thereby sustainably improve our earnings. In the past fiscal year, we completed a broader rollout of our talent management scheme in an effort to offer our managers international career perspectives and strengthen their skills. At a European level, the PHOENIX group is also intensifying its exchange of best practices through its excellence programmes.

We have tested our activities in the United Kingdom for impairment in light of Brexit and the legislated reduction in pharmacy reimbursement and have made the relevant adjustments. We have also lowered our medium-term earnings forecast in the Balkan countries due to changes in the market environment. Overall, the impairment losses on goodwill in these markets amounted to approximately €280 million. Consequently, we recorded a loss for the period, although we slightly improved our operating result compared with the previous year despite numerous one-off effects relating to optimisation programmes.

Strategy leads to the achievement of important milestones

Our strategy is based on the three aspects of “depth, breadth and digitalisation”, which illustrate our goal to position the PHOENIX group more deeply (for example more pharmacies) and more broadly (for example added services) in the existing 27 countries while, at the same time, becoming more digital. Digitalisation, in particular, offers us numerous opportunities to get even closer to the end customer. We intend specifically to identify gaps in the market and new avenues for business activity. We will also expand our internal digital communications in the coming year to facilitate the exchange of information between all our employees across Europe and bring them closer together across divisions, hierarchical levels, and national borders.

This strategy has enabled the PHOENIX group to reach some important milestones in fiscal year 2018/19. We expanded our portfolio of pharmacies to more than 2,500 pharmacies, an increase of over 400 compared with the prior year. In addition, we have developed and introduced a new store concept throughout Europe for our largest own pharmacy brand BENU. With the acquisition of the pharmaceutical wholesaler Farmexim S.A. and the pharmacy chain Help Net Farma S.A. – two well-known local players – we have tapped into a new and attractive market in Romania. The PHOENIX Pharmacy Partnership has added a new member, Benefica. This means that more than 13,500 pharmacies in 16 countries are now part of Europe's leading network of independent pharmacies. In the area of business innovation, a multidisciplinary team is looking for innovative approaches for improving healthcare. PHOENIX is already pursuing specific initiatives that focus on the areas of digital health and personalised medicine. In addition, we are pooling all our activities in the business areas of pharmacy software, hardware, and services under the Europe-wide umbrella brand Pharmacy Solutions.

Our pan-European investment programme focuses on state-of-the-art warehouse logistics to generate substantial increases in productivity. In Køge, Denmark, the PHOENIX group is building a logistics centre for Northern Europe, which is set to be completed in the second half of 2019. In the first quarter of 2018/19, we commenced operation of a highly automated warehouse system in Tampere, Finland. We are also investing in the construction of a new wholesale site in Prague, Czech Republic. In countries with a highly diverse range of items, such as Germany and Italy, we are increasingly installing pharmacy automation systems in our distribution centres. This reduces costs and increases efficiency. Further investments in the past fiscal year were related to implementing the Falsified Medicines Directive, which took effect across Europe on 9 February 2019. We implemented this directive in all business units on time and consider it an important measure to protect patients against falsified medicines.

»Our pan-European investment programme focuses on state-of-the-art warehouse logistics to generate substantial increases in productivity.«

The PHOENIX group assumes responsibility

We have made good progress in the area of sustainability over the past year and adopted a shared understanding of sustainability that clearly expresses the responsible attitude of our company. We are also working consistently on our group-wide sustainability strategy and will adopt new goals this year.

Our highly qualified and motivated employees are crucial to the business success of the PHOENIX group. We are therefore very pleased that the second Europe-wide employee survey in autumn 2018 confirmed our company's attractiveness as an employer. At the same time, the employee survey revealed action areas in which we need to improve in order to meet our own high standards.

» This year, we celebrate our 25th anniversary.«

This year, we celebrate our 25th anniversary. In 1994, Adolf Merckle implemented his plan to establish a leading pharmaceutical wholesaler in Germany by bringing together four regional heavyweights in quick succession to form a single company – as a result, PHOENIX Pharmahandel Aktiengesellschaft & Co., headquartered in Mannheim, was born. Since then, we have developed into a leading European healthcare provider that is active in 27 countries.

We believe the future prospects for the PHOENIX group are positive, as we are well-positioned to maintain our profitable development in the future. The continuous optimisations we have initiated and the sustainable integration of the companies we acquire will play a vital role. In addition, we will further strengthen our innovative approach and align ourselves even closer with our end customers – all while maintaining a consistent focus on people's health.

Also on behalf of the entire Executive Board, I would like to thank our employees for their outstanding performance and tireless commitment – this is the only way we can succeed in the long term. I would also like to thank our management in the subsidiaries and central functions, as well as our business partners, the Supervisory Board, and the shareholders. We will continue to do our best to keep the PHOENIX group on this path of success!

Mannheim, May 2019
Sincerely

Oliver Windholz
Chief Executive Officer PHOENIX Pharma SE

EXECUTIVE BOARD OF THE PHOENIX GROUP

From left to right:

HELMUT FISCHER
Member of the Executive Board
Finance

FRANK GROSSE-NATROP
Member of the Executive Board
Operations and Logistics

OLIVER WINDHOLZ
Chief Executive Officer

STEFAN HERFELD
Member of the Executive Board
Retail


NIX group

REPORT OF THE SUPERVISORY BOARD

Dr Bernd Scheifele
Chairman of the Supervisory Board

Dear Ladies and Gentlemen,

The PHOENIX group brought fiscal year 2018/19 to a pleasing close. The company grew profitably while achieving a new record in terms of revenue and generating higher earnings before interest, taxes, depreciation, and amortisation (EBITDA). The company also continued to consolidate its leading market position in Europe through a number of acquisitions and investments. The Supervisory Board was involved in these developments at all times and closely supported the company on its successful path.

The stable shareholder structure gives the company a high degree of planning security for the future. The Merckle family, the sole owner, considers the PHOENIX group an important mainstay of its group of companies and intends to work with the Executive Board to continue to develop the company and seize growth opportunities in Europe, wherever they may present themselves.

Close cooperation between the Executive Board and Supervisory Board

During the reporting year, the Supervisory Board of PHOENIX Pharma SE fulfilled the auditing and supervisory 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 closely supported 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. It constantly briefed the Supervisory Board 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 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. The Chairman of the Supervisory Board and the Chief Executive Officer visited various subsidiaries of the PHOENIX group, including those in the Balkans, Denmark, France, Italy, Romania, Czech Republic, and Hungary, over the course of fiscal year 2018/19. During these visits, discussions focused on activities in the wholesale and retail sectors as well as Pharma Services. The Supervisory Board and Executive Board cooperated in a trusting, effective, and efficient manner. Communication was always open and thorough.

Significant business developments

In fiscal year 2018/19, the PHOENIX group extended its services along the entire pharmaceutical supply chain. The strategy of organic growth, as well as growth through targeted acquisitions, has proven sustainable in the long term. Particular focus was placed on the following business activities:

- The PHOENIX group significantly strengthened its pharmacy retail business. The number of own pharmacies rose by almost 20 per cent in fiscal year 2018/19 to more than 2,500 pharmacies.
- With the targeted acquisition of the pharmaceutical wholesaler Farmexim S.A. and the nationwide pharmacy chain Help Net Farma S.A. in Romania, the company covered another blank spot in Europe and is now active in 27 countries.
- The PHOENIX Pharmacy Partnership has also added a new member, the Romanian pharmacy cooperation programme Benefica. With more than 13,500 pharmacies and 13 brands in 16 countries, we have further expanded Europe's leading network of independent pharmacies.
- In the past fiscal year, the PHOENIX group invested in the expansion and rationalisation of its distribution centres, in automation technology, and in logistics services for the pharmaceutical industry. These investments form part of the modernisation programme approved by the Supervisory Board.
- The new Corporate Business Innovation division has already launched its first pilot projects and is identifying additional trends and innovations in the healthcare industry.
- The company is working on the increasing digitalisation and further development of distribution channels for end customers.

Overall, the Supervisory Board believes the company is well-positioned. The PHOENIX group is thus 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 2018/19

In fiscal year 2018/19, in three meetings and one conference call, 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 the result, as well as the financial and asset situation, the Supervisory Board's discussions focused especially on the challenges in the respective individual markets as well as on personnel decisions at the top management level.

The Supervisory Board's meetings during the reporting year centred on the following topics:

- In its meeting in May 2018 in Mannheim, Germany, the Supervisory Board dealt primarily with the company's annual financial statements, which were subsequently audited and approved.
- In July 2018, the Supervisory Board discussed current business developments in a conference call.
- In October 2018, the Supervisory Board met for two days in Bucharest, Romania, for an in-depth discussion on the company's strategy. The main topics were the strategic areas of growth, the evaluation of acquisition options, and digitalisation.
- In January 2019, a meeting in Mannheim, Germany, focused on corporate planning and the budgets for the countries and the Central Service Departments for fiscal year 2019/20, which were also adopted by the Supervisory Board at this meeting.

Audit and approval of the annual financial statements 2018/19

The Supervisory Board appointed the auditing firm Ernst & Young GmbH, Stuttgart, Germany, as the auditor for fiscal year 2018/19 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 submitted to the Supervisory Board on time and 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.

Composition of the Supervisory Board

With effect from 15 October 2018, Dr Ralf Belusa, Mr Nils Seebach and Mr Bernhard Simon were appointed as new members of the Supervisory Board. Dr Wolfram Freudenberg left the Supervisory Board effective 8 May 2018. We would like to express our sincere appreciation for his valuable contribution during his many years of service on the Advisory Board and Supervisory Board of the PHOENIX group.

Together, the Executive Board and Supervisory Board are pursuing the goal of strengthening the PHOENIX group's leading position in the market and expanding 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 loyalty, commitment, and performance during fiscal year 2018/19.

On behalf of the Supervisory Board
Mannheim, Germany, May 2019

Bernd Scheifele

Dr Bernd Scheifele
Supervisory Board Chairman

MEMBERS OF THE SUPERVISORY BOARD

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

Dr Ralf Belusa
Managing Director Digital Business & Transformation
Hapag-Lloyd AG, Hamburg, Germany
(since 15 October 2018)

Dr Wolfram Freudenberg
Former Chairman of the Board of Partners
of Freudenberg & Co. KG, Weinheim, Germany
(to 8 May 2018)

Dr Peter Maag
Chief Executive Officer, CareDx Inc., USA

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

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

Nils Seebach
Founder Spryker Systems GmbH, Berlin, Germany, and
Etribes Connect GmbH, Hamburg, Germany
(since 15 October 2018)

Bernhard Simon
Chief Executive Officer Dachser Group SE & Co. KG, Kempten, Germany
(since 15 October 2018)

THE PHOENIX GROUP AT A GLANCE

EQUITY RATIO

33.5%

TOTAL OPERATING PERFORMANCE

33,045

€ MILLION

MORE THAN

37,000

EMPLOYEES

DRUG PACKAGES TO PATIENTS EACH YEAR:

AROUND

338

MILLION

MORE THAN

400

NEW OWN PHARMACIES
COMPARED WITH THE
PRIOR YEAR

TOP 1

PHARMACEUTICAL WHOLE-SALER IN 13 COUNTRIES

OPERATING IN

27

COUNTRIES

AROUND **150**

MILLION PATIENT CONTACTS PER YEAR IN THE PHARMACIES

163

DISTRIBUTION CENTRES

Last updated: 31/01/2019

PHOENIX GROUP IN THE CAPITAL MARKET

- Company rating and bond rating confirmed as “BB+” by Standard & Poor’s
- PHOENIX group’s outstanding bonds perform in line with the market

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. It is represented on the capital market with two bonds outstanding and the promissory notes placed during fiscal year 2016/17. A key objective in 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. In addition to the availability of a long-term credit facility through an international bank consortium and a broadly diversified portfolio of ABS and factoring programmes, financing via the capital market is an integral part of our refinancing measures and thus contributes to our good, balanced maturity structure. Since issuing our inaugural bond in 2010, we have been guided by the requirements of the capital market with regard to transparency and publicity. This means, for example, that our accounting is in line with the International Financial Reporting Standards (IFRS) and therefore highly transparent.

Creditor relations activities strengthen confidence in our company

Our creditor relations activities aim to strengthen the confidence in the PHOENIX group while at the same time fostering a better understanding of our business. We are achieving 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 long-term oriented 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’s website. In addition to its annual reports, the PHOENIX group has also been publishing quarterly reports on its business performance since 2010. Personal meetings and quarterly conference calls with members of the Executive Board also serve as important measures for ensuring the continuous and active communication with existing and potential investors.

Bonds perform in line with the market

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 performed in line with the market for comparable bonds in terms of maturity and rating. As at the 31 January 2019 reporting date, the bonds were listed at 102.902 per cent (€300 million, due in May 2020) and 106.064 per cent (€200 million, repurchase of €100 million in November 2017, due in July 2021), respectively.

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 negative	Standard & Poor's: BB+, Outlook negative

Ratings reflect the PHOENIX group's leading position in its markets

The PHOENIX group is the only leading independent, pan-European pharmaceutical trader to have its creditworthiness assessed by an external rating agency and its ratings published. As part of this assessment, the agency issues both a company rating that provides an independent opinion on the company's general financial power and a bond rating that first and foremost values the respective bond. In fiscal year 2018/19, the rating agency Standard & Poor's confirmed the creditworthiness of the PHOENIX group and the two outstanding corporate bonds at "BB+". This confirmation was based primarily on the group's leading position in the pharmaceutical wholesale sector of numerous European markets and its growing presence in the higher margin pharmaceutical retail sector. Given the challenging market environment in a number of countries in which the PHOENIX group operates, the rating outlook was changed from stable to negative.

SUSTAINABILITY

- Understanding of sustainability sums up PHOENIX group's responsible attitude
- Materiality matrix updated following stakeholder survey and impact assessment in May 2018

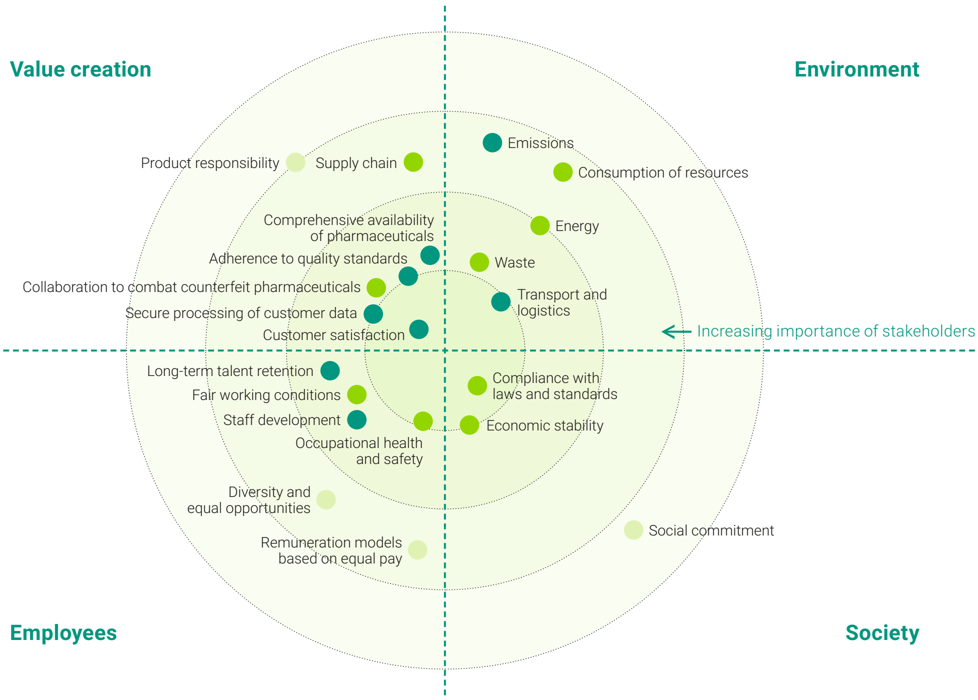
The PHOENIX group is mindful of the impact of its business activities on people and the environment. It is responsible for around 38,000 employees, for dealing with pharmaceutical waste and transport-related CO_2 emissions, and for the communities in which the company operates. In view of this responsibility, the PHOENIX group takes great care to integrate sustainability into its processes.

Readjustment in relation to key sustainability issues

In May 2018, the PHOENIX group conducted an online stakeholder survey that involved both internal and external stakeholders. The participants assessed the relevance of sustainability issues for the PHOENIX group in the action areas of value creation, environment, employees, and society. Following this survey, the company carried out an internal analysis of the potential positive and negative effects of its business activity on the environment, the economy, people, and society. The stakeholder survey and impact assessment served as a basis for identifying the most important sustainability issues and updating the materiality matrix.

MATERIAL TOPICS FOR PHOENIX CSR MANAGEMENT ACCORDING TO AREAS OF RESPONSIBILITY

Economic, ecological, and social impacts of the PHOENIX group: low medium high



Based on the revised materiality matrix, the PHOENIX group repositioned itself and adopted a shared understanding of sustainability during the reporting year that clearly expressed the company's responsible attitude.

www.phoenixgroup.eu/en/responsibility

A firm focus on sustainability goals

In the past fiscal year, the PHOENIX group worked consistently on achieving its groupwide sustainability goals and has made progress. This past year, the company exceeded its goal of reducing the costs associated with pharmaceutical waste. The key factors in accomplishing this included a reduction in losses due to breakage and overdue expiry dates as part of the "SAFE" project.

The company will not achieve its goal of a 1 per cent reduction in the illness rate compared to 2014/15 by the specified year 2018/19. A new goal is currently being formulated.

In 2018, the PHOENIX group trained employees across the group, as planned, in data protection and, specifically, in the new European General Data Protection Regulation (GDPR). The supplier code for the purchase of indirect and trade goods has now been integrated into the procurement processes, helping to ensure sustainability in the supply chain. In 2019, the PHOENIX group will require its suppliers – especially the top suppliers in each country – to comply with ecological and social standards.

The PHOENIX group is also planning to formulate new sustainability goals in 2019 based on the latest materiality analysis and publish these goals, together with a road map, in the Corporate Social Responsibility Report 2018/19.

In addition to pursuing its quantitative sustainability goals, the PHOENIX group has also implemented important measures in the individual action areas. These include the activities connected with the company's social commitment under the motto "Together for a healthy future for children". Our particularly close and long-standing cooperation with Kulturbras e.V. in this area, under which the PHOENIX group sponsors a day-care centre for disadvantaged children in Fortaleza, Brazil, was extended by a further three years.

In the area of environmental protection, a large number of pharmacies under the BENU corporate brand made a commitment in early 2018 to use environmentally friendly plastic bags. These bags are made of renewable raw material sugar cane and completely biodegradable. Sustainability is also playing an increasingly important role in the internal exchange of information within the PHOENIX group at an international level. The topic appears regularly on the meeting agendas of General Procurement for Non-trade Goods and the European Works Council.

