

ANNUAL REPORT 2019/20



a PHOENIX company

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FUNDAMENTAL INFORMATION ABOUT THE GROUP

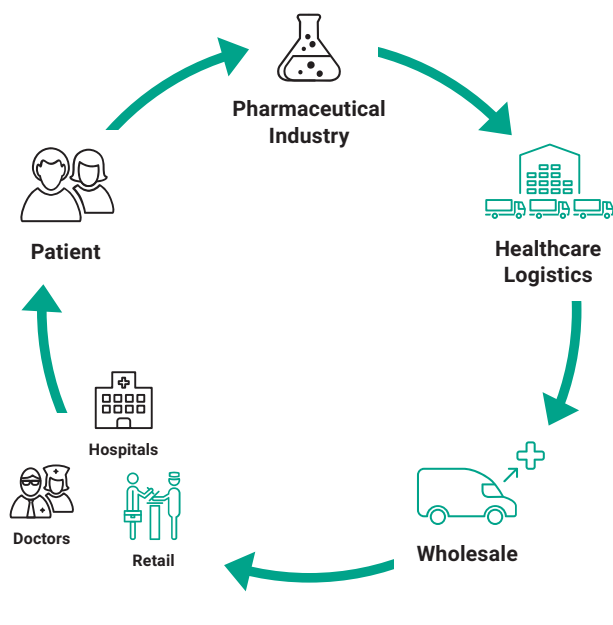
- Leading market position in European pharmaceutical wholesale
- Corporate strategy builds upon three pillars
- Digitalisation brings direct communication with end customers
- Projects and initiatives aim to achieve process optimisation and cost efficiency

PHOENIX

Leading European healthcare provider

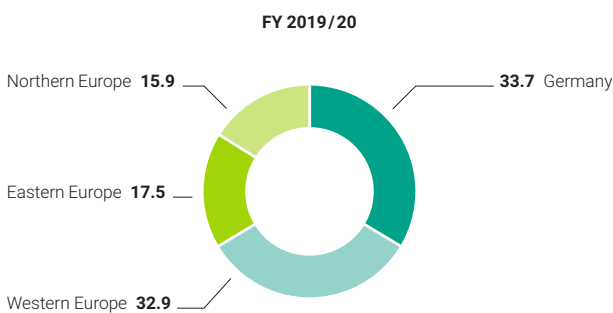
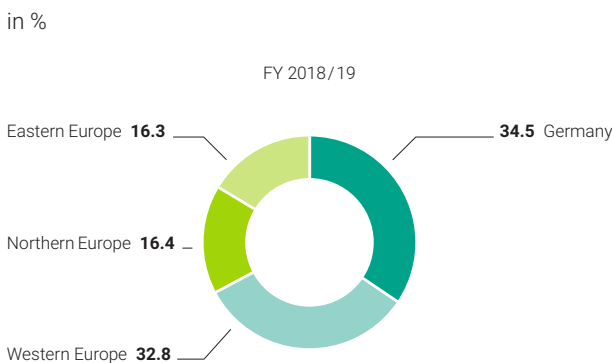
PHOENIX, with its headquarters in Mannheim, Germany, is a leading European healthcare provider and is one of the largest family businesses in both Germany and Europe. Its core business is pharmaceutical wholesale and pharmacy retail. Subsidiaries also operate in related business areas, whose activities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

PHOENIX: LINK BETWEEN MANUFACTURER AND PATIENT



PHOENIX is active in 27 European countries and has a very diversified geographic portfolio. In its core business, the company was operating 161 distribution centres as of the end of the reporting year.

NET TURNOVER PER REGION



In pharmaceutical wholesale, PHOENIX is number 1 in 13 countries. Since November 2019, the company has had more than 2,700 of its own pharmacies in 15 European countries and is thus Europe's leading pharmacy operator. In pharmacy retail, it mainly operates in the following countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Montenegro, Netherlands, Norway, Romania, Switzerland, Serbia, Slovakia, and the UK. On top of this, it offers its competencies to the pharmaceutical industry as a service provider.

Our corporate mission statement defines our values

Our corporate mission statement plays a key role in our day-to-day actions. 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. Therefore, our employees and their motivation are a high priority for us.

PHOENIX AS THE LEADING PHARMACEUTICAL WHOLESALER IN 13 EUROPEAN COUNTRIES

- PHOENIX market leader
- PHOENIX market presence

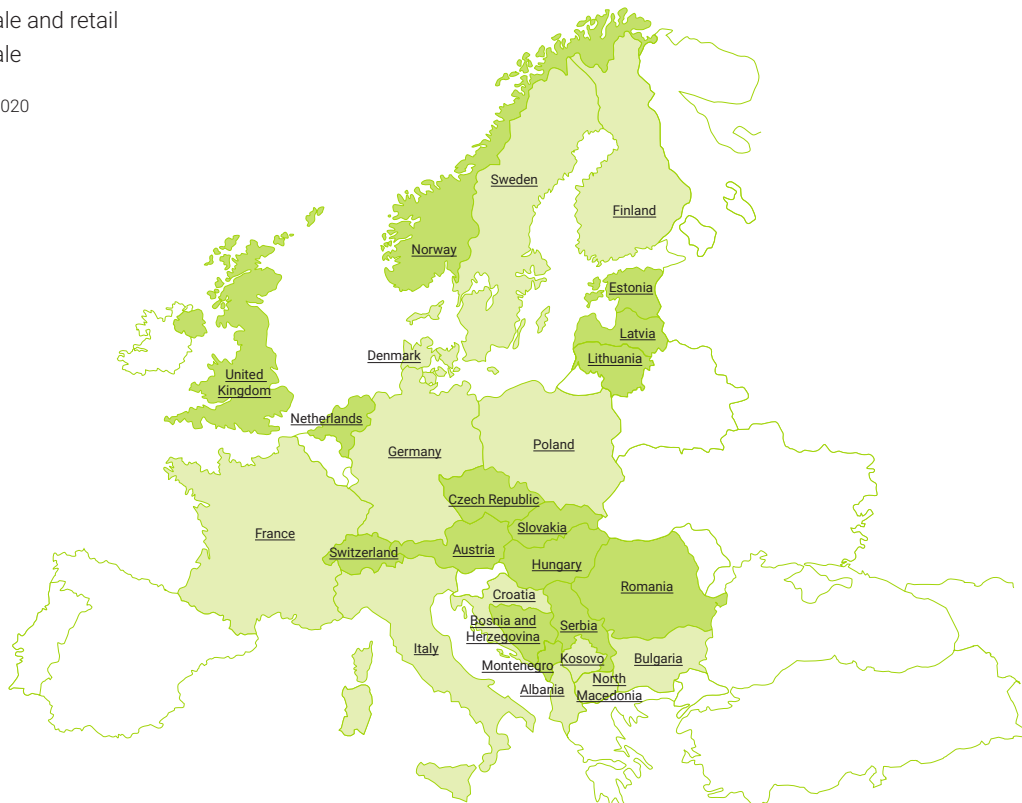
As of 31/01/2020



PHOENIX WITH A PRESENCE IN WHOLESALE AND RETAIL IN 15 EUROPEAN COUNTRIES

- Wholesale and retail
- Wholesale

As of 31/01/2020



In 2019, we adjusted the group-wide corporate mission statement at a local level in order to account for country-specific special considerations even better. All of the national subsidiaries have developed their own version of the corporate mission statement or have specified its content even further. By the end of 2019, we had implemented the country-specific versions with accompanying communication across the various countries.

Differentiation from the competition

PHOENIX sets itself apart on the market using the following competitive advantages:

- Unique geographical coverage across Europe, thanks to our presence in 27 European countries
- Our integrated range of services in wholesale and retail in 15 European countries
- Our pharmacy brands spread across all of Europe: BENU, Apotek 1, Rowlands Pharmacy and Help Net
- The pharmacy network with more than 13,500 pharmacies and 13 brands in PHOENIX's partnership and cooperation programmes. The PHOENIX Pharmacy Partnership functions as a Europe-wide umbrella for the cooperation programmes in 16 countries.
- Our integrated services in the Pharma Services business, which we bundle under the All-in-One service brand

STRATEGY AND GROUP MANAGEMENT

Strategy for further growth


PHOENIX's overarching goal is to achieve sustainable values through a corporate culture geared to the customers, high cost-effectiveness and profit-oriented growth. Market leadership, customer satisfaction and cost efficiency are top priorities for us.

The company's strategy focuses on the following elements:

- We are strengthening our core business in pharmaceutical wholesale and pharmacy retail by focusing Europe-wide on the operational excellence of our central basic services such as the ability to quickly, reliably and safely deliver drugs and health products.
- We are expanding cross-border and interdisciplinary cooperation in order to provide even stronger integrated services for our customers.
- Our aim is to increase quality and productivity in the company by rigorously focusing on process orientation.

- We are taking advantage of the opportunities presented to us by digitalisation in order to intensify our focus on the needs of end customers. Digital interfaces to customers open up new revenue and business models.
- We are integrating sustainability into our business to an even greater extent. This means that we can strengthen even further the link between economic efficiency and the preservation of ecological resources. To this end, we are stringently developing the sustainability goals published in 2019.

In terms of digital offerings, such as smartphone apps, we want to identify niche markets and new ways of business as well as actively drive forward the trends and innovations in the health sector at different levels. For end customers, we are focusing on user friendliness, simple communication and a wide range of services. To this end, in summer 2019 we founded the digital unit PXG Health Tech GmbH as a wholly owned subsidiary of PHOENIX. The aim is to offer digital solutions to customers across Europe.

Furthermore, we are also collaborating with start-ups. For example, a pilot project in the area of telemedicine has been kicked off in this connection in the UK. In Germany, we launched the smartphone app "deine Apotheke" on the market. **More information under "Business development at a glance" on  p. 7.**

Our strategy envisions that PHOENIX will grow organically and through targeted acquisitions and continually expand its position in the areas of pharmacy retail and pharmaceutical wholesale and extend its range of services. In fiscal year 2019/20, we acquired further pharmacies in the Netherlands, Romania, the Czech Republic, Slovakia and Serbia and have thus grown to become Europe's leading pharmacy operator.

In pharmaceutical wholesale, PHOENIX has partnerships with around 60,000 pharmacy customers, of which many are part of our pharmacy cooperation programmes. We offer franchise systems for independent pharmacies in some countries. With the PHOENIX Pharmacy Partnership, we have a European umbrella for our existing pharmacy cooperation programmes. With cross-border cooperation and the strengthened exchange of knowledge and experience, PHOENIX with its national entities facilitates members access to numerous sales and marketing services as well as purchasing advantages.

We want to focus on strengthening, expanding and continuing to professionalise the pharmacy retail business. Strategic measures in the previous year included the establishment of PXG Pharma GmbH for Europe-wide trade with our own brand LIVSANE as a key element for the further development of our white label brand activities. In the Pharma Services business, we offer the pharmaceutical industry comprehensive services along the entire pharmaceutical supply chain with our All-in-One service brand.

We also make targeted investments across the group in technology and automation in order to further increase efficiency and productivity.

Using key financial indicators in management

The corporate management is primarily based on the key financial indicators of the income statement and the statement of financial position. The key figures in the income statement are revenue and earnings before taxes; in the statement of financial position it is the equity ratio.

PROCESSES AND ORGANISATION

Ongoing optimisation

The continuous review of our processes and structures serves to secure a high level of efficiency and flexibility in our ability to act and the ability to react to changes on the market at short notice.

In order to safeguard our market leadership, we have harmonised our processes and structures in Germany. We are implementing numerous initiatives in the UK. In wholesale, we aim to foster further growth in the hospital supply sector, among others, and expand our pharmacy cooperation "Numark". With "Fit4Two", we have introduced a project to optimise internal structures and centralise services for pharmacies. The latter is the focus of the MediPAC facility in Runcorn, UK, which has been in operation since June 2019. This offers our pharmacy chain Rowlands Pharmacy a central solution to fill repeat prescriptions. The central filling saves time in the pharmacies, which can be used for advising, consulting and patient services.

Furthermore, we are continuing to work on initiatives to optimise the operational processes of our logistics network and increase efficiency. 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. In fiscal year 2019/20, we also kicked off a project with the aim of modernising and digitising our logistics infrastructure and processes.

EU Directive 2011/62/EU (EU Falsified Medicine Directive, "FMD") aimed at combating the falsification of medicines entered into force on 9 February 2019. To this end, PHOENIX has developed a solution that 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.

PHOENIX continues to invest in IT

In the past year, the focus of corporate IT continued to be on harmonising the goods management systems and optimising and modernising the IT architecture landscape across PHOENIX as a whole.

After the strategic planning to gradually consolidate and modernise the goods management systems was completed, we kicked off a pilot project to introduce a new ERP system in Austria. Here we are replacing our internally developed ERP system PHARMOS with SAP. We started with corresponding analyses and design activities in fiscal year 2019/20 and will continue these in the current fiscal year. After the proof of concept has been successful, the new software is to be introduced in further national entities.

PHOENIX has also made IT investments to tackle the continuously increasing technical, legal and economic requirements. The investments were made in IT infrastructure in particular in order to improve the performance and security of data integration with suppliers and customers. In this regard, the advanced PHOENIX integration platform is the key technology that ensures reliable data exchange.

Furthermore, corporate IT has also supported PHX Health Tech with its developments in relation to digitalisation. In addition, we have also collaborated with other PHOENIX units that develop IT solutions, such as ADG.

From an IT perspective, PHOENIX has steadily improved the daily cooperation and communication of all its employees. To this end, we have continued the roll-out of the social employee app for mobile communication "PHOENIX Speakap", meaning that this is now available at virtually all national subsidiaries. We have also pressed ahead with the standardisation of our communication infrastructure including phone calls, video conference systems and computer workstations.

ECONOMIC REPORT

- Economic growth slows
- Market environment characterised by strong competition
- Total operating performance, revenue and EBITDA increase compared to prior year
- Goodwill impairment in the United Kingdom, Romania and Germany
- Results of employee survey translated into targeted measures

ECONOMIC ENVIRONMENT

Overall economic dynamic eases off

The European economy again recorded growth in 2019, with growth momentum once again easing off compared to 2018. The gross domestic product (GDP) in the eurozone was up 1.2% on the prior year (prior year: 1.8%). The German economy was also weaker than in the prior year, with GDP (adjusted for price and calendar effects) up 0.6% (prior year: 1.5%).

Development in the European pharmaceutical markets was varied. The German pharmaceutical wholesale market increased 4.2% in 2019 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. PHOENIX has been able to benefit from this with its presence in 27 countries. At the same time, regulatory requirements are becoming ever stricter, however this also puts up barriers for new players on the market. Growing pressure on prices within Europe's healthcare systems is also an increasingly important factor for the pharmaceutical wholesale business. PHOENIX is countering this effect in all countries with diverse measures to improve earnings and efficiency.

At the same time, we are actively driving forward the development of innovative business models and omnichannel solutions. Our aim is to offer digital platform solutions with a B2C focus to customers across Europe and intensify cooperation with start-ups. In order to bolster this area, in June 2019, we founded PXG Health Tech GmbH. This company developed an e-commerce platform for the Serbian market in the reporting year. We are therefore able to sell our customers medicines online. In this way, PHOENIX is also simultaneously strengthening its position as the market leader in the Serbian pharmacy business. **More information on digital solutions can be found under "Pharmacy retail strengthened through the purchase of further pharmacies" on  p. 8.**

PHOENIX also continues to focus on expanding its services. This includes the ongoing development of its various pharmacy cooperation programmes.

PHOENIX's network of more than 13,500 independent pharmacies in its cooperation and partner programmes is the largest of its kind in Europe and part of the services of the PHOENIX service brand "All-in-One". The PHOENIX Pharmacy Partnership acts as a Europe-wide umbrella for PHOENIX's 13 pharmacy cooperation programmes in 16 different countries. The cooperation programme PHOENIX Pharmacy Partnership is being continually refined thanks to the work of pharmacists on the advisory board. PHOENIX also wants to support pharmacies with an omnichannel solution for the offline and online segment.