Sustainability report in accordance with established standards

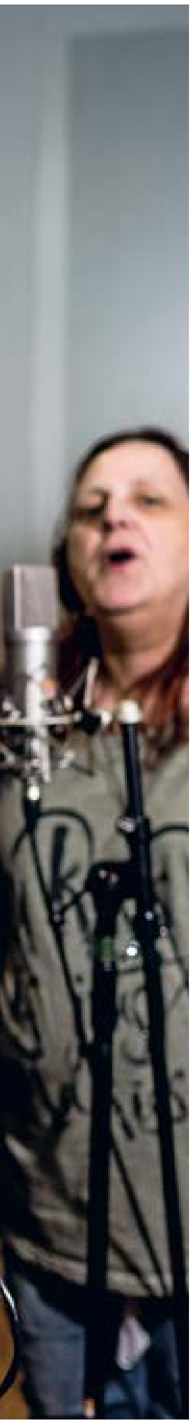
Each year, the PHOENIX group reports on its targets and measures in an independent sustainability report that meets the guidelines (GRI Standards) of and is audited by the Global Reporting Initiative (GRI). The report contains the key performance indicators (KPIs) for all subsidiaries of the PHOENIX group and shows a three-year comparison of the figures. The CSR report for the current reporting period will be published on 1 August 2019.

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

25 YEARS OF PHOENIX GROUP:

a family business says thank you – especially to its employees

The official event on 4 April 2019 at the company headquarters in Mannheim was the highlight of PHOENIX group's twenty-fifth anniversary celebration. In the previous weeks, the focus was on the employees, with a birthday song, a Europe-wide photo contest, and birthday cakes to mark the occasion.




PHOENIX
25 years
PHOENIX group
1994-2019


019
25 JAHRE
PHOENIX
1994–2019


PHOENIX group
The PHOENIX Big Picture

GROUP MANAGEMENT REPORT 2018/19

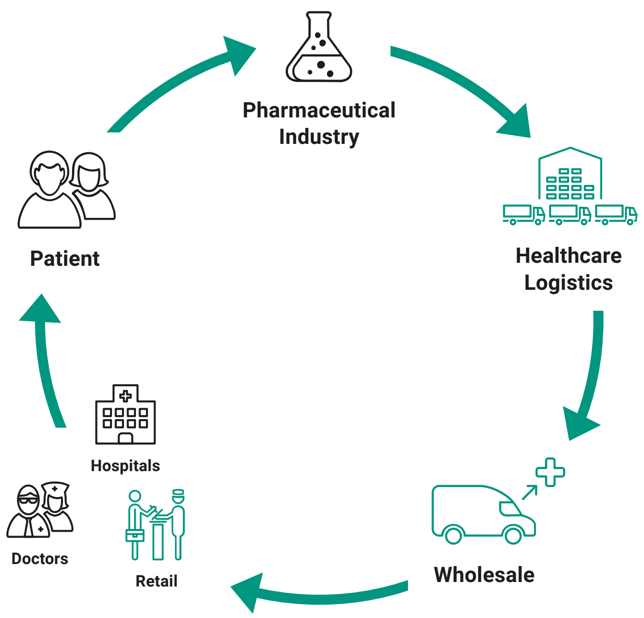
FUNDAMENTAL INFORMATION ABOUT THE GROUP

- Leading market position in European pharmaceutical wholesale
- Strategic focus on customer-oriented corporate culture, strict cost management and profit-oriented growth
- Digitalisation plays a key role
- Continuous optimisation of processes and implementation of best practices across Europe

THE PHOENIX GROUP

On its way to becoming the best integrated healthcare provider
The PHOENIX group, with headquarters in Mannheim, Germany, is a leading European healthcare provider and is one of the largest family businesses in both Germany and Europe. Every day, it reliably provides people with drugs and health products. Its core business is pharmaceutical wholesale and pharmacy retail. Subsidiaries also operate in related business areas, whose activities include services for the pharmaceutical industry, pharmacy goods management systems for pharmacies, and logistics solutions. The PHOENIX group aims to be the best integrated healthcare provider wherever it is active.

PHOENIX GROUP: LINK BETWEEN MANUFACTURER AND PATIENT

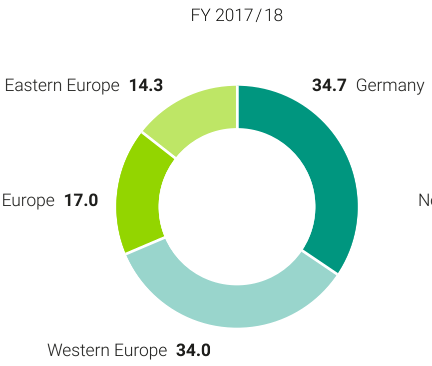


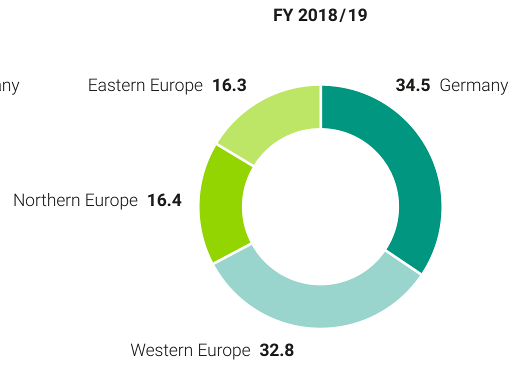
The PHOENIX group is active in 27 countries in Europe and therefore has a very diversified geographic portfolio. In January 2019, we celebrated the opening of the 2,500th PHOENIX pharmacy in Czech Republic’s capital Prague. Additionally, as of the end of the reporting period, the company operated 163 distribution centres in its core business.

Family business active in 27 countries throughout Europe

NET TURNOVER PER REGION

in %





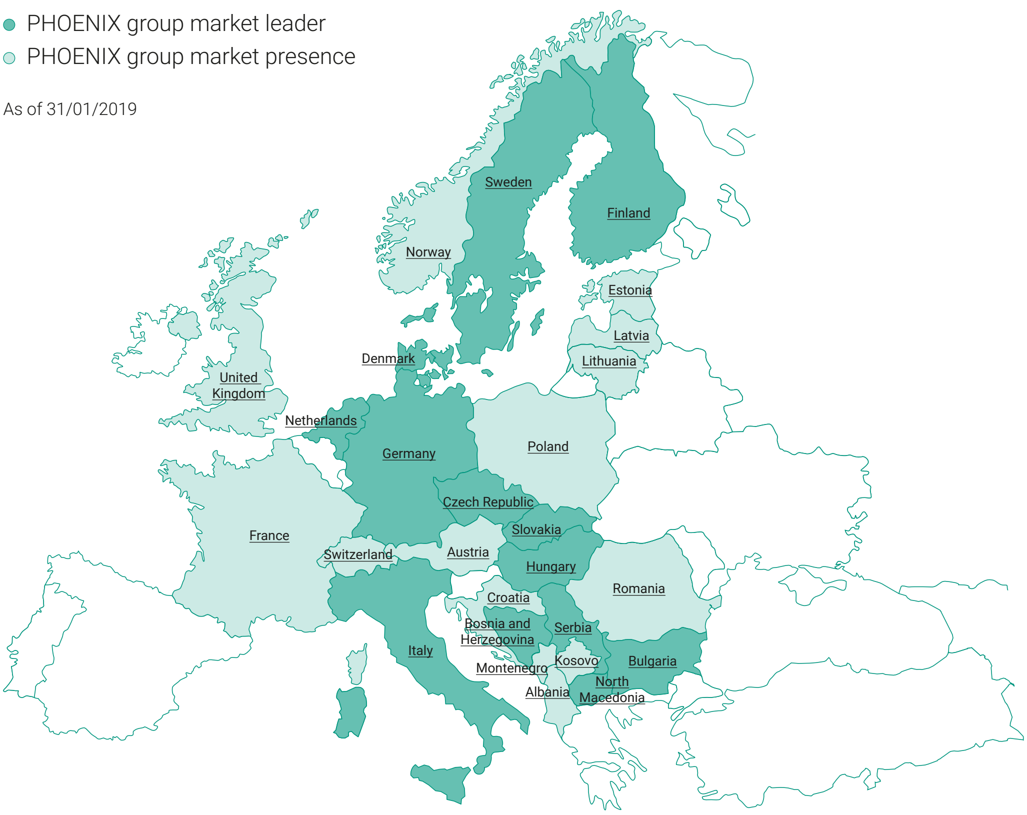
The number 1 in pharmaceutical wholesale in 13 countries.

In pharmaceutical wholesale, the PHOENIX group is number one in 13 countries. It operates the pharmacy retail business mainly in: Estonia, Latvia, Lithuania, Montenegro, Netherlands, Norway, Romania, Switzerland, Serbia, Slovakia, Czech Republic, Hungary, and in the UK, making it the market leader in continental Europe. It also offers companies in the pharmaceutical industry its competencies as a service provider.

PHOENIX GROUP AS THE LEADING PHARMACEUTICAL WHOLESALER IN 13 EUROPEAN COUNTRIES

- PHOENIX group market leader
- PHOENIX group market presence

As of 31/01/2019



Our corporate mission statement defines our values

The PHOENIX group's corporate mission statement plays a key role in our day-to-day business. This makes the PHOENIX corporate philosophy and its vision, mission, strategy, and values transparent. 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 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.

A stable shareholder structure represents one of the strengths of the PHOENIX group

Setting ourselves apart from the competition through long-term expertise

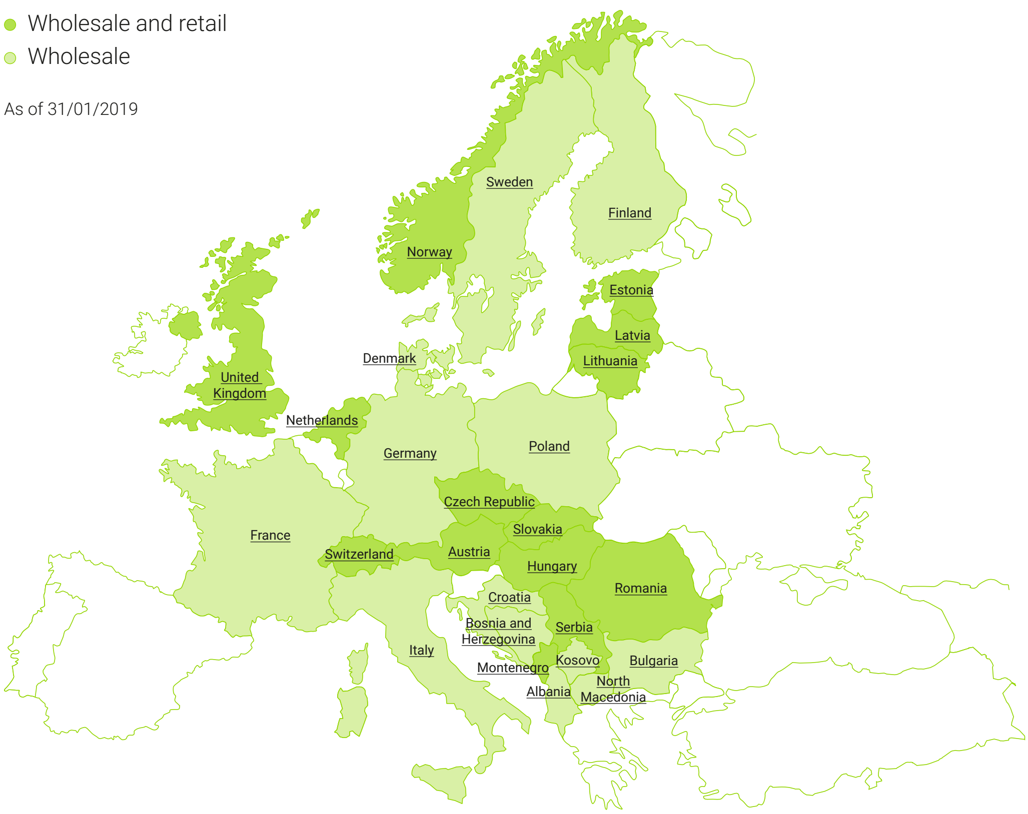
We have many unique selling points thanks to our broad positioning. The PHOENIX group's competitive advantages include, but are not limited to

- a unique geographical coverage across Europe thanks to our presence in 27 European countries;
- creating value added for end customers, pharmacies, hospitals, and doctors with our integrated portfolio of services;
- our well-positioned pharmacy brands across Europe: Apotek 1, BENU, Rowlands Pharmacy and Help Net;
- a pharmacy network with more than 13,500 pharmacies in the PHOENIX group's partnership and cooperation programmes. The PHOENIX Pharmacy Partnership functions as a Europe-wide umbrella for the cooperation programmes in 16 countries, making the PHOENIX Pharmacy Partnership the number 1 in Europe;

PHOENIX GROUP WITH A PRESENCE IN WHOLESALE AND RETAIL IN 14 EUROPEAN COUNTRIES

Wholesale and retail
Wholesale

As of 31/01/2019



- our integrated services in the Pharma Services business, which we bundle under the “All-in-One” service brand;
- our long-term expertise in the relevant markets, and our excellent success rate regarding the integration of companies.

STRATEGY AND GROUP MANAGEMENT

Successful strategy is oriented toward the long term

The activities of the PHOENIX group are aimed at achieving sustainable values through a corporate culture geared to the customers, strict cost management and profit-oriented growth. Market leadership and efficiency are top priorities for us. We want to address the future with a triad of “depth, breadth and digitalisation”. Specifically, this means that in the existing 27 countries, we strive to position ourselves more deeply (for example, through more pharmacies) and more broadly (for example, through added services) as well as becoming more digital.

Digitalisation, in particular, offers the PHOENIX group numerous opportunities to get even closer to the end customers. We intend to identify gaps in the markets and new avenues for business activity as well as drive forward the trends and innovations in the health sector. Therefore, a multidisciplinary team in the “Corporate Business Innovation” area is pursuing specific initiatives with a focus on digital health and personalised medicine. The first pilot projects have already been implemented. Having expertise at hand within the group, means that the national and regional differences prevailing in the European pharmaceutical markets are addressed.

See Business development at a glance (p. 57)

An important part of our strategy is to grow organically and through targeted acquisitions to continually expand our position in the areas of pharmacies and pharmaceutical wholesale and extend our range of services. With the acquisition of the Romanian pharmaceutical wholesaler Farmexim S.A. and the nationwide pharmacy chain Help Net Farma S.A. in the past year, we could tap into another market for the PHOENIX group, where we are not yet present. In doing so, we have created a good position for our company in the Romanian growth market.

See Business development at a glance (p. 60)

In pharmaceutical wholesale, the PHOENIX group has partnerships with around 60,000 pharmacy customers. Many of them are part of our pharmacy cooperation programmes. With the takeover of the Romanian pharmaceutical wholesaler Farmexim S.A., the cooperation programme PHOENIX Pharmacy Partnership added a new member with Benefica. We 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. With the PHOENIX Pharmacy Partnership, the number 1 in Europe, the healthcare provider created a European umbrella for its existing pharmacy cooperation programmes. With cross-border cooperation and the stronger exchange of knowledge and experience, the PHOENIX group with its subsidiaries offers members direct access to numerous sales and marketing services as well as purchasing advantages.

We want to focus on strengthening, expanding, and further professionalising the pharmacy retail business. In the past few years, we have created a very good basis for this purpose with our own pharmacy brands BENU, Rowlands Pharmacy, Apotek 1, and the newly acquired pharmacy chain Help Net. Strategic measures include introducing our Europe-wide category brand LIVSANE and further increasing brand awareness in all countries. We are expanding the Pharma Services business in a targeted manner and 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 income statement and the statement of financial position as the key financial indicators. 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 grow profitably in the long-term.

In Germany we have initiated the "Fit for the Future" project in order to safeguard our position as market leader. This project involves optimising and harmonising processes and structures in order to achieve further gains in efficiency and includes increasing the significance of purchasing. We are implementing numerous initiatives in the United Kingdom, to strengthen our market position. In wholesale, we aim to foster further growth in the hospital sector, among others, and expand our pharmacy cooperation Numark. With "Fit4Two" in the UK, we have introduced a project to optimise internal structures and centralise services for pharmacies. The latter is also one of the priorities of the "Centralised Business Model" in Norway. Pharmacy services such as blister packaging are provided centrally.

A number of projects and initiatives throughout the PHOENIX group contribute to optimisations

We have continued various projects over the past few years. The "JUMP" initiative aims to optimise our operating processes and take a big 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 internally sharing best practices across national boundaries. In the past year, we generated excellent results in many countries. The "SAFE" focus topic is aimed at reducing negative differences throughout the group, such as losses due to breakage and exceeded expiry dates. Our established Warehouse Excellence initiative plays an important role 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. With "SAFE", we have made important progress this past year thanks to the outstanding support of our employees and are confident that we will fully achieve our targets in 2019/20.

EU Directive 2011/62/EU (EU Falsified Medicines Directive, "FMD") aimed at combating the falsification of medicines entered into force on 9 February 2019. Since then, all prescription-only medicines must bear unique identifiers in the form of a two-dimensional bar code. Furthermore, medicine packaging must include a seal aimed at preventing tampering. The PHOENIX group has started early with the preparations for these significant changes and has been heavily involved in this joint project between the associations of pharmaceutical manufacturers, wholesalers, and pharmacies. This approach has allowed us to legally implement the guideline on time. Our solution hinges on the PHOENIX FMD Cloud, which serves as a link to our partners' systems.

We have also commenced Europe-wide projects for electronically transmitting batch tracking. In collaboration with the manufacturers, we have also made it our aim to digitalise the processes and continue to minimise our paper consumption in the form of invoices and receipts. With the EU falsification directive coming into force, batch tracking must be used for all RX articles as well as selected OTC articles.

IT infrastructure continuously optimised

Harmonising the ERP systems strengthens the market position in Europe

Following the successful completion of efforts to consolidate its IT hardware at the central data processing centre in Nuremberg, the PHOENIX group has turned its focus to harmonising the existing ERP architecture landscape. With this, we aim to strengthen our market position in Europe, ensure the sustainability of our successful business models and generate synergies to reduce the high number of existing technologies. In the past year, we performed a detailed analysis of all the different goods management systems in operation within the group in terms of their current benefits and their future viability. Building on this, we developed a holistic strategy to modernise and gradually consolidate the countries' goods management systems in the coming years.

In parallel, the PHOENIX group further developed the local IT systems to implement new legal requirements such as the EU falsification directive (FMD) as well as to optimise operating processes. For example, some 17% of all the invoices and credit notes PHOENIX receives in Germany are electronic, thus saving the company more than 15,000 paper receipts each month.

We have optimised finance processes across the group under the banner "FAME" (Finance and Accounting Measures). The IT department supported this by determining and presenting KPIs and automating work processes such as invoice verification.

Communication with all employees is also to be improved in future by creating new communication channels via a mobile internal social network. A corresponding project with pilot applications in Finland, the Netherlands and Switzerland was successfully concluded. The PHOENIX group also commenced a project to modernise and standardise the communication infrastructure including phone calls, video conference systems, and computer workstations.