Together with our subsidiary ADG, we have developed a concept that we have been offering since February 2019 across all pharmacies in Germany and which we presented at Europe's largest trade fair in the pharmacy market, exopharm, in September 2019, among others. The concept includes an entire bundle of services with which PHOENIX is supporting all community pharmacies with digitalisation and marketing. This includes an app "deine Apotheke", which allows end customers to scan in their prescriptions and pre-order drugs and health products directly at their pharmacy. The app also allows end customers to find pharmacies near to them and communicate with the desired pharmacy using secure encryption. At the same time, the app serves as preparation for e-prescriptions that are to be introduced in Germany in 2020. The second component that is currently important is the exclusive access to PAYBACK, the largest customer loyalty programme in Germany with 31 million users. PHOENIX is working on successively expanding its digital and stationary offering into an integrated concept with a customer focus.

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. Furthermore, we bundle all activities in the business areas pharmacy software, hardware and services under the Europe-wide umbrella brand Pharmacy Solutions.

One new development from ADG Pharmacy Solutions is the blister dispenser "Smila", which has an easy-to-use app and corresponding cloud connection for the organisation of care. The device simplifies providing care to those who require care in their own homes in a sustainable manner by providing patients with medicines according to their individual medication plan at predefined times and in predefined quantities.

Pharmacy retail strengthened through the purchase of further pharmacies

PHOENIX's pharmacy retail business again recorded growth in the past fiscal year. At the end of fiscal year 2019/20, the company had more than 2,700 pharmacies and was thus Europe's leading pharmacy operator. The takeover of pharmacy chains in various European countries in the reporting year contributed to this. **Further information can be found under "Acquisitions contribute to profitable growth" on  p. 8.**

We introduced a new store concept for our largest pharmacy brand BENU and will gradually implement this in pharmacies in all retail markets in Europe in which the brand is active. New features include interactive screens, for example, with which customers can access important information about selected products and receive advice.

Our white label brand "LIVSANE" has been exclusively available from PHOENIX since 2017. The LIVSANE range currently includes more than 160 products and is available in 15 European countries. As a subsidiary of PHOENIX, PXG Pharma GmbH is responsible for central product development and sales. In particular, it is responsible for purchasing conditions and product quality and is working on continuously expanding the product range. Alongside the currently available product categories such as medicinal products, cosmetics and nutritional supplements, PXG Pharma is currently setting up the framework to also be able to offer drugs under its white label brand. The LIVSANE product portfolio is aimed at independent pharmacies in the PHOENIX cooperation programmes as well as individual pharmacies that the company supplies as part of its pharmaceutical wholesale business. In addition, LIVSANE products are also sold and distributed across Europe to PHOENIX's own pharmacy chains BENU and Help Net.

Furthermore, as a leading healthcare provider, PHOENIX is also working on the increasing digitalisation and further development of sales channels. The company already has its own e-commerce solutions in most retail countries. In the reporting year, new solutions were added in Slovakia, Serbia and Switzerland. Further solutions are planned in the Baltic countries and Romania. Moreover, further apps have also been launched on the market under the BENU brand, in the Czech Republic and other countries. In the Baltic countries, we have also brought out the first solution in the area of telemedicine. These digital instruments enable digital communication between all involved parties such as doctors, therapists, pharmacists and patients.

Pharma Services offers services for the pharmaceutical industry

Under the service brand "All-in-One" Pharma Services coordinates services for the pharmaceutical industry across Europe – in the pharmaceutical wholesale sector and across the industry's entire supply chain. Whether this is logistics solutions in "Healthcare Logistics" with hubs across Europe, such as the new location in Køge near Copenhagen, awareness campaigns or digital B2C campaigns via the pharmacy channel – Pharma Services analyses demand together with its industry partners and develops individual solutions – at a local level, regional level or Europe-wide.

In fiscal year 2019/20, Pharma Services developed services further, in particular in the "Regulatory" and Representation" fields. Using these services, PHOENIX supports its industry partners with approvals and its own medical specialists working directly with customers.

With the opening of the largest logistics centre in Northern Europe, including a pre-wholesale warehouse and distribution centre in Køge, Denmark, and the expansion of capacity in Prague, Czech Republic, and Sofia, Bulgaria, we have expanded our logistics network internationally. **More information can be found under "PHOENIX invests in the future" on  p. 9.**

The number of European partnerships is also continuing to grow. Alongside the prolongation of existing partnerships, new partners have also been acquired at a local, regional and international level.

Acquisitions contribute to profitable growth

Alongside organic growth, acquisitions are also part of our profitable growth strategy. These allow us to strengthen our core business, that is to say wholesale, retail and services. Business acquisitions in fiscal year 2019/20 led to a cash outflow of EUR 56.7m (prior year: EUR 148.9m). Cash received from divestitures amounted to EUR 3.0m (prior year: EUR 0.4m).

We acquired several pharmacy chains in fiscal year 2019/20. We took over 20 Thio Pharma pharmacies in the Netherlands, which have become part of the now roughly 340 Dutch BENU pharmacies. This allowed us to strengthen our position as a leading healthcare provider in the Netherlands and Europe as a whole. Furthermore, over the course of the fiscal year, we took over 17 Proxi Pharm pharmacies in Romania and 10 FAJN pharmacies in the Czech Republic. In Romania, PHOENIX expanded the number of locations belonging to the Help Net pharmacy chain to around 260, while the number of Czech BENU pharmacies expanded to around 250 due to the takeover. In Serbia, we also took over 20 ZU Julija pharmacies and 28 PPP Novi Sad pharmacies in fiscal year 2019/20 and have since already renamed these as BENU pharmacies.

The integration of companies acquired in the prior year, the Romanian pharmaceutical wholesaler Farmexim S.A. as well as the country-wide pharmacy chain Help Net Farma S.A. has mostly been completed. We want to continue to grow in Romania in the future and acquire additional pharmacies.

PHOENIX invests in the future

PHOENIX is facing up to the requirements of tomorrow by investing in intangible assets and property, plant and equipment. In past years, PHOENIX has invested 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 modernisation investments and less so to expansion investments. In fiscal year 2019/20, investments amounted to EUR 200.8m (prior year: EUR 174.7m).

After three years of construction, in November 2019 PHOENIX opened the largest logistics centre for drugs and health products in the Nordic countries in Køge, Denmark. At around EUR 80m, this represented the single largest investment in infrastructure made by PHOENIX. The 25,000 m² building has a fully-automated warehouse for more than 55,000 pallets.

In June 2019, we started operations at a new central filling station for medicines in Runcorn near Liverpool, United Kingdom. Thanks to what is known as an offsite dispensing solution (ODS), various medicines for one person can be collected at this location and directly packaged together so that they can be made available to the patient in a single bag in the pharmacy. In the future, the MediPAC facility should be able to fulfil around 16 million prescriptions per year for our own pharmacy chain Rowlands Pharmacy. The time saved due to greater efficiency can be invested in consulting and advising customers in the pharmacy. Automated filling is worthwhile for PHOENIX in particular in countries where it has its own pharmacy chains.

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 are modernising the existing hall in Prague and converting this into a pre-wholesale warehouse and are simultaneously building a new distribution centre. Two machines will bring the level of automation at this facility up to 48%. Furthermore, we are also expanding our storage capacity and efficiency in this growing market. Commissioning is planned for the first half of 2021. We also continue to pursue the strategy of automating slow-moving items in countries with a large variety of products such as Germany and Italy.

Further investment measures related, inter alia, to the implementation of batch tracking, which has been a legal requirement since 9 February 2019, and the area of data protection. In addition, we have invested in our IT to increase stability and reliability. **More information can be found under "PHOENIX continues to invest in IT" on p. 6.** We also want to make targeted investments in the future in further modernisation, automation and building maintenance.

Management Board's overall assessment of the situation

PHOENIX was able to strengthen its market position in fiscal year 2019/20 as a leading healthcare provider in Europe and successfully expand its wholesale and retail activities. Despite challenging conditions, PHOENIX has once again managed to grow at a higher rate than the overall market and further increase its total operating performance and revenue, thereby achieving our forecast for the past fiscal year.

FINANCIAL PERFORMANCE

	FY 2018/19 in EUR m	FY 2019/20 including IFRS 16 in EUR m	Impact of IFRS 16 in EUR m	FY 2019/20 excluding IFRS 16 in EUR m	Change excluding IFRS 16 in EUR m	Change excluding IFRS 16 in %
Total operating performance	33,045.1	34,514.2	4.1	34,518.3	1,473.2	4.5
Revenue	25,812.2	27,323.3	4.1	27,327.4	1,515.2	5.9
EBITDA	452.8	606.5	-149.9	456.6	3.8	0.8
EBIT after goodwill impairment	26.3	165.7	-12.1	153.6	127.3	484.0
EBIT before goodwill impairment	305.8	296.4	-12.0	284.4	-21.4	-7.0
Financial result	-43.7	-61.7	26.4	-35.3	8.4	-19.2
Profit before tax	-17.4	103.9	14.4	118.3	135.7	-779.9
Profit or loss for the period after goodwill impairment	-97.6	35.1	4.9	40.0	137.6	-141.0
Profit or loss for the period before goodwill impairment	181.9	160.5	4.9	165.4	-16.5	-9.1
Equity	3,144.8	3,165.4	6.2	3,171.6	26.8	0.9
Equity ratio (%)	36.2	32.7	3.1	35.8	-0.4	-1.1
Net debt	1,451.2	2,153.2	-837.6	1,315.6	-135.6	-9.3

The mandatory first-time application of IFRS 16 "Leases" as of 1 February 2019 had a significant impact on PHOENIX's consolidated financial statements. Payment obligations from leases previously classified as operating leases are now discounted and recognised as lease liabilities with a corresponding right-of-use asset being recognised at the same time. This leads to an increase in net debt. Lease payments in connection with operating leases were previously recognised as operating expenses. Pursuant to IFRS 16, amortisation on right-of-use assets or interest expenses for lease liabilities are now to be recognised. This leads to an increase in EBITDA without a change in the economic conditions. In the statement of cash

flows, the principal component of lease payments for leases previously classified as operating leases now reduces cash flow from financing activities and no longer reduces cash flow from operating activities. Interest payments continue to remain under cash flow from operating activities.

IFRS 16 was applied for the first time using the modified retrospective method, i.e. without restating the prior-year figures. In order to facilitate comparability, the impact of IFRS 16 in fiscal year 2019/20 has once again been adjusted for in the following representations:

	FY 2018/19 in EUR k	FY 2019/20 including IFRS 16 in EUR k	Impact of IFRS 16 in EUR k	FY 2019/20 excluding IFRS 16 in EUR k	Change excluding IFRS 16 in EUR k	Change excluding IFRS 16 in %
Revenue	25,812,179	27,323,261	4,108	27,327,369	1,515,190	5.9
Cost of purchased goods and services	-23,188,211	-24,411,176	0	-24,411,176	-1,222,965	5.3
Gross profit	2,623,968	2,912,085	4,108	2,916,193	292,225	11.1
Other operating income	158,120	31,705	-817	30,888	-127,232	-80.5
Personnel expenses	-1,420,779	-1,510,114	0	-1,510,114	-89,335	6.3
Other operating expenses	-919,112	-830,625	-153,220	-983,845	-64,733	7.0
Result from associates and joint ventures	8,650	1,270	0	1,270	-7,380	-85.3
Results from other investments	1,922	2,201	0	2,201	279	14.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	452,769	606,522	-149,929	456,593	3,824	0.8
Amortisation of intangible assets and depreciation of property, plant and equipment	-138,025	-273,481	131,571	-141,910	-3,885	2.8
Impairment of intangible assets and property, plant and equipment	-288,448	-167,391	6,351	-161,040	127,408	-44.2
Earnings before interest and taxes (EBIT)	26,296	165,650	-12,007	153,643	127,347	484.3
Financial result	-43,717	-61,738	26,389	-35,349	8,368	-19.1
Profit before income tax	-17,421	103,912	14,382	118,294	135,715	-779.0
Income tax	-80,185	-68,783	-9,520	-78,303	1,882	-2.3
Profit for the period	-97,606	35,129	4,862	39,991	137,597	-141.0
Profit for the period before goodwill impairment	181,907	160,541	4,862	165,403	-16,504	-9.1

Increase in total operating performance and revenue

Total operating performance (excluding IFRS 16), which comprises revenue and handled volume not recognised as revenue but instead charged as a service fee, increased by 4.5% to EUR 34,518.3m in fiscal year 2019/20. Adjusted for foreign exchange rate effects, the growth amounts to 4.7%.

Revenue increased by 5.9% to EUR 27,323.3m in fiscal year 2019/20 (prior year: EUR 25,812.2m). Growth was recorded in all regions. This development is in line with the statement made in the forecast report of the 2018/19 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 6.0%. 0.2% stemmed from changes in the basis of consolidation.

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

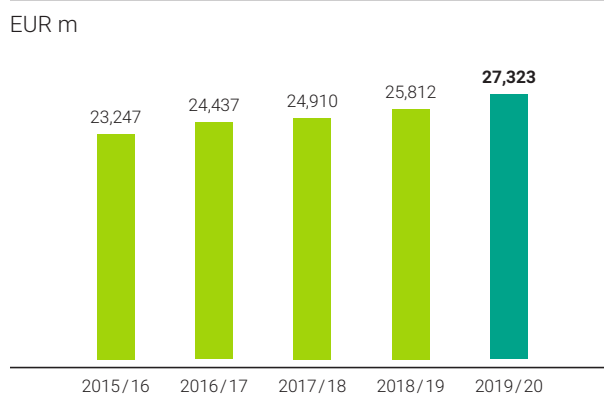
	FY 2018/19 in EUR m	FY 2019/20 in EUR m	Change in EUR m	Change in %
Germany	8,922.3	9,240.4	318.1	3.6
Western Europe	8,496.7	9,020.8	524.1	6.2
Eastern Europe	4,206.5	4,786.7	580.2	13.8
Northern Europe	4,256.1	4,345.8	89.7	2.1

EBITDA higher than in the prior year

Gross profit increased by EUR 288.1m in the reporting year to EUR 2,912.1m. The gross profit margin, calculated as gross profit in relation to revenue, increased from 10.17% to 10.66%. Without taking IFRS 16 into consideration, gross income increased by EUR 292.2m to EUR 2,916.2m. The gross profit margin excluding IFRS 16 amounted to 10.67% in fiscal year 2019/20. This can mainly be attributed to an improved cost of sales ratio. Pressure on margins primarily in the United Kingdom caused by market conditions had the opposite effect.

Personnel costs rose from EUR 1,420.8m to EUR 1,510.1m. Adjusted for currency effects, personnel expenses increased by 6.6% on the prior year. This is primarily attributable to acquisitions, collectively bargained wage increases and an increase in headcount due to the expansion of business.

DEVELOPMENT OF SALES



Other expenses decreased by EUR 88.5m to EUR 830.6m. This is largely due to the first-time application of IFRS 16 in fiscal year 2019/20. Without taking IFRS 16 into consideration, other expenses increased by EUR 64.7m to EUR 983.8m. This is largely due to higher transport costs, IT costs, marketing costs and rental expenses. In relation to revenue, other expenses (excluding IFRS 16) came to 3.6% (prior year: 3.6%).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose from EUR 452.8m to EUR 606.5m. Without taking into account the impact of IFRS 16, EBITDA rose to EUR 456.6m and was thus in line with our forecast for fiscal year 2019/20, which predicted a slight year-on-year increase.