ECONOMIC REPORT

- Economic growth more moderate
- Market conditions still characterised by strong competition
- Important milestones reached in fiscal year 2018/19
- Total operating performance, revenue and EBITDA up on the prior year
- Goodwill impairment in the United Kingdom and in the region Bosnia/North Macedonia/Serbia
- High participation in employee survey

ECONOMIC ENVIRONMENT

Overall economic dynamic eases up somewhat

The European economy again recorded growth in 2018, albeit not so strong as in 2017. The gross domestic product (GDP) in the eurozone was up 1.8% on the prior year (prior year: 2.5%). The German economy was also weaker than in the prior year, with GDP (adjusted for price and calendar effects) up 1.5% (prior year: 2.5%).

Development in the European pharmaceutical markets was varied. The German pharmaceutical wholesale market increased 2.7% in 2018 compared to the prior year. This was primarily attributable to a noticeable increase in revenue from prescription-only drugs. The German market continued to be shaped by fierce 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 experiencing increasing consolidation. The PHOENIX group stands to benefit from this thanks to its broad positioning. Growing pressure on prices within Europe's healthcare systems, on the other hand, is also an increasingly important factor for the pharmaceutical wholesale business in particular. The PHOENIX group is countering this effect in all countries with diverse measures to improve earnings and efficiency such as the Warehouse Excellence, "Fit for the Future" and "Fit4Two" initiatives, as well as "SAFE" and "FAME".

See Processes and organisation (p. 55)

At the same time, we are driving forward the development of innovative business models with the Corporate Business Innovation division. We are on the lookout for innovative approaches to improve healthcare for the good of mankind. We have our focus on the following three areas in particular: designing and implementing customer-oriented product, service, and business model innovations; performing trend/market analyses, and fostering an innovative culture within the PHOENIX group.

In terms of content, the focus is currently on specific initiatives for the prioritised areas of digital health and personalised medicine. In this connection, we have started working with start-ups as well as an international research institution. We are continuing to actively expand the network of external innovation partners. In Finland, a new kind of service for healthcare institutions and residential care is about to be launched on the market involving a self-developed robot (blister dispenser) that helps patients take their medication thanks to various sensors and measuring instruments. It automatically measures the correct dosage and is constantly in contact with doctors and nursing staff.

The PHOENIX group focused on expanding its services in fiscal year 2018/19. This included the ongoing development of its various pharmacy cooperation programmes.

The PHOENIX group's network of more than 13,500 independent pharmacies in its cooperation and partner programmes is the largest of its kind in Europe. This partnership is part of the services provided by PHOENIX's "All-in-One" service brand. The PHOENIX Pharmacy Partnership acts as a Europe-wide umbrella for the PHOENIX group's 13 pharmacy cooperation programmes in 16 different countries. The cooperation programme PHOENIX Pharmacy Partnership is being continually refined thanks to the dedicated work of pharmacists on the internationally staffed Advisory Board. In the past fiscal year, the pharmacy network added another member with the Romanian pharmacy cooperation programme Benefica. Once a year, the managers of the 13 pharmacy cooperation programmes come together at the International Pharmacy Cooperation Programmes (IPCP) meeting to discuss the development of the individual programmes and the network. At the last IPCP in 2018, the company also concluded a communication plan aimed at further increasing the awareness of the PHOENIX Pharmacy Partnership at a local and central level in the business-to-business area. In cooperation with "All-in-One", the aim is also to directly address the target group of the pharmaceutical manufacturers.

Innovative digital service package launched for all pharmacies

Together with our subsidiary ADG, we launched the new app "deine Apotheke" (your pharmacy) on the market in the reporting year. With this app, PHOENIX will in future be able to offer all pharmacies in Germany an innovative digital service package comprised of two components to support sales. Firstly, the PHOENIX app "deine Apotheke" allows end customers to quickly and easily get their prescriptions and order medicines or health products directly from their pharmacy. Secondly, PHOENIX offers exclusive access to Germany's widest-reaching bonus programme PAYBACK. We are looking to further internationalise ADG, which produces tills, goods management and management systems. In addition to using the potential in the existing markets, additional attractive markets outside Germany are to be tapped for further growth. With "Vamos", ADG has developed a new approach for pharmacy inventory management in the digital age. Specifically, this relates to the topic of Vendor Managed Inventory (VMI). The core of the consulting services lies in the optimisation of the goods management processes within the pharmacy and at PHOENIX as the wholesale supplier. Furthermore, we bundle all activities in the business areas pharmacy software, hardware, and services under the Europe-wide umbrella brand Pharmacy Solutions.

Pharmacy retail business continues to grow

The PHOENIX group's pharmacy retail business again recorded strong growth in the past fiscal year. At the end of fiscal year 2018/19, the company had more than 2,500 pharmacies and was the market leader in numerous countries. The number of pharmacies thus increased by more than 400 compared to the prior year. With the expansion to Romania and the acquisition of the Romanian pharmacy chain Help Net with around 220 pharmacies, the PHOENIX group tapped into its 14th retail market in the past year. The acquisition of the pharmacy chain "Goodwill Apoteka" in the prior year and the related increase in the number of pharmacies in Serbia by some 140 to more than 300 mean that PHOENIX has since become the market leader in retail.

For our largest pharmacy brand BENU, we developed a new store concept for the whole of Europe in the past year. We successfully implemented this concept for the first time in December 2018 at a branch in Budapest. With modern styling and natural materials such as decorative elements and slats made out of wood, the new open room design offers a pleasant shopping atmosphere. In Prague, the company opened a new concept store at the end of January 2019 and at the same time its 2,500th pharmacy.

The PHOENIX group is also realigning its category brand business. In 2017, we successfully launched "LIVSANE", our first Europe-wide category brand for all pharmacies, on the market. The healthcare products have since been introduced gradually in 14 European countries. The product portfolio is aimed at independent pharmacies in the PHOENIX cooperation programmes as well as at individual pharmacies that the company supplies as part of its pharmaceutical wholesale business. Furthermore, the PHOENIX group sells LIVSANE products via its own pharmacies. Additional countries and markets are to be added to this in future. The product range is also to be expanded to some 500 products. We founded PXG Pharma GmbH as a subsidiary of the PHOENIX group in order to realign the supply chain in its category brand business and better bundle volumes in future.

Increasing digitalisation is also a focal point in the pharmacy retail sector

The company is also working on the increasing digitalisation and further development of sales channels. For example, by expanding its e-commerce activities, PHOENIX has improved its market position in the Czech Republic significantly, where it is among the top 3 online retailers. Based on the Czech model, the online shop in Slovakia is being restructured and professionalised. The PHOENIX group also operates a very successful online shop in Norway. Further shops are set to follow in the Baltic countries.

Pharma Services expands services for the pharmaceutical industry

Pharma Services offers numerous services for the pharmaceutical industry under the "All-in-One" service brand, uniting all those involved in the healthcare system for the benefit of the consumer. In fiscal year 2018/19, Pharma Services continued to develop its targeted and customer-oriented services.

Since opening its new location in Brno (Czech Republic), the "Healthcare Logistics" network with the "CEE (Central Eastern Europe) Bridge" solution has grown to four hubs – Brno, Belgrade, Prague, and Warsaw. With these new modern logistics centres, as well as the construction of the largest pre-wholesale warehouse and distribution centre in Køge, Denmark, the PHOENIX group is reinforcing its position in the European pharmaceutical logistics sector.

With the help of new patient-centred healthcare models, the quality of life of consumers is being increased thanks to improved treatment management. For example, this had led to Pharma Services implementing a new programme for caring for cancer patients in Germany, which uses the newest methods for providing patients with optimal support together with doctors, pharmacists, and health insurance companies.

The company also focused on expanding its partnerships. In the reporting year, the company concluded five new partnerships with various companies and also expanded and extended existing partnerships.

In order to offer customers a comprehensive service in providing care with special (oncological) drugs, the PHOENIX group is working on new sales models in the "Specialty" area. The aim is to support our customers while also meeting the high requirements of our industry partners. PHOENIX's many years of expertise in the areas of healthcare logistics and wholesale is serving it well here. The PHOENIX group is able to fall back on a large network. In 2019, we will implement our new Europe-wide sales solutions for numerous manufacturers of high-priced drugs, standing by as a strategic partner for them upon entering the European market.

Acquisitions account for significant share of profitable growth

Targeted acquisitions in the core business, i.e. in the wholesale, retail, and service area, are making a crucial contribution to the PHOENIX group's sustainable growth. Business acquisitions in fiscal year 2018/19 led to a cash outflow of EUR 148.9m (prior year: EUR 38.8m). Cash received from divestitures amounted to EUR 0.4m (prior year: EUR 12.2m).

Successful entry into the Romanian market through most recent acquisitions

As of 31 July 2018, the PHOENIX group acquired the Romanian pharmaceutical wholesaler Farmexim S.A. as well as the nationwide pharmacy chain Help Net Farma S.A. With this, the PHOENIX group has tapped into an attractive new market. We now serve customers in a total of 27 countries across Europe. With over 700 employees and 10 national distribution centres, Farmexim is one of Romania's largest pharmaceutical wholesalers. The pharmacy chain Help Net operates around 220 pharmacies and employs some 1,400 workers. The two companies are well-established players in Romania's pharmaceutical wholesale and retail markets.

The business acquisitions of the prior fiscal year have now largely been completed. The pharmacy chain "Goodwill Apoteka" in Serbia is fully integrated and all pharmacies now operate under the BENU name. Medaffcon Oy was also successfully integrated. The Finnish company operates in the fields of research and consulting for the pharmaceutical industry and healthcare sector. The company largely draws on health-related information from biobanks, clinics, and a central register base. So-called text mining tools are used to gain information from unstructured data which, among other things, allows risks to be recognised at an earlier stage. We are planning to extend the business model to other countries.

Investments help secure the company's sustainability

Investments in intangible assets and property, plant and equipment are an important part of the PHOENIX group's corporate strategy. In the past two years, the PHOENIX group has invested around half of its operating result in expanding and modernising its pharmacy network and distribution centres, in automation technology and logistics services for the pharmaceutical industry. Investments primarily relate to replacement and restructuring investments and less so to expansion investments. In fiscal year 2018/19, investments amounted to EUR 175.8m. The PHOENIX group's ONE project involves building a ground-breaking pre-wholesale warehouse and distribution centre in the Danish town of Køge. The modern high-rack warehouse will offer space for around 60,000 palettes, including those for anaesthetics and products requiring a controlled ambient temperature. The associated volume of investment amounts to more than EUR 70m, making it one of the company's most important investments. We have made other key investments in Norway, where we put intensive pharmacy-related work into central locations, blister centres or warehouses. The new distribution centre in Gotha, Germany, was also put into operation. In the Finnish city of Tampere, the PHOENIX group's newest OSR (Order Storage Retrieval System) was put into operation in the first quarter of 2018/19. This investment has allowed us to expand capacities, make batch tracking possible and cope with the growth in the Finnish market. The new OSR comprises around 4,000 pallet spaces and additional picking stations, thereby boosting efficiency and increasing the number of customers served. In the Czech Republic, we are currently planning the new construction of the wholesale location in Prague as part of the "Project 2020". The primary aims are automation and increasing efficiency. We also continue to pursue the successful strategy of automating slow-moving items in countries such as Germany and Italy with a large variety of products. To achieve this, PHOENIX has also installed automatic pharmacy dispensers in Bielefeld alongside Gotha, Leipzig, and Hanover. These dispensers also lower costs and increase efficiency. Further investments related to the implementation of batch tracking, which has been a legal requirement since 9 February 2019. This system has allowed us to increase both stability in our supply chain and also security for patients.

For 2019, the PHOENIX group has approved a modernisation and maintenance plan containing further measures for modernisation, automation, and building maintenance.

A modernisation and maintenance plan has been adopted for 2019

Executive Board's overall assessment of the situation

The PHOENIX group was able to successfully further strengthen its market position in fiscal year 2018/19 as a leading healthcare services provider in Europe and expand its wholesale and retail activities. Despite challenging conditions, the PHOENIX group has managed for the ninth time in a row to grow at a higher rate than the overall market and increase its total operating performance and revenue once again, thereby achieving our forecast for the past fiscal year. In connection with Brexit as well as the deductions in pharmacy remuneration by legislators, we assessed the recoverability of our activities in the United Kingdom and recognised impairments as necessary. In the Balkan countries we also lowered the medium-term earnings forecast due to the change in market conditions.

FINANCIAL PERFORMANCE

	FY 2017/18 in EUR m	FY 2018/19 in EUR m	Change in EUR m	Change in %
Total operating performance	31,526.2	33,045.1	1,518.9	4.8
Revenue	24,909.8	25,812.2	902.4	3.6
EBITDA	468.0	471.1	3.1	0.7
EBIT after goodwill impairment	319.5	40.8	−278.7	−87.2
EBIT before goodwill impairment	333.5	320.3	−13.2	−4.0
Financial result	−55.3	−71.6	−16.3	29.5
Profit before tax	264.2	−30.8	−295.0	−111.7
Profit or loss for the period after goodwill impairment	186.7	−112.0	−298.7	−160.0
Profit or loss for the period before goodwill impairment	200.7	167.5	−33.2	−16.5
Equity	2,646.6	2,806.6	160.0	6.0
Equity ratio (%)	31.7	33.5	1.8	5.7
Net debt	1,783.0	1,432.6	−350.4	−19.7

Total operating performance and revenue increased significantly

Total operating performance, which comprises revenue and handled volume recognised as revenue but instead charged as a service fee, increased by 4.8% to EUR 33,045.1m in fiscal year 2018/19. Adjusted for foreign exchange rate effects, the growth amounts to 5.6%.

Forecasts achieved for financial year 2018/19

Revenue increased by 3.6% to EUR 25,812.2m in fiscal year 2018/19 (prior year: EUR 24,909.8m). Growth was recorded in all regions. This development is in line with the statement made in the forecast report of the 2017/18 group management report, where we expected revenue to be slightly above the level of growth on the European pharmaceutical markets. Adjusted for foreign exchange rate effects, the increase in revenue came to 4.2%. 1.4% stemmed from changes in the basis of consolidation.

DEVELOPMENT OF SALES

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

	FY 2017/18 in EUR m	FY 2018/19 in EUR m	Change in EUR m	Change in %
Germany	8,666.4	8,922.3	255.9	3.0
Western Europe	8,492.7	8,496.7	4.0	0.0
Eastern Europe	3,576.0	4,206.5	630.5	17.6
Northern Europe	4,236.6	4,256.1	19.5	0.5

EBITDA higher than in the prior year

Gross income increased by EUR 115.6m in the reporting year to EUR 2,624.0m. The gross profit margin, calculated as gross profit in relation to revenue, increased from 10.07% to 10.17%. This rise can be attributed mainly to an improved cost-of-sales ratio. Pressure on margins primarily in the United Kingdom caused by market conditions had the opposite effect.

Gross margin increases despite persistent margin pressure

Personnel costs rose from EUR 1,342.4m to EUR 1,420.8m. Adjusted for currency effects, personnel expenses increased by 6.7% on the prior year. This increase is attributable to acquisitions, collectively bargained wage increases, and an increase in headcount due to the expansion of business.

Other expenses increased by EUR 37.7m to EUR 899.8m, largely due to higher transport costs, IT costs, consulting fees, 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 468.0m to EUR 471.1m. This caused EBITDA to increase by EUR 3.4m year-on-year contrary to our forecast, where we had expected EBITDA to be slightly below the prior-year level, and was primarily attributable to the entities in Romania that were included in the consolidated financial statements for the first time in fiscal year 2018/19.

Adjusted EBITDA of EUR 504.4m was up EUR 7.1m on the prior-year figure and was calculated as follows:

	FY 2017/18 in EUR k	FY 2018/19 in EUR k	Change in EUR k	Change in %
EBITDA	467,994	471,102	3,108	0.7
Interest from customers	10,127	9,608	– 519	– 5.1
Factoring fees	2,309	1,318	– 991	– 42.9
Other non-recurring effects	16,879	22,333	5,454	32.3
Adjusted EBITDA	**497,309**	**504,361**	**7,052**	**1.4**

Goodwill impairment

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to EUR 141.9m (prior year: EUR 133.3m). The increase is primarily due to acquisition effects and investments.

Goodwill impairment affects United Kingdom and Bosnia/North Macedonia/ Serbia regions.

At EUR 288.4m, impairment of intangible assets was up EUR 273.3m on the prior year. This was largely due to goodwill impairment of EUR 279.5m (prior year: EUR 14.0m) and impairment on pharmacy licences of net EUR 8.1m (prior year: EUR 0.8m). Goodwill impairment relates to the cash-generating units United Kingdom and Bosnia/North Macedonia/Serbia. In the United Kingdom, the deductions in pharmacy remuneration by legislators, as well as uncertainties relating to Brexit, resulted in a reduction in future earnings forecasts and thus to an impairment of goodwill. An extensive optimisation programme was launched aimed at improving the earnings situation in the medium term. The goodwill of the cash-generating unit Bosnia/North Macedonia/Serbia also had to be impaired due to the reduction in future earnings forecasts.

The effects described resulted in earnings before interest and taxes (EBIT) of EUR 40.8m overall (prior year: EUR 319.5m). EBIT before goodwill impairment amounted to EUR 320.3m compared to EUR 333.5m in the prior year. The return on sales based on EBIT before goodwill impairment amounted to 1.24% (prior year: 1.33%).

The financial result decreased from EUR – 55.3m to EUR – 71.6m due to a negative effect of EUR 19.8m following the sale of financial assets (prior year: negative effect of EUR 12.2m following the redemption of bonds with a nominal value of EUR 100.0m) as well as impairment of financial assets of EUR 14.3m (prior year: EUR 3.2m).

Earnings before income tax amounted to EUR – 30.8m (prior year: EUR 264.2m).

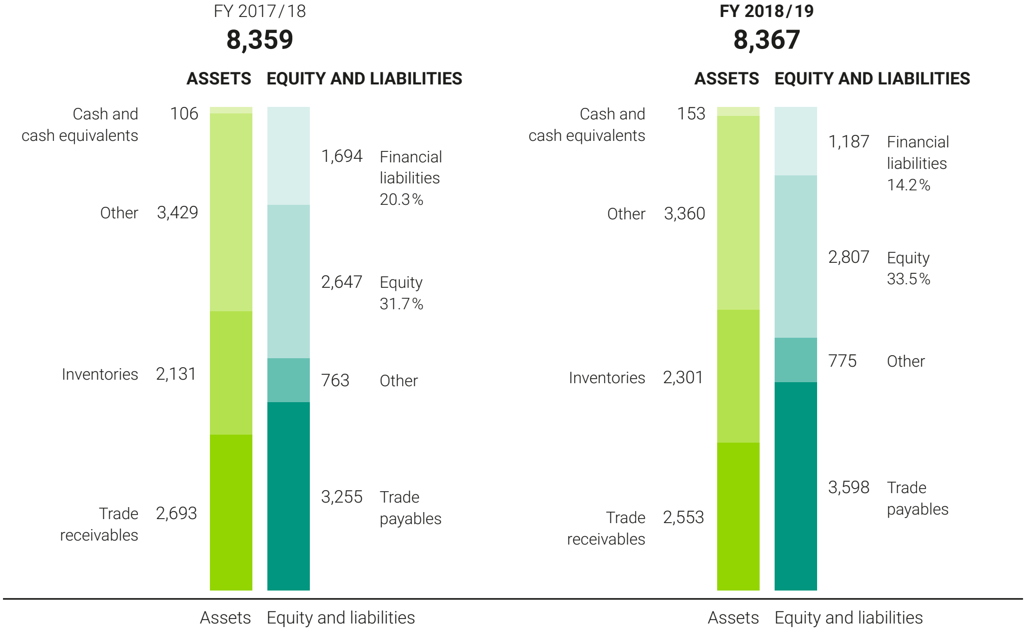
Income tax amounted to EUR 81.2m (prior year: EUR 77.5m) and contained expenses from current taxes of EUR 64.9m (prior year: EUR 65.6m) as well as deferred tax expenses of EUR 16.3m (prior year: EUR 11.9m). The ratio of tax expense to earnings before income tax of – 264.0% (prior year: 29.3%) results particularly from the non-tax-deductible goodwill impairment as well as the exhaustion of tax loss carryforwards.