Adjusted EBITDA (excluding IFRS 16) of EUR 474.5m was down EUR 16.8m on the prior-year figure. It is calculated as follows:

	FY 2018/19 in EUR k	FY 2019/20 including IFRS 16 in EUR k	Impact of IFRS 16 in EUR k	FY 2019/20 excluding IFRS 16 in EUR k	Change excluding IFRS 16 in EUR k	Change excluding IFRS 16 in %
EBITDA	452,769	606,522	- 149,929	456,593	3,824	0.8
Interest from customers	9,608	9,519		9,519	- 89	- 0.9
Factoring fees	1,318	1,244		1,244	- 74	- 5.6
Other non-recurring effects	27,605	7,159		7,159	- 20,446	- 74.1
Adjusted EBITDA	491,300	624,444	- 149,929	474,515	- 16,785	- 3.4

Goodwill impairment

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to EUR 273.5m (prior year: EUR 138.0m). Amortisation and depreciation in fiscal year 2019/20 contained amortisation of right-of-use assets under IFRS 16 of EUR 131.6m for the first time. Adjusted for this effect, the increase is primarily due to acquisition effects and investments.

In fiscal year 2019/20, impairment losses were recognised on intangible assets in the amount of EUR 160.7m (prior year: EUR 290.3m). This was largely due to goodwill impairment of EUR 130.7m (prior year: EUR 279.5m) and impairment on pharmacy licences of EUR 27.5m (net) (prior year: EUR 8.1m). Goodwill impairment largely relates to the cash-generating units United Kingdom, Romania and Germany (prior year: United Kingdom and Bosnia/North Macedonia/Serbia). In the United Kingdom, a further reduction in pharmacy remuneration led to a decline in future income forecasts and thus to impairment of goodwill. An extensive optimisation programme aimed at improving the earnings situation in the medium term was already in the implementation phase. A growing need for working capital at the cash-generating units Romania and Germany also led to the impairment of goodwill.

The effects described resulted in earnings before interest and taxes (EBIT) of EUR 165.7m overall (prior year: EUR 26.3m). Without taking IFRS 16 into account, EBIT amounted to EUR 153.6m. EBIT (excluding IFRS 16) before goodwill impairment amounted to EUR 284.4m compared to EUR 305.8m in the prior year. The return on sales (excluding IFRS 16) based on EBIT before goodwill impairment amounted to 1.04% (prior year: 1.19%).

The financial result decreased by EUR 18.0m to EUR - 61.7m. On account of the first-time application of IFRS 16 in fiscal year 2019/20, the financial result contains additional interest expenses on lease liabilities of EUR 26.4m. Adjusted for this effect, the financial result improved by EUR 8.4m to EUR - 35.3m. In the prior year, the financial result was impacted by higher impairment losses on financial assets of EUR 14.3m (current fiscal year: EUR 0.6m).

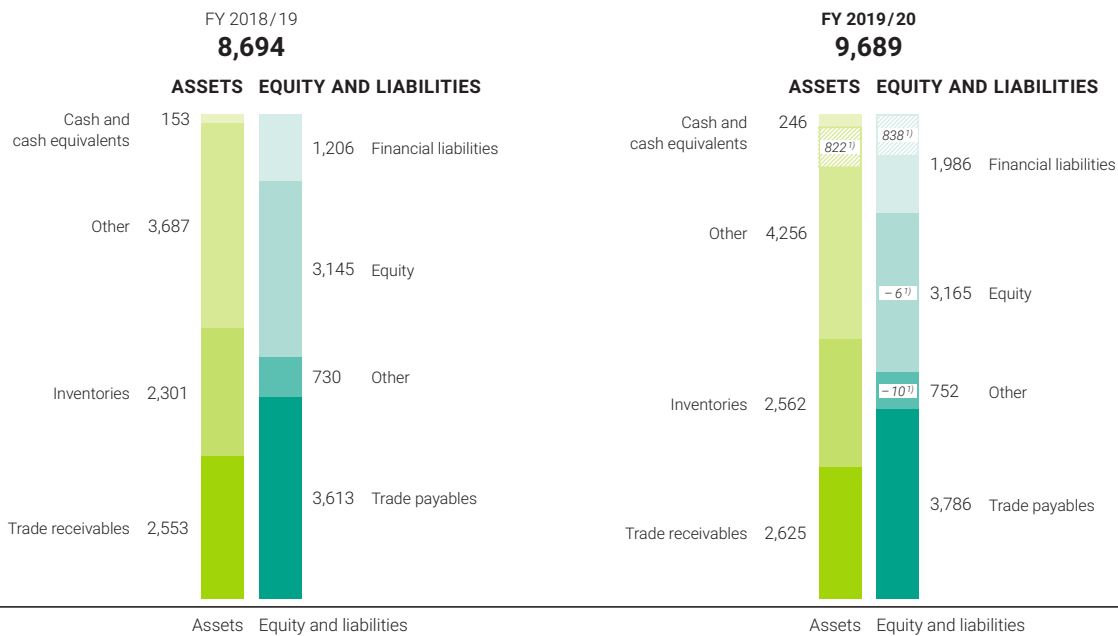
Earnings before income tax amounted to EUR 103.9m (prior year: EUR - 17.4m). Excluding the effects of IFRS 16, earnings before income taxes amount to EUR 118.3m.

Income taxes of EUR 68.8m (prior year: EUR 80.2m) were recorded. The ratio of tax expense to earnings before income tax of 66.2% (prior year: - 460.3%) is largely impacted by non-tax-deductible goodwill impairment. Income taxes excluding IFRS 16 amounted to EUR 78.3m (prior year: EUR 80.2m) and contain expenses from current taxes of EUR 70.6m (prior year: EUR 64.3m) as well as deferred tax expenses of EUR 7.7m (prior year: EUR 15.9m).

Profit for the period came to EUR 35.1m (prior year: loss of EUR 97.6m). Excluding the effects of IFRS 16, profit for the period amounted to EUR 40.0m. Profit for the period (excluding IFRS 16) before goodwill impairment amounted to EUR 165.4m compared to EUR 181.9m in the prior year.

STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION

EUR m

¹⁾ Impact of IFRS 16.**ASSETS AND LIABILITIES**

The group's total assets increased compared to 31 January 2019 in particular due to the first-time application of IFRS 16 by 11.5% to EUR 9,688.8m. The currency translation difference on total assets, which is recognised in the statement of changes in equity, amounted to EUR –97.1m (31 January 2019: EUR –100.6m).

Property, plant and equipment increased from EUR 966.6m in the prior year to EUR 1,782.5m. As of 31 January 2020, property, plant and equipment contains right-of-use assets of EUR 809.1m due to the first-time application of IFRS 16.

Intangible assets decreased by EUR 24.2m to EUR 1,813.6m. In fiscal year 2019/20, additions amounted to EUR 148.7m (prior year: EUR 207.0m). This was counterbalanced primarily by impairment of goodwill in the United Kingdom, Romania, Germany, Bosnia and Herzegovina, and Austria totalling EUR 130.7m (prior year: EUR 279.5m). As of 31 January 2020, intangible assets essentially comprised goodwill (EUR 1,411.4m; prior year: EUR 1,460.3m) and pharmacy licences (EUR 286.7m; prior year: EUR 287.3m).

Inventories rose in comparison to the prior year by 11.3% to EUR 2,561.8m. The average number of days sales of inventory rose from 32.9 to 33.9 days.

Trade receivables increased slightly from EUR 2,552.6m in the prior year to EUR 2,625.4m. The average number of days of sales outstanding remained more or less at the prior-year level at 41.2 (prior year: 41.0).

Receivables amounting to EUR 302.4m had been sold as of 31 January 2020 (prior year: EUR 302.4m) 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 175.3m had been sold as of 31 January 2020 (prior year: EUR 169.2m). The group's continuing involvement came to EUR 8.1m (prior year: EUR 8.5m).

Other current financial assets amounted to EUR 270.2m (31 January 2019: EUR 501.1m) and contain a purchase price loan to PHOENIX Pharma SE of EUR 148.5m (31 January 2019: EUR 345.0m).

FINANCIAL POSITION

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

Increased equity

Equity increased from EUR 3,144.8m as of 31 January 2019 to EUR 3,165.4m as of 31 January 2020. Excluding the effects of IFRS 16, equity amounted to EUR 3,171.6m. In contrast to our forecast, the equity ratio (excluding IFRS 16) declined from 36.2% in the prior year to 35.8% largely due to the increase in total assets.

	FY 2018/19 in EUR m	FY 2019/20 including IFRS 16 in EUR m	Impact of IFRS 16 in EUR m	FY 2019/20 excluding IFRS 16 in EUR m	Change excluding IFRS 16 in EUR m	Change excluding IFRS 16 in %
Profit or loss for the period	-97.6	35.1	4.9	40.0	137.6	-141.0
Non-cash expenses/income, p&l neutral payments	502.5	487.8	-146.5	341.3	-161.2	-32.1
Change in working capital	-47.7	-228.6	0.0	-228.6	-180.9	379.2
Cash flow from operating activities	357.2	294.3	-141.6	152.7	-204.5	-57.3
Cash flow from investing activities	-212.3	-29.0	0.0	-29.0	183.3	-86.3
Free cash flow	144.9	265.3	-141.6	123.7	-21.2	-14.6

Cash flow from operating activities came to EUR 294.3m (prior year: EUR 357.2m). This was impacted in particular by the change in the fiscal year in the recognition of lease payment in the cash flow from financing activities due to the first-time application of IFRS 16 as well as a higher year-on-year increase of working capital of EUR 180.9m. Excluding the effects of IFRS 16, cash flow from operating activities came to EUR 152.7m. Cash flow from investing activities came to EUR -29.0m after EUR -212.3m in the prior year. The partial repayment of a purchase price loan granted to PHOENIX Pharma SE of EUR 200.1m had a positive impact here. In the prior year, payments for investments largely contain the acquisition of Farmexim S.A. and Help Net Farma S.A.

Free cash flow increased from EUR 144.9m in the prior year to EUR 265.3m. Excluding the effects of IFRS 16, free cash flow amounted to EUR 123.7m in fiscal year 2019/20. For the change in free cash flow and cash and cash equivalents, please refer to the statement of cash flows.

Provisions for pensions decreased from EUR 249.6m in the prior year to EUR 216.3m in the reporting year.

Non-current financial liabilities came to EUR 1,070.5m (31 January 2019: EUR 662.3m). These include lease liabilities pursuant to IFRS 16 of EUR 708.8m (31 January 2019: EUR 0.0m).

Moreover, this item contains bonds of EUR 199.3m (31 January 2019: EUR 497.6m) and promissory notes of EUR 150.0m (31 January 2019: EUR 149.7m).

Current financial liabilities amount to EUR 915.3m as of the reporting date (31 January 2019: EUR 543.3m) and contain lease liabilities pursuant to IFRS 16 of EUR 128.8m (31 January 2019: EUR 0.0m). This item includes bonds of EUR 299.7m (31 January 2019: EUR 0.00m), liabilities to banks of EUR 142.7m (31 January 2019: EUR 137.5m), liabilities from ABS and factoring agreements of EUR 186.2m (31 January 2019: EUR 213.6m) and other loans of EUR 111.8m (31 January 2019: EUR 116.2m).

On the whole, net debt decreased compared to 31 January 2019 (excluding IFRS 16) by EUR 135.6m to EUR 1,315.6m according to the following calculation.

	31 Jan 2019 in EUR k	31 Jan 2020 including IFRS 16 in EUR k	Impact of IFRS 16 in EUR k	31 Jan 2020 excluding IFRS 16 in EUR k	Change excluding IFRS 16 in EUR k	Change excluding IFRS 16 in %
+ Financial liabilities (non-current)	662,282	1,070,520	- 708,765	361,755	- 300,527	- 45.4
./ Derivative financial instruments (non-current)	- 187	- 145		- 145	42	- 22.5
+ Financial liabilities (current)	543,324	915,250	- 128,817	786,433	243,109	44.7
./ Derivative financial instruments (current)	- 5,733	- 5,324		- 5,324	409	- 7.1
./ Cash and cash equivalents	- 152,845	- 245,986		- 245,986	- 93,141	60.9
+ Receivables sold in the course of factoring and ABS transactions	463,065	469,553		469,553	6,488	1.4
./ Factoring receivables	- 24,412	- 24,681		- 24,681	- 269	1.1
./ Receivables from ABS programmes	- 34,316	- 26,007		- 26,007	8,309	- 24.2
Net debt	1,451,178	2,153,180	- 837,582	1,315,598	- 135,580	- 9.3

Trade payables increased by EUR 172.2m on the prior year to EUR 3,785.5m primarily due to acquisitions.

EMPLOYEES

At the end of fiscal year 2019/20, PHOENIX employed 39,013 employees in 27 European countries. Consequently, headcount increased by 5.0% compared to the prior year. This increase is due in particular to the takeover of pharmacies in the Netherlands, Romania, Serbia and the Czech Republic along with our general business expansion. The number of full-time equivalents increased by 8.0% to 32,009.

Follow-up process derived from the employee survey

The opinions, satisfaction and motivation of its employees are particularly important to PHOENIX. In order to foster dialogue further, we conducted the second group-wide employee survey in autumn 2018. The participation rate stood at 64% of the workforce and was thus slightly higher than in our first survey in 2015.

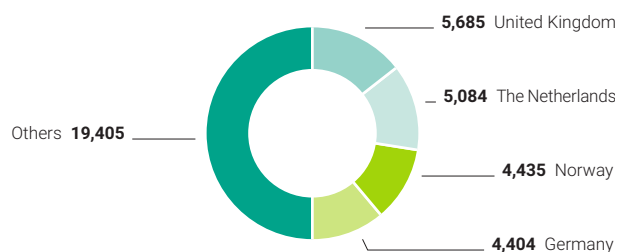
DEVELOPMENT OF EMPLOYEES

Number as of 31/01/



EMPLOYEES BY COUNTRY

as of 31/01/2020



One important result: In countries and business segments with a consistent follow-up process to the 2015 employee survey, employees felt a significantly stronger affiliation to the national subsidiaries of PHOENIX. Therefore, after the second survey, we focused on an optimised follow-up process, which we kicked off under the motto “#betteveryday”. In this regard, the divisions and distribution centres purposefully translated the results of the survey into measures, including workshops amongst others.

In addition, idea spaces were set up at PHOENIX Germany, for example, in order to actively take advantage of the opportunities available for improvement. These spaces allow employees to develop ideas for improvement. These are subsequently worked on in small groups in what are known as idea workshops. Our aim is that the results from these workshops ultimately trickle down into our day-to-day operations.

The binding follow-up process is followed by the Pulse-Check 2020, in which we once again conduct surveys to assess the status quo in the overarching actions areas and use the Employee Commitment Index ECI to determine whether the measures that have been derived have led to improvements. PHOENIX's management has received progress reports from the various countries on all of the measures introduced.

PHOENIX also receives important feedback on potential for improvement from the annual talks with employees. We also want to improve digital employee communication and to this end have gradually started to introduce an employee app in the various countries. For example, since the end of November 2019 employees in Germany have been able to use the “Speakap” app for communication and information as well as for dialogue and exchange.

Furthermore, in October and November 2019, PHOENIX carried out a feedback process for management. We wanted to use this to check how our Leadership Guidelines are being implemented. This is to help management to continuously improve their leadership skills.

Focused further training

We build upon further training in order to recognise the potential of our employees and systematically foster their abilities. This allows PHOENIX's employees to expand their professional competence and develop personally. In fiscal year 2019/20, employees and managers took part in a total of 95 training measures.

Depending on their function, employees participate in targeted on-boarding programmes and training. 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 are continuing to use e-learning systems, which are also an efficient form of providing training in a corporate group that is active across Europe. Our excellence programmes also strengthen the exchange of best practices.

We would like to fill senior staff positions internally where possible. To this end, we have put in place succession planning for top positions that offers more extensive career opportunities for management and strengthens their connection with the company. Our Talent Management process identifies top performers in the company and provides them with support using optimal staff development instruments – both at a group level and a national level.