Profit/loss for the period came to EUR – 112.0m (prior year: EUR 186.7m), of which EUR 36.7m (prior year: EUR 25.0m) was attributable to non-controlling interests. Profit/loss for the period before goodwill impairment amounted to EUR 167.5m compared to EUR 200.7m in the prior year.

The profit/loss attributable to the equity holders of the parent in fiscal year 2018/19 amounted to EUR – 148.7m (prior year: EUR 161.7m).

STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION

EUR m



ASSETS AND LIABILITIES

The group's total assets increased slightly year-on-year to EUR 8,367.1m. The currency translation difference on total assets amounted to EUR – 100.6m (prior year: EUR – 98.6m).

Intangible assets decreased by EUR 139.3m to EUR 1,837.8m. This is primarily due to goodwill impairment in the United Kingdom and the region Bosnia/North Macedonia/Serbia totalling EUR 279.5m. This was counterbalanced by acquisition effects of EUR 142.0m. As of 31 January 2019, intangible assets essentially comprised goodwill (EUR 1,460.3m; prior year: EUR 1,601.3m) and pharmacy licences (EUR 287.3m; prior year: EUR 295.1m).

As a result of acquisitions, inventories increased in comparison to the prior year by 8.0% to EUR 2,301.0m. The average number of days sales of inventory rose slightly from 32.0 to 32.9 days.

Trade receivables decreased from EUR 2,693.3m in the prior year to EUR 2,552.6m. The average number of days of sales outstanding remained more or less unchanged at 41.0 (prior year: 41.1).

Receivables amounting to EUR 302.4m had been sold as of 31 January 2019 (prior year: EUR 61.2m) under ABS and factoring programmes that are not accounted for in the statement of financial position. Under ABS and factoring programmes that are accounted for only to the extent of the continuing involvement, receivables of EUR 169.2m had been sold as of 31 January 2019 (prior year: EUR 177.1m). The group's continuing involvement came to EUR 8.5m (prior year: EUR 8.2m).

Other receivables and other current financial assets fell by EUR 20.3m to EUR 147.0m.

FINANCIAL POSITION

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

Capital increase

Equity increased from EUR 2,646.6m as of 31 January 2018 to EUR 2,806.6m as of 31 January 2019. The equity ratio rose from 31.7% in the prior year to 33.5%, developing better than forecast. This increase is mainly due to a capital increase of EUR 335.0m. The profit/loss for the period of EUR – 112.0m had the opposite effect.

	FY 2017/18 in EUR m	FY 2018/19 in EUR m	Change in EUR m	Change in %
Profit or loss for the period	186.7	– 112.0	– 298.7	– 160.0
Non-cash expenses/income, non-cash payments	195.1	509.3	314.2	161.0
Change in working capital	– 173.1	– 35.5	137.6	– 79.5
Cash flow from operating activities	**208.7**	**361.8**	**153.1**	**73.4**
Cash flow from investing activities	**– 181.0**	**– 300.1**	**– 119.1**	**65.8**
Free cash flow	**27.7**	**61.7**	**34.0**	**122.7**

Cash flow from operating activities came to EUR 361.8m (prior year: EUR 208.7m), which was largely affected by a lower increase of EUR 137.6m in working capital compared to the prior year. Cash flow from investing activities came to EUR – 300.1m (prior year: EUR – 181.0m), which was largely affected by the acquisition of Farmexim S.A. and Help Net Farma S.A.

Free cash flow improved from EUR 27.7m in the prior year to EUR 61.7m. For the change in free cash flow and cash and cash equivalents, please refer to the statement of cash flows.

Provisions for pensions increased from EUR 242.7m in the prior year to EUR 256.9m in the reporting year.

Non-current financial liabilities came to EUR 662.3m (prior year: EUR 655.8m). This item includes bonds of EUR 497.6m (prior year: EUR 496.3m) 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 149.7m (prior year: EUR 149.6m).

Current financial liabilities fell by a total of EUR 513.1m to EUR 525.2m in particular due to a fall in liabilities to related parties as well as from ABS and factoring agreements.

Current financial liabilities include liabilities to banks of EUR 137.5m (prior year: EUR 179.3m), liabilities from ABS and factoring agreements of EUR 213.6m (prior year: EUR 415.0m), loans from related parties of EUR 19.8m (prior year: EUR 264.5m), and other loans of EUR 116.2m (31 January 2017: EUR 116.0m).

Trade payables increased by EUR 342.8m on the prior year to EUR 3,597.8m primarily due to acquisitions.

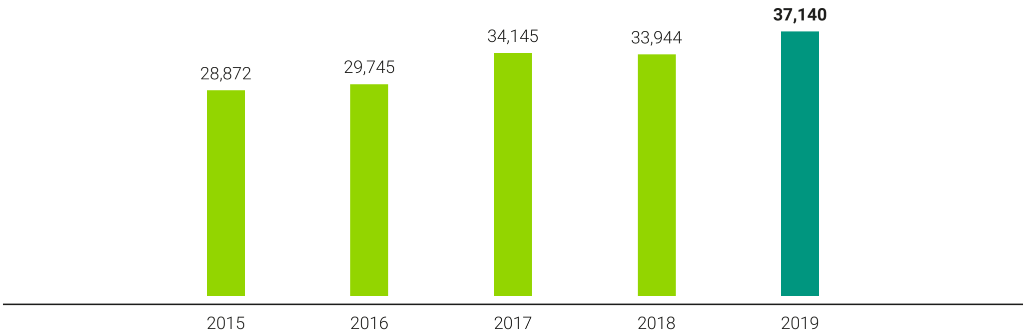
For further information on the PHOENIX group's financial liabilities, please refer to the sections on "Financial liabilities" and "Other notes" in the notes to the consolidated financial statements.

See Financial liabilities (p. 136) and other notes (p. 138)

EMPLOYEES

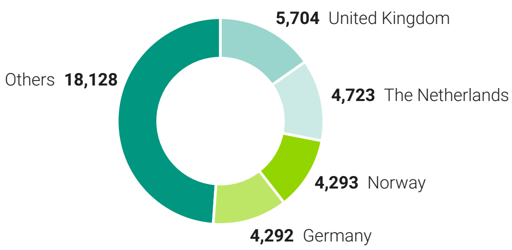
DEVELOPMENT OF EMPLOYEES

Number as of 31/01/



EMPLOYEES BY COUNTRY

as of 31/01/2019



Number of employees increased significantly specifically as a result of acquisitions

At the end of fiscal year 2018/19, the PHOENIX group employed 37,140 employees across a total of 27 countries in Europe. The headcount increased by 9.4% on the prior year primarily due to the first-time consolidation of the entities in Romania and Serbia. The number of full-time equivalents increased by 7.2% to 29,632.

Employee survey strengthens 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.

The opinions, satisfaction, and motivation of its employees are particularly important to the PHOENIX group. In order to foster dialogue with our employees further, we conducted a group-wide employee survey in autumn 2018, giving some 34,000 employees across Europe the opportunity to rate the PHOENIX group as an employer. This was the second group-wide survey following the one in 2015, thus allowing us to draw important conclusions about the changes implemented.

64% of employees gave feedback about their own work situation in 2018. The response rate was even slightly higher than that in 2015. The results show that the majority of employees still feel that the PHOENIX group is the right employer for them. Many of them are extremely satisfied with their work environment. Most of the staff would recommend PHOENIX to others or would reapply for a job at the company. Leadership was also rated as excellent. Most countries saw an improvement here compared to 2015 or were able to keep the rating at the same level.

In countries or business segments with a consistent follow-up process to the 2015 employee survey, employees felt a significantly stronger affiliation to the PHOENIX group. On the whole, the company sees room for improvement to increase commitment throughout the PHOENIX group. To achieve this, we will focus even more strongly on an optimised follow-up process in future: The results of the current survey will be used specifically to create further measures for improvement. In 2019, the PHOENIX group's Executive Board will receive a progress report every quarter and regularly discuss the status of development with the country managers.

Results of the current employee survey are being used specifically for further improvements

The PHOENIX group also receives important feedback on the potential for improvement from the annual talks with employees. We also want to improve digital employee communication in the future and gradually introduce an employee app in various countries.

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 uses 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, the Competition Compliance Policy, and the General Data Protection Regulation (GDPR). In addition to classroom training sessions, we mainly use e-learning systems to provide employees efficient training on a variety of different subjects. Furthermore, the PHOENIX group is stepping up its exchange of best practices at a European level in the course of excellence programmes.

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. For this purpose, the PHOENIX group has developed a Talent Management system that defines the key positions within the company, identifies high performers, and opens up ideal opportunities for progression. In fiscal year 2018/19, there were more than 250 managers in the talent management system in total.

Since the end of 2017, the PHOENIX group has systematically come up with new international development programmes to foster talented managers:

- the Top Management Education Programme (TMP) for all of the PHOENIX group's top management,
- the Senior Management Education Programme (SMP) for selected managers at the second-highest management level, and
- the Middle Management Education Programme (MMP) for (future) managers in middle management (team leaders).

Participants of the SMP and MMP are nominated using various criteria in their countries and selected centrally by means of an online assessment, among others. This approach ensures a high level of performance and learning.

In Germany, we also offer

- the Junior Development Programme (JDP) for younger employees with management potential, as well as
- the Management Development Programme (MDP) for experienced employees.

Appealing opportunities for trainees and students

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

Training ensures the availability of qualified employees in the future

As of 1 October 2018, the PHOENIX group employed 118 trainees and 14 combined degree students at its German sub-group. The company provides a career start with an apprenticeship as a merchant in wholesale and foreign trade, 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 2018/19, students were able to gain experience in Italy and Hungary.

RISK AND OPPORTUNITY REPORT

- Risk management system allows action to be taken swiftly
- Risks and opportunities identified early on
- Quality and stability of operating processes serve as a foundation
- The PHOENIX group exploits opportunities

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. The Executive Board regularly receives reports on the audit findings of the internal audit.

RISKS

The PHOENIX group is subject to a variety of 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 both 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.

The planned Brexit could give rise to economic and political uncertainties. It still cannot be predicted whether and to what extent this will have an impact on the wholesale and retail pharmaceutical businesses. There could also be unexpected fluctuations in the exchange rate, which could cause the translation risk to increase.

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 in order to expand its own market position. As a result, the group is exposed to legal, fiscal, financial, and operational risks from acquisitions. The central mergers & acquisitions department therefore analyses and reviews acquisition projects 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 27 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 2018/19, we complied with the agreed covenants 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 the issuer, as are customary in 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 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.

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

See consolidated financial statements (p. 84)

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 health-care 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. 52 and p. 53 (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 the company's 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 business unit, 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, both organically and through the appropriate acquisitions.

EXECUTIVE BOARD'S OVERALL ASSESSMENT OF THE RISKS AND OPPORTUNITIES

The PHOENIX group is well-positioned to seize opportunities

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

- Slight economic and market growth expected in the eurozone and Germany
- Revenue to record stronger growth than the European pharmaceutical markets
- The PHOENIX group is well-positioned for the future

FUTURE ECONOMIC ENVIRONMENT

We anticipate a stable economic environment in 2019, with GDP in Germany and the eurozone expected to grow by around 1%.

We expect the pharmaceutical markets in Europe to record market growth of around 2.0% overall in 2019. In Germany, our largest market, we anticipate market growth of approximately 2.2%.

FUTURE DEVELOPMENT OF THE PHOENIX GROUP

For fiscal year 2019/20, 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.

The outlook for the 2019/20 fiscal year is positive

For fiscal year 2019/20, we expect EBITDA to be up slightly on the level for 2018/19 (adjusted for effects from the first-time application of IFRS 16).

We expect a slight increase in the equity ratio (adjusted for effects from the first-time application of IFRS 16).

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

The Executive Board is convinced that the PHOENIX group is well-positioned to achieve 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, 8 April 2019

The Executive Board

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

CONSOLIDATED FINANCIAL STATEMENTS 2018/19

CONSOLIDATED INCOME STATEMENT

for fiscal year 2018/19

EUR k	Note	FY 2017/18	FY 2018/19
Revenue	1	**24,909,833**	**25,812,179**
Cost of purchased goods and services		– 22,401,432	– 23,188,211
Gross income		**2,508,401**	**2,623,968**
Other operating income	2	159,466	157,219
Personnel expenses	3	– 1,342,434	– 1,420,825
Other operating expenses	4	– 862,172	– 899,832
Result from associates and joint ventures	5	2,543	8,650
Results from other investments	5	2,190	1,922
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**467,994**	**471,102**
Amortisation of intangible assets and depreciation of property, plant and equipment	6	– 133,345	– 141,857
Impairment of intangible assets	6	– 15,167	– 288,448
Earnings before interest and taxes (EBIT)		**319,482**	**40,797**
Interest income		15,433	14,176
Interest expense		– 55,559	– 53,468
Other financial result		– 15,145	– 32,271
Financial result	7	**– 55,271**	**– 71,563**
Profit before income tax		**264,211**	**– 30,766**
Income tax	8	– 77,527	– 81,209
Profit for the period		**186,684**	**– 111,975**
thereof attributable to non-controlling interests		24,974	36,727
thereof attributable to equity holders of the parent company		161,710	– 148,702

		Note	FY 2017/18	FY 2018/19
Profit for the period attributable to equity holders of PHOENIX Pharma SE	in EUR k		161,710	– 148,702
Number of shares			2,515,200	2,560,437
Earnings per share	in EUR	9	64.29	– 58.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for fiscal year 2018/19

EUR k	FY 2017/18	FY 2018/19
Profit after tax	**186,684**	**–111,975**
Items not reclassified to the income statement		
Remeasurement of defined benefit plans	788	–17,148
Items that may subsequently be reclassified to the income statement		
Gains/losses from changes in the fair value of available-for-sale financial assets	2,805	0
Currency translation differences	–3,773	–2,161
Other comprehensive income, net of taxes	**–180**	**–19,309**
Total comprehensive income	**186,504**	**–131,284**
thereof attributable to non-controlling interests	24,967	36,591
thereof attributable to owners of the parent company	161,537	–167,875

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 January 2019

ASSETS

EUR k	Note	31 Jan. 2018 [1]	31 Jan. 2019
Non-current assets			
Intangible assets	10	1,977,080	1,837,805
Property, plant and equipment	11	934,809	993,060
Investment property	12	10,596	10,042
Investments in associates and joint ventures	13	14,726	7,220
Trade receivables		16	309
Other financial assets	14	95,008	88,071
Deferred tax assets	8	79,689	65,812
		3,111,924	**3,002,319**
Current assets			
Inventories	15	2,130,706	2,301,048
Trade receivables	16	2,693,262	2,552,312
Income tax receivables		31,609	36,231
Other financial assets	16	167,236	146,986
Other assets	17	112,385	135,444
Cash and cash equivalents	18	106,223	153,309
		5,241,421	**5,325,330**
Non-current assets held for sale	25	5,507	39,417
Total assets		**8,358,852**	**8,367,066**

[1] Prior-year figures were restated due to the finalisation of purchase price allocations.

EQUITY AND LIABILITIES

EUR k	Note	31 Jan. 2018 [1]	31 Jan. 2019
Equity			
Issued capital	19	2,515	2,786
Capital reserves	19	626,375	961,106
Revenue reserves	19	2,002,650	1,837,523
Accumulated other comprehensive income	19	– 228,002	– 259,984
Equity attributable to the shareholders of the parent company		**2,403,538**	**2,541,431**
Non-controlling interests	19	243,029	265,119
		2,646,567	**2,806,550**
Non-current liabilities			
Financial liabilities	22	655,783	662,282
Trade payables		2	0
Provisions for pensions and similar obligations	20	242,686	256,914
Other non-current provisions	21	1,401	2,556
Deferred tax liabilities	8	122,482	116,672
Other non-current liabilities	24	2,115	1,452
		1,024,469	**1,039,876**
Current liabilities			
Financial liabilities	22	1,038,280	525,215
Trade payables	23	3,255,025	3,597,814
Other provisions	21	51,729	37,271
Income tax liabilities		36,769	32,406
Other liabilities	24	306,013	327,934
		4,687,816	**4,520,640**
Liabilities directly associated with assets held for sale	25	0	0
Total equity and liabilities		**8,358,852**	**8,367,066**

[1] Prior-year figures were restated due to the finalisation of purchase price allocations.

CONSOLIDATED STATEMENT OF CASH FLOWS

for fiscal year 2018/19

EUR k	31 Jan. 2018	31 Jan. 2019
Profit after tax	**186,684**	**– 111,975**
Income taxes	77,527	81,209
Profit before income taxes	**264,211**	**– 30,766**
Adjustments for:		
Interest expenses and interest income	40,126	39,292
Amortisation/depreciation/impairment/write-ups of intangible assets, property, plant and equipment and investment property	148,512	430,305
Result from associates and other investments	– 4,733	– 10,572
Net result from the disposal of assets related to investing activities	– 7,171	1,244
Other non-cash expense and income	77,954	112,709
	518,899	**542,212**
Interest paid	– 45,670	– 53,761
Interest received	14,339	13,964
Income taxes paid	– 75,669	– 74,814
Dividends received	2,556	2,062
Result before change in assets and liabilities	**414,455**	**429,663**
Changes in assets and liabilities, net of effects of changes in the scope of consolidation and other non-cash transactions:		
Change in non-current provisions	– 32,651	– 32,277
Result before change in operating assets and liabilities	**381,804**	**397,386**
Change in inventories	– 44,519	– 97,431
Change in trade receivables	– 87,705	– 103,663
Change in trade payables	– 5,947	238,884
	– 138,171	**37,790**
Change in other assets and liabilities not related to investing or financing activities	– 34,937	– 73,335
Change in operating assets and liabilities	**– 173,108**	**– 35,545**
Cash flow from operating activities	**208,696**	**361,841**
Acquisition of consolidated companies and business units, net of cash acquired	– 38,844	– 148,887
Capital expenditures for intangible assets, property, plant and equipment, and investment property	– 208,083	– 175,756
Investment in other financial assets and non-current assets	– 1,221	– 2,976
Cash outflows for investments	**– 248,148**	**– 327,619**

EUR k	31 Jan. 2018	31 Jan. 2019
Cash received from the sale of consolidated companies and business units, net of cash disposed	12,192	353
Cash received from disposal of intangible assets, property, plant and equipment and investment property	16,908	7,822
Proceeds from other financial assets and non-current assets	38,017	19,307
Cash inflows from realised investments and divestments	**67,117**	**27,482**
Cash flow from investing activities	**– 181,031**	**– 300,137**
Cash available for financing activities	**27,665**	**61,704**
Capital increase/repayment	– 156,494	0
Capital contribution from/repayment to non-controlling interests	– 159	317,414
Acquisition of additional shares in already consolidated subsidiaries	– 5,131	– 4,159
Proceeds from disposal of interests in subsidiaries without loss of control	54	0
Dividends paid to non-controlling interests	– 10,371	– 12,689
Proceeds from bond issuance and bank loans	49,485	46,744
Repayment of bonds and bank loans	– 219,655	– 164,372
Change in bank loans which have a maturity period of 3 months or less	47,992	43,039
Proceeds from the issue of loans from shareholders in the parent company	217,600	155,710
Repayment of loans from shareholders in the parent company	– 138,356	– 256,848
Proceeds from the issue of loans from related parties	316,900	819,870
Repayment of loans from related parties	– 446,230	– 966,056
Change in ABS/Factoring	– 63,002	7,344
Change in finance lease	– 544	– 982
Change in other financial liabilities	– 1,146	– 297
Cash flow from financing activities	**– 409,057**	**– 15,282**
Changes in cash and cash equivalents	**– 381,392**	**46,422**
Effect of exchange rate changes on cash and cash equivalents	– 1,722	664
Cash and cash equivalents at the beginning of the period	489,337	106,223
Cash and cash at the end of the period	106,223	153,309
Less cash and cash equivalents included in assets held for sale	0	0
Cash and cash equivalents presented in the balance sheet at the end of the period	**106,223**	**153,309**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for fiscal year 2018/19

EUR k	Issued capital	Capital reserves	Revenue reserves	Net assets of group entities before contribution to PHOENIX Pharma SE
1 February 2017				**2,637,145**
Transfer of the net assets to PHOENIX Pharma SE on 30 April 2017 [1)]	2,515	626,375	2,008,255	– 2,637,145
Profit after tax			161,710	
Accumulated other comprehensive income				
Total comprehensive income, net of tax			**161,710**	
Changes in the interest of consolidated companies			– 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 February 2018	**2,515**	**626,375**	**2,002,650**	
Initial application of IFRS 9			– 12,309	
1 February 2018 adjusted	**2,515**	**626,375**	**1,990,341**	
Profit after tax			– 148,702	
Accumulated other comprehensive income	0	0		
Total comprehensive income, net of tax	**0**	**0**	**– 148,702**	**0**
Capital increase/reduction	271	334,731		0
Changes in the interest of consolidated companies			– 1,539	
Dividends				
Other changes in equity			– 2,577	
31 January 2019	**2,786**	**961,106**	**1,837,523**	**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 for the fiscal year 2017/18 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
– 94,803	**10,004**	**– 143,030**	**2,409,316**	**230,568**	**2,639,884**
			0	0	0
			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
			0	– 10,225	– 10,225
			– 164,526	0	– 164,526
			– 606	99	– 507
– 98,569	**12,809**	**– 142,242**	**2,403,538**	**243,029**	**2,646,567**
– 98,569	**12,809**	**– 142,242**	**2,403,538**	**243,029**	**2,646,567**
	– 12,809		– 25,118	– 887	– 26,005
– 98,569	**0**	**– 142,242**	**2,378,420**	**242,142**	**2,620,562**
			– 148,702	36,727	– 111,975
– 2,048	0	– 17,125	– 19,173	– 136	– 19,309
– 2,048	**0**	**– 17,125**	**– 167,875**	**36,591**	**– 131,284**
			335,002		335,002
			– 1,539	– 1,699	– 3,238
			0	– 13,568	– 13,568
			– 2,577	1,653	– 924
– 100,617	**0**	**– 159,367**	**2,541,431**	**265,119**	**2,806,550**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for fiscal year 2018/19

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 27 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.

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 excludes equity instruments of other entities, certain debt instruments of other entities, derivative financial instruments, and contingent purchase price payments, 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 2019 were authorised for issue by the Executive Board of PHOENIX Pharma SE on 8 April 2019.

Application of new accounting standards

In fiscal year 2018/19, the PHOENIX group applied the following standards and interpretations that are mandatory for fiscal year 2018/19 for the first time:

IFRS 9 Financial Instruments

IFRS 9 is the new standard for the recognition of financial instruments, which the PHOENIX group has applied retrospectively as of 1 February 2018 for the first time without adjusting the prior-year figures. The transition effects as of the date of first-time application were cumulatively recorded in equity and are presented accordingly in the consolidated statement of changes in equity. The comparative period is presented in accordance with the previous regulations under IAS 39. Comparability of the two periods is therefore limited.

IFRS 9 introduces new provisions for the classification and measurement of financial assets and replaces the current rules on the impairment of financial assets. The classification and measurement of financial obligations remains largely unchanged.

Under IFRS 9, the classification and measurement of financial assets is determined by the entity's business model and the cash flow characteristics of the respective financial asset. The PHOENIX group measures equity instruments held as of 1 February 2018 uniformly at fair value through profit or loss. Investments in limited partnerships, previously disclosed in the "available for sale" category with recognition of changes in fair values in other comprehensive income in the consolidated statement of comprehensive income, are now classified as debt instruments, with changes in their fair values recognised through profit or loss. As of the transition date, EUR 12,809k resulted from a reclassification within the reserves of "IAS 39 Available-for-sale assets" to "Retained earnings".

IFRS 9 introduces a new impairment model for financial assets, which are measured at amortised cost. This model provides for reporting of expected credit losses as of the date of initial recognition. This results in an additional need to recognise impairment as of 1 February 2018. Furthermore, under ABS/factoring agreements, trade receivables are to be measured at fair value. As of the transition date, a total amount of EUR – 26,006k (after taxes) was recognised through other comprehensive income.

In addition, this results in more extensive notes.

The following tables present the significant effects of the new accounting provisions of IFRS 9 for the classification and measurement of financial instruments and impairment of financial assets.

The original measurement categories and carrying amounts of the financial assets and liabilities pursuant to IAS 39 as well as the new measurement categories and carrying amounts of these financial assets and liabilities pursuant to IFRS 9 are presented in the table below:

	Measurement categories financial instruments			
	Category pursuant to IAS 39	**Category pursuant to IFRS 9**	**Carrying amount in accordance with IAS 39 as of 31 Jan 2018**	**Carrying amount in accordance with IFRS 9 as of 1 Feb 2018**
Financial assets				
Equity and debt instruments	Available-for-sale financial assets	At fair value through OCI	38,070	0
Equity and debt instruments	Available-for-sale financial assets at acquisition cost	At fair value through profit or loss	2,717	40,787
Trade receivables	Loans and receivables	At amortised cost	2,693,278	2,210,407
Trade receivables	Loans and receivables	At fair value through profit or loss	0	456,747

	Measurement categories financial instruments			
	Category pursuant to IAS 39	Category pursuant to IFRS 9	Carrying amount in accordance with IAS 39 as of 31 Jan 2018	Carrying amount in accordance with IFRS 9 as of 1 Feb 2018
Loans to and receivables from associates or related parties	Loans and receivables	At amortised cost	9,012	9,012
Other loans	Loans and receivables	At amortised cost	80,026	75,994
Derivative financial assets without hedge accounting	Held-for-trading financial assets	At fair value through profit or loss	1,648	1,648
Other financial assets	Loans and receivables	At amortised cost	125,234	125,156
Cash and cash equivalents	Loans and receivables	At amortised cost	106,223	106,223
Financial liabilities				
Liabilities to banks	Other financial liabilities	At amortised cost	328,886	328,886
Bonds	Other financial liabilities	At amortised cost	496,319	496,319
Loans	Other financial liabilities	At amortised cost	116,337	116,337
Trade payables	Other financial liabilities	At amortised cost	3,255,027	3,255,027
Liabilities to associates and related parties	Other financial liabilities	At amortised cost	264,903	264,903
Liabilities and provisions for customer rebates and bonuses	Other financial liabilities	At amortised cost	33,119	33,119
ABS/factoring liabilities	Other financial liabilities	At amortised cost	414,954	414,954
Other financial liabilities	Other financial liabilities	At amortised cost	18,488	18,488
Other financial liabilities	Other financial liabilities	At fair value through profit or loss	9,698	9,698
Derivative financial liabilities without hedge accounting	Financial liabilities held for trading	At fair value through profit or loss	2,521	2,521

The table below shows a reconciliation of the carrying amounts of the financial assets in accordance with IAS 39 as of 31 January 2018 to the carrying amounts in accordance with IFRS 9 as of 1 February 2018:

	Reconciliation of carrying amounts (IAS 39 to IFRS 9)			
	Carrying amount in accordance with IAS 39 as of 31 Jan 2018	Reclassification effects	Measurement effects	Carrying amount in accordance with IFRS 9 as of 1 Feb 2018
Financial instruments measured at amortised cost				
Trade receivables	2,693,278	– 456,747	– 26,124	2,210,407
Loans to and receivables from associates or related parties	9,012	0	0	9,012
Other loans	80,026	0	– 4,032	75,994
Other financial assets	125,234	0	– 78	125,156
Cash and cash equivalents	106,223	0	0	106,223
Total financial instruments measured at amortised cost	**3,013,773**	**– 456,747**	**– 30,234**	**2,532,329**
Available-for-sale financial assets				
Equity and debt instruments measured at fair value	38,070	– 38,070	0	0
Equity and debt instruments measured at amortised cost	2,717	– 2,717	0	0
Total available-for-sale financial assets	**40,787**	**– 40,787**	**0**	**0**
Financial assets at fair value through profit or loss				
Equity and debt instruments measured at fair value	0	38,070	0	38,070
Equity and debt instruments measured at amortised cost	0	2,717	0	2,717
Trade receivables	0	456,747	0	456,747
Derivative financial assets without hedge accounting	1,648	0	0	1,648
Total financial assets measured at fair value through profit or loss	**1,648**	**497,534**	**0**	**499,182**

The effects from the increase in loss allowances from the first-time application of the new impairment model are presented in the table below:

	Reconciliation of loss allowances (IAS 39 to IFRS 9)			
	Trade receivables	**Other loans**	**Other financial assets**	**Total**
Measurement categories				
pursuant to IAS 39	Loans and receivables	Loans and receivables	Loans and receivables	
pursuant to IFRS 9	At amortised cost	At amortised cost	At amortised cost	
Loss allowances				
Pursuant to IAS 39 (31 Jan 2018)	49,973	15,205	0	65,178
Additions due to changing measurement category	26,124	4,032	78	30,234
Disposals due to changing measurement category	0	0	0	0
Pursuant to IFRS 9 (1 Feb 2018)	76,097	19,237	78	95,412
Difference in retained earnings	– 26,124	– 4,032	– 78	– 30,234

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces the provisions of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31 and 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. The PHOENIX group mainly generates revenue from the sale of simple-structured pharmaceuticals products, for which the control is transferred to the customer at a point in time. There were no significant transition effects as of 1 February 2018 for the PHOENIX group, because the current procedure for revenue recognition is basically already in line with the new provisions.

Other standards and interpretations
The amendments to IAS 40 relate to clarifications in respect of the requirements to reclassify to the category "Investment Property". This did not have any effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

The Annual Improvements to IFRS 2014 – 2016 Cycle contains clarifications of individual standards. This did not have any effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

IFRIC 22 regulates the translation of foreign currency transactions in the event of prepayments made or received. This did not have any effect on the assets, liabilities, financial position and financial performance of the PHOENIX group.

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
Amendments to IFRS 3	Definition of a Business	2020/21	No
Amendments to IFRS 9	Prepayment Features with Negative Compensation	2019/20	Yes
IFRS 16	Leases	2019/20	Yes
IFRS 17	Insurance Contracts	2021/22	No
Amendments to IAS 1 and IAS 8	Definition of Material	2020/21	No
Amendments to IAS 19	Plan Curtailment or Settlement	2019/20	Yes
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	2019/20	Yes
Annual IFRS Improvements	2015 – 2017 cycle	2019/20	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	2019/20	Yes
Amendments to the Conceptual Framework	Conceptual Framework	2020/21	No

According to the amendments to IFRS 3, in addition to economic resources, a business will also in future require a substantial process that, together with the resources, has the ability to create output. Output will only refer to the delivery of goods and rendering of services in future as well as the generation of capital and other income. Cost reductions on their own are no longer considered sufficient to differentiate between the acquisition of a business from the acquisition of a group of assets. From a current perspective, we do not expect a significant impact on the assets, liabilities, financial position and financial performance 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. We do not expect any significant effects on the assets, liabilities, financial position and financial performance of the PHOENIX group.

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 future, all leases, as well as the associated contractual rights and obligations, must generally be recognised in the statement of financial position of the lessee. As of the date of first application, we expect total assets to increase significantly on account of the increase in lease liabilities and fixed assets in the high triple-digit million euro range. The increase in lease liabilities results in a corresponding increase in net debt. In future, write-downs and interest expenses will be recognised in the income statement instead of lease expenses. This is expected to lead to a significant improvement in EBITDA in the low triple-digit million euro range and an increase in cash flow from operating activities in the statement of cash flows in the low triple-digit million euro range.

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

The amendments to IAS 1 and IAS 8 relate to the standardisation of the definition of “materiality” in all IFRSs and in the framework. Furthermore, the definition of “obscuring” information was newly added. The amendments to IAS 1 and IAS 8 are not expected to have any effects on the assets, liabilities, financial position and financial 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 assets, liabilities, financial position and financial 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 assets, liabilities, financial position and financial performance of the PHOENIX group.

The Annual Improvements to IFRS 2015 – 2017 Cycle, contains clarifications of individual standards. There will be no significant impact on the assets, liabilities, financial position and financial performance of the PHOENIX group.

IFRIC 23 specifies the recognition and measurement policies for uncertain tax items. We do not expect this to have any significant impact on the assets, liabilities, financial position or financial 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 2019.

Subsidiaries are fully consolidated from the acquisition date, i.e. 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. The entities in Norway, Luxembourg, Bulgaria, Serbia, Bosnia, North Macedonia, Kosovo, Montenegro, Albania, France, and Romania 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 433 (31 January 2018: 442) fully consolidated German and foreign entities, of which one (31 January 2018: one) is a structured entity. 21 entities (31 January 2018: 25) 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.

136 (31 January 2018: 137) 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 four (31 January 2018: five) structured entities, of which one (31 January 2018: 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. 2018	31 Jan. 2019
Thure Apotheken VOF	74.00	87.00
PLUS PHARMACIE SA	78.28	80.18
IVRYLAB SAS	96.63	97.09
Megváltó 98 Gyógyszertár Bt.	49.90	99.90
PHOENIX Zdravotnícke zásobovanie a.s.	96.04	96.06

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

The following entities have exercised the exemption provision pursuant to Sec. 264 (3) HGB:

- ADG Apotheken-Dienstleistungsgesellschaft mbH
- JDM Innovation GmbH
- PHOENIX Pharma-Einkauf GmbH
- Virion GmbH
- PHOENIX International Beteiligungs GmbH
- Health Logistics GmbH
- Param GmbH
- Nordic Beteiligungs GmbH
- PHOENIX Noweropa Beteiligungs GmbH
- transmed Transport GmbH

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 loss allowances 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 taken to the income statement, provided they are not allocable to monetary items denominated in foreign currency which 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 to 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 on the translation are recorded in other comprehensive income until the subsidiaries are disposed of.

Changes in exchange rates on the prior year are as follows:

Country	Currency	Closing rate		Average rate	
		31 Jan. 2018	31 Jan. 2019	FY 2017/18	FY 2018/19
Albania	ALL	133.4400	124.6400	133.8875	126.6467
Bulgaria	BGN	1.9558	1.9558	1.9558	1.9558
Bosnia and Herzegovina	BAM	1.9558	1.9558	1.9558	1.9558
Czech Republic	CZK	25.2720	25.7600	26.1904	25.6641
Croatia	HRK	7.4325	7.4238	7.4556	7.4175
Denmark	DKK	7.4419	7.4657	7.4395	7.4549
United Kingdom	GBP	0.8791	0.8758	0.8786	0.8849
Hungary	HUF	310.6500	315.8800	309.2176	319.7983
North Macedonia	MKD	61.5388	61.5882	61.5901	61.5177
Norway	NOK	9.5620	9.6623	9.3829	9.6076
Poland	PLN	4.1503	4.2736	4.2394	4.2726
Romania	RON	–	4.7271	–	4.6589
Serbia	RSD	118.7428	118.4347	120.7874	118.2490
Sweden	SEK	9.7645	10.3730	9.6618	10.2970
Switzerland	CHF	1.1631	1.1409	1.1204	1.1513

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 unlimited territorial protection under public law for the sale of drugs and other pharmaceuticals products and the authorisation to operate a pharmacy within a city.

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 the Executive Board 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.

Upon initial recognition, **financial assets** and **financial liabilities** are measured at fair value. For financial instruments classified as "at fair value through profit or loss", transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are also taken into account. Trade receivables that do not have a significant financing component are initially recognised at transaction price. 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.

Categories of financial assets pursuant to IFRS 9

Upon initial recognition, **financial assets** are classified either as "at amortised cost" or "at fair value through profit or loss". The subsequent measurement and recognition of financial assets depends on their classification.

The only **financial assets classified as at amortised cost** are those that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that do not satisfy these criteria are classified as **at fair value through profit or loss.**

Trade receivables are generally classified as "at amortised cost". Impairments for expected credit losses are taken into account. Trade receivables that are part of an ABS or factoring agreement are classified as "at fair value through profit or loss" because they are held within a business model whose objective is to hold assets to collect contractual cash flows.

Loans granted are generally classified as “at amortised cost”. Impairments for expected credit losses are taken into account.

Categories of financial assets pursuant to IAS 39

The **loans and receivables** category comprises non-derivative financial instruments with fixed or determinable payments that are not listed on an active market. After initial recognition, they are measured at amortised cost less any impairments using the effective interest method.

Available-for-sale financial assets comprise non-derivative financial assets that do not fall under any other category. In general, they are measured at fair value. The resulting gains and losses are recognised through other comprehensive income. Upon disposal of or recognition of a loss allowance for these financial assets, the gains and losses recognised in accumulated other income are reclassified to the income statement through profit or loss. They are measured on the basis of corresponding market values or by using appropriate measurement policies. Investments in equity instruments for which there is no active market and whose fair value cannot be reliably measured are measured at cost.

At initial recognition, **financial liabilities** are classified as “at amortised cost” or as “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 PHOENIX group has not designated any non-derivative financial assets or financial liabilities as 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 consideration.