Furthermore, PHOENIX has also set up international development programmes to support talented managers:

- the Top Management Education Programme (TMP) for all of PHOENIX'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).

The SMP and MMP programmes both consist of three classroom-based events with interactive training sessions and workshops in various European cities. There are also online meetings or webinars in between these sessions. As part of these, not only do participants learn useful methods and skills for their day-to-day work, but they also get to know colleagues from other countries and divisions.

In Germany, we also offer the Talent Development Programme (TDP) for employees with the potential to embark upon a specialist or management career path. Group and divisional leaders with the potential to make the step up to the next highest level have the opportunity to develop further in Management Development Programme I (MDP I). Further development programmes (MDP II and III) for higher levels of management are in the planning stage.

Committed to training

PHOENIX offers young people a diverse range of opportunities to join the firm, such as internships, apprenticeships and combined courses of study. We are regularly involved in various careers and degree information events as well as training fairs in order to raise awareness of our company amongst interested applicants.

In fiscal year 2019/20, the German sub-group of PHOENIX employed 109 trainees and 14 combined degree students. The traineeships available in our company include 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. During the combined degree programme, young people also have the opportunity to spend a period abroad and experience in another country and another language. In fiscal year 2019/20, these included placements at the national subsidiaries in Estonia, Croatia, Latvia, and Serbia.

RISK AND OPPORTUNITY REPORT

- Risk management system allows risks to be monitored
- Risks and opportunities identified as part of risk management
- Quality and stability of operating processes serve as a foundation
- PHOENIX exploits opportunities

RISK MANAGEMENT

The risk management system within PHOENIX consists of planning, approval and reporting structures and an early warning system. The internal audit department examines this system regularly for adequacy, operability and efficiency. The Management Board regularly receives reports on the audit findings of the internal audit.

RISKS

PHOENIX 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 is 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.

With the advance of digitalisation, new competitors are seeking to establish themselves in the market with online offerings in competition with traditional pharmacies and the wholesale business. We are monitoring these activities and are reviewing in which areas it is expedient and admissible to set up or expand our own online offering.

Brexit, which took place on 31 January 2020, could give rise to economic and political uncertainty. It still cannot be predicted whether and to what extent this will have on the wholesale and retail pharmaceutical business. There could also be unexpected fluctuations in the exchange rate, which could cause the translation risk to increase.

The global spread of coronavirus has given rise to growing risks for global macroeconomic development since the start of 2020, which could also have a negative effect on our businesses. Given the high level of uncertainty, it is difficult to estimate the impact this will have on the economy. We initially expect a rise in revenue due to increased demand for medicines. In the mid-term, there could be a reversal of this effect. On the procurement side, there are risks in terms of the availability of certain drugs whose production requires basic components from Asia in particular. Furthermore, there are personnel risks if employees miss work due to sickness. Plans are in place within PHOENIX that should ensure the continuation of the group's operations.

Credit risk and accounts receivable management

The credit risk at PHOENIX, 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

PHOENIX'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 Management 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

PHOENIX 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, PHOENIX 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 2019/20, 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 PHOENIX as 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, the Norwegian krone and the Hungarian forint are of relevance for PHOENIX. 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 dollars. 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 PHOENIX 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.

OPPORTUNITIES

PHOENIX is active in 27 countries in Europe. The broad geographic diversification reduces the impact of changes in healthcare policy in individual markets on the group's business development. Thanks to its broad geographical coverage, for instance, PHOENIX can also offer the pharmaceutical industry services across Europe.

Strong market position in wholesale

PHOENIX 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.

Many of our pharmacy customers take part in the company's cooperation programmes. In some countries, PHOENIX also offers franchise systems for independent pharmacies.

Financial prerequisites for future growth established

The integration of the wholesale and retail pharmaceutical business also offers opportunities.

In the area of logistics, PHOENIX is aiming to implement process improvements across Europe and on an ongoing basis. **More information can be found under "Ongoing optimisation" on [p. 6](#).** 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 with an equity ratio of over 30% and financing with a long-term outlook have established the financial prerequisites for the future growth of PHOENIX. This applies as regards both organic growth and appropriate acquisitions.

MANAGEMENT BOARD'S OVERALL ASSESSMENT OF THE RISKS AND OPPORTUNITIES

On the whole, PHOENIX is active on a stable market and is well equipped to conduct activities in the areas of wholesale, retail and pre-wholesale. This allows it to 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

- High levels of uncertainty expected regarding economic growth in the eurozone and Germany
- PHOENIX's revenue set to increase at a slightly higher rate than European pharmaceutical markets
- The company is well equipped to achieve further positive business development

FUTURE ECONOMIC ENVIRONMENT

There is a high level of uncertainty regarding economic development for 2020 in Germany and the eurozone owing to the coronavirus pandemic. Whilst the economic implications were initially felt in China, since the end of January, the crisis has also increasingly impacted Europe. Based on the information currently available, it is difficult to estimate the impact this will have on the economy. However, the longer the pandemic lasts, the more severe the consequences could be. Leading German economic research institutes currently expect a decline in gross domestic product (GDP) in the eurozone of 5.3% and 4.2% in Germany. From a current perspective, PHOENIX does not expect there to be any significant impact on the group's assets, liabilities, financial position and financial performance. However, the economic risks as a consequence of the coronavirus crisis have recently heightened significantly.

We expect the pharmaceutical markets in Europe to record market growth of around 2.5% overall in 2020. In Germany, our largest market, we anticipate market growth of approximately 2.6%. Consequently, growth should increase compared to 2019.

Mannheim, 9 April 2020

The Management Board of the unlimited partner
PHOENIX Verwaltungs GmbH

Sven Seidel (Chair)

Helmut Fischer

Marcus Freitag

Frank Große-Natrop

Stefan Herfeld

FUTURE DEVELOPMENT OF PHOENIX

For fiscal year 2020/21, PHOENIX 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.

For fiscal year 2020/21, we expect earnings before taxes to be significantly above the level seen in 2019/20.

We also expect a slight increase in the equity ratio.

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

The Management Board is convinced that with its presence in 27 European countries and its sound financing structure, PHOENIX is well-positioned to continue to achieve positive business development over the medium- and long-term. In addition to the organic and acquisition-related growth, increasing cost efficiency should also be an important contributing factor.



**EXTRACT
FROM THE
CONSOLIDATED
FINANCIAL
STATEMENTS
2019/20**

21	CONSOLIDATED INCOME STATEMENT
22	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
23	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
25	CONSOLIDATED STATEMENT OF CASH FLOWS
27	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED INCOME STATEMENT

for fiscal year 2019/20

EUR k	Note	FY 2018/19	FY 2019/20
Revenue	1	25,812,179	27,323,261
Cost of purchased goods and services		-23,188,211	-24,411,176
Gross profit		2,623,968	2,912,085
Other operating income	2	158,120	31,705
Personnel expenses	3	-1,420,779	-1,510,114
Other operating expenses	4	-919,112	-830,625
Result from associates and joint ventures	5	8,650	1,270
Result from other investments	5	1,922	2,201
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		452,769	606,522
Amortisation of intangible assets and depreciation of property, plant and equipment	6	-138,025	-273,481
Impairment of intangible assets and property, plant and equipment	6	-288,448	-167,391
Earnings before interest and taxes (EBIT)		26,296	165,650
Interest income		17,845	17,830
Interest expense		-48,902	-75,393
Other financial result		-12,660	-4,175
Financial result	7	-43,717	-61,738
Profit before income tax		-17,421	103,912
Income tax	8	-80,185	-68,783
Profit for the period		-97,606	35,129
thereof attributable to non-controlling interests		40,161	33,753
thereof attributable to equity holders of the parent		-137,767	1,376