Impairment of financial assets

Impairments for **expected credit losses** are reported for financial assets classified as “at amortised cost” and for lease receivables.

Regardless of their term, for trade receivables and lease receivables, impairments are recorded at an amount equal to lifetime expected credit losses (lifetime ECL). Loss rates determined using historical default rates and the expected future developments – based on credit default swaps – are applied for this purpose, which take into account the business model, the respective customer group and the economic environment of the geographical region.

Impairments in the amount equal to the ECL are taken into account for other financial assets classified as "at amortised cost" if compared to the initial recognition, the default risk of the financial asset has increased significantly. If the financial asset has a low default risk or if its default risk has not increased significantly since the initial recognition, impairments are recognised at the amount equal to the 12-month expected credit loss (12-month ECL).

Financial assets that are significantly past due, which can also be more than 90 days due to the customer structure, or those financial assets whose debtor is subject to insolvency proceedings, as well as when legal proceedings have been initiated, are tested for individual impairment (default event).

To assess whether the **default risk** for a financial instrument has **increased significantly** since its initial recognition, the risk of a default occurring on the financial instrument as at the reporting date is compared with the risk of a default occurring on the financial instrument as of the date of initial recognition. This process considers qualitative and quantitative information which is available without undue cost or effort. A significant increase in the default risk occurs if the contractually agreed payments are more than 30 days past due, the internal rating of the customer deteriorates, or the economic situation or the payment behaviour of the customer changes adversely. Furthermore, it is assumed that restructured receivables present an increased credit risk. For financial instruments with a low credit risk, it is assumed that the default risk has not increased since the initial recognition. The credit risk of financial instruments is considered low if they are allocated to a low internal risk category and the borrower has the capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial assets are written-off in their entirety or a portion thereof if there is no reasonable expectation of recovering them. This is particularly the case when the borrower is in the process of liquidation or when insolvency proceedings have been concluded.

In accordance with IAS 39, only impairments for incurred losses were reported (incurred loss model). For financial assets belonging to the "available-for-sale financial assets" category, loss allowances were recognised only for significant or permanent impairment. Identifiable risks were taken into account by means of appropriate loss allowances for trade receivables and loans granted that were classified as "loans and receivables".

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 from the asset are transferred 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 or factoring transactions. When the receivables sold do not meet IFRS 9 (prior year: 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 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 the fair value of derivative financial instruments during the reporting period are taken directly to profit or loss.

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 using recognised valuation techniques, such as discounted cash flow models or option pricing models.

Inventories

Inventories are initially recognised at cost based on the first in, first out (FIFO) method. Costs incurred in bringing each product into 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 that have a maximum term of three months from the date of acquisition. Cash and cash equivalents are measured at amortised 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 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 and the 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 primarily generates revenue from simply structured sales of pharmaceuticals and related goods and – to a lesser extent – from the rendering of services.

The typical performance obligations of the PHOENIX group are presented below:

Performance obligation	Point in time when the performance obligation is normally satisfied	Significant payment terms	Determining the transaction price
Wholesale			
Sale of pharmaceuticals (partly as agent)	Transfer of control, typically upon delivery (at a point in time)	Payable within a certain period of no more than 180 days	List price less discount and rebate
Retail			
Sale of pharmaceuticals	Transfer of control, typically upon delivery (at a point in time)	Payable immediately (for payment in the pharmacy), or within 60 days (for reimbursement by health insurance companies)	Pharmacy sales price
Pharma services			
Rendering of services (e.g. logistics services, patient services, business intelligence)	Upon rendering the service (over time)		In accordance with contractual arrangement

In general, revenue for the rendering of services is recognised on a monthly basis.

Retrospective discounts are often agreed in wholesale. The revenue from these sales is recognised in the amount of the price fixed in the agreement, less the discount granted. The estimate of the discount obligation is based on experience (expected value method). The discount obligation is offset against trade receivables. Revenue is recognised only to the extent that it is highly probable that a significant cancellation of revenue will not be necessary, provided the associated uncertainty does not exist any longer.

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 and has latitude over product pricing.

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 the merchandise.

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

Impairment testing of the group regarding goodwill is largely based on the calculations of the useful life. Free cash flows are discounted using an appropriate discount rate (weighted average cost of capital). 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 Notes 10 and 27.

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.

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”.

Loss allowance for expected credit losses on trade receivables and lease receivables

For the measurement of expected credit losses on trade receivables and lease receivables, the PHOENIX group applies the simplified approach provided by IFRS 9. According to this standard, at initial recognition as well as at every subsequent reporting date, a risk provision is recognised in the amount equal to the lifetime ECL. The risk provision is determined separately for individual customer groups. Initially, the average default rates per customer group are determined using the historical default rates of the last three years in the respective countries. The historical default rates are then adjusted for developments expected in future. PHOENIX applies the CDS rate of the respective country as a relevant factor, which it uses to calculate a minimum default rate. At the same time, the CDS rate serves as the basis for determining the rate of loss for receivables from public institutions.

Assessing the link between the historical default rates, forecast future developments and expected credit losses constitutes a significant estimate. The amount of the expected credit losses depends on changes in circumstances and the forecast future developments.

More information on expected credit losses on trade receivables and lease receivables is available in the note “Additional information on financial instruments”.

Revenue recognition

Under IFRS 15, 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 acquisitions carried out in fiscal year 2018/19 and fiscal year 2017/18 are explained below. Business combinations are initially accounted for using the acquisition method pursuant to IFRS 3 “Business Combinations”.

In fiscal year 2018/19, the cumulative profit for the period of the group’s acquirees came to EUR 3,923k and revenue to EUR 361,588k. Had the acquisition date coincided with the beginning of the reporting period for all business combinations, the cumulative revenue for the period would have come to EUR 689,087k. 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 7,477k.

The table below shows a summary of their fair values:

Fair value recognised as of the acquisition date

EUR k	Wholesale and retail Romania	Other	Total
Cash and cash equivalents	123,572	51,224	174,796
Equity instruments	0	0	0
Acquisition-date fair value of previously held equity interests	0	115	115
Total cost	**123,572**	**51,339**	**174,911**
Intangible assets	35,239	42	35,281
Other non-current assets	44,319	2,579	46,898
Inventories	79,816	6,835	86,651
Trade receivables	104,185	5,032	109,217
Cash and cash equivalents	9,509	2,387	11,896
Other current assets	3,253	2,982	6,235
Non-current liabilities	12,330	5,584	17,914
Current liabilities	227,308	16,607	243,915
Net assets	**36,683**	**−2,334**	**34,349**
Non-controlling interests	1,465	0	1,465
Net assets acquired	**35,218**	**−2,334**	**32,884**
Bargain purchase	**0**	**0**	**0**
Goodwill	**88,354**	**53,673**	**142,027**

Wholesale and retail Romania

On 31 July 2018, the group acquired 88.8% of the voting shares in Farmexim S.A. and 100.0% of the voting shares in Help Net Farma S.A. They are a pharmaceutical wholesaler and a pharmacy chain. PHOENIX is expected to be able to further expand its market position in Europe through its market entry in Romania.

Goodwill from this business acquisition is allocated to the Romania cash-generating unit.

The fair value of current receivables contains trade receivables with a fair value of EUR 104,185k. The gross amount of the trade receivables past due amounts to EUR 121,930k, of which EUR 15,732k is expected to be uncollectible.

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

The purchase price allocation takes into account all the information about facts and circumstances as of the acquisition date that was available until the preparation of these financial statements. If further facts or circumstances become known within the 12-month measurement period in accordance with IFRS 3, the purchase price allocation is adjusted accordingly.

Other business acquisitions
In fiscal year 2018/19, the group acquired a pharmacy chain as well as additional pharmacies in business combinations that are individually immaterial.

The goodwill arising on those acquisitions, which mainly results from expected synergies or location advantages, was allocated to the cash-generating units Netherlands (EUR 16,570k), Serbia (EUR 15,879k), Norway (EUR 12,029k), Slovakia (EUR 4,513k), Czech Republic (EUR 2,271k), Austria (EUR 1,477k), Baltics (EUR 704k) and Hungary (EUR 230k) and is recorded in the local functional currencies (EUR, RSD, NOK, CZK and HUF).

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

EUR 6,117k of the recognised goodwill from business combinations is expected to be tax deductible.

The purchase price allocation takes into account all the information about facts and circumstances as of the acquisition date that was available until the preparation of these financial statements. If further facts or circumstances become known within the 12-month measurement period in accordance with IFRS 3, the purchase price allocation is adjusted accordingly.

Business acquisitions in fiscal year 2017/18
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, the 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**

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 on those business acquisitions, which mainly result 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 recorded 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.

Two companies were initially accounted for on the basis of a provisional purchase price allocation in fiscal year 2017/18 that was finalised in fiscal year 2018/19. This caused the goodwill of the Netherlands cash-generating unit to increase by EUR 1,342k, rights and licences to increase by EUR 177k, land to decrease by EUR 7k, other assets to increase by EUR 200k, financial liabilities to increase by EUR 1,625k as well as other liabilities to increase by EUR 87k. The prior-year figures have been restated accordingly.

Divestitures

There was an overall gain from deconsolidation of EUR 830k (prior year: EUR 3,259k) resulting from the sale of business operations, which was recognised in other operating income.

NOTES TO THE INCOME STATEMENT

1 Revenue

The table below shows a breakdown of revenue based on the type of goods and services:

FY 2018/19 EUR k	Trade revenue	Revenue from commissions	Distribution fees and consignment warehouse fees	Other logistics services	Other services	Other revenue	Total
Gross revenue	26,705,912	102,229	73,733	34,205	126,403	131,897	27,174,379
Sales deductions	– 1,362,172	0	– 14	0	0	– 14	– 1,362,200
Revenue	**25,343,740**	**102,229**	**73,719**	**34,205**	**126,403**	**131,883**	**25,812,179**
thereof: Satisfaction of performance obligation at a point in time	25,343,740	94,180	65,323	31,674	126,403	98,275	25,759,595
thereof: Satisfaction of performance obligation over time	0	8,049	8,396	2,531	0	33,608	52,584

In the prior year, the group mainly generated revenue from the sale of pharmaceutical and related products (EUR 24,467,975k). The smaller portion of revenue is attributable to commissions, distribution fees and consignment warehouse fees, other logistics services, other services and other revenue (for example, the sale of pharmacy IT systems).

In the reporting year, revenue of EUR 11,029k was reported, which was included in the contract liability balance at the beginning of the period.

2 Other operating income

EUR k	FY 2017/18	FY 2018/19
Net gain on disposal of fixed assets	5,502	1,392
Income from services	20,323	22,360
Rental income	11,294	11,178
Marketing and other services	56,447	63,106
Allocation of freight costs	13,799	8,605
Other	52,101	50,578
Other operating income	**159,466**	**157,219**

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 830k (prior year: EUR 3,259k).

3 Personnel expenses

EUR k	FY 2017/18	FY 2018/19
Wages and salaries	1,009,233	1,074,396
Social security contributions, retirement benefits and similar expenses	230,547	241,272
Other personnel expenses	102,654	105,157
	1,342,434	**1,420,825**

The average headcount measured in full-time equivalents (FTEs) increased by 1,994 to a total of 29,632. Other personnel expenses mainly include training expenses and costs for temporary personnel.

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

	FY 2017/18	FY 2018/19
Western Europe	14,953	14,832
Eastern Europe	6,925	8,799
Northern Europe	5,760	6,001
	27,638	**29,632**

The line item “Wages and salaries” includes an amount of EUR 20,587k (prior year: EUR 17,042k) for severance payments and similar costs.

4 Other operating expenses

EUR k	FY 2017/18	FY 2018/19
Transport costs	306,138	313,467
Lease and rental costs	147,922	159,315
Exchange rate gains/losses	– 50	408
Net impairment of receivables	6,304	204
Other building and equipment costs	64,593	68,405
Marketing and advertising expenses	63,281	66,866
Communication and IT expenses	74,998	80,701
Legal and consulting fees	61,565	70,361
Repair and maintenance costs	35,536	35,719
Net loss on the disposal of fixed assets	1,789	3,599
Other taxes	14,410	15,533
Office supplies	10,159	9,777
Insurance costs	8,785	9,247
Expenses related to ABS and factoring programmes	2,309	1,318
Other	64,433	64,912
Other operating expenses	**862,172**	**899,832**

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

In fiscal year 2018/19, the auditor of the financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, received audit fees of EUR 827k prior year: EUR 805k), of which EUR 62k (prior year: EUR 94k) were for the prior year, EUR 10k (prior year: EUR 0k) were other attestation fees, EUR 8k (prior year: EUR 247k) were tax advisory fees, and EUR 12k (prior year: EUR 21k) were 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 and impairment of intangible assets and depreciation of property, plant and equipment

EUR k	FY 2017/18	FY 2018/19
Amortisation of intangible assets and depreciation of property, plant and equipment	133,345	141,857
Impairment of pharmacy licences	778	10,816
Reversal of impairment loss	0	– 2,679
Impairment of goodwill	14,000	279,513
Other impairments	389	798
Impairment of intangible assets	**15,167**	**288,448**

7 Financial result

EUR k	FY 2017/18	FY 2018/19
Interest income	15,433	14,176
Interest expenses	– 55,559	– 53,468
Other financial result	– 15,145	– 32,271
Financial result	**– 55,271**	**– 71,563**

Interest income includes interest income from customers of EUR 9,608k (prior year: EUR 10,127k).

The other financial result contains exchange rate gains of EUR 29,955k (prior year: EUR 45,646k), as well as exchange rate losses of EUR 36,866k (prior year: EUR 42,663k), income of EUR 49,142k (prior year: EUR 65,341k) and expenses of EUR 43,419k (prior year: EUR 68,644k) from changes in market values of derivatives, changes in market values of financial assets of EUR – 13,781k (prior year: EUR 0k), impairment of financial assets of EUR 14,253k (prior year: EUR 3,206k), as well as other financial income of EUR 836k (prior year: EUR 1,128k), and other financial expenses of EUR 3,885k (prior year: EUR 861k). Furthermore, the prior year also included earnings from the disposal of financial assets classified as available for sale of EUR 199k and losses from the redemption of bonds of EUR 12,223k.

The financial result includes interest income and interest expenses of EUR – 34,565k on financial assets and liabilities that are not classified as “at fair value through profit or loss” (prior year: EUR – 36,725k).

8 Income tax

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

EUR k	FY 2017/18	FY 2018/19
Current taxes	65,560	64,860
Deferred taxes	11,967	16,349
	77,527	**81,209**

The current income tax includes income for prior periods of EUR 8,954k (prior year: EUR 16,787k) and expenses of EUR 2,138k (prior year: EUR 2,928k).

In fiscal year 2018/19, net tax income (after non-controlling interests) of EUR 8,155k was recognised outside profit or loss (prior year: EUR 5,748k). This amount results from actuarial gains and losses from pension obligations (EUR 2,871k; prior year: EUR – 1,077k), net investments in foreign operations (EUR 1,009k; prior year: EUR 7,760k) as well as changes in the fair value of financial assets classified as available for sale (EUR 4,275k; prior year: EUR – 935k), which are recognised in other comprehensive income.

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

In the current fiscal year, the interest rate in Norway decreased by 1.0 percentage points as well as in Hungary by 1.0 percentage points and increased in Latvia by 5.0 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 2017/18		FY 2018/19	
	EUR k	in %	EUR k	in %
Profit before tax	**264,211**	**100.0**	**– 30,766**	**100.0**
Expected income tax expense	**62,618**	**23.7**	**– 6,399**	**20.8**
Impact of changes to tax rates on deferred taxes	480	0.2	– 2,983	9.7
Tax effect of non-deductible expenses and tax-exempt income	12,873	4.9	14,914	– 48.5
Effect of taxes relating to prior years recognised in the fiscal year	– 14,972	– 5.7	– 6,982	22.7
Effect of differing national tax rates	– 853	– 0.3	– 974	3.2
Effect of loss allowances/adjustments to carrying amounts	24,799	9.4	32,066	– 104.2
Effects of impairments on goodwill	2,100	0.8	50,924	– 165.5
Other effects	– 9,518	– 3.7	643	– 2.2
Income taxes	**77,527**	**29.3**	**81,209**	**– 264.0**

Other effects include deferred tax income of EUR 704k (prior year: EUR 1,548k) relating to temporary differences associated with investments in subsidiaries.

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

EUR k	31 January 2018 Deferred tax assets	31 January 2018 Deferred tax liabilities	31 January 2019 Deferred tax assets	31 January 2019 Deferred tax liabilities
Intangible assets	6,783	82,907	5,838	82,475
Property, plant and equipment	3,863	34,103	5,265	34,632
Financial and other assets	4,620	14,320	10,308	14,448
Inventories	4,320	2,805	7,234	3,137
Assets classified as held for sale	0	0	0	0
Provisions	42,817	2,151	45,422	2,332
Liabilities	8,364	5,496	6,845	4,800
Deferred taxes on temporary differences	**70,767**	**141,782**	**80,912**	**141,824**
Deferred taxes on unused tax losses	28,222	0	10,052	0
Netting	– 19,300	– 19,300	– 25,152	– 25,152
Total deferred taxes	**79,689**	**122,482**	**65,812**	**116,672**

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 305,244k (31 January 2018: EUR 232,479k). Deferred taxes includes expenses from a reversal of used tax losses of EUR 17,382k (prior year: EUR 2,509k) and income from previously unused tax losses of EUR 847k (prior year: EUR 2,352k). The unused tax losses and interest carryforwards expire as follows:

EUR k	31 Jan. 2017	31 Jan. 2018
Within one year	2,180	37
After one year, but within two years	407	0
After two years, but within three years	1,493	0
After three years, but within four years	649	0
After four years, but within five years	0	0
After five years	0	0
Loss carry forwards and interest carryforwards that do not expire	227,750	305,207
	232,479	**305,244**

No deferred tax liabilities were recognised on distributable reserves of subsidiaries amounting to EUR 2,960,352k (31 January 2018: EUR 3,630,403k) 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 partners 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 2019 or 31 January 2018 that diluted the gain per share. This means that there was no deviating diluted earnings per share to report in fiscal year 2018/19 or the prior year.

		FY 2017/18	FY 2018/19
Profit for the period attributable to partners of PHOENIX Pharma SE	in EUR k	161,710	– 148,702
Number of shares		2,515,200	2,560,437
Earnings per share	**in EUR**	**64.29**	**– 58.08**

NOTES TO THE STATEMENT OF FINANCIAL POSITION

10 Intangible assets

EUR k	Rights and licences	Goodwill	Prepayments
Cost			
1 February 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 [1)]	18,158	42,400	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	**513,505**	**1,837,481**	**10,145**
Currency translation	– 428	100	– 91
Changes in the basis of consolidation	35,199	0	0
Additions [1)]	21,884	142,365	7,595
Disposals	– 9,209	– 790	0
Reclassifications from non-current assets held for sale	– 40,729	0	– 66
Reclassifications	1,718	– 147,556	– 1,954
31 January 2019	**521,940**	**1,831,600**	**15,629**

[1)] Prior-year figures were restated due to the finalisation of purchase price allocations.