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for fiscal year 2019/20

EUR k	FY 2018/19	FY 2019/20
Earnings after taxes	-97,606	35,129
Items not reclassified to profit or loss		
Remeasurement of defined benefit plans	-16,862	13,534
Items that may be subsequently reclassified to profit or loss as a result		
Currency translation differences	-2,160	3,055
Components of other comprehensive income, net of tax	-19,022	16,589
Total comprehensive income	-116,628	51,718
thereof attributable to non-controlling interests	40,025	33,323
thereof attributable to equity holders of the parent	-156,653	18,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 January 2020

ASSETS

EUR k	Note	31 Jan 2019	31 Jan 2020
Non-current assets			
Intangible assets	9	1,837,805	1,813,605
Property, plant and equipment	10	966,580	1,782,480
Investment property	10, 11	10,042	11,744
Investments in associates and joint ventures	12	7,220	6,272
Trade receivables		309	589
Other financial assets	13	88,050	113,054
Deferred tax assets	8	65,811	77,371
		2,975,817	3,805,115
Current assets			
Inventories	14	2,301,048	2,561,829
Trade receivables	15	2,552,315	2,624,812
Income tax receivables		35,970	21,182
Other financial assets	15	501,061	270,216
Other assets	16	135,279	139,886
Cash and cash equivalents	17	152,845	245,986
		5,678,518	5,863,911
Non-current assets held for sale	24	39,417	19,786
Total assets		8,693,752	9,688,812

EQUITY AND LIABILITIES

EUR k	Note	31 Jan 2019	31 Jan 2020
Equity			
Unlimited and limited partners' capital	18	1,000,000	1,000,000
Reserves	18	2,136,450	2,126,012
Accumulated other comprehensive income	18	-260,448	-243,429
Equity attributable to the shareholders of the parent		2,876,002	2,882,583
Non-controlling interests	12, 18	268,750	282,836
		3,144,752	3,165,419
Non-current liabilities			
Financial liabilities	21	662,282	1,070,520
Trade payables	22	0	435
Provisions for pensions and similar obligations	19	249,589	216,265
Other non-current provisions	20	2,481	3,479
Deferred tax liabilities	8	116,460	125,400
Other non-current liabilities		1,452	1,142
		1,032,264	1,417,241
Current liabilities			
Financial liabilities	21	543,324	915,250
Trade payables	22	3,613,235	3,785,029
Other provisions	20	37,271	48,465
Income tax liabilities		32,206	35,338
Other liabilities	23	290,700	322,070
		4,516,736	5,106,152
Total equity and liabilities		8,693,752	9,688,812

CONSOLIDATED STATEMENT OF CASH FLOWS

for fiscal year 2019/20

EUR k	31 Jan 2019	31 Jan 2020
Earnings after income taxes	-97,606	35,129
Income taxes	80,185	68,783
Earnings before income taxes	-17,421	103,912
Adjustments for:		
Interest expenses and interest income	31,057	57,563
Amortisation, depreciation and write-ups of intangible assets, property, plant and equipment and investment property	426,473	440,872
Result from associates and other investments	-10,572	-3,471
Result from the disposal of assets allocated to investing activities	6,505	-2,248
Other non-cash expenses and income	109,921	68,410
	545,963	665,038
Interest paid	-51,938	-74,093
Interest received	14,186	18,538
Income tax paid	-73,690	-50,907
Dividends received	2,062	2,518
Earnings before changes in assets and equity and liabilities	436,583	561,094
Changes in assets and equity and liabilities, adjusted for effects from changes in the basis of consolidation and other non-cash changes:		
Changes in non-current provisions	-31,691	-38,133
Earnings before changes in operating assets and equity and liabilities	404,892	522,961
Changes in inventories	-97,431	-257,400
Changes in trade receivables	-103,666	-81,536
Changes in trade payables	223,531	159,716
	22,434	-179,220
Changes in other assets and equity and liabilities not allocated to investing or financing activities.	-70,125	-49,410
Changes in operating assets and equity and liabilities	-47,691	-228,630
Cash flow from operating activities	357,201	294,331
Acquisition of consolidated entities and business units less any cash and cash equivalents acquired	-148,887	-56,653
Investments in intangible assets, property, plant and equipment and investment property	-174,748	-200,843
Investments in other financial assets and non-current assets	-2,955	-2,515
Investments	-326,590	-260,011

EUR k	31 Jan 2019	31 Jan 2020
Cash received from the sale of consolidated entities and business units less any cash and cash equivalents transferred	353	2,993
Cash received from the sale of intangible assets, property, plant and equipment and investment property	7,728	22,191
Proceeds from other financial assets and non-current assets	106,207	205,773
Proceeds from investments and divestitures	114,288	230,957
Cash flow from investing activities	-212,302	-29,054
Cash available for financing activities	144,899	265,277
Capital contribution from/capital repayment to non-controlling interest(s)	0	575
Acquisition of additional shares in already consolidated entities	-4,159	-1,301
Proceeds from the sale of consolidated entities that do not result in a loss of control	0	324
Dividend payments to non-controlling interests	-12,689	-18,130
Issue of bonds and loans from banks	46,744	80,143
Repayment of bonds and loans to banks	-164,372	-132,659
Changes in bank loans with a term of up to three months	43,039	52,587
Issue of loans from partners of the parent company	60,000	9,783
Repayment of loans to partners of the parent company	-71,941	-9,300
Issue of loans from related parties	600,000	103,130
Repayment of loans from related parties	-600,000	-100,220
Changes in ABS/factoring liabilities	7,344	-23,187
Changes in finance lease liabilities	-982	-141,649
Changes in other financial liabilities	-117	5,142
Cash flow from financing activities	-97,133	-174,762
Change in cash and cash equivalents	47,766	90,515
Effect of exchange rate changes on cash and cash equivalents	664	2,626
Cash and cash equivalents at the beginning of the period	104,415	152,845
Cash and cash equivalents at the end of the period	152,845	245,986
Cash and cash equivalents disclosed at the end of the period	152,845	245,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for fiscal year 2019/20

EUR k	Unlimited and limited partners' capital	Reserves
1 February 2018	1,000,000	1,721,560
First-time application of IFRS 9		- 12,110
1 February 2018 (restated)	1,000,000	1,709,450
Earnings after taxes		- 137,767
Accumulated other comprehensive income		
Total comprehensive income after taxes		- 137,767
Changes in interests for subsidiaries		102,435
Sale of treasury shares		266,783
Dividends		
Other transactions with owners		199,186
Other changes in equity		- 3,637
31 January 2019	1,000,000	2,136,450
1 February 2019	1,000,000	2,136,450
First-time application of IFRS 16		- 10,991
1 February 2019 (restated)	1,000,000	2,125,459
Earnings after taxes		1,376
Accumulated other comprehensive income		
Total comprehensive income after taxes		1,376
Changes in interests for subsidiaries		- 1,223
Dividends		
Other changes in equity		400
31 January 2020	1,000,000	2,126,012

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
-96,269	12,511	-139,806	2,497,996	341,973	2,839,969
	-12,511		-24,621	-1,385	-26,006
-96,269	0	-139,806	2,473,375	340,588	2,813,963
			-137,767	40,161	-97,606
-2,044		-16,842	-18,886	-136	-19,022
-2,044		-16,842	-156,653	40,025	-116,628
-2,304		-2,930	97,201	-100,439	-3,238
		-253	266,530	0	266,530
			0	-13,568	-13,568
			199,186	0	199,186
			-3,637	2,144	-1,493
-100,617	0	-159,831	2,876,002	268,750	3,144,752
-100,617	0	-159,831	2,876,002	268,750	3,144,752
			-10,991	-408	-11,399
-100,617	0	-159,831	2,865,011	268,342	3,133,353
			1,376	33,753	35,129
3,480		13,539	17,019	-430	16,589
3,480		13,539	18,395	33,323	51,718
			-1,223	-656	-1,879
			0	-19,045	-19,045
			400	872	1,272
-97,137	0	-146,292	2,882,583	282,836	3,165,419

FINANCIAL CALENDAR 2020

Please consult our calendar for the most important announcement dates:

23 June	Quarterly statement February to April 2020
24 September	Half-year report February to July 2020
17 December	Quarterly statement February to October 2020

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