EUR k	Rights and licences	Goodwill	Prepayments
Accumulated amortisation and impairment			
1 February 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
Reversals 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**
Currency translation	– 337	3,146	0
Changes in the basis of consolidation	– 354	0	0
Additions	23,098	0	0
Impairment losses	10,815	279,513	0
Reversals of impairment losses	– 2,676	0	0
Disposals	– 7,487	3	0
Reclassifications from non-current assets held for sale	– 10,428	0	0
Reclassifications	– 403	– 147,556	– 21
31 January 2019	**160,103**	**371,254**	**7**
Net carrying amount 31 January 2018	**365,630**	**1,601,333**	**10,117**
Net carrying amount 31 January 2019	**361,837**	**1,460,346**	**15,622**

The item “Rights and licences” mainly contains pharmacy licences with indefinite useful lives in the United Kingdom and Romania totalling EUR 287,345k (31 January 2018: EUR 294,471k). The useful life for such licences 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	31 Jan. 2018	31 Jan. 2019
Germany	EUR	50,656	51,270
United Kingdom	GBP	298,684	60,370
Netherlands [1)]	EUR	551,479	567,259
Switzerland	CHF	140,511	141,949
Hungary	HUF	75,626	75,216
Czech Republic	CZK	48,947	49,418
Baltics	EUR	66,431	67,136
Romania	RON	0	86,519
Denmark	DKK	44,797	44,797
Sweden	SEK	40,639	40,639
Norway	NOK	199,068	210,722
Other		84,495	65,051
Total		**1,601,333**	**1,460,346**

[1)] Prior-year figures were restated due to the finalisation of purchase price allocations.

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 2018: 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 2018: 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 2018: 0.5%).

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

in %	31 Jan. 2018	31 Jan. 2019
Discount rate (WACC before tax)		
Germany	8.72	8.89
United Kingdom	8.34	9.39
Netherlands	8.11	8.22
Switzerland	6.23	6.95
Hungary	8.79	9.10
Czech Republic	8.73	8.39
Romania	–	10.92
Baltics	8.86	8.28
Denmark	7.61	7.42
Sweden	8.21	8.23
Norway	8.39	8.16
Other	8.34 – 11.61	8.30 – 11.28

As of 31 January 2019, there was an impairment loss for the cash-generating units United Kingdom and Bosnia/North Macedonia/Serbia:

EUR k	31 Jan. 2018	31 Jan. 2019
Impairment of goodwill		
United Kingdom		237,887
Bosnia/North Macedonia/Serbia	14,000	41,626

For the cash-generating unit United Kingdom, the recoverable amount of EUR 496,371k is below the carrying amount, mainly due to deductions in pharmacy remuneration by legislators as well as uncertainties relating to Brexit. The impairment loss is based on the value in use.

For the cash-generating unit Bosnia/North Macedonia/Serbia, the recoverable amount of EUR 111,844k is below the carrying amount 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 Slovakia and Romania would lead to the carrying amounts exceeding the value in use.

The value in use of the cash-generating unit Slovakia exceeded its carrying amount by EUR 9,703k. A rise in the discount rate of 0.8 percentage points would use up this excess amount.

The value in use of the cash-generating unit Romania exceeded its carrying amount by EUR 5,475k. A decrease in the future cash flows of 3.3% or an increase in the discount rate by 0.3 percentage points or an increase in long-term investments of 9.0% would use up this excess amount.

Impairment testing of intangible assets with indefinite useful lives

The trademarks "Numark" and "PharmaVie" were tested for impairment as of 31 January 2018 and 2019. 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 2018: 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 31 January 2018 and 2019.

The pharmacy licences of Help Net Farma S.A., Romania, were tested for impairment as of 31 January 2019. The recoverable amount of the licences was based on the fair value (level 2) less costs to sell and was determined using a revenue multiple of 0.2. As of 31 January 2019, no impairment was required on the pharmacy licences of Help Net Farma S.A.

The pharmacy licences of L Rowland & Co. (Retail) Ltd., United Kingdom, were tested for impairment as of 31 January 2018 and 2019. 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 7.8% (31 January 2018: 7.9%). The terminal growth rate used to extrapolate the income of the last planning period is 0.5% (31 January 2018: 0.5%).

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

EUR k	31 Jan. 2018	31 Jan. 2019
Impairment of licences		
Pharmacy licences, United Kingdom	778	3,188
Reversal of impairment loss on licences		
Pharmacy licences, United Kingdom	0	2,676

The reversals of impairment loss resulted from the planned disposal of certain pharmacies.

11 Property, plant and equipment

EUR k	Land and buildings	Plant and machinery	Other equipment, furniture and fixtures	Assets under construction	Investment property
Cost					
1 February 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 [1)]	46,172	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	**1,029,826**	**328,512**	**659,286**	**94,233**	**15,271**
Currency translation	– 6,477	– 1,091	– 3,551	– 567	3
Changes in the basis of consolidation	34,314	911	8,346	465	0
Additions [1)]	45,822	13,756	64,483	26,147	0
Disposals	– 14,170	– 10,559	– 26,061	– 713	– 50
Reclassifications from non-current assets held for sale	– 2,354	649	– 3,555	0	– 403
Reclassifications	2,075	15,888	7,729	– 25,537	578
31 January 2019	**1,089,036**	**348,066**	**706,677**	**94,028**	**15,399**
Accumulated depreciation and impairment					
1 February 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**
Currency translation	– 2,825	– 672	– 2,868	0	2
Changes in the basis of consolidation	0	0	0	0	0
Additions	40,620	20,905	56,756	0	478
Impairment losses	408	390	1	0	0
Disposals	– 10,939	– 10,007	– 22,266	0	0
Reclassifications from non-current assets held for sale	– 704	97	– 1,881	0	– 34
Reclassifications	– 1,496	– 381	2,564	0	236
Reversal of impairment loss	0	0	– 3	0	0
31 January 2019	**490,716**	**244,064**	**509,967**	**0**	**5,357**
Net carrying amount 31 January 2018	**564,174**	**94,780**	**181,622**	**94,233**	**10,596**
Net carrying amount 31 January 2019	**598,320**	**104,002**	**196,710**	**94,028**	**10,042**

[1)] Prior-year figures were restated due to the finalisation of purchase price allocations.

In the course of producing qualified assets, debt capital interest of EUR 1,202k (prior year: EUR 805k) was capitalised, applying an interest rate of 1.67% (prior year: 1.87%).

Items of property, plant and equipment with a carrying amount of EUR 12,555k (31 January 2018: EUR 5,282k) have been pledged as collateral for liabilities. The collateral mainly relates to charges on land and buildings in Romania and Germany.

There are contractual commitments in place to acquire property, plant and equipment of EUR 2,676k (31 January 2018: EUR 4,697k).

Finance leases

The assets held under finance lease agreements are as follows:

EUR k	31 Jan. 2018	31 Jan. 2019
Land and land rights and buildings, including buildings on third-party land	5,985	5,416
Plant and machinery	84	0
Other equipment, furniture and fixtures	717	2,564
Carrying amount	**6,786**	**7,980**

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 table below:

EUR k	31 Jan. 2018	31 Jan. 2019
Minimum lease payments		
due within one year	6,655	6,581
due in between two and five years	2,656	2,810
due in more than five years	468	93
Interest	–941	–393
Present value of minimum lease payments	**8,838**	**9,091**

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	31 Jan. 2018	31 Jan. 2019
Minimum lease payments		
due within one year	114,347	137,971
due in between two and five years	296,074	358,913
due in more than five years	178,740	301,473
Total minimum lease payments	**589,161**	**798,357**

The expected income from sublet properties amounts to EUR 917k (prior year: EUR 2,108k). The lease expense from operating leases breaks down as follows:

EUR k	31 Jan. 2018	31 Jan. 2019
Lease expense		
Minimum lease payments	143,941	154,905
Contingent rents	3,147	3,480
Sublease payments received	834	930
Total lease expense	**147,922**	**159,315**

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 table below:

EUR k	31 Jan. 2018	31 Jan. 2019
Minimum lease payments		
due within one year	1,266	2,951
due in between two and five years	4,772	11,942
due in more than five years	0	0
Interest	– 501	– 1,243
Present value of minimum lease payments	**5,537**	**13,650**

Operating leases

The most significant operating lease arrangements in which the group acts as lessor are in the Netherlands and individual entities in Germany. Leases in the Netherlands are mainly for buildings. Leases in Germany are mainly for software and cash systems as well as buildings.

The future minimum lease payments are as follows:

EUR k	31 Jan. 2018	31 Jan. 2019
Minimum lease payments		
due within one year	18,703	22,644
due in between two and five years	26,106	36,297
due in more than five years	4,255	10,913
Total minimum lease payments	**49,064**	**69,854**

12 Investment property

The fair value of the investment property held as of 31 January 2019 determined by expert appraisers using market data (level 2) for comparable properties came to EUR 10,244k (31 January 2018: EUR 10,601k). Rental income in fiscal year 2018/19 came to EUR 486k (prior year: EUR 479k), while expenses totalled EUR 414k (prior year: EUR 510k).

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 2017/18		FY 2018/19	
EUR k	Brocacef Group	Comifar Group	Brocacef Group	Comifar Group
Current assets	356,482	756,290	321,711	782,318
Non-current assets	657,826	119,517	678,484	121,205
Current liabilities	277,672	540,392	287,076	565,191
Non-current liabilities	303,760	23,186	236,988	22,985
Revenue	2,043,025	2,334,085	1,924,801	2,323,200
Gain/loss from continuing operations	35,439	12,624	60,490	13,829
Gain/loss after taxes from discontinued operations	0	0	0	0
Total comprehensive income	35,439	12,624	60,490	13,829
Cash inflow/outflow from:				
– operating activities	45,378	22,049	91,656	10,635
– investing activities	–22,987	–15,519	–35,760	–8,659
– financing activities	–22,888	–6,852	–55,421	–1,984
Gain/loss attributable to non-controlling interests	17,570	807	28,765	831
Accumulated non-controlling interests at the end of the reporting period	192,413	33,340	212,117	33,427
Dividends paid to non-controlling interests	5,928	120	7,191	447

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

EUR k	31 Jan. 2018	31 Jan. 2019
Brocacef Group	192,413	212,117
Comifar Group	33,340	33,427
Other	17,276	19,575
	243,029	**265,119**

The PHOENIX group holds investments in 21 associates (31 January 2018: 25). The aggregate amounts are presented below:

EUR k	FY 2017/18	FY 2018/19
Net carrying amount	14,726	7,220
Group share in gain/loss from continuing operations	2,543	8,650
Group share in total comprehensive income	2,543	8,650

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

14 Other financial assets

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

EUR k	31 Jan. 2018	31 Jan. 2019
Trade receivables, non-current	16	309
Other financial assets		
Equity and debt instruments	40,787	51,081
Loans to and receivables from associates	2,086	0
Other loans	47,482	25,951
Other non-current financial assets	4,653	11,039
	95,008	**88,071**

15 Inventories

EUR k	31 Jan. 2018	31 Jan. 2019
Raw materials and supplies	17,030	13,841
Finished goods and merchandise	2,099,805	2,282,140
Prepayments	13,871	5,067
	2,130,706	**2,301,048**

During the fiscal year, inventories were written down by EUR 11,618k (prior year: EUR 11,206k). Impairment losses of EUR 5,149k (prior year: EUR 6,130k) were reversed during the period mainly due to the unexpected sale of written-down inventories. Inventories with a carrying amount of EUR 181,385k (31 January 2018: EUR 155,575k) are measured at their net realisable value at the reporting date.

Inventories with a carrying amount of EUR 82,903k (31 January 2018: EUR 0k) have been pledged as a guarantee for loan agreements.

16 Trade receivables and other current financial assets

EUR k	31 Jan. 2018	31 Jan. 2019
Trade receivables	2,693,262	2,552,312
Other financial assets		
Loans to and receivables from associates or related parties	6,926	1,660
Other loans	32,544	49,351
Derivative financial instruments	1,648	8,289
Other financial assets (current)	126,118	87,686
	167,236	**146,986**

Trade receivables and other assets with a carrying amount of EUR 121,327k (31 January 2018: EUR 91,648k) have been pledged as a guarantee for loan agreements.

The trade receivables transferred under factoring and ABS transactions as of 31 January 2019 are presented below:

EUR k	31 Jan. 2018	31 Jan. 2019
Transferred but only partly derecognised receivables		
Receivables not derecognised in accordance with IFRS 9 (prior year: IAS 39)		
Volume of receivables	456,747	234,224
Financial liability	405,924	204,433
Continuing involvement		
Volume of receivables	177,119	169,164
Continuing involvement	8,232	8,514
Financial liability	9,030	9,174
Transferred and fully derecognised receivables		
Volume of receivables	61,224	302,415
Retentions of title	30,834	58,728

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.

Loss allowances on trade receivables, other loans and lease receivables have developed as follows:

EUR k	Development of impairment losses pursuant to IFRS 9		
	Lifetime ECL impaired trade receivables	Lifetime ECL simplified approach	Total
Trade receivables			
Loss allowances as of 1 February 2018	**−50,912**	**−25,185**	**−76,097**
Currency and other changes	−14,683	−327	−15,010
Transfer to lifetime ECL impaired trade receivables	−3,071	56	−3,015
Amortisation, depreciation and impairment (utilisation)	4,492	23	4,515
Interest	80	0	80
Change due to new or derecognised trade receivables	5,268	−474	4,794
Changes in risk parameter	−1,033	−165	−1,198
Loss allowances as of 31 January 2019	**−59,859**	**−26,072**	**−85,931**

EUR k	Development of impairment losses pursuant to IFRS 9			
	12-month ECL	Lifetime ECL non-impaired loans	Lifetime ECL impaired loans	Total
Other loans				
Loss allowances as of 1 February 2018	**−334**	**−1,529**	**−17,374**	**−19,237**
Currency and other changes	64	2	−1,116	−1,050
Transfer to 12-month ECL	0	0	0	0
Transfer to lifetime ECL non-impaired loans	12	−19	0	−7
Transfer to lifetime ECL impaired loans	0	10	−702	−692
Amortisation, depreciation and impairment (utilisation)	0	0	4,190	4,190
Interest	0	0	13	13
Change due to new or derecognised loans	−9	230	341	562
Changes in risk parameter	−18	−1,145	−12,871	−14,034
Loss allowances as of 31 January 2019	**−285**	**−2,451**	**−27,519**	**−30,255**

EUR k	Development of impairment losses pursuant to IFRS 9		
	Lifetime ECL impaired lease receivables	Lifetime ECL simplified approach	Total
Lease receivables			
Loss allowances as of 1 February 2018	**0**	**–78**	**–78**
Currency and other changes	0	0	0
Transfer to lifetime ECL impaired lease receivables	0	0	0
Amortisation, depreciation and impairment (utilisation)	0	0	0
Interest	0	0	0
Change due to new or derecognised lease receivables	0	–114	–114
Changes in risk parameter	0	41	41
Loss allowances as of 31 January 2019	**0**	**–151**	**–151**

In the prior year, the loss allowances on trade receivables and customer loans, which are included in other loans, developed as follows:

EUR k	Trade receivables	Other loans
Loss allowances as of 1 February 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
Loss allowances as of 31 January 2018	**49,973**	**15,205**

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

EUR k	Total carrying amount	thereof								
		Neither past due nor impaired	Impaired	Past due but not impaired						
				< 30 days	31 – 60 days	61 – 90 days	91 – 150 days	151 – 240 days	241 – 330 days	> 330 days
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 31 January 2018, 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 related to Serbia, Bosnia, North Macedonia and Italy. In some cases, PHOENIX 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 assets

EUR k	31 Jan. 2018 [1)]	31 Jan. 2019
Prepayments	62,675	70,098
Tax claims – VAT and other taxes	32,724	46,111
Sundry other assets	16,986	19,235
Other assets	**112,385**	**135,444**

1) Prior-year figures were restated due to the finalisation of purchase price allocations.

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	31 Jan. 2018	31 Jan. 2019
Bank balances	101,480	147,267
Cash on hand	4,729	6,029
Cash equivalents	14	13
	106,223	**153,309**

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

19 Equity

Issued capital

As of 31 January 2019, the issued capital (share capital) amounted to EUR 2,786,624 (31 January 2018: 2,515,200). It is divided into 2,786,624 (31 January 2018: 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 and actuarial gains and losses in connection with pension obligations. In accordance with IAS 39, changes in the fair value of "available-for-sale financial assets" were also included in the prior year.

Non-controlling interests

The profit for the period attributable to non-controlling interests came to EUR 36,727k (prior year: EUR 24,974k).

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.

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.

		31 Jan. 2018	31 Jan. 2019
Equity	in EUR k	2,646,567	2,806,550
Total equity and liabilities	in EUR k	8,358,852	8,367,066
Equity ratio	**in %**	**31.7**	**33.5**

EUR k	31 Jan. 2018	31 Jan. 2019
+ Financial liabilities (non-current)	655,783	662,282
– Derivative financial instruments (non-current)	– 229	– 187
+ Financial liabilities (current)	1,036,655	525,215
– Derivative financial instruments (current)	– 2,292	– 5,733
– Cash and cash equivalents	– 106,223	– 153,309
+ Receivables sold in the course of factoring and ABS transactions	230,111	463,065
– Factoring receivables	– 25,245	– 24,412
– Receivables from ABS programmes	– 5,589	– 34,316
Net debt	**1,782,971**	**1,432,605**

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 the issuer, as are customary in 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 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 when the pension is 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. 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 which 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 71,555k (prior year: EUR 64,655k). This amount includes the contributions the group made to statutory pension insurance funds which fall under the definition of defined contribution plans.

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

EUR k	31 Jan. 2018	31 Jan. 2019
Calculation of net defined benefit liability		
Present value of funded obligations	– 607,283	– 649,992
Plan assets at fair value	466,692	495,905
Defined benefit obligations in excess of plan assets	**– 140,591**	**– 154,087**
Present value of non-funded obligations	– 102,095	– 102,827
Net defined benefit liability	**– 242,686**	**– 256,914**

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	31 Jan. 2018	31 Jan. 2019	31 Jan. 2018	31 Jan. 2019	31 Jan. 2018	31 Jan. 2019
Norway	468,102	513,194	355,423	389,209	– 112,679	– 123,985
Switzerland	77,848	76,126	63,916	62,434	– 13,932	– 13,692
United Kingdom	60,005	59,446	46,427	43,476	– 13,578	– 15,970
Other	103,423	104,053	926	786	– 102,497	– 103,267
Total	**709,378**	**752,819**	**466,692**	**495,905**	**– 242,686**	**– 256,914**

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 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**

EUR k	Present value of the defined benefit obligation	Fair value of plan assets	Total
1 February 2018	**709,378**	**–466,692**	**242,686**
Service cost	23,789		23,789
Interest expenses/income	14,827	–10,374	4,453
Other	42		42
	38,658	**–10,374**	**28,284**
Remeasurements			
Return on plan assets excluding amounts contained in interest expenses/income		–7,654	–7,654
Gain/loss from changes in demographic assumptions	23,031		23,031
Gain/loss from changes in financial assumptions	4,246		4,246
	27,277	**–7,654**	**19,623**
Effects from business combinations	5,639	–4,394	1,245
Employer contributions		–28,166	–28,166
Employee contributions	2,185	–2,185	0
Benefits paid	–24,872	21,019	–3,853
Plan settlements	–640		–640
Exchange differences	–4,806	2,541	–2,265
31 January 2019	**752,819**	**–495,905**	**256,914**

Net interest expenses are recognised within the financial result.

Plan assets break down as follows:

EUR k	31 Jan. 2018	31 Jan. 2019
Plan assets with an underlying active market		
Cash and cash equivalents	6,337	6,405
Equity instruments	37,466	36,962
Debt instruments	258,655	284,648
Property	41,412	46,992
Investment funds	50,838	48,271
Insurance assets	63,915	62,434
Structured debt instruments	7,140	9,406
Other	929	787
	466,692	**495,905**

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 34,100k to its defined benefit plans in fiscal year 2019/20.

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

in %	31 Jan. 2018	31 Jan. 2019
Discount rate by currency region		
NOK	2.4	2.6
GBP	2.7	2.7
EUR	1.2 – 1.95	1.05 – 1.9
CHF	0.7	0.9
SEK	2.6	2.5
Future salary increases	1.2 – 4.6	1.2 – 4.5
Future pension increases	1.5 – 3.6	1.75 – 3.5

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 2019	Change in actuarial assumption in %	Increase in assumption EUR k	Decrease in assumption EUR k
Interest rate	0.5	64,826	– 74,849
Future salary increases	0.5	– 24,538	21,996
Future pension increases	0.5	– 46,213	30,556
Life expectancy	10.0	– 7,467	6,930

31 January 2018	Change in actuarial assumption 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

The average duration of the defined benefit plans was 16 years (prior year: 15) in the reporting year.

In Norway and the Netherlands, the PHOENIX group has pension plans which 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 14,550k for fiscal year 2019/20. The coverage ratio of these plans (ratio of plan assets to obligation) is between 99.3% and 101.0% (31 January 2018: between 101.0% and 103.0%). 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 2019 the PHOENIX group does not expect any major burdens to arise from the multi-employer plans; there is no intention to exit one 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 2018	**5,101**	**14,284**	**33,745**	**53,130**
Currency translation	– 2	11	– 74	– 65
Changes in the basis of consolidation	0	0	2,439	2,439
Addition	5,298	4,282	3,288	12,868
Utilisation	– 5,140	– 1,809	– 18,352	– 25,301
Reversal	– 264	– 369	– 2,734	– 3,367
Interest	0	123	0	123
31 January 2019	**4,993**	**16,522**	**18,312**	**39,827**

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 13,496k (31 January 2018: EUR 14,358k). 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	31 Jan. 2018	31 Jan. 2019
Financial liabilities (non-current)		
Liabilities to banks	149,635	149,708
Bonds	496,319	497,631
Loans	356	252
Other financial liabilities	9,473	14,691
	655,783	**662,282**

EUR k	31 Jan. 2018 [1)]	31 Jan. 2019
Financial liabilities (current)		
Liabilities to banks	179,251	137,482
Loans	115,981	116,242
Liabilities to associates and related parties	264,903	20,312
Liabilities for customer rebates and bonuses	33,119	0
ABS/factoring liabilities	414,954	213,607
Other financial liabilities	30,072	37,572
	1,038,280	**525,215**

[1)] Prior-year figures were restated due to the finalisation of purchase price allocations.

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 and a residual term of five years agreed. 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 a promissory note 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	31 Jan. 2018 [1]	31 Jan. 2019
VAT and other tax liabilities	111,265	109,002
Personnel liabilities	140,225	154,835
Liabilities relating to social security/similar charges	27,763	32,013
Contract liabilities (IFRS 15)	14,864	16,009
Sundry other liabilities	11,896	16,075
Other liabilities	**306,013**	**327,934**

[1] Prior-year figures were restated due to the finalisation of purchase price allocations.

25 Non-current assets held for sale

Non-current assets held for sale of EUR 39,417k (31 January 2018: EUR 5,507k) mainly relate to individual pharmacies that will be sold within the next 12 months in the course of portfolio optimisation and primarily contain pharmacy licences and real estate (31 January 2018: real estate).

In fiscal year 2018/19, an impairment loss of EUR 8,576k (prior year: EUR 0k) was recognised in order to recognise disposal groups at their fair value. The impairment loss is recognised in the income statement under amortisation, depreciation and impairment. The fair value was determined using expected selling prices (level 3).

OTHER NOTES

26 Contingent liabilities

Contingent liabilities totalling EUR 86,258k (31 January 2018: EUR 76,674k) relate exclusively to financial guarantee contracts

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 table below for fiscal year 2018/19:

31 January 2019	Category pursuant to IFRS 9					
EUR k	At amortised cost	Fair value through profit or loss	No category according to IFRS 9	Not within the scope of IFRS 7	Carrying amount	Fair value
Assets						
Equity and debt instruments	0	51,081	0	0	51,081	51,081
Trade receivables	2,318,397	234,224	0	0	2,552,621	2,552,621
Loans to and receivables from associates or related parties	1,660	0	0	0	1,660	1,660
Other loans	88,002	0	0	0	88,002	89,119
Derivative financial assets without hedge accounting	0	8,289	0	0	8,289	8,289
Other financial assets	85,226	0	0	0	85,226	85,226
Lease receivables	0	0	13,499	0	13,499	n/a
Cash and cash equivalents	153,309	0	0	0	153,309	153,309

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

31 January 2018 EUR k	Category pursuant to IAS 39 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

Equity and debt instruments mainly include shares in unlisted companies and interests in limited partnerships. Shares in listed companies are measured at the market price as of the reporting date. For other equity and debt instruments, 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 2018: between 0.54 and 1.39). A 10% increase in the multipliers would increase the value by EUR 5,299k (31 January 2018: EUR 5,010k); a 10% decrease in the multipliers would decrease the value by EUR 5,300k (31 January 2018: EUR 5,008k).

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 their 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 table below for fiscal year 2018/19.

31 January 2019	Category pursuant to IFRS 9					
EUR k	At amortised cost	Fair value through profit or loss	No category according to IFRS 9	Not within the scope of IFRS 7	Carrying amount	Fair value
Financial liabilities						
Liabilities to banks	287,190	0	0	0	287,190	287,569
Bonds	497,631	0	0	0	497,631	520,834
Loans	116,494	0	0	0	116,494	116,494
Trade payables	3,597,814	0	0	0	3,597,814	3,597,814
Liabilities to associates and related parties	20,312	0	0	0	20,312	20,312
ABS/factoring liabilities	213,607	0	0	0	213,607	213,607
Other financial liabilities at amortised cost	30,245	0	0	0	30,245	30,245
Other financial liabilities at fair value	0	7,007	0	0	7,007	7,007
Lease liabilities	0	0	9,091	0	9,091	n/a
Derivative financial liabilities without hedge accounting	0	5,920	0	0	5,920	5,920

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

31 January 2018 [1]	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/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	9,698	0	0	0	9,698	9,698
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

[1] Prior-year figures were restated due to the finalisation of purchase price allocations.

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 to 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 2019				
Equity and debt instruments	0	0	51,081	51,081
Derivative financial assets without hedge accounting	0	8,289	0	8,289
Derivative financial liabilities without hedge accounting	0	5,920	0	5,920
Other financial liabilities	0	0	7,007	7,007
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 [1)]	0	0	9,698	9,698

[1)] Prior-year figures were restated due to the finalisation of purchase price allocations.

In the prior year, the fair value of available-for-sale financial assets measured at cost of EUR 2,717k was not disclosed because the fair value could not be measured reliably. A sale was not planned.

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

EUR k	Equity and debt instruments	Other financial liabilities
1 February 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	– 406
Payments due to acquisitions	0	– 1,039
Other [1)]	0	1,795
31 January 2018	**38,070**	**9,698**
Reclassification effects IFRS 9	2,717	0
Purchase	4,438	0
Sale of shares	– 584	0
New measurements (through profit or loss)	4,330	0
Issue	2,110	0
Payments due to acquisitions	0	– 3,257
Other	0	566
31 January 2019	**51,081**	**7,007**

[1)] Prior-year figures were restated due to the finalisation of purchase price allocations.

Net gains or losses on each category of financial instruments

EUR k	FY 2018/19
Financial assets measured at amortised cost	– 21,479
Financial liabilities measured at amortised cost	– 2,982
Financial instruments measured at fair value	– 6,176
	– 30,637

EUR k	FY 2017/18
Loans and receivables	– 6,911
Available-for-sale financial assets	5,786
thereof recognised in accumulated other comprehensive income	3,841
thereof recognised through profit or loss	1,945
Financial liabilities measured at amortised cost	– 106
Financial instruments held for trading	– 3,373
	– 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 2017/18
Trade receivables	14,953
Loans to and receivables from associates	300
Other loans	2,616
Other financial assets	7
	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 2019			
Trade receivables (current)	2,590,253	– 37,941	2,552,312
Other financial assets (current)	294,579	– 147,593	146,986
31 January 2018			
Trade receivables (current)	2,697,582	– 4,320	2,693,262
Other financial assets (current)	319,464	– 152,228	167,236

Offsetting within financial liabilities breaks down as follows:

EUR k	Gross amount of financial liabilities	Gross amount of financial assets	Net amount of financial liabilities reported in the statement of financial position
31 January 2019			
Trade payables (current)	3,709,484	– 111,670	3,597,814
31 January 2018			
Trade payables (current)	3,293,830	– 38,805	3,255,025

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

EUR k	31 January 2018		31 January 2019	
	Nominal amount	Market value	Nominal amount	Market value
Assets				
Derivatives held for trading				
Foreign currency contracts	420,350	1,648	648,919	8,289
Liabilities				
Derivatives held for trading				
Foreign currency contracts	371,381	2,292	204,423	5,733
Interest rate transactions	2,471	229	2,119	187

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 areas Corporate Finance and Asset Management and Corporate Controlling and Accounting. 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 IFRS 9.

Only a small number of persons is 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.

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. Additionally, 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 2019 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 3,418k (prior year: EUR 2,893k) 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 1,980k (prior year: EUR 1,641k) 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 RON, profit before tax would be EUR 1,880k (no prior year) higher (lower). This effect stems from trade payables.

If the EUR depreciates (appreciates) by 10% against the RSD, profit before tax would be EUR 2,940k (prior year: EUR 2,153k) and accumulated other comprehensive income would be EUR 9,411k (prior year: EUR 7,722k) 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 414k (prior year: EUR 1,231k) 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 999k (prior year: EUR 1,396k) higher (lower). This is primarily due to trade receivables.

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 2019, 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 fixed-interest periods of the PHOENIX group as of the reporting date are largely balanced. 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 2,050k (prior year: EUR 3,983k) 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 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 415k (EUR 416k) 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 544k (EUR 546k).

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 32k (EUR 33k) 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 43k (EUR 44k).

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 – which, in the wholesale segment, are mostly pharmacies – generally have a high credit standing. Despite some larger 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.

For the measurement of expected credit losses on trade receivables and lease receivables, the PHOENIX group applies the simplified approach provided by IFRS 9. According to this standard, at initial recognition as well as at every subsequent reporting date, a risk provision is recognised in the amount equal to the lifetime ECL. The risk provision is determined separately for individual customer groups. Initially, the average default rates per customer group are determined using the historical default rates of the last three years in the respective countries. The historical default rates are then adjusted for developments expected in future. The PHOENIX group applies the CDS rate of the respective country as a relevant factor, which it uses to calculate a minimum default rate. At the same time, the CDS rate serves as the basis for determining the rate of loss for receivables from public institutions.

Based on this, the loss allowances on trade receivables and lease receivables as of 31 January 2019 is determined as follows:

31 January 2019		Pharmacies	Hospitals	Health insurance	Other	Individual loss allowance	Total
Expected credit loss	in %	1.1	1.4	1.1	2.5	15.5	
Trade receivables, gross	in EUR k	1,607,078	197,551	51,841	199,701	386,098	2,442,269
Lease receivables, gross	in EUR k				13,650	0	13,650
Loss allowance	**in EUR k**	**17,418**	**2,842**	**553**	**5,410**	**59,859**	**86,082**

Loans granted are subdivided into the following default risk classes:

Class	Description	Basis for the expected credit loss	Expected credit loss in %	Carrying amount (before loss allowance) EUR k
Performing	Debtor has a low credit risk	12-month ECL	1.2	23,650
Underperforming	Default risk has increased significantly	Lifetime ECL	5.6	43,822
Non-performing	Default event has occurred	Lifetime ECL (individual loss allowance)	72.3	38,085
Write-off	Recoverability is not expected	Financial instrument is derecognised	100.0	0

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 table below shows the contractually agreed undiscounted interest payments and repayments of non-derivative financial liabilities and derivative financial assets and liabilities as of 31 January 2019.

EUR k	Cash flows 2019/20	Cash flows 2020/21	Cash flows 2021/22 – 2023/24	Cash flows 2024/25 – 2028/29	Cash flows > 2029/30
Liabilities to banks	144,474	6,833	173,718		
Bonds	16,625	310,375	202,417		
Loans	119,033				
Trade payables	3,597,814				
Liabilities to associates and related parties	20,685				
ABS/factoring liabilities	213,799				
Other financial liabilities	26,934	5,722	4,819		
Finance lease liabilities	6,761	1,220	1,322	187	
Financial guarantee contracts	86,258				
Derivative financial liabilities without hedge accounting					
Cash outflow	206,904	51	72	2	
Cash inflow	– 204,063				
Total derivatives	2,841	51	72	2	

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 2018 are presented in the table below:

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/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	

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.

29 Notes to the cash flow statement

Cash and cash equivalents amounted to EUR 153,309k at the end of the reporting period (prior year: EUR 106,223k) and comprised cash of EUR 153,296k (prior year: EUR 106,209k) as well as cash equivalents of EUR 13k (prior year: EUR 14k). Restricted cash at the end of the period amounts to EUR 9,050k (prior year: EUR 12,368k) 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 17,884k (prior year: EUR 15,162k) 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 of EUR 160,726k (prior year: EUR 40,106k) made for acquisitions of consolidated entities and business units correspond to the payments of the purchase price less any cash and cash equivalents acquired of EUR 11,839k (prior year: EUR 1,262k). Cash received from the sale of consolidated entities and business units correspond to the sale proceeds received of EUR 353k (prior year: EUR 12,192k) less cash and cash equivalents disposed of EUR 0k (prior year: EUR 0k).

The reconciliation of finance lease liabilities is as follows:

EUR k	As of 1 February 2018	Thereof non-financing activities	Changes in cash	Change in the basis of consolidation	Exchange rate changes	Off-balance	Other	As of 31 January 2019
Bonds/loans from banks	825,205		– 74,589	34,401	– 510		314	784,821
Loans from associates and related parties	264,500	2,595	– 247,324					19,771
ABS/factoring liabilities	414,954							213,607
ABS/factoring receivables	– 30,834							– 58,728
ABS/factoring net liabilities	384,120		7,344		1,043	– 237,500	– 128	154,879
Lease liabilities	8,838		– 982	1,057	– 41		219	9,091
Other liabilities	178,941	– 18,244	– 297	300	– 51		– 442	160,207

EUR k	As of 1 February 2017	Thereof non-financing activities	Changes in cash	Change in the basis of consolidation	Exchange rate changes	Off-balance	Other	As of 31 January 2018
Bonds/loans from banks	926,514		– 122,178		1,232		19,637	825,205
Loans from associates and related parties	315,910	– 1,324	– 50,086					264,500
ABS/factoring liabilities	533,882							414,954
ABS/factoring receivables	– 40,262							– 30,834
ABS/factoring net liabilities	493,620		– 63,002		– 5,691	– 41,605	– 798	384,120
Lease liabilities	9,414		– 544		– 17		– 15	8,838
Other liabilities	197,075	– 17,400	– 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	2017/18	2018/19	2017/18	2018/19
Partners	**0**	**0**	**718**	**8,920**
from financing	0	0	718	1,949
from leases, other services	0	0	0	6,971
Associates	**16,797**	**14,582**	**9,696**	**4,726**
from financing	105	0	0	0
from leases, other services	64	35	9,696	4,726
from goods sold	16,628	14,547	0	0
Other related parties	**703**	**0**	**5,586**	**18,456**
from financing	0	0	3,901	3,175
from leases, other services	703	0	1,685	15,281
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	2018	2019	2018	2019
Partners	**0**	**0**	**119,600**	**19,771**
from financing	0	0	119,600	19,771
from leases, other services	0	0	0	0
Associates	**4,001**	**1,132**	**88**	**0**
from financing	2,296	0	0	0
from leases, other services	18	3	88	0
from goods sold	1,687	1,129	0	0
Other related parties	**0**	**0**	**144,924**	**66**
from financing	0	0	144,900	0
from leases, other services	0	0	24	66
from goods sold	0	0	0	0
Loss allowances	**–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.

Related parties granted loans totalling EUR 821,156k to the PHOENIX group in the reporting period, which were repaid in the reporting period. Interest expenses of EUR 3,175k were accrued thereon.

There were also partner loans of EUR 157,019k, of which EUR 137,248k was repaid in the reporting period. Interest of EUR 1,949k was accrued thereon.

In the reporting period, the equity of PHOENIX Pharma SE was increased by EUR 335,002k as part of a non-cash capital increase. The assets transferred were financial instruments, primarily equity instruments as well as receivables. PHOENIX Pharma SE subsequently sold the transferred financial instruments to related parties at a market price of EUR 315,254k. This resulted in a loss of EUR 19,748k.

Real estate acquisition tax of EUR 8,032k 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 9,361k (prior year: EUR 7,117k) and is classified as short-term employee benefits, of which EUR 885k relate to the prior year (prior year: EUR 293k).

The current service cost for benefits earned by the Executive Board in the reporting period was EUR 424k (prior year: EUR 408k).

Former members of the management of PHOENIX Pharmahandel GmbH & Co KG received remuneration (prior year: including severance payments and non-competition payments) of EUR 772k in the reporting year (prior year: EUR 356k). Pension provisions of EUR 28,496k (prior year: EUR 28,303k) were recognised.

32 Remuneration of the supervisory board

The supervisory board remuneration amounted to EUR 539k in the fiscal year (prior year: EUR 350k).

Mannheim, 8 April 2019

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 2019, 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 2018 to 31 January 2019, 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 1 February 2018 to 31 January 2019.

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 2019, and of its financial performance for the financial year from 1 February 2018 to 31 January 2019, 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, 8 April 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

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FINANCIAL CALENDAR 2019

Please consult our calendar for the most important announcement dates:

27 June	Quarterly report February to April 2019
24 September	Half-year report February to July 2019
16 December	Quarterly report February to October 2019

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